



# SHOREWAY OPERATIONS AND CONTRACT MANAGEMENT



## STAFF REPORT

To: SBWMA Board Members  
 From: Hilary Gans, Facility Operations Contracts Manager  
 Farouk Fakira, Finance Manager  
 Date: September 24, 2015 Board of Directors Meeting  
 Subject: Resolution Approving 2016 South Bay Recycling Compensation Application

### Recommendation

Staff recommends the Board approve of Resolution 2015-26 attached hereto authorizing the following action:

- Approval of 2016 South Bay Recycling (SBR) Compensation Application.

**Exhibit A** contains the SBWMA Final Report - Review of 2016 South Bay Recycling Compensation Application for Board consideration.

### Analysis

The recommended 2016 overall compensation adjustment for SBR is 1.52% which compares closely to last year's adjustment of 1.3%. The modest increase in 2016 is the result of a decrease in fuel cost index and modest increases in labor and other indexes which govern the rate of SBRs' costs adjusted as established in the Operations Agreement.

The SBWMA staff conducted the review of the SBR Compensation Application and worked closely with the company to ensure that questions and concerns were answered and their application was modified as necessary to address any changes. Staff has verified that the SBR Compensation Application is complete and meets the requirements of the Agreement. The results of the review and recommended rate adjustment are summarized in **Table 1** below.

Table 1 2015 Payment vs. 2016 Payment					
Cost Category	2015		Rate Adjustment	2016	
	Total Cost	Payment/Ton	%	Total Cost	Payment/Ton
<b>Operating Cost</b>					
Transfer Station Fee	\$ 4,502,919	\$ 12.59	1.97%	\$ 4,591,441	\$ 12.84
MRF Fee (net of residue)	\$ 5,777,977	\$ 78.06	2.17%	\$ 5,903,812	\$ 79.76
Transport Fee ( <i>cost/ton-mile</i> )	\$ 6,508,106	\$ 1.075	0.62%	\$ 6,548,766	\$ 1.081
<i>Transport (cost/ton)</i>	-	\$ 18.19	0.62%	-	\$ 18.31
Total Operating Cost	\$ 16,789,002		<b>1.52%</b>	\$ 17,044,019	

(Note: the total costs shown in the above table are for illustration purposes only. SBR is paid the approved fee per ton on the **actual** tons received at the Shoreway facility).

### Background

Each year, the SBR Final Rate Report is brought forward to the Board simultaneously with the Recology San Mateo County (RSMC) Rate Report.



On July 1, 2015 SBR submitted a 2016 Compensation Application report to the SBWMA as required under the Shoreway Operations Agreement in Article 7.12 (which prescribes the process by which this application is reviewed and the company's compensation is approved). The SBWMA staff reviewed the SBR 2016 Compensation Application for completeness, accuracy and consistency and issued a SBWMA Draft Report Review of 2016 South Bay Recycling Compensation Application on August 14<sup>th</sup>. The SBWMA staff requested that Member Agencies provide input on the Draft Report by August 28<sup>th</sup>. No comments were received from Board Members or Member Agency staff and no changes were made to the Compensation Application.

It is important to note that the approved compensation for SBR will be part of the calculation to arrive at the 2016 tipping fees to be charged at the Shoreway Facility. The Shoreway tip fees are based on all the SBWMA operating costs (composed of disposal and processing expense, franchise fees to City of San Carlos, SBWMA program budget and debt service payments) less commodity revenue. Disposal and processing expense based on estimated Shoreway tipping fees are included as a pass-through expense in the calculation of each Member Agency's total Revenue Requirement (*shown as "Disposal and Processing Fees" in Table 8, line A4 of the SBWMA Report Reviewing the 2016 Recology San Mateo County Compensation Application*) for setting solid waste collection rates.

### **Fiscal Impact**

The recommended 2016 overall compensation adjustment for SBR is 1.52% which compares closely to last year's adjustment of 1.3%. Details of SBR compensation can be found in Exhibit A: SBWMA Final Report - Review of 2016 South Bay Recycling Compensation Application.

#### **Attachments:**

*Resolution 2015-26*

*Exhibit A - SBWMA Final Report - Review of 2016 South Bay Recycling Compensation Application*



**RESOLUTION NO. 2015-26**  
**RESOLUTION OF THE SOUTH BAYSIDE WASTE**  
**MANAGEMENT AUTHORITY BOARD OF DIRECTORS**  
**APPROVING 2016 SOUTH BAY RECYCLING COMPENSATION APPLICATION**

**WHEREAS**, The South Bayside Waste Management Authority (SBWMA) prepared and issued to the SBWMA Board of Director's on August 14, 2015 the SBWMA Draft Report on Review of 2016 South Bay Recycling (SBR) Compensation Application (Report); and

**WHEREAS**, SBWMA staff requested Board Member and Member Agency review of a Draft Report concurrent with review of the Draft Report on 2016 RSMC Compensation Application and requested comments, questions and concerns to be submitted by August 28, 2015; and

**WHEREAS**, SBWMA revised the Draft Report based on any comments received from Board Members and Member Agencies and additional information provided by SBR and issued the Final Report (**Exhibit A**) to the Board of Directors; and

**WHEREAS**, the Final Report recommends adjustments to SBR's compensation from its 2015 base costs to 2016.

**NOW, THEREFORE BE IT RESOLVED** that the South Bayside Waste Management Authority hereby approves the SBWMA Final Report on Review of 2016 South Bay Recycling Compensation Application.

**PASSED AND ADOPTED** by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 24<sup>th</sup> day of September, 2015, by the following vote:

Agency	Yes	No	Abstain	Absent	Agency	Yes	No	Abstain	Absent
Atherton					Menlo Park				
Belmont					Redwood City				
Burlingame					San Carlos				
East Palo Alto					San Mateo				
Foster City					County of San Mateo				
Hillsborough					West Bay Sanitary Dist.				

I HEREBY CERTIFY that the foregoing Resolution No. 2015-26 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on September 24, 2015.

\_\_\_\_\_  
 Bill Widmer, Chairperson of SBWMA

ATTEST:

\_\_\_\_\_  
 Cyndi Urman, Board Secretary



**SBWMA FINAL REPORT**

**REVIEW OF  
SOUTH BAY RECYCLING  
2016 COMPENSATION ADJUSTMENT  
APPLICATION**

September 17, 2015

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**SECTION 1. BACKGROUND**

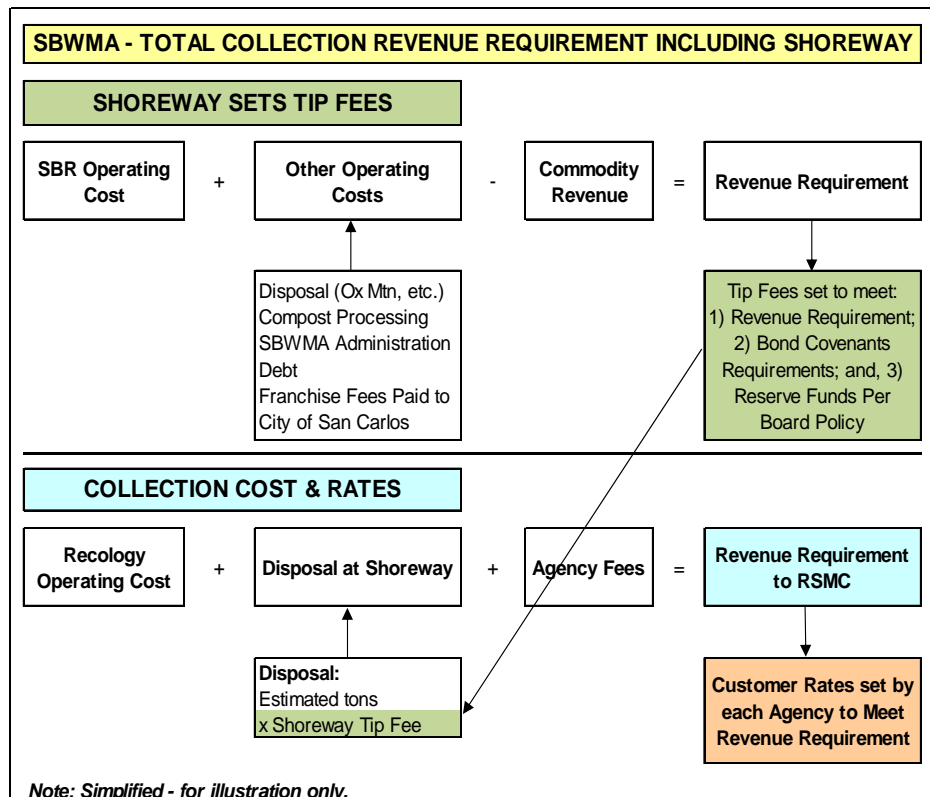
**A. Shoreway Operations Agreement Terms**

South Bay Recycling, LLC (SBR) was selected as the facility operator on April 23, 2009, and a Shoreway Operations Agreement (“Agreement”) was approved by the Board on July 23, 2009. Article 7 and Attachments 13-A and B of the Agreement prescribe that the SBWMA is responsible for conducting the annual review and analysis of SBR’s compensation application due by July 1<sup>st</sup> each year. The SBWMA is charged with performing a thorough review to ensure the application is complete and follows the proscribed compensation adjustment methodology in the Operations Agreement to arrive at the recommended 2016 fees per ton contained in this report. This rate application provides the basis for adjusting SBR’s approved 2015 fees per ton for the rate year of 2016. SBR is paid monthly based on the approved fees per ton times the actual number of tons processed and transported.

**B. Calculation of Total Collection Revenue Requirement**

The approved 2016 compensation for SBR will be bundled with all other SBWMA operating budget expenses (e.g., disposal expense, franchise fees paid to the City of San Carlos, debt service, Agency program budget, etc.) to set the 2016 Shoreway Tip Fees which are considered at the November SBWMA Board meeting each year. The tip fees are budgeted to increase by 2.16% for FY1516.

The 2016 Shoreway Tip Fees are the basis for setting the Disposal Pass-Through expenses that become part of the Total Collection expense and the total Revenue Requirement for each Member Agency upon which it sets its solid waste rates for 2016. These costs are described in detail in “Other Pass-Through Costs” in the 2016 Recology Final Rate Report and are the result of the Shoreway Facility tipping fees charged on the estimated number of solid waste and organics tons delivered to Shoreway throughout the year. The figure below graphically shows how the Shoreway tipping fees are related to the calculation of the Member Agency revenue requirements.



**C. Description of Cost Components**

As described in Article 7.03 of the Agreement, SBR’s basic compensation includes payment for the three core services provided. Payment is based on the fees per ton times the number of tons for:

- **Transfer Station Processing**
- **Recyclable Materials Processing**
- **Transportation to Disposal and Processing Sites**

As described in Attachment 13-A of the Agreement, the fees for the above fee services each comprised of four distinct cost components:

- A. Labor Costs
- B. Fuel and Power Costs
- C. Depreciation Cost
- D. Other Operating and Maintenance Costs

Three of these cost components (i.e., labor, fuel and power, and other operating and maintenance costs), in turn, have subcomponents as follows:

- A. Labor Costs
  - 1. Wages for CBA labor (*index*)
  - 2. Benefits for CBA labor (*index*)
  - 3. Workers’ compensation insurance (CBA labor) (*index*)
  - 4. Payroll taxes (CBA labor) (*non-index*)
  - 5. Outside contracted workers from third-party sources (VRS) (*index*)
- B. Fuel and Power Costs
  - 1. Electricity (*non-index*)
  - 2. Fuel (*index*)
- C. Depreciation Cost (*no adjustment*)
- D. Other Operating and Maintenance Costs (*index*)
  - 1. Wages and benefits for non-CBA employees
  - 2. Wages and benefits for CBA clerical
  - 3. Repair and maintenance expenses
  - 4. Equipment rental expenses
  - 5. Other vehicle-related expenses (e.g. licensing, taxes)
  - 6. Insurance, safety and claims
  - 7. Other general & administrative expense

**D. Cost Adjustment Process**

A major goal for the Shoreway Operations Contractor selection process that was initiated in 2005 was to make the contractor’s cost adjustment process more predictable and transparent. Article 7.05 and Attachment 13-A of the Operations Agreement prescribes a detailed cost adjustment methodology that ties most of the cost adjustments to standard indexes (i.e., CPI). This cost adjustment methodology is the basis for SBR’s Rate Application submittal and the SBWMA staff’s subsequent review for completeness, accuracy, and consistency with the requirements of the Agreement.

The cost adjustment process uses SBR’s approved 2015 Fees as the basis for adjustment to the new 2016 Fees. As detailed in the Agreement, the adjustment process for the 2016 Fees structure is illustrated in the chart on the next page.



<b>SBWMA - Shoreway Operations Contractor Cost Adjustment Process</b>		
<b>2015 Base Cost</b>	<b>Adjustment</b>	<b>2016 Compensation</b>
CBA: TS/MRF, Mechanics, Drivers, & Clerical (wages and benefits)	+ Index	= Base plus Adjustment
Other Cost	+ Index	= Base plus Adjustment
Power	+ Blend of actual PG&E rate & ISH Solar rate	= Base plus Adjustment
Depreciation	+ No Change	= Prior year's Depreciation
<b>Profit</b>	+ Profit calculated on total adjustments at Operating Ratio in Proposal	= Base plus Adjustment
<b>Pass-Through Cost</b>		
Interest	Interest is fixed on sliding scale based on final capital cost	Annual Interest Expense per Interest Schedule
Other	Actual cost reimbursed (i.e., Buyback payments, new regulatory fees, etc.)	Actual Cost
<b>Total Base Compensation</b>	+ <b>Total of Above</b>	= <b>Total of Above</b>

*Note: Simplified - for illustration only.*

**E. Commodity Revenue Sharing**

Another portion of SBR’s compensation comes from Commodity Revenue Share. The commodity revenues from the recyclable materials processed at the Shoreway MRF are split between SBWMA and SBR -- SBR receives a minority share of the MRF commodity revenues as an incentive to maintain high recovery and obtain the best commodity sales prices. However, SBR guarantees to the SBWMA commodity revenue of \$5.5 million and the Revenue Share only starts after the guarantee threshold is met (\$5.5 million).

In year 2015, the Commodity Revenue Share to SBR was twenty-eight percent (28%) and SBR was paid a 28% of the commodity sales revenue above the Revenue Guarantee. In 2016, as a result of the MRF’s high recovery and low residue in year 2015, SBR is again eligible for a 28% share of commodity sales revenue (see Article 7.07 of the Agreement - Residue-Reduction Incentive Program). In 2015, the residue rate at the MRF remained at 7% and subsequently the revenue share remains at 28% in 2016. (Note: the actual value of the revenue share is not shown in this report, since it is based on the actual tonnage and commodity revenue for the full-year of 2015. Hence, an estimate is used in the SBWMA Annual Budget and calendar year projections. As a point of reference, the commodity sales revenue share paid to SBR in year 2015 was \$1,422,795.)

**SECTION 2. SBR 2016 COMPENSATION APPLICATION**

**A. Analysis of SBR 2016 Compensation Application**

The SBWMA staff conducted the review of the SBR Compensation Application and worked closely with the company to ensure that questions and concerns were answered and their application was modified as necessary to address any changes. Staff has verified that the SBR Rate Application is complete and meets the requirements of the Agreement. The results of the review and recommended rate adjustment are summarized in **Table 1** below.

Table 1 2015 Payment vs. 2016 Payment					
Cost Category	2015		Rate Adjustment	2016	
	Total Cost	Payment/Ton	%	Total Cost	Payment/Ton
<b>Operating Cost</b>					
Transfer Station Fee	\$ 4,502,919	\$ 12.59	1.97%	\$ 4,591,441	\$ 12.84
MRF Fee (net of residue)	\$ 5,777,977	\$ 78.06	2.17%	\$ 5,903,812	\$ 79.76
Transport Fee (cost/ton-mile)	\$ 6,508,106	\$ 1.075	0.62%	\$ 6,548,766	\$ 1.081
Transport (cost/ton)	-	\$ 18.19	0.62%	-	\$ 18.31
<b>Total Operating Cost</b>	<b>\$ 16,789,002</b>		<b>1.52%</b>	<b>\$ 17,044,019</b>	
<b>Contractor Pass-Through Costs</b>	<b>Total Cost</b>	<b>Payment/Ton</b>	<b>%</b>	<b>Total Cost</b>	<b>Payment/Ton</b>
Total Interest	\$ 196,470		-16.07%	\$ 164,898	
Buyback Payments Estimate	\$ 888,000		0.00%	\$ 888,000	
<b>Total Contractor Pass-Through Cost</b>	<b>\$ 1,084,470</b>		<b>-2.91%</b>	<b>\$ 1,052,898</b>	
<b>Total Compensation</b>	<b>\$ 17,873,472</b>		<b>1.25%</b>	<b>\$ 18,096,917</b>	

*Note: Buyback payments reflect current payment amount - 2015 total therefore will not tie to last year's Rate Report.*

In aggregate, the recommended 2016 fee adjustments results in an estimated total compensation increase of 1.52%. (Note: the total costs shown in the above table are for illustration purposes only. SBR is paid the approved fee per ton on the **actual** tons received at the Shoreway facility).

**B. Description of 2016 Compensation Adjustments**

Costs in the current compensation application are adjusted primarily based on changes in indexes.

Cost categories are adjusted based on the following criteria:

- Labor Cost (CBA for Operators, Mechanics, Drivers, and Clerical) – adjusted by index
- Power Cost - adjusted based on the change in power rates
- Fuel Cost - adjusted by an index
- Other Operating Costs - various indices such as CPI
- Depreciation Cost - is not adjusted
- Interest Expense - based on sliding fixed schedule

The results of the index-based cost adjustments for the 2016 rates are summarized in **Table 2** on the next page. A summary of the cost adjustments for 2016 by all cost categories are summarized in the subsequent **Table 3** of the report.

**Table 2**  
**Cost Adjustments by Year for Index Changes**

**Labor Cost: CBAs Wages & Benefits**

*Index: U.S. Department of Labor, Bureau of Labor Statistics, Private Industry Employment Cost Index for Service-Producing Industries (seasonally adjusted, total compensation, series no. cis201s000000000i)*

Year	2015	2014	2013	2012
Avg. Index - April	122.63	119.78	117.55	115.33
% Change	2.38%	1.89%	1.93%	2.17%

**Labor Costs: Workers Compensation Ins. & Workers from Third Party (VRS)**

*Index: U.S. Department of Labor, Bureau of Labor Statistics, Private Industry Employment Cost Index for Total All workers (not seasonally adjusted, total benefits, series no. CIU2030000000000A).*

Year	2015	2014	2013	2012
Avg. Index - April	123.45	120.50	118.07	115.90
% Change	2.45%	2.06%	1.87%	3.41%

**Fuel Costs:**

*Index: U.S. Department of Labor, Bureau of Labor Statistics, Producer Price Index - Commodity Index for #2 diesel fuel (not seasonally adjusted, fuels and related products and power, series no. wpu057303).*

Year	2015	2014	2013	2012
Index	314.87	314.87	323.28	325.80
% Change	-18.54%	-2.60%	-0.78%	25.57%

**Operating and Maintenance Costs**

*Index: U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index – All Urban Consumers, U.S. city average (not seasonally adjusted, all items, base period: 1982-84=100, series no. cuur0000sa).*

Year	2015	2014	2013	2012
Index (Annual)	236.66	234.15	230.76	226.93
% Change	1.07%	1.47%	1.69%	3.25%
80% of Index Change	0.86%	1.18%	1.35%	2.60%

*Note: There is no adjustment to depreciation expense in 2016.*

<b>Table 3</b>			
<b>2016 Cost Adjustment by Cost Category</b>			
<b>Cost Category</b>	<b>Basis for Adjustment</b>	<b>Adjustment Percentage</b>	<b>Explanation</b>
<b>Direct Labor - (All CBAs)</b>			
Wages	Index	2.38%	CBA wage adjustment based on index change.
Benefits	Index	2.38%	CBA benefit adjustment based on index change.
Worker's Compensation Insur.	Index	2.45%	Workers compensation adjustment based on index change
Payroll Tax	Tax rate & change in wages	2.38%	The payroll tax rate changes with any changes in federal or state payroll tax rates. The payroll tax expense changed due to higher base wages. The tax rate did not change.
<b>Direct Labor - Non CBA (VRS)</b>			
	Index	2.45%	Non-CBA (VRS) adjustment based on index change.
<b>Power</b>	PG&E & Solar Rates	4.80%	Power is adjusted by the blend of actual PG&E electricity rates and the Solar Power rate.
<b>Fuel</b>	Index	-18.54%	Fuel expense is adjusted by the actual change in the fuel index.
<b>Depreciation</b>	n/a	0.00%	There is no adjustment to depreciation.
<b>Other Operations &amp; Maintenance</b>	Index	0.86%	Other O&M expense includes non-CBA personnel, maintenance parts, insurance, general office expense, safety, etc. Other O&M expense is adjusted by 80% of an index.
<i>The 2015 cost components are adjusted to arrive at new costs for 2016. For all four CBA contracts and non-CBA costs, various indexes are used to adjust cost. Contractor 2016 compensation is based on 2016 cost per ton while payment is based on the calculated cost per ton and the actual monthly tons.</i>			

**C. Changes to Annual Labor Costs**

CBA wage and benefits are adjusted based on index changes. Since the labor cost component is the largest cost component in SBR's compensation the modest rate increase for 2016 can be attributed to all of the labor costs being indexed.

**D. Pass-Through Costs**

Pass-through costs are not subject to profit but are reimbursed to SBR at actual cost. The pass-through costs in the Facility Operations Agreement (Article 7.09) are as follows:

- Payments to buyback customers for purchase of recyclables are a pass-through expense. (Actual buyback payments to public customers will be reimbursed monthly in arrears).
- Changes to regulatory fees qualify as pass-through costs.
- Interest expense on allowed capital (paid to SBR monthly at one-twelfth of the annual interest expense denoted in Attachment 13A, Interest Cost Form 3-M which schedules-out interest expense for the ten-year life of the contract on a sliding scale). The annual interest expense for 2016 is \$164,898, a 16% reduction from 2015.

**SECTION 3. RECOMMENDED SBR FEES/TON FOR 2016**

Staff recommends that the Board approve the following fees paid to SBR on a per-ton basis for 2016:

**Transfer Station Processing Fee.** The 2016 Transfer Station fee is \$12.84 per Ton.

**MRF Processing Fee.** The 2016 MRF Processing fee is \$84.49 per ton (note the Contractor pays for MRF residue transportation and disposal which is deducted from MRF Processing Fee resulting in an *Estimated Net MRF Processing Fee* as shown in **Table 5**).

**Transportation Fee.** There are multiple transportation fees for each material type (i.e., Solid Waste, Inerts, Construction and Demolition Debris, Plant Materials, and Organics) and for each destination. The average 2016 Transportation fee is \$1.081 per ton mile or approximately \$18.31 per ton. (The transportation rate detail for each material type and destination are presented in the **Appendix A - Cost Adjustment Worksheets**).

<b>Table 4</b>			
<b>2015 vs 2016 Adjustments to Compensation</b>			
	<b>2015</b>	<b>Adjustment Percentage</b>	<b>2016</b>
<b>Cost Components</b>	<b>Payment/Ton</b>		<b>Payment/Ton</b>
Transfer Station Processing Fee	\$ 12.59	1.97%	\$ 12.84
MRF Processing Fee (gross)	\$ 82.72	2.14%	\$ 84.49
Transport Fee (Blended Total cost/ton-mile)	\$ 1.075	0.62%	\$ 1.081
<i>Transport Fee (Shown as cost/ton)</i>	\$ 18.19	0.62%	\$ 18.31
<b>Total Adjustment</b>		<b>1.52%</b>	

<b>Table 5</b>			
<b>2015 MRF Processing Fee vs. 2016 MRF Processing Fee</b>			
	<b>2015</b>	<b>Adjustment Percentage</b>	<b>2016</b>
<b>Cost Components</b>	<b>Payment/Ton</b>		<b>Payment/Ton</b>
MRF Processing Fee (gross)	\$ 82.72	2.14%	\$ 84.49
MRF Residue (estimate)	\$ 4.66	1.45%	\$ 4.73
<i>Estimated Net MRF Processing Fee</i>	\$ 78.06	1.79%	\$ 79.76
<i>Note: Actual MRF residue is deducted from the gross MRF fee shown above.</i>			

## SOUTH BAY RECYCLING, LLC

### Compensation Adjustment Application for Rate Year 2016

#### A. SUMMARY OF FEES - 2015 to 2016

	2015	2016	% Increase
<b><u>Cost per Ton Fees</u></b>			
Transfer Station	\$ 12.59	\$ 12.84	2.0%
MRF (net residue)	\$ 78.06	\$ 79.76	2.2%
Transportation (cost / ton-mile)	\$ 1.07	\$ 1.08	0.6%
Transportation (cost / ton)	\$ 18.19	\$ 18.31	0.6%
<b><u>Total Cost Estimate by LOB</u></b>			
Transfer Station	\$ 4,502,919	\$ 4,591,441	2.0%
MRF (net residue)	\$ 5,777,977	\$ 5,903,812	2.2%
Transportation	\$ 6,508,106	\$ 6,548,766	0.6%
<b>Total Operating Cost</b>	<b>\$ 16,789,002</b>	<b>\$ 17,044,019</b>	<b>1.5%</b>
<b><u>Pass-Through Costs</u></b>			
Total Interest	\$ 196,470	\$ 164,898	-16.1%
Buyback Payment (estimate)	\$ 888,000	\$ 888,000	
<b>Total Pass-Through Cost</b>	<b>\$ 1,084,470</b>	<b>\$ 1,052,898</b>	<b>-2.9%</b>
<b>Total Estimated Expense</b>	<b>\$ 17,873,472</b>	<b>\$ 18,096,917</b>	<b>1.3%</b>

## SOUTH BAY RECYCLING, LLC

### Annual Compensation Adjustment for 2016

<b>B. TRANSFER STATION COST SUMMARY</b>	<b>2015</b>	<b>2016</b>
<b>SUMMARY OF ANNUAL FEE ADJUSTMENTS</b>	<b>Fee / Ton</b>	<b>Fee / Ton</b>
1. Direct Labor - CBA		
Wages	\$ 4.80	\$ 4.92
Benefits	\$ 2.40	\$ 2.50
W/C	\$ 0.65	\$ 0.67
PR Tax	\$ 0.42	\$ 0.43
<b>Total CBA Labor Cost</b>	<b>\$ 8.28</b>	<b>\$ 8.51</b>
2. Power	\$ 0.71	\$ 0.75
3. Fuel	\$ 0.39	\$ 0.32
4. Depreciation	\$ 0.29	\$ 0.29
5. Other O&M	\$ 1.74	\$ 1.76
6. Clerical CBA Wages & Benefits	\$ 0.37	\$ 0.38
<b>Total Operating</b>	<b>\$ 11.77</b>	<b>\$ 12.00</b>
Profit	\$ 0.82	\$ 0.83
Profit %	6.9%	6.9%
<b>Total Operating Cost</b>	<b>\$ 12.59</b>	<b>\$ 12.84</b>
% Increase	1.58%	1.97%
<b>Total Cost Estimate</b>	<b>\$ 4,502,919</b>	<b>\$ 4,591,441</b>

# SOUTH BAY RECYCLING, LLC

## Annual Compensation Adjustment for 2016

### B. TRANSFER STATION COST SUMMARY

2015

2016

#### DETERMINE PERCENTAGE CHANGE IN COSTS (Attachment 13-A, Section 1)

#### 1. Labor Cost Component Adjustment Factors

Labor Cost Component Adjustment Factors

Wages for Direct Labor

Updated direct labor cost per ton	\$ 4.80	\$ 4.92
Adjustment Factor for Wages Direct Labor	1.019	1.024
% Increase	1.89%	2.38%

Benefits for Direct Labor

Updated annual benefit cost per ton	\$ 2.44	\$ 2.50
Adjustment Factor for Benefits	1.029	1.024
% Increase	2.93%	2.38%

Workers Compensation Insurance for Direct Labor

Updated annual benefit cost per ton	\$ 0.65	\$ 0.67
Adjustment Factor	1.02	1.024

*Index: U.S. Department of Labor, Bureau of Labor Statistics, Private Industry Employment Cost Index for Total All workers (not seasonally adjusted, total benefits, series no. CIU2030000000000A).*

Payroll Taxes for Direct Labor

Updated Paryoll Tax cost per Ton	\$ 0.42	\$ 0.43
Adjustment Factor for payroll taxes shall equal the change in Federal Social Security & Medicare Tax Cost	8.70%	8.70%
Adjustment Factor	7.65%	7.65%
Adjustment Factor	1.000	1.000

#### 2. Fuel and Power Cost Component Adjustment Factors

Fuel and Power Cost Component Adjustment Factors

Power Adjustment

Updated Power cost per ton	\$ 0.71	\$ 0.75
Adjustment Factor	1.038	1.065

Fuel Adjustment

Updated Fuel cost per ton	\$ 0.39	\$ 0.32
Adjustment Factor	0.974	0.815

#### 3. Depreciation

Depreciation

Updated Depreciation cost per ton	\$ 0.29	\$ 0.29
Adjustment Factor (No adjustment after Year 1)	1.000	1.000

#### 4. Other Operating & Maintenance

Other Operating & Maintenance

Updated Other cost per ton	\$ 1.74	\$ 1.76
Adjustment Factor @ 80% of Index	1.012	1.009



## SOUTH BAY RECYCLING, LLC

### Annual Compensation Adjustment for 2016

C. MRF COST SUMMARY		2015	2016
SUMMARY OF ANNUAL FEE ADJUSTMENTS		Fee / Ton	Fee / Ton
1.	<b>Direct Labor - CBA</b>		
	Wages	\$ 18.07	\$ 18.50
	Benefits	\$ 9.44	\$ 9.80
	Workers Comp	\$ 2.59	\$ 2.65
	PR Tax	\$ 1.74	\$ 1.78
	<b>Total CBA Labor Cost</b>	<b>\$ 31.83</b>	<b>\$ 32.73</b>
2.	Third Party Wages & Benefits (VRS)	\$ 15.43	\$ 15.80
3.	Power	\$ 4.12	\$ 4.39
4.	Fuel	\$ 0.84	\$ 0.68
5.	Depreciation	\$ 1.91	\$ 1.91
6.	Other O&M	\$ 16.60	\$ 16.74
7.	Clerical CBA Wages & Benefits	\$ 1.77	\$ 1.82
	<b>Total Operating</b>	<b>\$ 72.49</b>	<b>\$ 74.07</b>
	Profit	\$ 5.57	\$ 5.69
	<b>Total Operating Cost Per Ton (excluding residue)</b>	<b>\$ 78.06</b>	<b>\$ 79.76</b>
	% Increase	1.72%	2.18%
	<b>Total Estimated Operator Cost (excluding residue)</b>	<b>\$ 5,777,977</b>	<b>\$ 5,903,812</b>
	<b><u>MRF Residue Paid by SBR</u></b>		
	Disposal Fees	\$ 3.65	\$ 3.71
	Transfer & Haul	\$ 1.02	\$ 1.03
	Total MRF Residue expense	\$ 4.66	\$ 4.73
	<b>Total Cost with MRF Residue</b>	<b>\$ 82.72</b>	<b>\$ 84.49</b>

*Note: cost / ton is fixed; total cost varies based on tonnage*

*Ox Mtn. disposal tip fee adjusted to actual rate for 2014*

# SOUTH BAY RECYCLING, LLC

## Annual Compensation Adjustment for 2016

### C. MRF COST SUMMARY

**2015**

**2016**

#### Determine Percentage Change in Costs (Attachment 13-A, Section 1)

2015	2016
Cost / Ton	Cost / Ton

#### 1. Labor Cost Component Adjustment Factors

Updated annual labor for direct labor	\$ 18.0692	\$ 18.50
Adjustment Factor	1.019	1.024
% Increase	1.9%	2.38%

##### Benefits for Direct Labor

Updated annual benefit cost per ton	\$ 9.57	\$ 9.80
Adjustment Factor	1.029	1.024
% Increase	2.93%	2.38%
One Time True Up (Rate Year 2015)	\$ (0.13185)	

##### Workers Compensation Insurance for Direct Labor

Updated annual benefit Costs	\$ 2.59	\$ 2.65
Adjustment Factor	1.021	1.024

##### Payroll Taxes for Direct Labor

Updated Payroll Tax cost per ton	\$ 1.74	\$ 1.78
Total Payroll Tax Rate %	9.6%	9.6%
Federal Social Security & Medicare tax rates	9.61%	9.61%
Adjustment Factor	1.000	1.000

#### 2. Labor & Benefits Component Adjustment Factor - non-CBA labor (VRS)

Updated annual costs	\$ 15.43	\$ 15.80
Adjustment Factor	1.021	1.024

*Index: U.S. Department of Labor, Bureau of Labor Statistics, Private Industry Employment Cost Index for Service-Producing Industries (seasonally adjusted, total compensation, series no. Ecs12102i replaced with cis201s0000000000i)*

#### 3. Fuel and Power Cost Component Adjustment Factors

##### Power Adjustment

Updated Power cost per ton	\$ 4.12	\$ 4.39
Adjustment Factor	1.038	1.065

*blend of PGE rate and solar rate*

##### Fuel Adjustment

Updated Fuel Costs	\$ 0.84	\$ 0.68
Adjustment Factor	0.974	0.815

#### 4. Depreciation

Updated Depr cost per ton	\$ 1.91	\$ 1.91
Adjustment Factor (No adjustment after Year 1)	1.000	1.000

**SOUTH BAY RECYCLING, LLC**

**Annual Compensation Adjustment for 2016**

**C. MRF COST SUMMARY**

**2015**

**2016**

**5. Other Operating & Maintenance**

Updated Other cost per ton

Adjustment Factor @ 80% of Index

*% Change in underlying index*

\$	16.60	\$	16.74
	1.012		1.009
	1.47%		1.07%

## SOUTH BAY RECYCLING, LLC

### Annual Compensation Adjustment for 2016

D. TRANSPORTATION COST SUMMARY	2015		2016
	Fee Per Ton- Mile	% Increase	Fee Per Ton- Mile
Solid Waste Transport Fee - Ox Mtn.	\$ 1.21	0.7%	\$ 1.22
Inert Transport Fee - Ox Mtn.	\$ 1.25	0.6%	\$ 1.25
C&D Transport Fee - Zanker	\$ 0.91	0.3%	\$ 0.91
Plant Matls Trans Fee - Newby	\$ 0.73	0.3%	\$ 0.73
Plant Matls Trans Fee - Grover	\$ 0.46	-0.7%	\$ 0.45
Organic Matl Trans Fee - Newby	\$ 0.89	0.5%	\$ 0.90
Organic Matl Trans Fee - Grover	\$ 0.51	-0.7%	\$ 0.51
Biomass Trans Fee - Biofuel	\$ 0.60	0.5%	\$ 0.60
Plant Matls Trans Fee - Zanker	\$ 0.73	0.3%	\$ 0.73
<b>BLENDED TOTAL</b>	<b>\$ 1.075</b>	<b>0.6%</b>	<b>\$ 1.081</b>
Total Cost Estimate	\$ 6,508,106	0.6%	\$ 6,548,766
Cost / Ton	\$ 18.19	\$ 0.11	\$ 18.31
Total Cost Increase %	1.3%		0.6%

### Adjust Transportation Fees (Attached 12-A, Section 4)

	2014		2015
	Adjusted Cost	Adjustment Factor	Adjusted Cost
<b>Direct Labor Component for All Transport Fees</b>			
Wages for CBA Labor	\$ 1,600,589	1.0238	\$ 1,638,675
Benefits for CBA Labor	\$ 683,357	1.0238	\$ 699,617
WC Insurance	\$ 171,536	1.0245	\$ 175,735
Payroll Taxes	\$ 135,414	1.000	\$ 138,636
<b>Total Cost Estimate (SW to Ox)</b>	<b>\$ 2,590,896</b>	<b>1.0238</b>	<b>\$ 2,652,663</b>
Cost/Ton	\$ 9.93	0.237	\$ 10.17
<b>Adjusted Labor for MSW Transport Fee (cost/ton-mile)</b>	<b>\$ 0.7642</b>	<b>1.0238</b>	<b>\$ 0.7824</b>
% Increase			<b>2.38%</b>

<b>Solid Waste Transport Fee - OX Mtn.</b>			
Labor component	\$ 0.7641	1.024	\$ 0.7823
Fuel	\$ 0.0651	0.815	\$ 0.0530
Depreciation	\$ 0.0851	1.000	\$ 0.0851
Other O&M Component	\$ 0.1754	1.009	\$ 0.1770
Clerical CBA wages & benefits	\$ 0.0251	1.024	\$ 0.0257
<b>Total Operating Cost</b>	<b>\$ 1.1148</b>		<b>\$ 1.1231</b>
Profit per Operating Ratio	\$ 0.0956		\$ 0.0963
<b>Total SW Transportation Fee</b>	<b>\$ 1.21047</b>	<b>0.7%</b>	<b>\$ 1.21944</b>

## SOUTH BAY RECYCLING, LLC

### Annual Compensation Adjustment for 2016

D. TRANSPORTATION COST SUMMARY	2015		2016
	Fee Per Ton- Mile	% Increase	Fee Per Ton- Mile
<b>Inert Transport Fee - OX Mtn.</b>			
Labor component	\$ 0.729	1.024	\$ 0.746
Fuel	\$ 0.072	0.815	\$ 0.058
Depreciation	\$ 0.085	1.000	\$ 0.085
Other O&M Component	\$ 0.220	1.009	\$ 0.222
Clerical CBA wages & benefits	\$ 0.032	1.024	\$ 0.032
<b>Total Operating Cost</b>	<b>\$ 1.138</b>		<b>\$ 1.144</b>
Profit per Operating Ratio	\$ 0.108		\$ 0.109
<b>Total Inert Transportation Fee</b>	<b>\$ 1.246</b>	<b>0.6%</b>	<b>\$ 1.253</b>
<b>C&amp;D Transport Fee - Zanker Road</b>			
Labor component	\$ 0.5733	1.024	\$ 0.5869
Fuel	\$ 0.0660	0.815	\$ 0.0538
Depreciation	\$ 0.0530	1.000	\$ 0.0530
Other O&M Component	\$ 0.1202	1.009	\$ 0.1212
Clerical CBA wages & benefits	\$ 0.0172	1.024	\$ 0.0176
<b>Total Operating Cost</b>	<b>\$ 0.8296</b>		<b>\$ 0.8325</b>
Profit per Operating Ratio	\$ 0.0761		\$ 0.0763
<b>Total C&amp;D Transportation Fee</b>	<b>\$ 0.90571</b>	<b>0.3%</b>	<b>\$ 0.90884</b>
<b>Plant Materials Transport Fee - Newby Is</b>			
Labor component	\$ 0.4508	1.024	\$ 0.4616
Fuel	\$ 0.0551	0.815	\$ 0.0449
Depreciation	\$ 0.0442	1.000	\$ 0.0442
Other O&M Component	\$ 0.1071	1.009	\$ 0.1080
Clerical CBA wages & benefits	\$ 0.0153	1.024	\$ 0.0157
<b>Total Operating Cost</b>	<b>\$ 0.6726</b>		<b>\$ 0.6744</b>
Profit per Operating Ratio	\$ 0.0601		\$ 0.0602
<b>Total Plant Material Transportation Fee</b>	<b>\$ 0.73267</b>	<b>0.3%</b>	<b>\$ 0.73465</b>
<b>Plant Materials Transport Fee - Grover</b>			
Labor component	\$ 0.2677	1.024	\$ 0.2741
Fuel	\$ 0.0550	0.815	\$ 0.0448
Depreciation	\$ 0.0286	1.000	\$ 0.0286
Other O&M Component	\$ 0.0587	1.009	\$ 0.0592
Clerical CBA wages & benefits	\$ 0.0084	1.024	\$ 0.0086
<b>Total Operating Cost</b>	<b>\$ 0.4185</b>		<b>\$ 0.4153</b>
Profit per Operating Ratio	\$ 0.0374		\$ 0.0371
<b>Total Plant Material Transportation Fee</b>	<b>\$ 0.45584</b>	<b>-0.7%</b>	<b>\$ 0.45245</b>

## SOUTH BAY RECYCLING, LLC

### Annual Compensation Adjustment for 2016

D. TRANSPORTATION COST SUMMARY	2015		2016
	Fee Per Ton-Mile	% Increase	Fee Per Ton-Mile

Organic Material Transport Fee - Newby Is			
Labor component	\$ 0.5635	1.024	\$ 0.5769
Fuel	\$ 0.0604	0.815	\$ 0.0492
Depreciation	\$ 0.0442	1.000	\$ 0.0442
Other O&M Component	\$ 0.1160	1.009	\$ 0.1170
Clerical CBA wages & benefits	\$ 0.0166	1.024	\$ 0.0170
<b>Total Operating Cost</b>	<b>\$ 0.8008</b>	<b>0.005</b>	<b>\$ 0.8044</b>
Profit per Operating Ratio	\$ 0.0939		\$ 0.0944
<b>Total Organic Material Transportation Fee</b>	<b>\$ 0.89474</b>	<b>0.5%</b>	<b>\$ 0.89879</b>

Organic Material Transport Fee - Grover			
Labor component	\$ 0.2917	1.024	\$ 0.2987
Fuel	\$ 0.0600	0.815	\$ 0.0489
Depreciation	\$ 0.0313	1.000	\$ 0.0313
Other O&M Component	\$ 0.0640	1.009	\$ 0.0645
Clerical CBA wages & benefits	\$ 0.0092	1.024	\$ 0.0094
<b>Total Operating Cost</b>	<b>\$ 0.4561</b>		<b>\$ 0.4527</b>
Profit per Operating Ratio	\$ 0.0535		\$ 0.0531
<b>Total Organic Material Transportation Fee</b>	<b>\$ 0.50961</b>	<b>-0.7%</b>	<b>\$ 0.50581</b>

Self-Haul Biomass - Biofuel			
<b>Total Operating Cost</b>	<b>\$ 0.534</b>	1.005	<b>\$ 0.536</b>
Profit per Operating Ratio	\$ 0.063	0.005	\$ 0.063
<b>Total Biofuel Material Transportation Fee</b>	<b>\$ 0.596</b>	<b>0.5%</b>	<b>\$ 0.599</b>

Plant Materials Transport Fee - Zanker Road			
Labor component	\$ 0.4508	1.024	\$ 0.4616
Fuel	\$ 0.0551	0.815	\$ 0.0449
Depreciation	\$ 0.0440	1.000	\$ 0.0440
Other O&M Component	\$ 0.1071	1.009	\$ 0.1080
Clerical CBA wages & benefits	\$ 0.0153	1.024	\$ 0.0157
<b>Total Operating Cost</b>	<b>\$ 0.6724</b>		<b>\$ 0.6742</b>
Profit per Operating Ratio	\$ 0.0601		\$ 0.0602
<b>Total Plant Material Transportation Fee</b>	<b>\$ 0.732</b>	<b>0.3%</b>	<b>\$ 0.734</b>

# SOUTH BAY RECYCLING, LLC

## Annual Compensation Adjustment for 2016

### E. Index Summary

	2015	2016
<p><i>Index: U.S. Department of Labor, Bureau of Labor Statistics, Private Industry Employment Cost Index for Total All workers (not seasonally adjusted, total benefits, series no. (CIU2030000000000i)).</i></p>		
<b>1</b>		
<b>Workers Compensation &amp; Outside Contracted Workers (VRS)</b>		
Use- Factor	1.0206	1.0245
% Increase		<b>2.45%</b>
<p><i>Index: U.S. Department of Labor, Bureau of Labor Statistics, Private Industry Employment Cost Index for Service-Producing Industries (seasonally adjusted, total compensation, series no. (cis201s0000000000i)).</i></p>		
<b>2</b>		
<b>CBA Labor</b>		
Use- Factor	1.0189	1.0238
% Increase		<b>2.38%</b>
<p><i>Index: U.S. Department of Labor, Bureau of Labor Statistics, Producer Price Index - Commodity Index for #2 diesel fuel (not seasonally adjusted, fuels and related products and power, series no. (wpu057303)).</i></p>		
<b>3</b>		
<b>Fuel</b>		
Use- Factor	0.9740	0.8146
% Increase		<b>-18.54%</b>
<p><i>Index: U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index – All Urban Consumers, U.S. city average (not seasonally adjusted, all items, base period: 1982-84=100, series no. (cuur0000sa0)).</i></p>		
<b>4</b>		
<b>Other O&amp;M</b>		
Use- Factor	1.0147	1.0107
% Increase		<b>1.07%</b>

## SOUTH BAY RECYCLING, LLC

### Annual Compensation Adjustment for 2016

#### F. Department of Labor, Bureau of Statistics Cost Index Detail

1. Index: U.S. Department of Labor, Bureau of Labor Statistics, Private Industry Employment Cost Index for Total All workers (not seasonally adjusted, total benefits, series no. (CIU2030000000000i)).

**Workers Compensation & Third Party Labor (VRS)**

	2013	2014	2015
Average Index	118.07	120.50	123.45
% Change	1.87%	2.06%	2.45%
Q1	118.16	121.40	124.50
Q2	119.80	122.70	
Q3	120.30	123.10	
Q4	120.50	123.50	

2. Index: U.S. Department of Labor, Bureau of Labor Statistics, Private Industry Employment Cost Index for Service-Producing Industries (seasonally adjusted, total compensation, series no. (cis201s000000000i))

**Direct Labor (After CBA)**

	2013	2014	2015
Index 1ST QTR	117.55	119.78	122.63
% Change	1.93%	1.89%	2.38%
Q1	118.10	120.40	123.80
Q2	119.00	121.50	
Q3	119.50	122.30	
Q4	120.20	122.90	

3. Index: U.S. Department of Labor, Bureau of Labor Statistics, Producer Price Index - Commodity Index for #2 diesel fuel (not seasonally adjusted, fuels and related products and power, series no. (wpu057303)).

**Fuel**

	2013	2014	2015
Avg Index Apr	323.28	314.87	256.49
% Change	-0.78%	-2.6%	-18.5%
Jan	318.80	308.40	182.60
Feb	341.70	322.00	189.90
Mar	321.20	317.90	194.20
Apr	319.00	318.60	183.30
May	307.70	316.50	
Jun	304.80	308.80	
Jul	311.60	307.80	
Aug	319.30	306.90	
Sep	328.00	302.30	
Oct	318.40	283.40	
Nov	307.00	272.30	
Dec	314.70	229.90	



## SOUTH BAY RECYCLING, LLC

### Annual Compensation Adjustment for 2016

#### F. Department of Labor, Bureau of Statistics Cost Index Detail

4. Index: U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index – All Urban Consumers, U.S. city average (not seasonally adjusted, all items, base period: 1982-84=100, series no. (cuur0000sa0).

**Other O&M**

	2013	2014	2015
Avg Index April	230.76	234.15	236.66
% Change	1.69%	1.5%	1.1%
Jan	230.28	233.92	233.71
Feb	232.17	234.78	234.72
Mar	232.77	236.29	236.12
Apr	232.53	237.07	236.60
May	232.95	237.90	
Jun	233.50	238.34	
Jul	233.60	238.25	
Aug	233.88	237.85	
Sep	234.15	238.03	
Oct	233.55	237.43	
Nov	233.07	236.15	
Dec	233.05	234.81	

## SOUTH BAY RECYCLING, LLC

### Annual Compensation Adjustment for 2016

#### G. Electric and Solar Power Cost Adjustment

**PG&E**

Year	Apr-14	Apr-15
Total Bill	\$ 18,349	\$ 20,358
KWH	\$ 102,600	102,600
Rate / KWH	\$ 0.179	\$ 0.198
% increase from Prior Yr.	5.04%	10.95%
Adjustment Factor	1.050	1.109

**ISH (Solar)**

Year	Apr-14	Apr-15
Total Bill	\$ 23,823	\$ 26,598
KWH	\$ 118,171	128,120
Rate / KWH	\$ 0.202	\$ 0.208
% increase vs. Prior Yr.	3.0%	3.0%
Adjustment Factor	1.03	1.03

**Blended**

Year	Apr-14	Apr-15
Total Bill	\$ 42,173	\$ 46,956
KWH	\$ 220,771	\$ 230,720
Rate / KWH	\$ 0.191	\$ 0.204
% increase vs. Prior Yr.	3.75%	6.54%
Adjustment Factor	1.038	1.065