



FINAL REPORT

SBWMA REPORT ON REVIEW OF 2011 SOUTH BAY RECYCLING COMPENSATION APPLICATION

September 16, 2010

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Subject: Review of 2011 South Bay Recycling Compensation Application

Dear SBWMA Board Members:

This Report documents findings and recommendations from the SBWMA staff review of the 2011 South Bay Recycling (SBR) Compensation Application for completeness, accuracy and consistency with the requirements of the Shoreway Operations Agreement (“Agreement”). The Agreement Article 7.12 prescribes the process by which this application is reviewed and the company’s compensation is approved. The SBWMA staff is required to submit this Report to the Board on or before September 1 of each year. While the Board is not required to take action on this Report until on or before October 31st each year staff is bringing the Final Report forward simultaneously with the Recology San Mateo County (RSMC) rate report. Thus, as with the Recology report, we requested Board Members submit their questions, comments and concerns to staff in writing by September 11. This Final SBR Report has been revised to reflect comments submitted by Board Members and revised assumptions regarding clerical wages and benefits.

It is important to note that the approved compensation for SBR will be added to the SBWMA operating costs (ie., SBWMA program budget, disposal and processing expense, franchise fees to City of San Carlos, and debt service payments) in calculating the tipping fees to be charged to customers using the Shoreway facility, including franchised customers. Shoreway tipping fees are included as an other pass through expense in the calculation of each Member Agency’s total revenue requirement, shown as **“Disposal and Processing Fees” in Table 11 of the Recology rate report**, for setting solid waste collection rates. These other pass through costs are preliminary estimates at this time and will be finalized as part of the final consolidated rate report submitted to the Board at the October 28th Board meeting.

We look forward to answering any questions you may have regarding this rate report.

Sincerely,

Kevin McCarthy
Executive Director

Marshall Moran
Finance Manager

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SECTION 1 BACKGROUND

1.A Contractor Procurement Process

In 2005, the SBWMA and its Member Agencies initiated a five and a half year contractor selection process for new franchised collection services and Shoreway operations. South Bay Recycling (SBR) was selected as the new facility operator on April 23, 2009 and a final Shoreway Operations Agreement (“Agreement”) was approved by the Board on July 23, 2009. This Agreement included updated cost forms that reflected 2009 costs not the original proposal costs from 2008; thus the cost adjustments submitted by SBR in their 2011 Compensation Application (“Application”) are for rate years 2009 to 2011.

1.B Shoreway Operations Agreement Terms

Article 7 and Attachments 12-A and 12-C (see **Appendix A**) 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 each year. The SBWMA is charged with performing a preliminary review to ensure the application is complete and a thorough review that will be used to draft the analysis contained in this report. SBR is obligated to promptly address missing information and provide explanations to the SBWMA upon request during the compensation application review process.

1.C Calculation of Pass-Through Expenses

As part of reviewing the SBR Application, staff updated financial projections related to our operating budget for calendar year 2011. The recommended compensation for SBR needs to be included with all other SBWMA operating budget expenses (e.g., program budget, disposal expense, franchise fees, debt service, etc.) to set Shoreway tip fees. The tip fees become the basis for setting pass through disposal expenses and included in the total revenue requirement for Member Agencies to set solid waste rates for 2011; these costs are described as “Other Pass Through Costs” in the 2011 Recology draft Rate Report. These disposal pass through expenses are a result of the actual tipping fees charged on franchised tonnage delivered to the Shoreway facility; tipping fees are calculated after consideration for all revenues sources (e.g., commodity revenue). The tip fees shown in this Report have not changed from previous forecasts.

Projected disposal expenses shown in the RSMC rate report are estimates and will be finalized for inclusion in the final rate report for the October 28th Board meeting.

1.D Description of Cost Components

As described in Article 7.03 of the Agreement, SBR’s basic compensation includes three components as follows (fees shown are base year 2009 figures):

- **Transfer Station Payment.** The amount of this payment is calculated by multiplying the number of Tons of material delivered to and processed at the Transfer Station by the per Ton Transfer Station Fee then in effect. The Transfer Station Fee is \$9.70 per Ton.
- **Recyclable Materials Processing Payment.** The amount of this payment is calculated by multiplying the number of Tons of Recyclable Materials delivered to and processed at the MRF by the per Ton MRF Fee then in effect. The gross MRF Fee is \$67.34 per Ton. The contractor pays for MRF residue of \$3.90 per Ton including transportation which is deducted from gross MRF fee. The net MRF Payment is \$63.44 per Ton.

- **Transportation Payment.** The amount of this payment is calculated by multiplying the number of Tons of materials transported from the Shoreway Center to the Designated Disposal Site, and the Designated Processing Facilities for inerts, Construction and Demolition Debris, Plant Materials and Organics by the number of one-way standard miles from the Shoreway Center to the Disposal Site or Processing Facility and by the applicable Transportation Fee then in effect. The Transportation Fees for the five types of materials for 2009 base costs are \$1.006 per Ton/Mile for Solid Waste, \$1.042 per Ton/Mile for inerts, \$0.687 per Ton/Mile for C&D debris, \$0.613 per Ton/Mile for Plant Materials, and \$0.744 per Ton/Mile for Organics.

In addition to basic compensation, there are one-time contractual adjustments to compensation as follows:

- Per Article 7.02 there's a one-time reimbursement of \$276,462 (base year 2009 figure) for management costs related to the MRF sorting equipment installation. This amount is the full compensation for all Contractor's costs associated with supervising the installation of the equipment, including coordination with the Equipment Manufacturer and the Authority's architects, engineers and construction contractor during installation.
- Per Article 7.04 there are adjustments to basic compensation to reflect interim operations due to masterplan construction activities related to the MRF and Transfer Station operations.

This report is primarily focused on the three components of SBR's basic compensation, namely the fees paid for Transfer Station operations, MRF operations, and Transportation services. As described in Attachment 12-A (see **Appendix A**), each fee is comprised of four distinct cost components as follows:

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

In turn the cost components of each fee have subcomponents that are the actual items to which compensation adjustment factors (*see parenthetical reference to whether index or non-index cost adjustments*) are applied. The subcomponents of each cost component are as follows:

- A. Labor Costs
 1. Wages for CBA labor (*non-index*),
 2. Benefits for CBA labor (*non-index*);
 3. Workers' compensation insurance (CBA labor) (*index*);
 4. Payroll taxes (CBA labor)(*non-index*); and
 5. Outside contracted workers from third party sources (*actual Yr. 1 and index thereafter*).
- B. Fuel and Power Costs
 1. Electricity (*non-index*); and
 2. Fuel (*index*).
- C. Depreciation (*index*)
- D. Other Operating and Maintenance Costs (*index*)
 1. Wages and benefits for non-CBA employees plus associated workers' compensation insurance and payroll taxes;
 2. Repair and maintenance expenses;
 3. Equipment rental expenses;
 4. Other vehicle-related expenses (e.g. licensing, taxes);
 5. Insurance, safety and claims; and
 6. Other general & administrative expense.

1.E Cost Adjustment Process

Article 7.04 and Attachment 12-A of the Agreement prescribe a detailed cost adjustment methodology based predominantly on various cost indices. As noted further in this Report, there are some cost adjustments based on actual CBA wage and benefit rates. This methodology was the basis for SBR's Application submittal on July 1 and SBWMA staff's subsequent review for completeness, accuracy, and consistency with the requirements of the Agreement. The methodology is used to adjust SBR's 2009 fees, as detailed in the approved Agreement, to 2011 (rate year one) dollars.

Although not part of the scope of this Report, Article 7.05 and Attachment 13-A of the Agreement, address the compensation methodology for adjusting compensation for subsequent rate years (ie., 2012-2019).

1.F Commodity Revenue Sharing

Commodity revenue sharing is another component of SBR's compensation though not part of the scope of the Report. Per Article 7.07 of the Agreement, SBR receives twenty five percent of the commodity revenue after the revenue guarantee is met. In 2011, the revenue guarantee is \$6.5 million, but the guarantee is subject to a one-time proration due to interim MRF operations.

SECTION 2 2011 SOUTH BAY RECYCLING COMPENSATION APPLICATION

2.A Analysis of SBR 2011 Compensation Application

The SBWMA staff conducted the review of the SBR Application and worked closely with the company to ensure that questions and concerns were answered and the final application was complete. Staff has verified that the SBR Application is complete and meets the requirements of the Agreement.

2.B Description of Cost Adjustments

Two types of cost adjustments are used in the 2011 SBR Compensation Application as required in the Agreement. These cost adjustments include:

1. Adjustments to the 2009 costs contained in the Shoreway Agreement with SBR as discussed in section 2.C.
2. The adjusted 2009 costs are then adjusted to reflect costs in 2011 (ie., CBA and index related adjustments) as discussed in section 2.D.

2.C Adjustments to 2009 Costs

The SBWMA initiated two operational changes that have a net increase of \$452,322 on SBR’s original 2009 cost base as follows:

- **Fuel.** Decrease in the cost of fuel by \$10,991 due to a change from the use of B-20 biodiesel to B-5 or low sulfur diesel. The 2009 base cost for fuel was multiplied by a ratio of 3.39/3.45 to reflect that use of biodiesel is not expected to be required (*although SBWMA has not yet revised the Operating Agreement to delete this requirement*). These figures were provided by Recology.
- **Adjusted Transportation Fee for Organics and Plant Materials.** The Board approval of the Organics Processing Agreements at the April 22, 2010 Board meeting resulted in a change in the assumed (for the 2008 and 2009 transportation cost forms) end destinations for the materials from all material going to BFI Newby Island (Milpitas, CA) to the tonnage split 50/50 with Recology Grover Environmental Products (Vernalis, CA). The added cost is \$463,313 due to an increase in the one-way haul distance from 27 miles to 73 miles. As noted in the April 22nd staff report, though, the combined transportation and processing costs were lower than was assumed in our bond proforma cost projections resulting in a net savings for ratepayers. Stated another way, while we are showing higher Grover transportation costs we have included lower processing costs for composting in our other SBWMA pass through costs which are not part of SBR’s compensation.

2.D Adjustments to 2009 Costs to 2011

Table 1 below provides the overall results from making all compensation adjustments from 2009 to 2011. More specifically, this table provides the details of the adjusted 2009 costs, adjusted 2011 costs, the overall change in costs and estimated compensation based on the 2009 assumed tonnage for comparative purposes .

Appendix B contains the detailed index adjustments sheets for each of the three cost components shown below in **Table 1**.

Table 1					
2009 Base Year Payment/Ton vs. 2011 Adjusted Payment/Ton					
COST COMPONENTS	Adjusted 2009		Rate Adjustment	2011	
	Total Costs	Payment/ ton	%	Payment/ ton	Total Costs
Transfer Station	\$ 3,471,026	\$ 9.70	7.1%	\$ 10.39	\$ 3,717,398
Recyclables Materials Processing, net of Residue	\$ 4,696,170	\$ 63.44	4.7%	\$ 66.45	\$ 4,918,606
Transport (<i>cost / ton-mile</i>)	\$ 5,390,840	\$ 0.841	5.4%	\$ 0.886	\$ 5,683,543
<i>Transport (cost / ton)</i>		\$ <i>15.07</i>	5.4%	\$ <i>15.89</i>	
Total Operating Cost	\$ 13,558,036		5.6%		\$ 14,319,547
Contractor Pass-Through Costs					
Total Interest (Year 1)	\$ 308,120				\$ 308,120
Buyback Payments (estimate)	\$ 1,214,120				\$ 1,322,230
Regulatory Changes					
Total Contractor Pass-Through Cost	\$ 1,522,240				\$ 1,630,350
TOTAL COMPENSATION	\$ 15,080,276		5.8%		\$ 15,949,897

Costs are adjusted based on the following criteria: 1) actual or estimated CBA wages and benefit rates, 2) power cost is adjusted based on the change in actual rates from PG&E, and 3) various indices such as CPI.

Depreciation expense is only adjusted in the first year. It is also adjusted for only one year since the purchase will occur in 2010. Depreciation expense has been adjusted by an index pending proof of actual cost of capital which SBR had not finalized as of July 1. The lower of index cost or actual cost is the final basis for depreciation. Based on the Rate Application of preliminary capital cost, the index adjustment will be lower than the actual cost of capital.

The index based adjustments for the period of 2009 to 2011 are summarized in **Table 2**. The same adjustment for 2010 is repeated for 2011 to arrive at the two year adjustment. In rate year 2012, the actual index adjustment for 2011 will be used to adjust to 2012 costs. Essentially the next Rate Year is adjusted by the index adjustment from the prior year to resolve timing issues.

Table 2						
COST ADJUSTMENTS FROM INDEX CHANGES						
COST CATEGORY						
LABOR COSTS: Workers Comp. and Outside Contracted Workers from Third Party Sources						
<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. CIU203000000000A).</i>						
1		2011	2010	2009	2008	2007
	Ave. Index - April		109.08	107.60	105.35	102.63
	% Change		1.37%	2.14%	2.66%	
FUEL AND POWER COSTS: Fuel						
<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>						
2		2011	2010	2009	2008	2007
	Index		204.4	269.1	273.1	217.2
	% Change		-24.06%	-1.47%	25.78%	
OTHER OPERATING AND MAINTENANCE COSTS						
<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. cuur0000sa).</i>						
3		2011	2010	2009	2008	2007
	Index (Annual)		216.19	215.14	210.13	203.23
	% Change		0.49%	2.39%	3.39%	
DEPRECIATION						
<i>Index: U.S. Department of Labor, Bureau of Labor Statistics, Producer Price Index Industry Data for motor vehicle body manufacturing, truck, bus, car, and other vehicle bodies, for sale separately (not seasonally adjusted, base date: 8212, series no. pcu336211336211).</i>						
4		2011	2010	2009	2008	2007
	Index		216.58	215.50	205.86	
	% Change		0.50%	4.68%		
	<i>used for depreciation, Yr 1 only</i>					

Table 3 on the following page denotes all of the cost categories and the full two year adjustment from all sources that were applied to the associated cost category from 2009 to 2011.

**Table 3
Results of Two Year's Cost Adjustments**

The contractor submitted costs in 2009 dollars, these costs are then adjusted to 2011 estimated costs. For non-CBA costs, various indexes are used to adjust cost. The index is calculated to April 2010 and then the same percent adjustment is used to adjust to 2011 costs. Contractor compensation is based on 2011 costs per ton. Payment is based on the calculated cost per ton and the actual monthly tons.

Cost Category	Adjustment %	Basis for Adjustment	Explanation
Direct Labor - CBA			
Wages	10.7%	CBA Agreement	CBA wage adjustment based on 2011 rates in CBA Agreements for MRF Operators and Mechanics.
Benefits	21.3%	CBA Agreement	CBA benefit adjustment based on estimated 2011 rates in CBA Agreements for MRF Operators and Mechanics and includes the Mechanics change from a Mechanic CBA to Teamster CBA.
Worker's Compensation Insurance	2.8%	Index	Workers Comp adjustment based on an index which increased 1.37% in 2010 which is then used again to estimate the adjustment in 2011.
Payroll Tax	10.7%	Tax rates and change in wages	The payroll tax rate changes with any changes in federal or state payroll tax rates. There are no tax rate changes for 2011. Therefore, the PR tax expense changes with the change in wages. In 2011, the 10.7% adjustment matches the 10.7% adjustment to wages.
Power	-22.2%	PG&E Rates	Power expense is adjusted by the actual change in PG&E electricity rates. The change in rates in 2010 was -11.8%. This rate change is repeated for an assumed change in 2011. The actual rate change in 2011 will be adjusted in next year's Rate Application.
Fuel	-42.3%	Index	Fuel expense is adjusted by the actual change in a fuel index. The index change in 2010 was -24.1%. This rate change is repeated for an assumed change in 2011. The actual rate change in 2011 will be adjusted in next year's Rate Application.
Depreciation	0.5%	Index	Depreciation expense is based on total capital cost divided by the number of years used by the contractor. Capital cost is adjusted by the lower of actual cost paid or an indexed adjustment. The index for trucks increased by 0.5% in 2010. Although SBR has not purchased all their capital equipment by July 1, it appears that their actual capital cost will be higher than the indexed cost so the index was used in the Rate Application. Actual costs will be verified when the purchases are made and any adjustment will be made in next year's Rate Application.
Other Operations & Maintenance	0.8%	Index	Other O&M expense includes non-CBA personnel, maintenance parts, insurance, general office expense, safety, etc. Other O&M expense is adjusted by an index. In 2010, the index increased by 0.49% and this 0.49% is used to estimate the adjustment for 2011.
Clerical CBA wages & benefits	111.0%	CBA Agreement	SBR included three office clerical employees in their proposal. Since then, the office clerical staff has voted to join the Teamsters union. Costs have been changed to reflect the new CBA contract.

Note: Based on Transfer Station Cost adjustment. Each section is slightly different due to mix of costs and headcount by each of three CBA agreements.

The cost adjustments summarized in **Table 3** also reflect an increase in headcount of one Admin./Clerical person due to inclusion of these employees in a CBA, which was not contemplated at the time of the original submittal in 2008. Based on the assumed actual work days (net of holiday, vacation and leave days) in the current Teamster CBAs vs. what the current Admin./Clerical workers currently receive, the result is 42.5 extra days off/year for SBR's assumed 3 full-time clerical workers. This is equivalent to ½ (actually, 49%) of the 3 positions assigned to clerical staff. Thus 4 CBA positions are required to provide the same number of working days per annum as the 3 non-CBA hourly positions working under the base assumptions.

In terms of future cost adjustments in 2012 the following should be noted:

- The payment per ton will be adjusted in 2012 retroactively for final CBA agreement terms that vary from the estimates used for 2011.
- The VRS contract was not final as of September 16th and any variance in the final terms to the cost estimate will be retroactively adjusted in 2012 back to 2011.

2.E Pass-Through Costs

There are two Contractor Pass-Through costs in the Agreement (Article 7.09) in addition to any future change in regulatory fees or disposal of E-Waste, U-Waste, or HHW dropped off at the Buyback center which are paid for by SBR. Pass-Through costs are not subject to profit but reimburse contractor for actual cost. These two Pass-Through costs are:

- Interest expense on allowed capital is paid to SBR monthly at one twelfth of the annual interest expense denoted in Attachment 12A, 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 2011 is \$308,120.
- Payments to Buyback customers for purchase of recyclables are also a Pass-through expense. Actual Buyback payments to customers will be reimbursed monthly in arrears.

Additionally, any new or changes to regulatory fees would be a Pass-through cost.

2.F Recommended Adjustment to SBR Compensation for 2011

As shown in **Table 4** Staff is recommending Board approval of the following rate adjustments reflected as payments per ton:

Table 4			
SBR - 2011 Fee Adjustments to Basic Compensation			
	Adjusted 2009	Fee Adjustment	2011
COST COMPONENTS	Payment/ ton	%	Payment/ ton
Transfer Station	\$ 9.70	7.1%	\$ 10.39
Recyclables Materials Processing, gross	\$ 67.34	4.8%	\$ 70.55
Transport (<i>cost / ton-mile</i>)	\$ 0.841	5.3%	\$ 0.886
<i>Transport (cost / ton)</i>	\$ 15.07	5.4%	\$ 15.89
Total Adjustment		5.6%	

Table 5 below shows the MRF Processing Fee breakout, gross and net of residue.

Table 5			
Recyclables Materials Processing Fee Breakout			
MRF PROCESSING FEE	Adjusted 2009	Fee Adjustment	2011
	Payment/ ton	%	Payment/ ton
Recyclables Materials Processing, gross	\$ 67.34	4.8%	\$ 70.55
MRF residue (estimate)	\$ 3.90	5.1%	\$ 4.10
Net MRF estimated cost	\$ 63.44	4.7%	\$ 66.45
Note: Actual MRF residue is deducted from the gross MRF rate shown above.			

SECTION 3 TOTAL SBWMA FINANCIAL PROJECTIONS FOR 2011

An important step in calculating Member Agency’s total revenue requirement is to determine tipping fees to be charged to franchised customers of the SBWMA’s Shoreway Facility, which consists of a transfer station and recyclable materials processing facility (MRF), commencing January 1, 2011. In addition to SBR’s approved annual compensation, tipping fees must cover the annual cost of: 1) disposal at Ox Mountain Landfill and other processors; 2) debt service payments for revenue bonds issued in 2009 for the demolition, construction, and renovation of the Shoreway Facility; 3) the costs for the management of the SBWMA; and 4) franchise fees paid to the City of San Carlos. Commodity revenue is used to offset these costs to determine appropriate tip fees along with projected tonnage volume. Debt service covenants are another component of setting tip fees. All of these factors will determine the revenue requirement for 2011.

The tip fees at the Shoreway facility become the basis for setting the disposal expense for the franchised tonnage collected by Recology in 2011. The tipping fees and projected tonnage are included as a pass through expense (ie., see “Disposal and Processing Fees” in Table 11 of the Recology rate report) in the calculation of each Member Agency’s total revenue requirement for setting solid waste collection rates. The tip fees are preliminary estimates at this time and will be finalized as part of the final rate report submitted to the Board at the October 28th Board meeting. In addition to updating our projections, the Allied Rate Application for 2010 will be added to our revenue requirement projection.

The estimated tip fees for 2011 shown in **Table 6** have not changed from previous Board presentations.

Table 6			
<u>PROPOSED TIPPING FEES PER TON OR CUBIC YARD</u>			
<u>Transfer Station Tip Fee Increases</u>	<u>Current Rates 7/1/10</u>	<u>Proposed Rates (1/1/11)</u>	<u>% Increase</u>
SBWMA Solid Waste, <i>Franchise</i>	\$84.00 per ton	\$93.00 per ton	10.70%
SBWMA Organics, <i>Franchise</i>	\$70.00 per ton	\$79.00 per ton	12.90%
Non-SBWMA Weighed Tons (Dirt, concrete, asphalt, roofing), <i>Non-Franchise</i>	\$83.00 per ton	\$88.00 per ton	6.00%
Public Solid Waste Yards, <i>Non-Franchise</i>	\$35.00 per yard	\$40.00 per yard	14.30%
C& D Yards, <i>Non-Franchise</i>	\$28.00 per yard	\$28.00 per yard	0.00%
Public Green Waste Yards, <i>Non-Franchise</i>	\$25.00 per yard	\$29.00 per yard	16.00%

Table 7 shows projected 2011 tonnage and revenue by the tipping fee categories in Table 6.

Table 7				
<u>2011 PROJECTED TONS & REVENUE</u>				
Transfer Station:	Tonnage / Yards	Proposed Rates 1/1/11	Revenue	% Revenue
SBWMA Solid Waste, <i>Franchise (tons)</i>	188,948	\$93.00 per ton	\$ 17,572,200	57%
SBWMA Organics, <i>Franchise, (tons)</i>	88,354	\$79.00 per ton	\$ 6,980,000	23%
Non-SBWMA Weighed Tons (Dirt, concrete, asphalt, roofing), <i>Non-Franchise</i>	11,289	\$88.00 per ton	\$ 993,400	3%
Public Solid Waste Yards, <i>Non-Franchise</i>	64,560	\$40.00 per yard	\$ 2,582,400	8%
C& D Yards, <i>Non-Franchise</i>	37,925	\$28.00 per yard	\$ 1,061,900	3%
Public Green Waste Yards, <i>Non-Franchise</i>	46,293	\$29.00 per yard	\$ 1,342,500	4%
Other (appliances, mattresses, tires, etc)			\$ 320,000	1%
TOTAL			\$30,852,400	100%

The result of the above mentioned projections including SBR operating costs, solid waste and recycling volume, disposal and processing expense, commodity pricing, and SBWMA program and debt expense result in the preliminary financial results for 2011 as shown in **Table 8** below.

Table 8 SBWMA -- 2011 Calendar Year Financial Summary Comparison of Bond Proforma vs. Rate Projection	
	2011 Rate Projection (000s)
Operating Revenue	
Tip Fee Revenue - Franchise	\$ 24,809
Tip Fee Revenue - Public	\$ 6,043
Commodity Material Sales	\$ 11,856
Total Operating Revenue	\$ 42,709
Operating Expenses	
Total Operating Cost	\$ 17,061
Commodity Revenue Sharing	\$ 882
Disposal & Buyback Expense	\$ 14,262
SBWMA Operating Budget	\$ 3,066
Franchise Fee to City of San Carlos	\$ 1,181
Miscellaneous	\$ 252
Total Operating Expense	\$ 36,704
Non-Operating	
Debt Net of Interest Income	\$ (3,032)
Net surplus / Shortfall	\$2,973
% of Revenue	7.0%

APPENDIX A
ATTACHMENTS 12-A and 12-C FROM SHOREWAY OPERATIONS AGREEMENT

ATTACHMENT 12-A

ADJUSTMENT OF CONTRACTOR'S BASIC COMPENSATION FOR RATE YEAR ONE (2011)

PART I. INTRODUCTION

This Attachment describes how the Contractor's fees will be adjusted for Rate Year One.

The fees shown in Section 7.03 for Basic Compensation are expressed in dollars per Ton or dollars per Ton/Mile and quoted in April 2009 dollars. In order for these fees to reflect corresponding values for Rate Year One, the fees will be adjusted as described in this Attachment.

The adjustments are illustrated, using hypothetical index levels, in Attachment 12-B. Detailed Cost Forms from the Contractor's Proposal, showing the base Contractor costs and demonstrating the calculation of the Contractor's Cost per Ton and Cost per Ton/Mile, are included in Attachment 12-D. All the Cost Forms included in Attachment 12-D have been updated to reflect costs as of April 2009.

PART II. BASIC COMPENSATION

The three elements of Basic Compensation described in Section 7.03 are calculated by multiplying (1) the Transfer Station Fee, (2) the MRF Fee, and (3) the Transportation Fees by the number of Tons processed or Ton/Miles operated, as applicable. Each fee comprises four distinct cost components (and associated profit):

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

Section 1. Determine Percentage Change in Costs

Cost Components

The initial step in this process is to determine adjustments or adjustment factors for labor costs, fuel and power costs, depreciation and other operating and maintenance costs. Three of these components, in turn, have sub-components as follows:

- A. Labor Costs
 - 1. Wages for CBA labor;*
 - 2. Benefits for CBA labor;
 - 3. Workers' compensation insurance (CBA labor);
 - 4. Payroll taxes (CBA labor); and
 - 5. Outside contracted workers from third party sources.

* "CBA labor" means employees represented by a union and covered by a collective bargaining agreement (CBA).

- B. Fuel and Power Costs
 - 1. PG&E charges for electricity; and
 - 2. Fuel.
- C. Depreciation
- D. Other Operating and Maintenance Costs
 - 1. Wages and benefits for non-CBA employees plus associated workers' compensation insurance and payroll taxes;
 - 2. Repair and maintenance expenses;
 - 3. Equipment rental expenses;
 - 4. Other vehicle-related expenses (e.g. licensing, taxes);
 - 5. Insurance, safety and claims; and
 - 6. Other general & administrative expense (including wages and benefits for general & administrative employees).

There is one adjustment factor for this (O&M) cost component.

Adjustment to costs

- A. Labor
 - 1. Wages: the adjustment to CBA wages will be determined separately for the Transfer Station, for the MRF, and for Transportation. In each case, the 2009 CBA wages will be based on the amounts shown in Form 3G of Contractor's Proposal. Updated wages will be prepared on the Wage and Benefits Worksheet (included in Attachment 12-D) to input wage rates payable under the collective bargaining agreements in place in 2010. There will be no increase in the number of standard or overtime hours used in the calculation.
 - 2. Benefits: the 2009 CBA benefits will be based on the pension and benefit costs in Form 3-G monetized to an hourly dollar amount. Updated benefits, similarly expressed, will be prepared on the Wage and Benefits Worksheet included in Attachment 12-D to input the benefit rates per person as provided by collective bargaining agreements in place in 2010.
 - 3. Workers' compensation insurance: the adjustment factor will be based on the average change to the 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).
 - 4. Payroll taxes: an effective payroll tax rate will be calculated from Contractor's Cost Forms and applied to CBA wages to calculate payroll tax expense. The payroll taxes adjustment factor will be based on changes in federal Social Security, Medicare, and state payroll tax rates in 2009 and those projected to be in effect for Rate Year One. Contractor will submit to SBWMA for approval any adjustment to the effective payroll tax rate. If approved, the adjustment factor will be applied to the effective tax rate and the adjusted effective tax rate will then be used to calculate payroll tax expense.

5. Outside contracted workers from third party sources: the adjustment factor for non-CBA direct contract labor will be based on the average index change* in the 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).

Base costs in categories described in paragraphs 3 and 5 above will be adjusted as follows: (1) the base costs will be multiplied by the average index change between May 2009 and April 2010 and (2) the result of Step One will again be multiplied by the average index change between May 2009 and April 2010 to arrive at Rate Year One costs. The appropriate index for each cost component is described in paragraphs 3 and 5.

B. Fuel and Power

1. The adjustment factor for power will be based on average changes in PG&E rates for electricity (cents per kwhr).
2. The adjustment factor for fuel will be based on the average change in the Producer Price Index #2 Diesel Fuel (PPI). The Percentage Change for the Producer Price Index #2 Diesel Fuel shall be calculated using the 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, base date = 8200, Series No. WPU057303).

Base costs per Ton or Ton/mile in categories described in paragraphs 1 and 2 above will be adjusted as follows: (1) the base costs per Ton or Ton/mile will be multiplied by the average change in unit prices of electricity or the average index change for fuel between May 2009 and April 2010 and (2) the result of Step One will again be multiplied by the average change in unit price or average index change between May 2009 and April 2010 to arrive at Rate Year One costs. The appropriate index is described in paragraph 2.

C. Depreciation

The adjustment factor for depreciation will be based on the average change in the U.S. Department of Labor, Bureau of Labor Statistics, Producer Price Index Industry Data for motor vehicle body manufacturing, truck, bus, car, and other vehicle bodies, for sale separately (not seasonally adjusted, base date: 8212, series no. pcu3362113362111) between April 2009 and the month the equipment is purchased. Actual cost of purchase will be used if the aggregated actual purchase prices are less than aggregated index-adjusted prices and a new depreciation and interest schedule will be created. Changes in sales or other taxes on capital purchases will be separately adjusted to reflect the actual tax rate at time of purchase. Annual depreciation will be based on a 10 year straight line method.

* The term "average index change" in this Attachment 12-A means the percentage change between the simple average of all twelve (or fewer) monthly index levels for one year and the same average for a following year.

D. Other Operating and Maintenance Costs

The adjustment factor for Other Operating and Maintenance Costs, including all sub-components, will be based on eighty percent (80%) of the average index change in the 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). The base costs per Ton or Ton/mile in this category will be adjusted in the same manner as those in other categories that employ an index-based adjustment.

Section 2. Adjust Transfer Station Fee

The Transfer Station Fee for 2011 is determined as follows:

- A. Labor: The CBA labor cost component for 2011 will be determined as described in Section 1.A.1 and 2. The CBA workers' compensation for 2011 will be determined as described in Section 1.A.3. The CBA payroll taxes for 2011 will be those determined as described in Section 1.A.4. The sum equals 2011 Transfer Station labor cost component. It is converted to a Cost per Ton based on the fixed factor of 357,725 Tons per year.
- B. Fuel and Power: The Fuel and Power cost component will be calculated by applying the adjustment factors (determined in Section 1.B) to the costs per Ton shown on Form 3-H for fuel and power at the Transfer Station and combining the two together.
- C. Depreciation: The depreciation dollars per Ton amount is a component of the Cost per Ton shown on Form 3-H adjusted by the procedure and subject to the limits described in Section 1.C "Adjustments to Costs - Depreciation."
- D. Other Operating and Maintenance: The Other Operating and Maintenance Cost component will be calculated by applying the adjustment factor (determined in Section 1.D) to the cost per Ton shown on Form 3-H for Other Operating and Maintenance Cost at the Transfer Station.

The Total Transfer Station Operating Cost per Ton is the sum of the above cost per ton of all expense categories: Labor, Fuel and Power, Depreciation, and Other Operation and Maintenance.

The amount of Transfer Station Profit in April 2009 dollars shown on Form 3-H results in an operating ratio of 93.52%. This operating ratio will be applied to total Transfer Station Operating Costs per Ton to arrive at an adjusted Transfer Station profit per ton. The calculation is: (Total Operating Cost per Ton ÷ 93.52%) minus Total Operating Cost per Ton = Profit.

The allowance for profit is not a guarantee that Contractor will earn a particular amount, or any, profit. Actual costs may change at rates different from the adjustment process provided in the Agreement and Contractor may therefore earn more, or less, profit than the dollar amounts shown in Attachments 12-B and 13-B.

The Total Transfer Station Fee expressed on a per Ton basis for 2011 is the sum of the Total Transfer Station Operating Cost per Ton plus Profit per Ton.

Section 3. Adjust MRF Fee

The MRF Fee for 2011 is determined as follows:

A. Labor:

1. The CBA labor cost component for 2011 will be determined as described in Section 1.A.1 and 2. The CBA workers' compensation for 2011 will be determined as described in Section 1.A.3. The CBA payroll taxes for 2011 will be those determined as described in Section 1.A.4. The sum equals the 2011 MRF labor cost component. It is converted to a cost per Ton based on the fixed factor of 74,022 Tons per year.
2. The outside contracted workers cost component for 2011 will be determined as described in Section 1.A.5. It is converted to a cost per Ton based on the fixed factor of 74,022 Tons per year.

B. Fuel and Power: the Fuel and Power cost component will be calculated by applying the same adjustment factors as those used in the Transfer Station Fee Fuel and Power adjustment to the costs per Ton shown on Form 3-I (MRF) for fuel and power.

C. Depreciation: the depreciation dollars per ton amount is a component of the cost per Ton shown on Form 3-I (MRF) for depreciation, adjusted by the same procedure and subject to the limits described in Section 1.C, "Adjustments to Costs – Depreciation."

D. Other Operating and Maintenance: the Other Operating and Maintenance Cost component will be calculated by applying the same adjustment factor used in the Transfer Station Other O&M Cost adjustment to the cost per Ton shown on Form 3-I (MRF).

The Total MRF Operating Cost per Ton is the sum of the above costs per Ton of all expense components: Labor, Fuel and Power, Depreciation, and Other Operation and Maintenance. It is converted to a cost per Ton based on a fixed factor of 74,022 Tons per year.

The amount of MRF Profit in April 2009 dollars shown on Form 3-I results in an operating ratio of 92.87%. This operating ratio will be applied to Total MRF Operating Costs per Ton to arrive at an adjusted MRF profit per ton. The calculation is: (Total Operating Costs per Ton ÷ 92.87%) minus Total Operating Cost per Ton = Profit.

The allowance for profit is not a guarantee that Contractor will earn a particular amount, or any, profit. Actual costs may change at rates different from the adjustment process provided in the Agreement and Contractor may therefore earn more, or less, profit than the dollar amounts shown in Attachments 12-B and 13-B.

E. MRF Residue Cost: the MRF residue cost component is the cost of transporting and disposing of residue from MRF operations and is adjusted annually. The amount included in the 2011 MRF Fee is based on the tonnage estimate in Contractor's Proposal, the 2009 cost of Disposal at Ox Mountain, and the Solid Waste Transportation

Fee per Ton/Mile in the Proposal. The disposal portion is adjusted by the per cent change in disposal rates charged at the Designated Disposal Site. The transportation portion is adjusted by the adjustment to the Solid Waste Transportation Fee per Ton/Mile, as described in Section 4 below.

The actual MRF residue costs based on actual number of tons of residue will be deducted from Contractor's monthly compensation, as incurred, as described in Section 7.08.

The Total MRF Fee for 2011 is the sum of the Total MRF Operating Costs per Ton plus MRF Profit per Ton plus MRF Residue Cost per Ton.

Section 4. Adjust Transportation Fees

The five Transportation Fees for 2011 are determined as follows:

A separate 2011 cost per Ton/Mile will be calculated for each of the five materials categories (solid waste, inerts, C&D, plant materials, and organic materials (food scraps)). The cost components for each of the material types will be adjusted using the same factor. The cost per Ton/Mile is calculated by dividing the total cost by the total tons delivered to the Designated Disposal Site or the Designated Processing Facility, as appropriate, and by the one way mileage to the Designated Disposal Site or Processing Facility, as determined by the Authority.

- A. Labor: the CBA labor cost component for 2011 will be determined as described in Section 1.A.1 and 2, using Form 3-J. The CBA workers' compensation for 2011 will be determined as described in Section 1.A.3. The CBA payroll taxes for 2011 will be those determined as described in Section 1.A.4. The sum equals 2011 Transportation Labor Costs. It is converted to a Cost per Ton based on a fixed factor of 357,725 Tons per year.
- B. Fuel: the Fuel cost component will be calculated by applying the same adjustment factor as that used in the Transfer Station Fee Fuel adjustment (Section 2.B) to the costs per Ton/Mile shown on Form 3-J for Fuel.
- C. Depreciation: the depreciation dollar per Ton/Mile amounts are components of the cost per Ton/Mile shown on Form 3-J adjusted by the procedure and subject to the limits described in Section 1.C "Adjustments to Costs – Depreciation,"
- D. Other Operating and Maintenance: the Other Operating and Maintenance Cost per Ton/Mile component will be calculated by applying the same factor used in the Transfer Station Other O&M Cost adjustment.

The Total Transportation Operating Cost per Ton/Mile for each material type is the sum of the cost per Ton/mile from the above expense categories: Labor, Fuel, Depreciation, and Other Operation and Maintenance on a cost per Ton/Mile basis.

The average amount of profit in April 2009 dollars shown on Form 3-J results in an operating ratio of 91.9%. This operating ratio will be applied to Total Transportation Costs per Ton/mile to arrive at an adjusted Transportation profit per Ton/mile. The calculation is: (Total Operating Costs per Ton ÷ 91.9%) minus total Operating Cost per Ton – Profit.

The allowance for profit is not a guarantee that Contractor will earn a particular amount, or any, profit. Actual costs may change at rates different from the adjustment process provided in the Agreement and Contractor may therefore earn more, or less, profit than the dollar amounts shown in Attachments 12-B and 13-B.

The total 2011 Transportation Fee for each material type is the sum of the Total Transportation Cost per Ton/mile plus Profit per Ton/mile for each material type.

The one-way miles are set forth in Form 3-J for the Designated Disposal or Processing Facilities.

ATTACHMENT 12C

MODIFICATION OF BASIC COMPENSATION DURING INTERIM OPERATIONS IN RATE YEAR ONE

This Attachment describes how the Contractor's compensation shall be determined for the MRF operations and the Transfer Station operations during the period of Interim Operations.

Prior to the Contractor's start of Facility operations services, the Authority will be constructing a new MRF building and installing new MRF sorting equipment, and retrofitting the Transfer Station building. These construction activities may have an impact of a limited duration on full-scale operations necessitating a modification in basic compensation.

MRF Operations

In the event that the MRF building is not ready to process Recyclable Materials at the start of the Operations Agreement on January 1, 2011; the Authority will need to sort Recyclable Materials through an Off-site Processor. The Contractor will receive Recyclable Materials at the MRF and at the Public Recycling Center, but these materials will require loading into a transfer trailer for shipment to the offsite processor(s). The Contractor will not be required to transport the materials to the offsite processor(s).

During this period of interim operations the Contractor will not receive the MRF Fee provided in Section 7.03(B). Compensation will be on a cost plus 92.87% basis, up to a monthly not-to-exceed payment of \$208,220. Contractor shall submit cost reports and supporting documents such as payroll records to Authority monthly. Interim operations will cease once the equipment installation is complete and the provisions of Section 4.04 are triggered.

Transfer Station Operations

In the event the Transfer Station building is still undergoing construction activities at the start of the Operations Agreement on January 1, 2011, the Contractor will experience operational impacts that will increase its costs to manage the Transfer Station. Such impacts may include longer operating hours for transportation of materials offsite, additional traffic congestion resulting from all customer vehicles tipping on the north side of the Transfer Station building, and enhanced staffing required for floor sorting and litter control.

In order to compensate the Contractor for such additional costs the Transfer Station Fee provided in Section 7.03(A) will be increased by \$2.27 per Ton during interim operations. Interim operations will cease once the Authority directs the Contractor to begin using the southern portion of the Transfer Station building.

The dollar amounts in this attachment shall be adjusted by a percentage which represents the 100% of the change in the *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)* between June 2009 and the month(s) in which the interim operations period ends.

APPENDIX B
INDEX ADJUSTMENT WORKSHEETS BY COST COMPONENTS

SOUTH BAY RECYCLING, LLC

Annual Compensation Adjustment Schedule for Contract Year One, effective January 1, 2011

SUMMARY OF ANNUAL FEE ADJUSTMENTS

rev 3C

	ADJUSTED BASE		adjusted	YEAR ONE	
	<u>2009</u>		<u>2010</u>	<u>2011</u>	
Annual % Change					
TS			1.55%	5.46%	
MRF			1.11%	3.58%	
Transport			1.24%	4.14%	
Transfer Station	\$ 3,471,026	\$ 9.70	\$ 9.85	\$ 10.39	
MRF, net of Residue	\$ 4,696,170	\$ 63.44	\$ 64.15	\$ 66.45	
Transport (cost / ton-mile)	\$ 5,390,840	\$ 0.841	\$ 0.851	\$ 0.886	
<i>Transport (cost / ton)</i>		\$ 15.07	\$ 15.26	\$ 15.89	reference only
Total Operating Cost	\$ 13,558,036	\$ 13,558,036	\$ 13,730,764	\$ 14,319,547	
			1.3%	4.3%	
Transfer Station	\$ 3,471,026	\$ 3,471,026	\$ 3,524,774	\$ 3,717,398	
MRF, net of Residue	\$ 4,696,170	\$ 4,696,170	\$ 4,748,517	\$ 4,918,606	
Transport ¹	\$ 5,390,840	\$ 5,390,840	\$ 5,457,473	\$ 5,683,543	
Total Interest				\$ 308,120	

Adjusted Transportation Fees Cost per ton-mile

	BASE	adjusted	YEAR ONE
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Solid Waste to Ox Mtn. landfill	\$ 1.006	\$ 1.019	\$ 1.062
Inerts to Ox Mtn. Landfill	\$ 1.042	\$ 1.051	\$ 1.095
C&D to Zanker Rd. Landfill	\$ 0.687	\$ 0.691	\$ 0.716
Plant Materials to Newby Is. Recyclery	\$ 0.613	\$ 0.616	\$ 0.638
Plant Materials to Grover Landscaping	\$ 0.389	\$ 0.384	\$ 0.392
Organics to Newby Is. Recyclery	\$ 0.744	\$ 0.750	\$ 0.778
Organics to Grover Landscaping	\$ 0.421	\$ 0.429	\$ 0.438

Annual Compensation Adjustment Schedule for Contract Year One, effective January 1, 2011

Transfer Station

SUMMARY OF ANNUAL FEE ADJUSTMENTS - TS

	ADJUSTED 2009	Cost / Ton 2009	Year One	
			2010	2011
	Cost	Cost / Ton	Cost / Ton	Cost / Ton
1. Direct Labor - CBA				
Wages	1,283,084	\$ 3.59	\$ 3.73	\$ 3.97
Benefits	558,688	\$ 1.56	\$ 1.69	\$ 1.89
W/C	206,279	\$ 0.58	\$ 0.58	\$ 0.59
PR Tax	111,664	\$ 0.31	\$ 0.32	\$ 0.35
Total CBA Labor Cost	2,159,715	\$ 6.04	\$ 6.34	\$ 6.80
2. Labor & Benefits- after current CBA agreements expire	-	-	\$ -	\$ -
3. Power	192,324	\$ 0.54	\$ 0.47	\$ 0.42
4. Fuel	155,888	\$ 0.44	\$ 0.33	\$ 0.25
5. Depreciation	104,666	\$ 0.29	\$ 0.29	\$ 0.29
6. Other O&M - Other	579,781	\$ 1.62	\$ 1.63	\$ 1.63
6a. Clerical base wages & benefits	53,652	\$ 0.15	\$ 0.15	\$ -
6b. Clerical CBA wages & benefits	0	\$ -	\$ -	\$ 0.32
Total Operating	3,246,026	\$ 9.07	\$ 9.21	\$ 9.72
Profit	225,000	\$ 0.63	\$ 0.64	\$ 0.67
Profit %	6.9%	6.9%	6.9%	6.9%
TOTAL OPERATOR COST	3,471,026	\$ 9.70	\$ 9.85	\$ 10.39
% Increase			1.55%	5.46%
Total Cost		\$ 3,471,026	\$ 3,524,774	\$ 3,717,398

Base Tonnage specified by SBWMA

357,725.0

Note: cost / ton is fixed; change in tonnage changes total cost

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

	Adjusted			
	2009	2009	2010	2011
	Cost	Cost / Ton	Cost / Ton	Cost / Ton
1. Labor Cost Component Adjustment Factors (If collective bargaining agreements in effect in 2010 are still in effect)				
Wages for direct labor - When collective bargaining agreements in effect in 2010 are still in effect, use CBA Wages & Benefits form to estimate net impact of increased wage rates.				
Direct Labor				
Updated direct labor cost per ton	1,283,084	\$ 3.59	\$ 3.73	\$ 3.97
Adjustment Factor for Wages Direct Labor			1.041	1.063
% Increase			4.12%	10.5%
Benefits for Direct Labor (CBA)				
Updated annual benefit cost per ton	558,688	\$ 1.56	\$ 1.69	\$ 1.89
Adjustment Factor for Benefits			1.085	1.119
% Increase			8.45%	20.3%
Workers Compensation Insurance (Direct Labor)				
Updated annual benefit cost per ton	206,279	\$ 0.58	\$ 0.58	\$ 0.59
Adjustment Factor shall be based on the change in the Index 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. CIU203000000000A).			1.014	1.014
Payroll Taxes (Direct Labor)				
Updated Payroll Tax cost per ton	111,664	\$ 0.31	\$ 0.32	\$ 0.35
Adjustment Factor for payroll taxes shall equal the change in Federal Social Security & Medicare tax rates	7.65%		8.70%	8.70%
Adjustment Factor		1.000	1.000	1.000
2. Labor & Benefits Component Adjustment Factor - CBA labor when collective bargaining agreements in effect in 2010 are no longer in effect				
Annual non-CBA Wages & Benefits - Base	n/a		-	-
Updated annual benefit cost per ton			-	-
Adjustment factor for Labor Component			1.64%	1.64%
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 cis201s0000000000)				
3. Fuel and Power Cost Component Adjustment Factors				
Power adjustment				
Updated Power cost per ton	192,324	\$ 0.54	\$ 0.47	\$ 0.42
Adjustment factor for power costs			0.882	0.882
(reduction)			(reduction)	(reduction)
Fuel adjustment				
Updated Fuel cost per ton	155,888	\$ 0.44	\$ 0.33	\$ 0.25
Adjustment factor for fuel costs			0.759	0.759
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).			(reduction)	(reduction)
4. Depreciation / Lease (principal only) Adjustment Factor (Att. 8.B / Form 3-C Equipment)				
Updated Depr cost per ton	104,666	\$ 0.29	\$ 0.29	\$ 0.29
Adjustment Factor			1.005	1.000
There is no adjustment to depreciation cost after Year 1				
body manufacturing, truck, bus, car, and other vehicle bodies, for sale separately (not seasonally adjusted, base date: 8212, series no. pcc3				
5. Other Operating and Maintenance Cost Component Adjustment Factor				
Updated Other cost per ton	579,781	\$ 1.62	\$ 1.63	\$ 1.63
Index			0.49%	0.49%
Adjustment factor for Other O&M Component = 1 + 0.80 x [(Average CPI-U for 12-month period for then-current Rate Year - Average CPI-U for 12-month period for most-recently completed Rate Year) / (Average CPI-U for 12-month period for most-recently completed Rate Year)] Consumers, U.S. city average (not seasonally adjusted, all items, base period: 1982-84=100, series no. cuur0000sa).			1.004	1.004
6a. Clerical base wages & benefits	53,652	\$ 0.15	\$ 0.15	\$ 0.32
6b. Clerical CBA wages & benefits				111%
Adjustment Factor				2.1
Based on agreement reached on September 9,2010 Includes additional hours needed to compensate for additional time off				

Annual Compensation Adjustment Schedule for Contract Year One, effective January 1, 2011

		MRF			
SUMMARY OF ANNUAL FEE ADJUSTMENTS - MRF		ADJUSTED	Cost / Ton	contract starts	
Base tonnage spec. by SBWMA: 74,022.0		2009	2009	2010	2011
1.	Direct Labor - CBA	Cost	Cost / Ton	Cost / Ton	Cost / Ton
	Wages	1,048,544	\$ 14.17	\$ 14.75	\$ 15.58
	Benefits	446,950	\$ 6.04	\$ 6.55	\$ 7.44
	Workers Comp	168,573	\$ 2.28	\$ 2.31	\$ 2.34
	PR Tax	100,729	\$ 1.36	\$ 1.42	\$ 1.50
	Total CBA Labor Cost	1,764,796	\$ 23.84	\$ 25.02	\$ 26.86
2.	Labor & Benefits- non-CBA (incl Indirect)	956,633	\$ 12.92	\$ 12.92	\$ 12.85
3.	Power	232,339	\$ 3.14	\$ 2.77	\$ 2.44
4.	Fuel	69,641	\$ 0.94	\$ 0.71	\$ 0.54
5.	Depreciation	140,457	\$ 1.90	\$ 1.91	\$ 1.91
6.	Other O&M - Other	1,143,652	\$ 15.45	\$ 15.51	\$ 15.57
6a.	Clerical base wages & benefits	53,652	\$ 0.72	\$ 0.73	\$ -
6b.	Clerical CBA wages & benefits	0	\$ -	\$ -	\$ 1.53
	Total Operating	4,361,170	\$ 58.92	\$ 59.57	\$ 61.71
	Profit	335,000	\$ 4.53	\$ 4.58	\$ 4.74
	Profit %	7.7%	7.7%	7.7%	7.7%
	TOTAL OPERATOR COST / TON excl Residue	\$ 63.44	\$ 64.15	\$ 66.45	
	TOTAL OPERATOR COST excl Residue	4,696,170	4,696,170	4,748,517	4,918,606
	MRF Residue			1.11%	3.58%
	# Tons	6,800	6,800	6,800	6,800
	Disposal Tip Fee	\$ 33.21	\$ 34.20	\$ 34.23	\$ 34.91
	Disposal Fees	225,828	\$ 3.05	\$ 3.14	\$ 3.21
	Transfer & Haul \$ 9.26	62,968	\$ 0.85	\$ -	\$ -
	Total MRF Residue expense	288,796	\$ 3.90	\$ 3.14	\$ 3.21
	TOTAL COST WITH MRF RESIDUE	4,984,966	\$ 67.34	\$ 67.29	\$ 69.66
		\$	67.34		

Note: cost / ton is fixed; change in tonnage changes total cost

First Year 2011 uses 2010 index except CBA Agreements

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

1.	Labor Cost Component Adjustment Factors (if collective bargaining agreements in effect in 2010 are still in effect)				
	Wages for direct labor - When collective bargaining agreements in effect in 2010 are still in effect, use CBA Wages & Benefits form to estimate net impact of increased wage rates.				
					YEAR ONE
		2009	2009	2010	2011
		Cost	Cost / Ton	Cost / Ton	Cost / Ton
	Updated annual wages for direct labor	1,048,544	\$ 14.17	\$ 14.75	\$ 15.58
	Adjustment Factor for Wages Direct Labor			1.041	1.056
	% Increase	0.0%	7.4%	4.1%	9.8%
	Benefits for Direct Labor (CBA)				
	Updated annual benefit Costs	446,950	\$ 6.04	\$ 6.55	\$ 7.44
	Adjustment Factor for Benefits			1.085	1.137
	% Increase		8.45%	8.45%	22.1%
	Workers Compensation Insurance (Direct Labor)				
	Updated annual benefit Costs	168,573	\$ 2.28	\$ 2.31	\$ 2.34
	Adjustment Factor shall be based on the change in the Index			1.014	1.014
	<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. CIU203000000000A).</i>				
	Payroll Taxes (Direct Labor)				
	Updated Payroll Tax Costs	100,729	\$ 1.36	\$ 1.42	\$ 1.50
	Adjustment Factor for payroll taxes shall equal the change in Federal Social Security & Medicare tax rates		9.61%	9.61%	9.61%
	Adjustment Factor		1.000	1.000	1.000
2.	Labor & Benefits Component Adjustment Factor - non-CBA labor (VRS)				
	Updated annual costs	956,633	\$ 12.92	\$ 12.92	\$ 12.85
	Adjustment factor for Labor Component			1.000	0.995
	<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. CIU203000000000A). USE "I" NOT "A"</i>				
	Labor & Benefits Component Adjustment Factor - CBA labor when CBAs in effect in 2010 are no longer in effect				
	Updated annual benefit Costs	\$ -	\$ -	\$ -	\$ -
	Adjustment factor for Labor Component			-	-
	<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. Ecs12102) replaced with cis201s00000000000)</i>				
	Fuel and Power Cost Component Adjustment Factor:				
3.	Power adjustment				
	Updated Power Costs	232,339	\$ 3.14	\$ 2.77	\$ 2.44
	Adjustment factor for power costs			0.882	0.882
4.	Fuel adjustment				
	Updated Fuel Costs	69,641	\$ 0.94	\$ 0.71	\$ 0.54
	Adjustment factor for fuel costs			0.759	0.759
	<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>				
5.	Depreciation / Lease (principal only) Adjustment Factor (Att. 8.B / Form 3-C Equipmen)				
	Updated Depr Costs	140,457	\$ 1.90	\$ 1.91	\$ 1.91
	There is no adjustment to depreciation / lease cost after Year		1.000	1.005	1.000
	<i>Index: U.S. Department of Labor, Bureau of Labor Statistics, Producer Price Index Industry Data for motor vehicle body manufacturing, truck, bus, car, and other vehicle bodies, for sale separately (not seasonally adjusted, base date: 8212, series no. pcu3)</i>				
6.	Other Operating and Maintenance Cost Component Adjustment Fact				
	Updated Other Costs	1,143,652	\$ 15.45	\$ 15.51	\$ 15.57
	Adjustment factor for Other O&M Component = 1 + 0.80 x [(Average CPI-U for 12-month period for then-current Rate		1.00	1.004	1.004
	% change at 100% of index			0.49%	0.49%
	Year - Average CPI-U for 12-month period for most-recently completed Rate Year) / (Average CPI-U for 12-month period for most-recently completed Rate Year)]				
	<i>Consumers, U.S. city average (not seasonally adjusted, all items, base period: 1982-84=100, series no. cuur0000sa).</i>				
6a.	Clerical base wages & benefits	53,652	\$ 0.72	\$ 0.73	\$ 1.53
6b.	Clerical CBA wages & benefits				111%
	Adjustment Factor				2.1
	Based on agreement reached on September 9,2010				
	Includes additional hours needed to compensate for additional time o				

Annual Compensation Adjustment Schedule for Contract Year One, effective January 1, 2011

				Transportation				YEAR ONE	
TRANSPORTATION COST SUMMARY				Adjusted Cost / Ton Mile	Adjusted Cost / Ton Mile	%	Adjusted Cost / Ton Mile	%	Adjusted Cost / Ton Mile
# hauls	avg pay/d	Tonnage	Adjusted Cost (2009)	(2009)		(2010)		(2011)	
Solid Waste Transport Fee	10,867	24.0	260,801	\$3,409,845	\$1.006	1.3%	\$1.019	4.2%	\$1.062
Inerts Transport Fee	288	22.0	6,317	\$85,800	\$1.042	0.9%	\$1.051	4.1%	\$1.095
C&D Transport Fee	860	22.0	18,918	\$298,782	\$0.687	0.7%	\$0.691	3.6%	\$0.716
Plant Matls Trans Fee - Newby	1,281	24.0	30,747	\$471,308	\$0.613	0.5%	\$0.616	3.6%	\$0.638
Plant Matls Trans Fee - Grover	1,281	24.0	30,747	\$873,272	\$0.389	-1.3%	\$0.384	2.0%	\$0.392
Organic Matl Trans Fee - Newby	232	22.0	5,098	\$94,896	\$0.744	0.8%	\$0.750	3.8%	\$0.778
Organic Matl Trans Fee - Grover	232	22.0	5,098	\$156,938	\$0.421	1.9%	\$0.429	2.0%	\$0.438
Organic Matl Trans Fee - Livermore				\$0	\$0.000		\$0.000		\$0.000
Blended Total			<u>357,725</u>		<u>\$0.841</u>	<u>1.2%</u>	<u>\$0.851</u>	<u>4.1%</u>	<u>\$0.886</u>
Total Cost				<u>\$5,390,840</u>			<u>\$ 5,457,473</u>		<u>\$ 5,683,543</u>
Cost / Ton				<u>\$ 15.07</u>			<u>\$ 15.26</u>		<u>\$ 15.89</u>
Total Cost Increase %							1.2%		4.1%

Adjust Transportation Fees (Attachment 12-A, Section 4)

Note: The labor components for each of the five transport fees shall be adjusted using the same factor from the SW Fee.

	Proposed Cost (2009)	Adjustment Factor	Adjusted Cost (2010)	Adjustment Factor	Adjusted Cost (2011)
Direct Labor Component for Solid Waste Transport Fee					
Wages for CBA labor	\$1,309,585	1.041	\$1,363,485	1.044	\$1,423,578
Benefits for CBA labor	\$444,676	1.085	\$482,256	1.147	\$553,337
Workers compensation insurance	\$151,104	1.014	\$153,175	1.014	\$155,275
Payroll taxes (factor affects tax rate, not tax expense)	<u>\$110,755</u>	1.000	<u>\$115,313</u>	1.000	<u>\$120,395</u>
Total	\$2,016,119	1.049	\$2,114,230	1.065	\$2,252,585
Tonnage assumed for proposal	260,801 tons per year				
Cost per Ton	\$ 7.73		\$ 8.11		\$ 8.64
Adjusted labor component for solid waste Transport Fee (cost per ton mile)	\$0.595	1.049	\$0.624	1.065	\$0.664

Adjusted Cost per Ton Mile	Operating Ratio	YEAR ONE				
		Proposed Cost per Ton Mile (2009)	Adjustment Factor	Adjusted Cost per Ton Mile (2010)	Adjustment Factor	Proposed Cost per Ton Mile (2011)
Solid Waste Transport Fee						
Labor component		\$0.595	1.049	\$0.624	1.065	\$0.664
Fuel		\$0.073	0.759	\$0.056	0.759	\$0.042
Depreciation (Att. 8-B / Form 3-C Equipment)		\$0.085	1.005	\$0.085	1.000	\$0.085
Other O&M Component	\$ 588,524	\$0.163	1.004	\$0.164	1.004	\$0.165
Clerical base wages & benefits	\$ 34,940	\$0.010	1.004	\$0.010	0.000	\$0.000
Clerical CBA wages & benefits	\$ 73,875	\$0.000	0.000	\$0.000	0.000	\$0.022
Total Operating Cost		\$0.926		\$0.939		\$0.978
Profit per Operating Ratio (Form 3-G)	92.1%	\$0.080		\$0.081		\$0.084
Total SW Transportation Fee		\$1.006		\$1.019		\$1.062
# Miles (one way) to Ox Mtn		13				
# Tons		260,801				
Total Payment	proof->	\$ 3,409,753				\$ 3,414,612

Inerts Transport Fee						
Labor component		\$0.567	1.049	\$0.595	1.065	\$0.634
Fuel		\$0.081	0.759	\$0.061	0.759	\$0.047
Depreciation (Att. 8-B / Form 3-C Equipment)		\$0.085	1.005	\$0.085	1.000	\$0.085
Other O&M Component	\$ 17,976	\$0.205	1.004	\$0.206	1.004	\$0.207
Clerical base wages & benefits	\$ 1,067	\$0.013	1.004	\$0.013	0.000	\$0.000
Clerical CBA wages & benefits	\$ 2,256	\$0.000	0.000	\$0.000	0.000	\$0.027
Total Operating Cost		\$0.951		\$0.960		\$0.999
Profit per Operating Ratio (Form 3-G)	91.3%	\$0.091		\$0.091		\$0.095
Total Inert Transportation Fee		\$1.042		\$1.051		\$1.095
# Miles (one way) to Ox Mtn		13				
# Tons		6,317				
Total Payment	proof->	\$ 85,543				\$ 85,914

C&D Transport Fee						
Labor component		\$0.406	1.049	\$0.425	1.065	\$0.453
Fuel		\$0.068	0.759	\$0.051	0.759	\$0.039
Depreciation (Att. 8-B / Form 3-C Equipment)		\$0.048	1.005	\$0.048	1.000	\$0.048
Other O&M Component	\$ 47,028	\$0.102	1.004	\$0.102	1.004	\$0.102
Clerical base wages & benefits	\$ 2,792	\$0.006	1.004	\$0.006	0.000	\$0.000
Clerical CBA wages & benefits	\$ 5,903	\$0.000	0.000	\$0.000	0.000	\$0.014
Total Operating Cost		\$0.629		\$0.633		\$0.656
Profit per Operating Ratio (Form 3-G)	91.6%	\$0.058		\$0.058		\$0.060
Total C&D Transportation Fee		\$0.687		\$0.691		\$0.716
# Miles (one way) to Zanker Rd		23				
# Tons		18,918				
Total Payment	proof->	\$ 298,751				\$ 299,257

Note: The labor components for each of the five transport fees shall be adjusted using the same factor from the SW Fee.			Proposed Cost (2009)	Adjustment Factor	Adjusted Cost (2010)	Adjustment Factor	Adjusted Cost (2011)
Plant Materials Transport Fee - Newby Is							
Labor component			\$0.351	1.049	\$0.368	1.065	\$0.392
Fuel			\$0.062	0.759	\$0.047	0.759	\$0.036
Depreciation (Att. 8-B / Form 3-C Equipment)			\$0.044	1.005	\$0.044	1.000	\$0.044
Other O&M Component	\$	81,481	\$0.100	1.004	\$0.100	1.004	\$0.100
Clerical base wages & benefits	\$	4,837	\$0.006	1.004	\$0.006	0.000	\$0.000
Clerical CBA wages & benefits	\$	10,228	\$0.000	0.000	\$0.000	0.000	\$0.013
Total Operating Cost			\$0.563		\$0.566		\$0.586
Profit per Operating Ratio (Form 3-G)	91.8%		\$0.050		\$0.051		\$0.052
Total Plant Material Transportation Fee			\$0.613		\$0.616		\$0.638
# Miles (one way) to Newby					25		
# Tons					30,747		
Total Payment	proof->	\$	471,354				
		\$	472,006				
Plant Materials Transport Fee - Grover							
Labor component			\$0.208	1.049	\$0.218	1.065	\$0.233
Fuel			\$0.062	0.759	\$0.047	0.759	\$0.036
Depreciation (Att. 8-B / Form 3-C Equipment)			\$0.029	1.005	\$0.029	1.000	\$0.029
Other O&M Component	\$	130,450	\$0.055	1.004	\$0.055	1.004	\$0.055
Clerical base wages & benefits	\$	7,745	\$0.003	1.004	\$0.003	0.000	\$0.000
Clerical CBA wages & benefits	\$	16,375	\$0.000	0.000	\$0.000	0.000	\$0.007
Total Operating Cost			\$0.357		\$0.352		\$0.359
Profit per Operating Ratio (Form 3-G)	91.8%		\$0.032		\$0.031		\$0.032
Total Plant Material Transportation Fee			\$0.389		\$0.384		\$0.392
# Miles (one way) to Grover					73		
# Tons					30,747		
Total Payment	proof->	\$	873,357				
		\$	875,640				
Organic Material Transport Fee - Newby Is							
Labor component			\$0.439	1.049	\$0.460	1.065	\$0.490
Fuel			\$0.068	0.759	\$0.052	0.759	\$0.039
Depreciation (Att. 8-B / Form 3-C Equipment)			\$0.044	1.005	\$0.044	1.000	\$0.044
Other O&M Component	\$	14,643	\$0.108	1.004	\$0.108	1.004	\$0.109
Clerical base wages & benefits	\$	869	\$0.007	1.004	\$0.007	0.000	\$0.000
Clerical CBA wages & benefits	\$	1,838	\$0.000	0.000	\$0.000	0.000	\$0.014
Total Operating Cost			\$0.665		\$0.671		\$0.697
Profit per Operating Ratio (Form 3-G)	89.5%		\$0.078		\$0.079		\$0.082
Total Organic Material Transportation Fee			\$0.744		\$0.750		\$0.778
# Miles (one way) to Newby					25		
# Tons					5,098		
Total Payment	proof->	\$	94,784				
		\$	94,923				
Organic Material Transport Fee - Grover							
Labor component			\$0.227	1.049	\$0.238	1.065	\$0.254
Fuel			\$0.068	0.759	\$0.051	0.759	\$0.039
Depreciation (Att. 8-B / Form 3-C Equipment)			\$0.031	1.005	\$0.031	1.000	\$0.031
Other O&M Component	\$	23,593	\$0.060	1.004	\$0.060	1.004	\$0.060
Clerical base wages & benefits	\$	1,401	\$0.004	1.004	\$0.004	0.000	\$0.000
Clerical CBA wages & benefits	\$	2,962	\$0.000	0.000	\$0.000	0.000	\$0.008
Total Operating Cost			\$0.389		\$0.384		\$0.392
Profit per Operating Ratio (Form 3-G)	89.5%		\$0.032		\$0.045		\$0.046
Total Organic Material Transportation Fee			\$0.421		\$0.429		\$0.438
# Miles (one way) to Grover					73		
# Tons					5,098		
Total Payment	proof->	\$	156,753				
		\$	157,183				

Annual Compensation Adjustment Schedule for Contract Year One, effective January 1, 2011

INDEXES

1 Workers Comp & VRS (MRF) labor

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).

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	
Avg Index - April		109.08	107.60	105.35	102.63	99.93	96.08	
% Change		1.37%	2.14%	2.66%	2.70%	4.01%		
% only>>	% Change			2.40%	2.40%	3.10%	4.00%	6.70%

2 after CBAs expire (per 13A)

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 ended 2005 replaced with cis201s000000000i

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Annual Index	111.5	109.7	107.6	104.3	100.9	98.3
% Change	1.64%	1.95%	3.16%	3.37%	2.64%	
<u>changed index 5.26.09</u>						

3 Fuel

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).

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
April Avg Index	204.4	269.1	273.1	217.2		
% Change	-24.06%	-1.47%	25.78%			

4 Other O&M

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).

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
April Avg Index (Annual)	216.19	215.14	210.13	203.23		
% Change	0.49%	2.39%	3.39%			

5 Depreciation

Index: U.S. Department of Labor, Bureau of Labor Statistics, Producer Price Index Industry Data for motor vehicle body manufacturing, truck, bus, car, and other vehicle bodies, for sale separately (not seasonally adjusted, base date: 8212, series no. pcu336211336211).

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Index	216.58	215.50	205.86			
% Change	0.50%	4.68%				

used for depreciation, Yr 1 only

**SBWMA
FACILITY OPERATIONS AGREEMENT
Power Cost Annual Adjustment**

	RFP				
	2011	April 2010	April 2009	2008	2007
Total Bill		\$ 11,274	\$ 10,505	\$ 9,083	\$ 10,792
KWH		99,581	81,840	77,280	104,320
Rate / KWH		\$ 0.1132	\$ 0.1284	\$ 0.1175	\$ 0.1034
% increase vs Prior Yr	-11.793%	-11.793%	9.212%	13.610%	
Adjustment Factor	0.882	0.882	1.092	1.136	
% increase vs 08		-3.67%	24.08%		

SOUTH BAY RECYCLING, LLC

Annual Compensation Adjustment Schedule for Contract Year One, effective January 1, 2011

Form 3 – C (Addendum #4) Contractor Proposed Equipment List

Operations Equipment Type	Make/Model	Number	Unit Cost	Total Capital Cost	Comments
Transfer Station Equipment					
1) Loaders	Caterpillar 950H	2.5	\$265,000	\$662,500	See Appendix 9 for cost documentation
Transfer Trucks and Trailers					
1) Tractors	Kenworth T800	20	\$132,314	\$2,646,280	See Appendix 9 for cost documentation
2) Trailers	Walking Floor (TTC)	16		\$1,173,113	
	EverLite (Endump)	2		\$115,604	
	SmithCo (Endump)	2		\$112,000	
3) Two-way radios	Acumen Comms	31		\$30,786	NEW ADDITION - see Appendix 9
4) GPS Equipment	GPS Insight	23		\$11,419	NEW ADDITION - see Appendix 9
Total Truck and Trailer Cost				\$4,089,202	
MRF Equipment					
1) 3yd Containers	Consolidated	24		\$11,500	
2) 40yd Containers	Consolidated	5		\$20,000	
3) 30yd Containers	Consolidated	5		\$20,000	
4) Loaders	Caterpillar IT-938H	2.5	\$260,000	\$650,000	See Appendix 9 for cost documentation
5) Forklifts	Linde RX60-50	3	\$85,983	\$257,950	See Appendix 9 for cost documentation
6) Phone system	DTC			\$48,591	
Total MRF Equipment Cost				\$1,008,041	
Buy Back Center					
1) Scale	Mettler Toledo	2		\$3,000	
2) Computer	HP	1		\$849	
3) Software	BuybackPro	0		\$0	
4) Printer	HP	1		\$900	
5) Safe		1		\$5,000	
6) Wirebasket		15		\$1,200	
7) Desk and Chair		2		\$1,000	
8) Video System		1		\$5,000	
9) Cash box, Supplies		2		\$500	
10) Compacter	JV	1		\$32,075	
11) Forms		1		\$1,000	
12) Alarm System		1		\$2,500	
13) Security Door		1		\$500	
14) Collection Bin	Custom	6		\$1,800	
15) Collection Bin	Custom	3		\$900	
16) Roll Off	Consolidated	1		\$4,500	
17) Bin	Consolidated	2		\$1,000	
18) Bin	Consolidated	2		\$1,000	
19) Bin	Consolidated	1		\$500	
20) Bin	Consolidated	1		\$500	
21) Installation	TOMRA	2		\$3,000	
22) Reverse Vending Machine	TOMRA	1		\$10,000	
23) Reverse Vending Machine	TOMRA	1		\$10,000	
Total Buy Back Center Cost				\$86,724	
Other Trucks					
1) Roll-off Truck	Kenworth	1		\$150,000	
Sweepers					
1) Sweeper	TYMCO	1		\$225,155	
Field Service Vehicles					
1) Pick-up truck	Toyota Tacoma	1		\$23,110	
Maintenance Equipment					
1) Manlift	Genie	1		\$85,000	
Others					
1) Scale Syst. Hard/Software	PC Scale	1		\$93,145	
Total Equipment Cost				\$6,422,877	
Sales Tax				\$594,116	
Total				\$7,016,993	

SOUTH BAY RECYCLING, LLC

**Annual Compensation Adjustment Schedule for Contract Year One, effective January 1, 2011
Debt Service Schedule (Agreement 7.09, 8.03)**

Annual Costs of Contractor Supplied Equipment (Agreement 5.09, Form 3-C, and Attach. 8B)

YEAR ONE INTEREST RATE ADJUSTMENT PER OPS AGREEMENT ARTICLE 8.03

Assumed interest rate per SBR 2009 proposal: 5.00%
 Ten-year U.S. Treasury note interest rate in March, 2008: 3.50%
 Ten-year U.S. Treasury note interest rate in effect on July 1, 2010: 3.50% from U.S Bureau of the Public Debt,
Adjustment factor:

1.00

 www.treasurydirect.gov/RI/OFNtebnd
Fixed interest rate for entire period of Ops Agreement:

5.00%

Year	Financed Purchase - BASE 2009 COST			Adj. Factor	Financed Purchase - Year One to Year Ten		
	Principal Payment	Interest	Total		Principal Payment	Interest	Total
Interest Rate %		5.00%				5.00%	
1	\$505,441	\$308,120	\$813,561	1.0000	\$505,441	\$308,120	\$813,561
2	\$531,300	\$282,260	\$813,560	1.0000	\$531,300	\$282,260	\$813,560
3	\$558,483	\$255,077	\$813,560	1.0000	\$558,483	\$255,077	\$813,560
4	\$587,055	\$226,505	\$813,560	1.0000	\$587,055	\$226,505	\$813,560
5	\$617,091	\$196,470	\$813,561	1.0000	\$617,091	\$196,470	\$813,561
6	\$648,662	\$164,898	\$813,560	1.0000	\$648,662	\$164,898	\$813,560
7	\$681,849	\$131,712	\$813,561	1.0000	\$681,849	\$131,712	\$813,561
8	\$716,734	\$96,827	\$813,561	1.0000	\$716,734	\$96,827	\$813,561
9	\$753,403	\$60,158	\$813,561	1.0000	\$753,403	\$60,158	\$813,561
10	\$791,948	\$21,612	\$813,560	1.0000	\$791,948	\$21,612	\$813,560
TOTAL COST	\$6,391,966	\$1,743,639	\$8,135,605		\$6,391,966	\$1,743,639	\$8,135,605
# Years	10				10		
Average Interest / Year	\$174,364				\$174,364		