



SBWMA **DRAFT**
REPORT REVIEWING THE
2019 SOUTH BAY RECYCLING
COMPENSATION APPLICATION

August 15, 2018

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SECTION 1. OVERVIEW

A. Shoreway Operations Agreement Terms

South Bay Recycling, LLC (SBR) was selected as the facility operator in 2009 and is paid on a fee per ton basis for three services: processing materials at the Transfer Station (TS), processing materials at the Materials Recovery Facility (MRF) and transporting materials to the disposal and processing facilities. The Shoreway Operations Agreement ("Agreement") with SBR prescribes that the SBWMA is responsible for conducting the annual review and analysis of SBR's compensation application which sets the fees each year. The application is reviewed for completeness, accuracy and that the prescribed compensation adjustment methodology is followed to arrive at the recommended 2019 fees per ton contained in this report.

B. Calculation of Total Collection Revenue Requirement

The approved 2019 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, SBWMA program budget, etc.) to set the 2019 Shoreway Tip Fees. The 2019 Shoreway Tip Fees are the basis for setting the Shoreway Disposal and Processing expense that becomes part of the total Revenue Requirement for each Member Agency upon which solid waste rates are set for 2019. These costs can be found in the 2019 SBWMA Draft Report Reviewing the Recology Rate Application (Table 3), and are the result of the Shoreway tipping fees charged on the solid waste and organics tons delivered to Shoreway. The Flow Diagram of SBWMA Budget and Collection Rate Setting Process, **Table 1** below, describes this process and relationship.

Table 1

FLOW DIAGRAM OF SBWMA BUDGET & COLLECTION RATE SETTING PROCESS

SBWMA Agency Budget
(Shoreway Operations, Programs & Admin.)

SBR Operations Expense
(MRF, TS, Trans Exp)

+

Offsite Disposal & Processing
Garbage, Organics, C&D)

+

SBWMA Program & Administration
(Oversight, Outreach, Admin.)

+

Capital Expenditures
(Shoreway Maint & Enhancement)

+

City of San Carlos Fee
(5% Gross Tip Fee Revenues)

+

Other Expenses
(Bond P&I Payment, Pass-through)

+

Commodity Revenues

+

* **Franchise Tip Fee Revenue** =

Note: non-Franchise budget not shown



Member Agency Rate Setting

Disposal and Processing Expense

+

Recology Collection Services
(Commercial and Residential)

+

Member Agency Franchise Fees
(MA's Set Franchise Fees)

=

**Total Collection System
Revenue Requirement**
(Member Agency's Set Rates)

- * *Tip Fees Revenue Goals*
- *Meet Bond Covenant Tests*
 - *Meet Board Reserve Balances*
 - *Rate Stabilization Reserve*
 - *Emergency Reserve*
 - *Undesignated Reserve (Capital Projects)*

C. Description of SBR Fees and Cost Components

The process for adjusting SBR's compensation is detailed in the Operations Agreement in Article 7.03 and Attachment 13-A of the Agreement. All costs are adjusted based on various US Department of Labor indices (except depreciation which is not adjusted).

The fees for the three services are each comprised of distinct cost components:

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

The above cost components have the following subcomponents:

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

D. Compensation Adjustment Process

The compensation adjustment methodology is the basis for SBR's Rate Application submittal and the SBWMA staff's subsequent review. The compensation adjustment process uses the approved 2018 SBR fees as the basis for the adjustment to the new 2019 fees. As detailed in the Agreement, the adjustment process for the 2019 fees is illustrated in **Table 2** below.

Table 2

SBR ANNUAL COST ADJUSTMENT PROCESS			
BASE COST - 2018		ADJUSTMENT	2019 CONTRACTORS COMPENSATION
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	= Last Year's Depreciation
Profit	+	Based on operating ratio in Proposal	= Base plus Adjustment
Pass-Through Cost			
Interest	+	Interest is fixed on sliding scale	= Annual Interest Expense per Interest Schedule
Other	+	Actual cost reimbursed to Buyback customers	= Actual Cost
Total 2018 Compensation	+	Total Adjustments	= Total 2019 Compensation

E. Commodity Revenue Sharing

A portion of SBR's compensation comes from the sale of commodities through the "Commodity Revenue Share" program where the commodity revenues from the recyclable materials processed at the Shoreway MRF are split between SBWMA and SBR above the Revenue Guarantee of \$5,555,409. The Revenue Share available to SBR is an incentive to maximize recovery and obtain the best commodity sale prices. The current Commodity Revenue Share above the Guarantee is 25% to SBR and 75% to the SBWMA. While SBR is eligible for a Revenue Share of 25%, due to the current depressed commodity prices, it is unlikely that this will be paid out as commodity revenue is not expected to exceed the minimum guarantee in 2019.

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 2019. Hence, an estimate is used in the SBWMA Annual Budget and calendar year projections which is currently zero.

SECTION 2. SBR 2019 COMPENSATION APPLICATION

A. Analysis of SBR 2019 Compensation Application

SBWMA staff conducted the review of the Compensation Application submitted by SBR and worked closely with the company to ensure that questions and concerns were answered. 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 Operations Agreement. As shown in **Table 3** below, Total Compensation for SBR in 2019 is estimated to be \$19,382,160 which is \$525,585 (2.7%) higher than in 2018.

Table 3

2018 Costs & Fees vs. 2019 Costs & Fees					
SOUTH BAY RECYCLING	2018		Adjustment	2019	
	Total Cost	Fee/Ton	%	Total Cost	Fee/Ton
Operating Cost					
Transfer Station	\$ 4,710,260	\$ 13.17	2.9%	\$ 4,844,789	\$ 13.54
Recyclable Materials Processing, net of Residue	\$ 6,599,377	\$ 89.15	3.3%	\$ 6,817,455	\$ 92.10
Transportation (cost/ton-mile)	\$ 6,625,111	\$ 1.09	3.2%	\$ 6,834,758	\$ 1.13
<i>Transport (cost/ton)</i>	-	\$ 18.52	3.2%	-	\$ 19.11
Total Operating Cost	\$ 17,934,748		3.1%	\$ 18,497,002	
Contractor Pass-Through Costs					
Total Interest	\$ 96,827		-37.9%	\$ 60,158	
Buyback Payments	\$ 825,000		0.0%	\$ 825,000	
Total Contractor Pass-Through Cost	\$ 921,827		-4.0%	\$ 885,158	
Total Compensation	\$ 18,856,575		2.7%	\$ 19,382,160	

B. Description of 2019 Compensation Adjustments

Costs in the SBR Compensation Application are adjusted primarily based on changes in indexes. The specific results of the index based cost adjustments for 2019 are presented in **Table 4** on the following page.

Cost categories are adjusted based on the following criteria:

- *Labor & Benefits Cost* – adjusted by CPI index (U.S. Department of Labor, Bureau of Labor Statistics, Private Industry Employment Cost Index for Service-Producing Industries (seasonally adjusted, total compensation, series # cis201s000000000i).
- *Power Cost* - adjusted based on the actual change in the blended power rates (PG&E and Solar)
- *Fuel Cost* - adjusted by a 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# wpu057303).
- *Other Operating Costs* - various indices such as CPI (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# cuur0000sa).
- *Depreciation Cost* - not adjusted
- *Interest Expense* - based on fixed schedule

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 based primarily on state CRV rates. (Actual buyback payments to public customers are reimbursed monthly).
- Interest expense on allowed capital per a fixed schedule for the ten-year life of the contract on a sliding scale.

Table 4

Results of Cost Adjustments			
Cost Component	Adjustment	Basis	Description
Labor - (all CBAs)			
Wages & Benefits	2.61%	Index	CBA wages compensation adjustment based on index change.
Worker's Comp Insurance	2.34%	Index	Workers compensation adjustment based on index change.
Payroll Tax	2.61%	Wages & tax rate change	The payroll tax rate changes with any changes in federal or state payroll tax rates.
VRS Labor (non-CBA)	5.54%	Non-Index	Non-CBA (VRS) compensation adjustment based on VRS contract changes with County.
Power	2.76%	PG&E & Solar Rates	Power is adjusted by the blend of actual PG&E electricity rates and the Solar Power rate.
Fuel	31.5%	Index	Fuel expense is adjusted by the actual change in the fuel index.
Depreciation	0.0%	n/a	There is no adjustment to depreciation.
Other O&M	1.66%	Index	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.

SECTION 3. SBR FEE PER TON ADJUSTMENTS FOR 2019

After review of the SBR Compensation Adjustment Application, staff recommends the following Fees (shown in Table 3, prior page) be paid to SBR on a per-ton basis for 2019:

- o Transfer Station Processing Fee. The 2019 Transfer Station fee is \$13.54 per ton.
- o MRF Processing Fee. The 2018 MRF Processing fee is \$97.06 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 of \$92.10*).
- o Transportation Fee. There are multiple transportation fees for each material type and destinations (i.e., solid waste, inerts, construction and demolition, and organics). The average 2019 Transportation Fee is \$1.13 per ton mile which is 3.2% increase over prior year (the transportation rate detail for each material type and destination are presented in the **Appendix A – SBR Compensation Adjustment Application Worksheets**).

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2019

A. Summary of Fees and Estimated Cost

SUMMARY	Year 8		Year 9
	2018	2019	% Increase
Annual % Change			
TS	1.95%	2.86%	
MRF	2.96%	3.30%	
Transport	1.86%	3.16%	
Fee per Ton			
Transfer Station	\$ 13.17	\$ 13.54	2.9%
MRF (net residue)	\$ 89.15	\$ 92.10	3.3%
Blended Transportation (/ ton-mile)	\$ 1.09	\$ 1.13	3.2%
Total Cost Estimate by LOB			
Transfer Station	\$ 4,710,260	\$ 4,844,789	2.9%
MRF (net residue)	\$ 6,599,377	\$ 6,817,455	3.3%
Transportation	\$ 6,625,111	\$ 6,834,758	3.2%
Total Operating Cost	\$ 17,934,748	\$ 18,497,002	3.1%
Pass-Through Costs			
Total Interest	\$ 96,827	\$ 60,158	-37.9%
Buyback Payment (estimate)	\$ 825,000	\$ 825,000	
Total Pass-Through Cost	\$ 921,827	\$ 885,158	-4.0%
Total Estimated Compensation	\$ 18,856,575	\$ 19,382,160	2.8%

Detail Transportation Fees	Year 8		Year 9
	2018	2019	% Increase
Fee/Ton-Mile			
MSW to OX Mtn.	\$ 1.236	\$ 1.274	3.1%
Inert to OX Mtn.	\$ 1.267	\$ 1.307	3.1%
C&D to Zanker Road	\$ 0.915	\$ 0.947	3.4%
Plant Materials to Newby	\$ 0.739	\$ 0.764	3.4%
Plant Materials to Grover	\$ 0.447	\$ 0.466	4.2%
Organics to Newby	\$ 0.907	\$ 0.937	3.4%
Organics to Grover	\$ 0.500	\$ 0.521	4.2%
Plant Materials to Zanker	\$ 0.739	\$ 0.764	3.4%

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2019

B. Cost Detail Transfer Station and MRF

TRANSFER STATION	tons	Year 8		Year 9	
Base Tonnage	357,725	%	2018	%	2019
		Adjustment	Cost / Ton	Adjustment	Cost / Ton
Direct Labor - CBA					
Wages		2.3%	\$ 5.12	2.6%	\$ 5.25
Benefits		1.8%	\$ 2.58	2.6%	\$ 2.65
W/C		1.8%	\$ 0.69	2.3%	\$ 0.71
PR Tax		2.3%	\$ 0.45	2.6%	\$ 0.46
Total CBA Labor Cost		2.1%	\$ 8.84	2.6%	\$ 9.06
Power		2.9%	\$ 0.81	2.8%	\$ 0.83
Depreciation		0.0%	\$ 0.29	0.0%	\$ 0.29
Other O&M		1.4%	\$ 1.79	1.7%	\$ 1.82
Clerical CBA Wages & Benefits		2.3%	\$ 0.39	2.6%	\$ 0.40
Total Operating		2.0%	\$ 12.31	2.9%	\$ 12.67
Profit		2.0%	\$ 0.85	2.9%	\$ 0.88
Profit %			6.9%		6.9%
Total Transfer Station Fee		2.0%	\$ 13.17	2.9%	\$ 13.54

MATERIALS RECOVERY FACILITY (MRF)	tons	Year 8		Year 9	
Base Tonnage	74,022	%	2018	%	2019
		Adjustment	Cost / Ton	Adjustment	Cost / Ton
Direct Labor - CBA					
Wages		2.3%	\$ 19.25	2.6%	\$ 19.76
Benefits		2.3%	\$ 10.20	2.6%	\$ 10.47
W/C		1.8%	\$ 2.73	2.3%	\$ 2.80
PR Tax		2.3%	\$ 1.85	2.6%	\$ 1.90
Total CBA Labor Cost		2.2%	\$ 34.04	2.6%	\$ 34.91
Non-CBA Wages		5.7%	\$ 22.77	5.5%	\$ 24.03
Power		2.9%	\$ 4.73	2.8%	\$ 4.86
Fuel		-0.3%	\$ 0.42	31.5%	\$ 0.55
Depreciation		0.0%	\$ 1.91	0.0%	\$ 1.91
Other O&M		1.4%	\$ 17.04	1.7%	\$ 17.32
Clerical CBA Wages & Benefits		2.3%	\$ 1.89	2.6%	\$ 1.94
Total Operating		3.0%	\$ 82.79	3.3%	\$ 85.53
Profit		3.0%	\$ 6.36	3.3%	\$ 6.57
Profit %			7.7%		7.7%
Total MRF Fee		3.0%	\$ 89.15	3.3%	\$ 92.10

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2019

C. Compensation Adjustment - Transfer Station

	Year 8		Year 9	
	2018 Cost / Ton	2019 Cost / Ton	2018 Cost / Ton	2019 Cost / Ton
SUMMARY OF ANNUAL FEE ADJUSTMENTS				
Direct Labor - CBA				Increase %
Wages	\$ 5.12	\$ 5.25		2.61%
Benefits	\$ 2.58	\$ 2.65		2.61%
W/C	\$ 0.69	\$ 0.71		2.34%
PR Tax	\$ 0.45	\$ 0.46		2.61%
Total CBA Labor Cost	\$ 8.84	\$ 9.06		2.58%
Power	\$ 0.81	\$ 0.83		2.76%
Fuel	\$ 0.19	\$ 0.26		31.46%
Depreciation	\$ 0.29	\$ 0.29		0.00%
Other O&M	\$ 1.79	\$ 1.82		1.66%
Clerical CBA Wages & Benefits	\$ 0.39	\$ 0.40		2.61%
Total Operating	\$ 12.31	\$ 12.67		2.86%
Profit	\$ 0.85	\$ 0.88		2.86%
Profit %	6.9%	6.9%		0.00%
Total TS Fee	\$ 13.17	\$ 13.54		2.86%
% Increase	1.95%	2.86%		

DETAIL OF ANNUAL FEE ADJUSTMENTS				
Labor Cost Component Adjustment Factors				
Wages for Direct Labor				
Updated direct labor cost per ton	\$ 5.12	\$ 5.25		
Adjustment Factor for Wages Direct Labor	1.023	1.026		
% Increase	2.28%	2.61%		
Benefits for Direct Labor				
Updated annual benefit cost per ton	\$ 2.58	\$ 2.65		
Adjustment Factor for Benefits	1.018	1.026		
% Increase	1.75%	2.61%		

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2019

C. Compensation Adjustment - Transfer Station

	Year 8		Year 9	
	2018		2019	
	Cost / Ton	Cost / Ton	Cost / Ton	Cost / Ton
<u>Workers Compensation Insurance for Direct Labor</u>				
Updated annual benefit cost per ton	\$ 0.69	\$ 0.71		
Adjustment Factor	1.018	1.023		
% Increase			2.34%	
<u>Payroll Taxes for Direct Labor</u>				
Updated Payroll Tax cost per Ton	\$ 0.45	\$ 0.46		
Adjustment Factor for payroll taxes shall equal the change in Federal Social Security & Medicare Tax Rates	8.70%	8.70%		
Adjustment Factor	7.65%	7.65%		
% Increase	1.000	1.000		
			2.61%	
<u>Power Cost Component Adjustment Factors</u>				
Power Adjustment				
Updated Power cost per ton	\$ 0.81	\$ 0.83		
Adjustment Factor	1.029	1.028		
% Increase			2.76%	
<u>Fuel Adjustment</u>				
Updated Fuel cost per ton	\$ 0.19	\$ 0.26		
Adjustment Factor	0.997	1.315		
% Increase			31.46%	
<u>Depreciation</u>				
Updated Depreciation cost per ton	\$ 0.29	\$ 0.29		
Adjustment Factor (No adjustment after Year 1)	1.000	1.000		
% Increase			0.00%	
<u>Other Operating & Maintenance</u>				
Updated Other cost per ton	\$ 1.79	\$ 1.82		
Adjustment Factor @ 80% of Index	1.014	1.017		
% Increase			1.66%	

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2019

D. Compensation Adjustment - Materials Recovery Facility (MRF)

	Year 8		Year 9	
	2018	2019	2018	2019
	Cost / Ton	Cost / Ton		
SUMMARY OF ANNUAL FEE ADJUSTMENTS				
Direct Labor - CBA				Increase
Wages	\$ 19.25	\$ 19.76		2.61%
Benefits	\$ 10.20	\$ 10.47		2.61%
Workers Comp	\$ 2.73	\$ 2.80		2.34%
PR Tax	\$ 1.85	\$ 1.90		2.61%
Total CBA Labor Cost	\$ 34.04	\$ 34.91		2.58%
Third Party Wages & Benefits (VRS)	\$ 22.77	\$ 24.03		5.54%
Power	\$ 4.73	\$ 4.86		2.76%
Fuel	\$ 0.42	\$ 0.55		31.46%
Depreciation	\$ 1.91	\$ 1.91		0.00%
Other O&M	\$ 17.04	\$ 17.32		1.66%
Clerical CBA Wages & Benefits	\$ 1.89	\$ 1.94		2.61%
Total Operating	\$ 82.79	\$ 85.53		3.30%
Profit	\$ 6.36	\$ 6.57		3.30%
Profit %	7.7%	7.7%		0.00%
Total MRF Fee (excluding residue)	\$ 89.15	\$ 92.10		3.30%
<i>% Increase</i>	<i>2.96%</i>	<i>3.30%</i>		
MRF Residue Paid by SBR				
MRF Residue Tons	6,800	6,800		
Disposal Tip Fee @ Ox Mtn.	\$ 41.84	\$ 42.31		1.12%
Disposal Fees	\$ 3.84	\$ 3.89		1.12%
Transfer & Haul	\$ 1.04	\$ 1.07		3.08%
Total MRF Residue Fee	\$ 4.88	\$ 4.96		1.54%
Total MRF Fee with Residue	\$ 94.04	\$ 97.06		3.21%

DETAIL OF ANNUAL FEE ADJUSTMENTS				
Labor Cost Component Adjustment Factors				
Updated annual labor for direct labor	\$ 19.25	\$ 19.76		
Adjustment Factor	1.023	1.026		
% Increase	2.28%	2.61%		
Benefits for Direct Labor				
Updated annual benefit cost per ton	\$ 10.20	\$ 10.47		
Adjustment Factor	1.023	1.026		
% Increase	2.28%	2.61%		

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2019

D. Compensation Adjustment - Materials Recovery Facility (MRF)

	Year 8		Year 9	
	2018		2019	
	Cost / Ton		Cost / Ton	
Workers Compensation Insurance for Direct Labor				
Updated annual benefit Costs	\$ 2.73	\$	2.80	
Adjustment Factor	1.018		1.023	
% Increase			2.34%	
Payroll Taxes for Direct Labor				
Updated Payroll Tax cost per ton	\$ 1.85	\$	1.90	
Total Payroll Tax Rate %	9.6%		9.6%	
Federal Social Security & Medicare tax rates	9.61%		9.61%	
Adjustment Factor	1.000		1.000	
% Increase			0.00%	
Labor & Benefits Component Adjustment Factor - non-CBA labor (VRS)				
Updated annual costs	\$ 22.77	\$	24.03	
% Increase			5.5%	
Fuel and Power Cost Component Adjustment Factors				
<u>Power Adjustment</u>				
Updated Power cost per ton	\$ 4.73	\$	4.86	
Adjustment Factor	1.029		1.028	
% Increase			2.76%	
<u>Fuel Adjustment</u>				
Updated Fuel Costs	\$ 0.42	\$	0.55	
Adjustment Factor	0.997		1.315	
% Increase			31.46%	
<u>Depreciation</u>				
Updated Depr cost per ton	\$ 1.91	\$	1.91	
Adjustment Factor (No adjustment after Year 1)	1.000		1.000	
% Increase			0.00%	
Other Operating & Maintenance				
Updated Other cost per ton	\$ 17.04	\$	17.32	
Adjustment Factor @ 80% of Index	1.014		1.017	
% Change in underlying index	1.72%		2.07%	
% Increase			1.66%	
MRF Load Contamination				
	\$ 33.54	\$	34.64	
Plant Materials & Organics Contamination	\$ 9.39	\$	9.70	

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2019

E. Compensation Adjustment - Transportation

	Year 8		Year 9	
	2018	2019		
	Per Ton/Mile	Adjustment Factor	Per Ton-Mile	
SUMMARY OF ANNUAL FEE ADJUSTMENTS				
Solid Waste Transport Fee - Ox Mtn.	\$ 1.24	3.08%	\$ 1.27	
Inert Transport Fee - Ox Mtn.	\$ 1.27	3.12%	\$ 1.31	
C&D Transport Fee - Zanker	\$ 0.92	3.43%	\$ 0.95	
Plant Matls Trans Fee - Newby	\$ 0.74	3.45%	\$ 0.76	
Plant Matls Trans Fee - Grover	\$ 0.45	4.21%	\$ 0.47	
Organic Matl Trans Fee - Newby	\$ 0.91	3.39%	\$ 0.94	
Organic Matl Trans Fee - Grover	\$ 0.50	4.21%	\$ 0.52	
Biomass Trans Fee - Biofuel	\$ 0.60	3.80%	\$ 0.62	
Plant Matls Trans Fee - Zanker	\$ 0.74	3.45%	\$ 0.76	
Blended Total Fee	\$ 1.09	3.16%	\$ 1.13	
Total Cost Increase %	1.9%		3.2%	

DETAIL OF ANNUAL FEE ADJUSTMENTS			
Direct Labor Component for All Transport Fees			
Wages for CBA Labor	\$ 1,705,491	1.026	\$ 1,749,924
Benefits for CBA Labor	\$ 728,144	1.026	\$ 747,114
WC Insurance	\$ 181,216	1.023	\$ 185,451
Payroll Taxes	\$ 144,289	1.000	\$ 148,048
Total Cost Estimate (SW to Ox)	\$ 2,759,140	1.0259	\$ 2,830,537
Cost/Ton	\$ 10.58		\$ 10.85
Adjusted Labor for MSW Transport Fee (cost/ton-mile)	\$ 0.814	1.026	\$ 0.835
Solid Waste Transport Fee (OX)			
Labor component	\$ 0.8137	1.026	\$ 0.8348
Fuel	\$ 0.0326	1.315	\$ 0.0429
Depreciation	\$ 0.0851	1.000	\$ 0.0851
Other O&M Component	\$ 0.1801	1.017	\$ 0.1831
Clerical CBA wages & benefits	\$ 0.0267	1.026	\$ 0.0274
Total Operating Cost	\$ 1.1384		\$ 1.1734
Profit per Operating Ratio	\$ 0.0976		\$ 0.1006
Total SW Transportation Fee	\$ 1.23601	3.1%	\$ 1.27402

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2019

E. Compensation Adjustment - Transportation

	Year 8		Year 9	
	2018	Adjustment Factor	2019	
	Per Ton/Mile		Per Ton-Mile	
Inert Transport Fee - OX Mtn.				
Labor component	\$ 0.776	1.026	\$	0.796
Fuel	\$ 0.036	1.315	\$	0.047
Depreciation	\$ 0.085	1.000	\$	0.085
Other O&M Component	\$ 0.226	1.017	\$	0.230
Clerical CBA wages & benefits	\$ 0.034	1.026	\$	0.035
Total Operating Cost	\$ 1.157		\$	1.193
Profit per Operating Ratio	\$ 0.110		\$	0.114
Total Inert Transportation Fee	\$ 1.267	3.1%	\$	1.307
C&D Transport Fee - Zanker Road				
Labor component	\$ 0.6105	1.026	\$	0.6263
Fuel	\$ 0.0331	1.315	\$	0.0435
Depreciation	\$ 0.0530	1.000	\$	0.0530
Other O&M Component	\$ 0.1234	1.017	\$	0.1254
Clerical CBA wages & benefits	\$ 0.0183	1.026	\$	0.0188
Total Operating Cost	\$ 0.8383		\$	0.8670
Profit per Operating Ratio	\$ 0.0769		\$	0.0795
Total C&D Transportation Fee	\$ 0.91517	3.4%	\$	0.94654
Plant Materials Transport Fee - Newby Is				
Labor component	\$ 0.4801	1.026	\$	0.4925
Fuel	\$ 0.0277	1.315	\$	0.0363
Depreciation	\$ 0.0442	1.000	\$	0.0442
Other O&M Component	\$ 0.1100	1.017	\$	0.1118
Clerical CBA wages & benefits	\$ 0.0163	1.026	\$	0.0168
Total Operating Cost	\$ 0.6783		\$	0.7016
Profit per Operating Ratio	\$ 0.0606		\$	0.0627
Total Plant Material Transportation Fee	\$ 0.73885	3.4%	\$	0.76431
Plant Materials Transport Fee - Grover				
Labor component	\$ 0.2851	1.026	\$	0.2924
Fuel	\$ 0.0276	1.315	\$	0.0363
Depreciation	\$ 0.0286	1.000	\$	0.0286
Other O&M Component	\$ 0.0603	1.017	\$	0.0613
Clerical CBA wages & benefits	\$ 0.0090	1.026	\$	0.0092
Total Operating Cost	\$ 0.4106		\$	0.4278
Profit per Operating Ratio	\$ 0.0367		\$	0.0382
Total Plant Material Transportation Fee	\$ 0.44722	4.2%	\$	0.46606

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2019

E. Compensation Adjustment - Transportation

	Year 8		Year 9	
	2018	Adjustment Factor	2019	
	Per Ton/Mile		Per Ton-Mile	
Organic Material Transport Fee - Newby Is				
Labor component	\$ 0.6001	1.026	\$	0.6156
Fuel	\$ 0.0303	1.315	\$	0.0399
Depreciation	\$ 0.0442	1.000	\$	0.0442
Other O&M Component	\$ 0.1191	1.017	\$	0.1211
Clerical CBA wages & benefits	\$ 0.0177	1.026	\$	0.0182
Total Operating Cost	\$ 0.8115		\$	0.8390
Profit per Operating Ratio	\$ 0.0952		\$	0.0984
Total Organic Material Transportation Fee	\$ 0.90666	3.4%	\$	0.93739
Organic Material Transport Fee - Grover				
Labor component	\$ 0.3107	1.026	\$	0.3187
Fuel	\$ 0.0301	1.315	\$	0.0396
Depreciation	\$ 0.0313	1.000	\$	0.0313
Other O&M Component	\$ 0.0657	1.017	\$	0.0668
Clerical CBA wages & benefits	\$ 0.0098	1.026	\$	0.0100
Total Operating Cost	\$ 0.4475		\$	0.4663
Profit per Operating Ratio	\$ 0.0525		\$	0.0547
Total Organic Material Transportation Fee	\$ 0.49995	4.2%	\$	0.52101

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2019

F. Indexes

	Year 8 2018	Year 9 2019
<u>Workers Compensation</u>		
Use- Factor	1.018	1.023
Increase %		2.34%
<u>Direct Labor</u>		
Use- Factor	1.023	1.026
Increase %		2.61%
<u>Fuel</u>		
Use- Factor	0.997	1.315
Increase %		31.46%
<u>Other O&M</u>		
Use- Factor	1.017	1.021
Increase %		2.07%
<u>Depreciation</u>		
Use- Factor	1.000	1.000

SOUTH BAY RECYCLING, LLC
Compensation Adjustment Application for Rate Year 2019
G. Department of Labor Index Detail

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

	2015	2016	2017	2018
Average Index	123.45	125.08	127.30	130.28
% Change	2.45%	1.32%	1.78%	2.34%
Q1	124.50	126.00	128.40	131.60
Q2	124.40	126.50	129.30	
Q3	124.80	127.00	130.00	
Q4	125.10	127.30	130.20	

Direct Labor

	2015	2016	2017	2018
Index 1ST QTR	122.63	124.78	127.63	130.95
% Change	2.38%	1.75%	2.28%	2.61%
Q1	123.80	125.90	128.80	132.50
Q2	123.70	126.60	129.60	
Q3	124.50	127.30	130.50	
Q4	125.00	127.80	131.20	

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

	2015	2016	2017	2018
Avg Index Apr	256.49	158.41	158.00	207.70
% Change	-18.5%	-38.2%	-0.26%	31.46%
Jan	182.60	119.50	160.70	231.00
Feb	189.90	114.00	163.30	226.40
Mar	194.20	118.60	161.60	225.40
Apr	183.30	123.20	164.60	230.70
May	202.60	144.40	173.60	
Jun	198.70	155.40	171.50	
Jul	194.00	157.60	179.60	
Aug	189.20	149.80	188.90	
Sep	169.40	163.10	204.20	
Oct	173.50	159.70	213.50	
Nov	167.40	157.00	223.70	
Dec	130.80	158.80	223.90	

SOUTH BAY RECYCLING, LLC
Compensation Adjustment Application for Rate Year 2019
G. Department of Labor Index Detail

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

	2015	2016	2017	2018
Avg Index April	236.66	237.87	241.95	246.97
% Change	1.1%	0.5%	1.72%	2.07%
Jan	233.71	236.92	242.84	247.87
Feb	234.72	237.11	243.60	248.99
Mar	236.12	238.13	243.80	249.55
Apr	236.60	239.26	244.52	250.55
May	237.81	240.23	244.73	
Jun	238.64	241.02	244.96	
Jul	238.65	240.63	244.79	
Aug	238.32	240.85	245.52	
Sep	237.95	241.43	246.82	
Oct	237.84	241.73	246.66	
Nov	237.34	241.35	246.67	
Dec	236.53	241.43	246.52	

SOUTH BAY RECYCLING, LLC
Compensation Adjustment Application for
H. Electric Power and Solar Cost

	Actual Use Apr-17	Actual Use Apr-18
PG&E		
Year		
Total Bill	\$ 26,119	\$ 23,149
KWH	144,966	109,004
Rate / KWH	\$ 0.180	\$ 0.212
% increase from Prior Yr.	2.76%	2.54%
Adjustment Factor	1.028	1.0254

	Apr-17	Apr-18
ISH (Solar)		
Year		
Total Bill	\$ 19,889	\$ 21,742
KWH	90,298	95,834
Rate / KWH	\$ 0.220	\$ 0.227
% increase vs. Prior Yr.	3.00%	3.0%
Adjustment Factor	1.030	1.030

	Apr-17	Apr-18
Blended Total		
Year		
Total Bill	\$ 46,008	\$ 44,891
KWH	235,264	204,838
Rate / KWH	\$ 0.196	\$ 0.219
% increase vs. Prior Yr.	2.86%	2.76%
Adjustment Factor	1.0286	1.0276

SOUTH BAY RECYCLING, LLC

Compensation Adjustment Application for Rate Year 2019

I. Debt Service Schedule

Year one interest rate adjustment per Operations 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%
Adjustment factor:	100.00%
Fixed interest rate for entire period of Ops Agreement:	5.00%

Interest Rate %	Financed Purchase - BASE 2009 COST			Adjusted for Capital indexed price change			
	Principal Payment	Interest	Total	Adj. Factor	Financed Purchase - Year One to Year Ten		
		5.00%			Depreciation	Interest	Total
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