



# SBWMA FINAL REPORT REVIEWING THE 2016 RECOLOGY SAN MATEO COUNTY COMPENSATION APPLICATION

September 17, 2015

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## APPENDICES

- APPENDIX A** – Recology 2016 Compensation Application Issued on August 7, 2015 Reflecting Redline Changes from the Versions Submitted on June 15 and July 24, 2015 (Part I Sections 1 – 4 Only)
- APPENDIX B** – SBWMA Questions and Comments on Recology 2016 Compensation Application issued June 29, 2015 (with Recology’s Responses submitted on July 24, 2015 and SBWMA Part II Questions and Comments; SBWMA July 31 follow-up questions and Recology response)
- APPENDIX C** – Member Agency Questions and Comments on Recology 2016 Compensation Application (with Recology’s Responses Submitted on July 24, 2015)
- APPENDIX D** – Member Agency Variance Analysis of Total Collection Cost and Rate Impact

## **SECTION 1 EXECUTIVE SUMMARY**

### **1.A Summary**

The South Bayside Waste Management Authority (SBWMA/RethinkWaste) is required to review the Recology San Mateo County (Recology) 2016 Compensation Application (Application) for completeness, accuracy and consistency as prescribed in the Franchise Agreements between the SBWMA Member Agencies and Recology. The Application is to document the results of Recology following the prescribed compensation adjustment process detailed in Article 11, and Attachments K and N of the Member Agency Franchise Agreements. Specifically, this process entails including the index based cost adjustments, allocation of cost to Member Agencies and prior year revenue reconciliation balances.

This Final Report provides the results of SBWMA's review of Recology's 2016 Application and the critical analysis by the SBWMA of all components that make-up the total revenue requirement for Member Agencies to set solid waste rates, including other pass through costs (i.e., Member Agency fees, disposal and processing costs, and any Member Agency specific contract changes) and prior year surplus/shortfalls owed to/from Recology.

Also included is a variance summary to facilitate the understanding by the Member Agencies of the year over year changes in the Total Revenue Requirement including compensation paid to Recology and pass-through costs (**Appendix D**). In addition, the SBWMA provides the total rate impact for each Member Agency (**see Table 8 on pages 13 and 14**) and recommended rate adjustment for 2016, which consolidates all the revenue and cost components associated with the solid waste rate setting process by Member Agency.

### **1.B Compensation Application Process and Issuance of SBWMA Report**

The 2016 Recology Compensation Application was submitted to the SBWMA and Member Agencies on June 15, 2015. On June 29, 2015 the SBWMA and four Member Agencies (i.e., submitted questions and comments to Recology. On July 24, 2015 Recology submitted a revised 2016 Compensation Application and responses to the SBWMA and Member Agency's questions and comments. A subsequent revision was submitted on August 7 that added the approved compensation for the Split-Body Collection Vehicle Pilot Program. **Appendix A** provides Recology's revised August 7 (redlined) version of its 2016 Compensation Application which addresses the SBWMA's questions/comments (**Appendix A** provides the redline comparison). In addition, included in **Appendix A** are the SBWMA's questions and comments to Part 2 of Recology's Compensation Application, which are primarily addressed in the tables submitted by Recology on July 24.

Several questions and comments submitted by the SBWMA on June 29 are not included in the August 7 revised version of the 2016 Recology Compensation Application. **Appendix B** provides these questions and comments and Recology's response submitted on July 24. In addition, the SBWMA issued several follow up questions to Recology on July 31, 2015. These follow up questions and Recology's response is also provided in **Appendix B**. **Appendix C** provides the questions and comments submitted by Member Agencies on June 29 and Recology's July 24 response. The SBWMA provided all Member Agencies their detailed revenue, disposal and processing cost projections on July 17, 2015. Any changes to these projections submitted to the SBWMA by Member Agencies are captured in this Final Report.

**Table 1** below shows the complete schedule to review and comment on Recology’s Compensation Application. This Final Report provides all the necessary information for Member Agencies to adjust solid waste rates for 2016, if necessary.

**Table 1**  
**2015 Schedule to Approve Recology 2016 Compensation**

Due Date	Milestone
June 15, 2015	Recology 2016 Compensation Application Submitted to Member Agencies and SBWMA
June 29, 2015	Member Agencies and SBWMA Comments Due to Recology
July 24, 2015	Revised Recology 2016 Compensation Application Submitted to Member Agencies and SBWMA
August 14, 2015	SBWMA Draft Report Reviewing the 2016 Recology Compensation Application Issued to Member Agencies
August 28, 2015	Member Agencies Written Comments on SBWMA Draft Report Due to SBWMA
September 10, 2015	SBWMA TAC Meeting: Staff Update and Discussion
September 17, 2015	SBWMA Final Report Issued to Member Agencies/Board
September 24, 2015	SBWMA Board Meeting: Consideration of Final Report

**1.C Summary of Notable Items in the 2016 Recology Compensation Application**

Notable items included in the 2016 Recology Compensation Application include:

- 2014 revenue reconciliation of surplus/shortfall and interest payments due to/from Recology (Table H in Recology Application).
- Adjustment to Performance Incentive/Disincentive and Liquidated Damages payments (Table F in Recology Application).

**1.D Recology Cost Allocation Process by Member Agency**

The process to allocate Recology’s cost equitably across all Member Agencies is prescribed in Article 11 and Attachment K of the Franchise Agreements. The collection cost per Member Agency varies based on topography, housing density, traffic patterns, customer subscription levels, etc., even though the services provided are uniform across the Member Agencies. For these reasons, the cost to provide service is allocated to the individual Member Agencies based on operational metrics. Specifically, Recology’s costs are broken into nine cost categories and each is allocated based on four operational statistics specific to each Member Agency. These operational statistics are updated annually in April/May and include:

1. Annual route labor hours
2. Annual route hours
3. Number of containers in service
4. Number of customer accounts serviced

Per section 7.12 of the Franchise Agreements, Recology conducted its Annual Route Assessment over a four week period in April/May 2015. The statistics compiled from this Route Assessment are used to allocate costs for 2016. The cost allocation process is similar to the practice used under the Allied Waste/Republic Services compensation methodology. Year to year variances are the result of several

factors addressed by Recology in section 3.2 of its Application. Recology is currently reviewing options for how to “automate” the compilation of route assessment statistics so a larger pool of data may be used in future annual route assessments.

### 1.E Recommendation

Based on the net results of the cost adjustments calculated in the 2016 Recology Compensation Application, SBWMA is recommending that the Board approve an adjustment to Recology's 2016 compensation as delineated in the **Table 2** below. **Table 2** summarizes the adjusted 2016 costs and changes from 2015. The total change in Recology’s compensation for 2016 is a decrease of \$378,660 or 0.7% from 2015.

**Table 2 – Summary of Adjusted 2015 Costs to 2016 Costs**

<b>RECOLOGY COMPENSATION SUMMARY</b>	<b>2015 Cost</b>	<b>2016 Cost</b>	<b>% of Total Cost</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Total Annual Cost of Operations</b>	<b>50,595,200</b>	<b>50,681,507</b>	88.4%	<b>86,307</b>	<b>0.2%</b>
<b>Profit</b>	5,311,098	5,320,158	9.3%	9,060	<b>0.2%</b>
<b>Operating Ratio</b>	90.5%	90.5%			
<b>Total Operating Costs</b>	<b>55,906,299</b>	<b>56,001,665</b>	97.7%	<b>95,367</b>	<b>0.2%</b>
<b>Contractor Pass-Through Costs</b>					
Interest Expense	1,935,353	1,629,656	2.8%	(305,696)	-15.8%
Interest Expense on Implementation Cost	63,894	53,748	0.1%	(10,146)	-15.9%
Contract Changes to Specific Agencies	(435,254)	(422,253)	-0.7%	13,001	-3.0%
<b>Total Contractor Pass-Through Costs</b>	<b>1,563,993</b>	<b>1,261,152</b>	2.2%	<b>(302,841)</b>	-19.4%
<b>BASE CONTRACTOR'S COMPENSATION</b>	<b>57,470,292</b>	<b>57,262,817</b>	99.9%	(207,475)	-0.4%
<b>Other Adjustments</b>					
Performance Incentives / Disincentives	253,210	26,604	0.0%	(226,606)	-89.5%
Split-Body Collection Vehicle Pilot Program	-	55,422	0.1%	55,422	#DIV/0!
<b>Total Other Adjustments</b>	<b>253,210</b>	<b>82,026</b>	0.1%	(171,184)	-67.6%
<b>TOTAL CONTRACTOR'S COMPENSATION</b>	<b>\$ 57,723,502</b>	<b>\$ 57,344,842</b>	100.0%	<b>\$ (378,660)</b>	<b>-0.7%</b>

Note: Includes Agency specific contract changes (Hillsborough, Menlo Park, San Carlos).

## **SECTION 2 BACKGROUND**

### **2.A Franchise Agreement Terms**

Eleven of the twelve SBWMA Member Agency Agreements use the same methodology to calculate the compensation paid to Recology. One Member Agency (i.e., City of Belmont) uses a different compensation methodology; however, using this different methodology has no bearing on the costs (compensation) or services provided to the other eleven Member Agencies.

The compensation adjustment methodology is detailed in Article 11, Attachment K and Attachment N in the Member Agency Franchise Agreements. Article 11 describes the methodology and process by which the compensation adjustment process shall be implemented. Attachment K provides more detail on this process and how costs (compensation) will be allocated amongst the Member Agencies. Attachment N includes a series of forms (worksheets) that breakout Recology's compensation and data used in the cost allocation process.

#### *Cost Adjustment Process*

Attachment K, Table 1 of the Franchise Agreements prescribes a detailed process to adjust Recology's costs during the full ten-year term of the Franchise Agreements. A flowchart in Recology's Compensation Application (see table D) illustrates graphically the cost adjustment process that is conducted each year.

### **2.B Annual Revenue Reconciliation**

For rate years 2012 through 2019 there is an annual revenue reconciliation process to determine the net revenue Recology retained versus the amount actually owed to the company. The calculation compares the approximately **\$100** million gross revenue billed, less contractor paid pass-through expenses for Member Agency fees and disposal expense at the Shoreway facility (owned by SBWMA/RethinkWaste), versus the approved contractor's compensation. This revenue reconciliation process results in a surplus or shortfall owed to/from Recology by Member Agency. This surplus or shortfall will be added to or subtracted from the Recology's compensation for the subsequent rate year (in this case for 2016).

The Recology 2014 Revenue Reconciliation Report was submitted to the SBWMA and Member Agencies on March 31, 2015. Staff reviewed this 2014 Revenue Reconciliation Report and contracted an independent firm (i.e., R3 Consultants), to thoroughly review it, which included validating the accuracy of the results by Member Agency. On June 25, 2015 the Board approved agenda item 7D which included the audit findings and results (i.e., final 2014 surplus/shortfall and interest) of the revenue reconciliation that will be added to or subtracted from Recology's 2016 compensation unless it was requested to be refunded directly back to an agency.

### **2.C Review of Compensation Application by SBWMA for Accuracy and Completeness, and Issuance of Final Report**

The Franchise Agreements state that the SBWMA is responsible for annually conducting a review and analysis of Recology's Compensation Application. The SBWMA staff conducts a thorough review of the data, calculations, index adjustments, and the cost allocation process. This review is used to draft the analysis contained in this report including any changes and adjustments to Recology's compensation. Recology is obligated to promptly provide to the SBWMA any missing information, explanations and agreed changes upon request during the Compensation Application review process (i.e., June 15 – July 9). Recology submitted a revised Compensation Application on July 24 based on staff and Member Agency

comments. The questions and comments submitted to the company during the initial review period from June 15 – June 29, and additional questions submitted in July are provided in **Appendices B and C**.

### **SECTION 3 2016 RECOLOGY SAN MATEO COUNTY COMPENSATION APPLICATION**

#### **3.A Description of Compensation Adjustments**

The 2016 Recology Compensation Application is based on adjusting 2015 cost categories by applying the changes in several indices to arrive at the 2016 compensation by cost category. In the Compensation Application, the term “cost” really refers to “compensation.” Please note this does not mean Recology’s “true” cost as this is an index based compensation approach and not a “cost plus” approach. The SBWMA moved from a “cost plus” compensation model to a new “fixed price plus index adjustment” compensation methodology with the new Recology contract that started on January 1, 2011.

The Franchise Agreements with Recology also provide for additional compensation adjustments for special issues related to performance incentive/disincentive payments (and liquidated damages) and a negotiated cost adjustment for Hillsborough. The contract also entitled Recology to receive two cost adjustments in 2011 and 2013 to address service level changes to the number of residential customer accounts and commercial service levels.

**Changes to Annual Adjustment to Wages and Benefits Per the Collective Bargaining Agreements (CBA).** The 2016 Compensation Application is the third one whereby the CBA wages and benefits costs are adjusted based on a pre-determined CPI index. The Franchise Agreements prescribe that when the CBA’s in effect at the start of the contract were either amended or expired, the annual adjustment to wages would then be tied to a CPI index and not subject to the terms (i.e., increases) in the CBA. The three CBA’s expired in 2013, therefore the adjustment to CBA wages is now limited to a pre-determined Federal labor CPI index. In 2011, 2012 and 2013 of the Recology contract, and throughout the term of the previous Allied Waste/Republic Services contract(s), the actual wage and benefit rate increases specified in the CBA were used to adjust these cost categories.

**Recology Annual Revenue Reconciliation Report for 2014.** Recology submitted a Revenue Reconciliation Report to the SBWMA on March 31, 2015 which compares the approved compensation owed to Recology for 2014 with the actual net funds retained by Recology after paying for pass-through costs for disposal at Shoreway and Agency fees (e.g., Franchise Fees) paid to each Member Agency. The SBWMA reviews this Report and it is audited by an independent third party firm. The audit results are then provided to the Board for consideration and approval. Each Member Agency annually generates a surplus or shortfall which is added to or subtracted from the next year’s Revenue Requirement. The report was thoroughly reviewed by staff and an independent firm (i.e., R3) as part of the Financial Audit. The total 2014 surplus including interest is \$3,033,742 (\$3,104,353 surplus less interest due to Recology of \$70,611), see **Tables 6 and 8**.

**Interest Payment to Recology for 2014 Revenue Reconciliation Shortfall.** The Franchise Agreement(s) with Recology provide for an interest charge at the rate of prime plus one percent (i.e., currently 4.25%) for the shortfall identified in the 2014 Revenue Reconciliation Report described above. The calculation of interest on shortfalls was clarified and approved by the Board on March 27, 2014 (agenda item 8A), authorizing the Executive Director to execute a Memorandum of Understanding (MOU) with Recology establishing guidelines regarding future interest calculations on surplus revenue.

The net amount of interest charged to some Member Agencies from Recology for 2014 is \$70,611 (Table H in the Recology Application).

In addition, on July 8, 2015, the SBWMA Board of Directors and Technical Advisory Committee (TAC) Members were provided a revision to the MOU with Recology which clarifies that interest will not be charged to a Member Agency that pays Recology by September 30 the amount of any shortfall for the previous year as determined by the Board approved Revenue Reconciliation Report.

**Performance Incentive/Disincentive Payments (and Liquidated Damages).** As proscribed in the Franchise Agreement(s) with Recology, the company included the 2014 Performance Incentives/Disincentives and Liquidated Damages calculations in the 2014 Annual Report submitted on March 31, 2015. The Board approved additional disincentive payments and liquidated damages of \$20,700 be paid by Recology at the June 25, 2015 Board meeting. The 2014 incentive payment is primarily due to an increase in recycling achieved during 2014 over that achieved in 2013. The total annual Recology recycling diversion incentive payments (not net of additional liquidated damages and disincentive payments per the annual audit) to date are as follows:

- 2011 - \$913,060
- 2012 - \$489,164
- 2013 - \$257,650
- 2014 – \$42,217

The year-over-year change in the diversion payment from 2013 to 2014 is an 84% reduction. The diversion achieved annually is leveling off as programs mature.

The Performance Incentive/Disincentive payments are allocated to the Member Agencies based on the quantity of solid waste tons disposed by each. Per the Franchise Agreements, the Liquidated Damages reported by Recology are not allocated but applied specifically to each Member Agency with the exception of the additional liquidated damages approved by the Board on June 25, 2016.

**Recology Split-Body Residential Collection Services Pilot Project.** The SBWMA's Long Range Plan approved by the Board of Directors on June 23, 2015 includes a pilot project with Recology to provide collection services with split-body vehicles to approximately 16,000 customers located in two Member Agencies over two four-week periods in 2016. The intent of this project is to test a different collection vehicle to ascertain its suitability in providing routing efficiencies and other benefits to the residential sector. The cost for Recology to conduct this pilot project is \$55,422 and this amount has been included as additional compensation in Recology's 2016 Compensation Application.

### **Recurring Items**

Three cities also have unique cost adjustments: Menlo Park has an additional cost for customer billing services (\$24,429) that was done in-house prior to 2011, Hillsborough has a cost reduction for not buying new organics carts at the start of the contract (\$17,186),<sup>1</sup> and San Carlos has a cost reduction for

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<sup>1</sup> The 2016 Application includes depreciation for replacement organic carts from 2011 through 2013. This depreciation totals \$12,283, which reduces the Town's savings (originally calculated at \$32,502) for purchasing used carts. This new depreciation expense commencing in 2015 was approved by the Town



residential food scraps kitchen pails bought by the City prior to the start of the new contract with Recology (\$5,825).

The Town of Hillsborough also negotiated a reduction in the cost of back yard service which is adjusted each year. The 2016 cost reduction is \$423,671.

### **3.B Adjustment of 2015 Compensation to 2016**

As prescribed in Article 11, Attachment K and Attachment N of the Franchise Agreements, the adjustment of the 2015 compensation to 2016 compensation is predominantly based on the annual percentage change in select CPI indices applied to various cost categories. As previously explained, the Recology drivers, mechanics and office clerical CBA related expenses have all reverted to a CPI index adjustment commencing last year (rate year 2015).

**Table 3** on the following page provides the detailed results from making all compensation adjustments from 2015 to 2016. The application of all adjustment factors to the costs approved in the company's 2016 Compensation Application results in an overall decrease in Recology's base 2016 compensation totaling \$207,476 or 0.4% from 2015. Performance Incentive payments declined by \$226,606 (90%) and the split-body vehicle residential collection pilot program approved by the Board added \$55,422 in compensation for 2016. The result is a net decrease in total contractor's compensation of \$378,660 or 0.7% for 2016 from 2015. Please refer to **Table 3** on the next page.

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contingent on Recology's compliance with conditions put forth by the Town related to reporting and ownership of the containers upon expiration of the Franchise Agreement.

**Table 3 – Results of Adjustments of 2015 Costs to 2016 Costs**

<b>RECOLOGY COMPENSATION DETAIL</b>	<b>Costs - 2015</b>	<b>Costs - 2016</b>	<b>% of Total Cost</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Annual Cost of Operations</b>					
Direct Labor-Related Costs					
Wages	16,087,056	16,469,842	28.7%	382,785	2.4%
Benefits	6,402,691	6,555,040	11.4%	152,350	2.4%
Payroll Taxes	1,338,443	1,370,291	2.4%	31,848	2.4%
Workers Compensation Insurance	1,417,940	1,452,653	2.5%	34,713	2.4%
Total Direct Labor Related-Costs	25,246,130	25,847,826	45.1%	601,696	2.4%
Direct Fuel Costs	4,108,341	3,348,085	5.8%	(760,256)	-18.5%
Other Direct Costs	2,150,774	2,169,270	3.8%	18,497	0.9%
Depreciation					
- Collection Vehicles	4,016,792	4,016,792	7.0%	-	0.0%
- Containers	1,882,550	1,882,550	3.3%	-	0.0%
Total Depreciation	5,899,342	5,899,343	10.3%	(0)	0.0%
Allocated Indirect Costs excluding Depreciation					
General and Administrative	7,055,693	7,181,152	12.5%	125,459	1.8%
Operations	1,750,219	1,777,985	3.1%	27,766	1.6%
Vehicle Maintenance	3,005,558	3,067,890	5.3%	62,332	2.1%
Container Maintenance	1,039,517	1,050,330	1.8%	10,813	1.0%
Total Allocated Indirect Costs excluding Depreciation	12,850,988	13,077,358	22.8%	226,370	1.8%
Total Allocated Indirect Depreciation Costs	152,451	152,451	0.3%	-	0.0%
Annual Implementation Cost Amortization	187,175	187,175	0.3%	-	0.0%
<b>Total Annual Cost of Operations</b>	<b>50,595,200</b>	<b>50,681,507</b>	<b>88.4%</b>	<b>86,307</b>	<b>0.2%</b>
<b>Profit</b>	<b>5,311,098</b>	<b>5,320,158</b>	<b>9.3%</b>	<b>9,060</b>	<b>0.2%</b>
<b>Operating Ratio</b>	90.5%	90.5%			
<b>Total Operating Costs</b>	<b>55,906,299</b>	<b>56,001,664</b>	<b>97.7%</b>	<b>95,366</b>	<b>0.2%</b>
<b>Contractor Pass-Through Costs</b>					
Interest Expense	1,935,353	1,629,656	2.8%	(305,696)	-15.8%
Interest Expense on Implementation Cost	63,894	53,748	0.1%	(10,146)	-15.9%
Contract Changes to Specific Agencies	(435,254)	(422,253)	-0.7%	13,001	-3.0%
<b>Total Contractor Pass-Through Costs</b>	<b>1,563,993</b>	<b>1,261,152</b>	<b>2.2%</b>	<b>(302,841)</b>	<b>-19.4%</b>
<b>BASE CONTRACTOR'S COMPENSATION</b>	<b>57,470,292</b>	<b>57,262,816</b>	<b>99.9%</b>	<b>(207,476)</b>	<b>-0.4%</b>
<b>Other Adjustments</b>					
Performance Incentives / Disincentives	253,210	26,604	0.0%	(226,606)	-89.5%
Split-Body Collection Vehicle Pilot Program	-	55,422	0.1%	55,422	
<b>Total Other Adjustments</b>	<b>253,210</b>	<b>82,026</b>	<b>0.1%</b>	<b>(171,184)</b>	<b>-67.6%</b>
<b>TOTAL CONTRACTOR'S COMPENSATION</b>	<b>\$ 57,723,502</b>	<b>\$ 57,344,842</b>	<b>100.0%</b>	<b>\$ (378,660)</b>	<b>-0.7%</b>

**Table 4** below denotes the total cost adjustment to each cost category and the specific index prescribed in the Franchise Agreement(s).

**Table 4 – Results of Cost Adjustments**

<b>Cost Category</b>	<b>Cost Adjustment</b>	<b>Index</b>	<b>Explanation</b>
<b>CBA Wages and Benefits (Drivers, Mechanics, Clerical)</b>	2.38%	Index #1	The CBA wage & benefits adjustment is based on the change in a CPI Index.
<b>Payroll Tax</b>	2.38%	n/a	The payroll tax rate is adjusted by changes in Federal or state payroll tax rates. There are no tax rate changes for 2015; therefore, the payroll tax expense changes in accordance with change in wages.
<b>Worker's Compensation Insurance</b>	2.45%	Index #2	The Worker's Comp Insurance adjustment is based on the change in a CPI Index.
<b>Depreciation – Collection Vehicles</b>	0.0%	n/a	No adjustment in 2015.
<b>Depreciation - Containers</b>	0.0%	n/a	No adjustment in 2015.
<b>Non-CBA Labor</b>	2.38%	Index #1	The Non-CBA Labor cost (management and supervisors) adjustment is based on the change in a CPI index.
<b>Fuel</b>	-18.51%	Index #3	The Fuel expense is adjusted by the change in a fuel index.
<b>Other Indirect Cost</b>	0.86%	Index #4	The Other Operating cost (insurance, general office expense, safety, etc.) is adjusted by 80% of a change in a CPI index.
<b>Application of Index to the Cost Categories</b>	<b>Cost Adjustment</b>	<b>Reference</b>	<b>Specific Index Prescribed in the Franchise Agreement(s)</b>
CBA & non-CBA Wages & Benefits	2.38%	Index #1	U.S. Department of Labor, Bureau of Labor Statistics, Private Industry Employment Cost Index for Service-Producing Industries (seasonally adjusted, total compensation, series no. cis201s000000000i successor to Ecs12102i ended 2005).
Worker's Compensation Insurance	2.45%	Index #2	U.S. Department of Labor, Bureau of Labor Statistics, Private Industry Employment Cost Index for Private Industry (Not seasonally adjusted, total compensation, series no. CIU2030000000000A).
Fuel	-18.51%	Index #3	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).
Other Operating Expense	0.86%	Index #4	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. cuur000sao).

### 3.C Recommended Adjustment to Recology's Compensation for 2016

Based on the net results of the compensation adjustments previously described and the analysis of the 2016 Recology Compensation Application, SBWMA is recommending that the SBWMA Board approve an adjustment to Recology's 2016 compensation as delineated in **Table 5 – Comparison of 2015 Compensation to 2016 Compensation**. The total adjustment to Recology's contractor's compensation is a 0.7% reduction.

**Table 5 – Comparison of 2015 and 2016 Compensation**

<b>RECOLOGY COMPENSATION SUMMARY</b>	<b>2015 Cost</b>	<b>2016 Cost</b>	<b>% of Total Cost</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Total Annual Cost of Operations</b>	<b>50,595,200</b>	<b>50,681,507</b>	88.4%	<b>86,307</b>	<b>0.2%</b>
<b>Profit</b>	5,311,098	5,320,158	9.3%	9,060	<b>0.2%</b>
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<b>Total Contractor Pass-Through Costs</b>	<b>1,563,993</b>	<b>1,261,152</b>	2.2%	<b>(302,841)</b>	-19.4%
<b>BASE CONTRACTOR'S COMPENSATION</b>	<b>57,470,292</b>	<b>57,262,817</b>	99.9%	(207,475)	-0.4%
<b>Other Adjustments</b>					
Performance Incentives / Disincentives	253,210	26,604	0.0%	(226,606)	-89.5%
Split-Body Collection Vehicle Pilot Program	-	55,422	0.1%	55,422	
<b>Total Other Adjustments</b>	<b>253,210</b>	<b>82,026</b>	0.1%	(171,184)	-67.6%
<b>TOTAL CONTRACTOR'S COMPENSATION</b>	<b>\$ 57,723,502</b>	<b>\$ 57,344,842</b>	100.0%	<b>\$ (378,660)</b>	<b>-0.7%</b>

Note: Includes Agency specific contract changes (Hillsborough, Menlo Park, San Carlos).

### 3.D Recology Cost Allocation Process by Member Agency

Section 3 of the Recology Compensation Application describes how compensation is allocated to each Member Agency after the total compensation is adjusted. Article 11 and Attachment K of the Franchise Agreements prescribe the process to allocate the company's compensation equitably across the Member Agencies. Nine cost categories across seventeen lines of business are allocated to each Member Agency by four agency specific operational statistics. These four operational statistics are:

1. Annual route labor hours
2. Annual route hours
3. Number of containers in service
4. Number of customer accounts serviced

The statistics used to allocate costs for 2016 are based on operational metrics compiled for each Member Agency by Recology in April/May 2015. The cost allocation process is similar to the process used under the previous contract with Allied Waste/Republic Services.

While the services provided by Recology are uniform across the Member Agencies, the cost to provide these services vary by Member Agency based on topography, housing density, traffic patterns, and customer subscription levels, etc. For these reasons, the cost to provide service is reallocated annually to the individual Member Agencies based on current operational metrics.

The metric used by Recology to allocate costs for the Venues and Events line of business across the Member Agencies, is different than that prescribed in the Franchise Agreements. Recology and the SBWMA agree that if the method prescribed for this line of business were used, the allocation of these costs would not be equitable. Thus, the company has allocated these specific costs based on the number of single-family accounts in service and not the route labor hours or route hours expended to provide this service during April/May when the operational metrics are compiled. This approach was approved by the Board and has been applied to the compensation adjustment since Rate Year Two (2012). For 2016, it applies to approximately 0.09% of the total base compensation.

### **3.E Results of Cost Allocation**

The cost allocation by Member Agency for each cost category and the total contractor's compensation is provided in **Table 6 – Member Agency Cost Allocation**. The cost allocation by line of business (Residential, Commercial/MFD and Agency Facility) for each Member Agency is found in Recology's Compensation Application as Appendix 3-3, 3-4 and 3-5.

**Table 6 – Member Agency Cost Allocation**

2016 Costs														
<b>BASE COLLECTION COSTS</b>	<b>2016 Total</b>	<b>Atherton</b>	<b>Belmont</b>	<b>Burlingame</b>	<b>East Palo Alto</b>	<b>Foster City</b>	<b>Hillsborough</b>	<b>Menlo Park</b>	<b>North Fair Oaks</b>	<b>Redwood City</b>	<b>San Carlos</b>	<b>San Mateo</b>	<b>West Bay</b>	<b>Unincorp. County</b>
<b>Annual Cost of Operations</b>														
Direct Labor-Related Costs														
Wages for CBAs	\$16,469,842	\$422,156	\$1,083,405	\$1,718,105	\$643,977	\$920,855	\$720,580	\$1,634,722	\$518,368	\$2,865,729	\$1,396,132	\$3,674,460	\$289,609	\$581,743
Benefits for CBAs	\$6,555,040	\$170,333	\$433,526	\$668,995	\$258,473	\$363,294	\$291,589	\$645,429	\$207,190	\$1,142,566	\$556,130	\$1,465,706	\$116,541	\$235,268
Payroll Taxes	\$1,370,291	\$35,123	\$90,139	\$142,946	\$53,579	\$76,615	\$59,952	\$136,009	\$43,128	\$238,429	\$116,158	\$305,715	\$24,095	\$48,401
Workers Compensation Insurance	\$1,452,653	\$37,234	\$95,557	\$151,538	\$56,799	\$81,220	\$63,556	\$144,184	\$45,721	\$252,760	\$123,140	\$324,090	\$25,544	\$51,310
<b>Total Direct Labor Related-Costs</b>	<b>\$25,847,826</b>	<b>\$664,848</b>	<b>\$1,702,628</b>	<b>\$2,681,583</b>	<b>\$1,012,829</b>	<b>\$1,441,985</b>	<b>\$1,135,677</b>	<b>\$2,560,344</b>	<b>\$814,406</b>	<b>\$4,499,484</b>	<b>\$2,191,560</b>	<b>\$5,769,972</b>	<b>\$455,789</b>	<b>\$916,722</b>
Direct Fuel Costs	\$3,348,085	\$92,024	\$208,528	\$324,251	\$138,736	\$197,194	\$163,247	\$354,205	\$98,945	\$594,440	\$288,332	\$699,956	\$61,127	\$127,100
Other Direct Costs	\$2,169,270	\$57,544	\$135,465	\$216,194	\$88,778	\$127,069	\$101,318	\$231,374	\$63,307	\$384,851	\$187,739	\$457,319	\$38,467	\$79,845
Depreciation														
- Collection Vehicles	\$4,016,792	\$114,144	\$248,687	\$385,803	\$161,869	\$240,962	\$196,401	\$439,694	\$115,694	\$714,716	\$349,722	\$821,732	\$73,666	\$153,702
- Containers	\$1,882,550	\$58,574	\$125,694	\$160,486	\$84,248	\$116,321	\$59,220	\$180,649	\$57,992	\$340,735	\$168,571	\$411,669	\$36,198	\$82,192
<b>Total Depreciation</b>	<b>\$5,899,342</b>	<b>172,718</b>	<b>374,381</b>	<b>546,290</b>	<b>246,117</b>	<b>357,284</b>	<b>255,621</b>	<b>620,343</b>	<b>173,686</b>	<b>1,055,451</b>	<b>518,293</b>	<b>1,233,400</b>	<b>109,864</b>	<b>235,894</b>
Allocated Indirect Costs														
General and Administrative	\$7,181,152	\$112,074	\$444,657	\$674,545	\$358,174	\$443,676	\$170,371	\$759,943	\$211,197	\$1,328,967	\$683,705	\$1,612,601	\$111,055	\$270,186
Operations	\$1,777,985	\$51,111	\$108,072	\$186,164	\$69,866	\$110,166	\$88,114	\$196,226	\$48,541	\$311,929	\$152,132	\$355,017	\$32,866	\$67,779
Vehicle Maintenance	\$3,067,890	\$88,192	\$186,476	\$321,224	\$120,553	\$190,091	\$152,040	\$338,586	\$83,757	\$538,230	\$262,502	\$612,578	\$56,710	\$116,952
Container Maintenance	\$1,050,330	\$24,908	\$67,635	\$95,994	\$49,431	\$66,300	\$26,242	\$116,262	\$29,826	\$191,093	\$94,573	\$233,149	\$16,438	\$38,478
<b>Total Allocated Indirect Costs</b>	<b>\$13,077,358</b>	<b>\$276,285</b>	<b>\$806,840</b>	<b>\$1,277,927</b>	<b>\$598,023</b>	<b>\$810,233</b>	<b>\$436,768</b>	<b>\$1,411,017</b>	<b>\$373,322</b>	<b>\$2,370,220</b>	<b>\$1,192,913</b>	<b>\$2,813,345</b>	<b>\$217,069</b>	<b>\$493,395</b>
<b>Total Allocated Indirect Depreciation Costs</b>	<b>\$152,451</b>	<b>\$4,378</b>	<b>\$9,209</b>	<b>\$16,079</b>	<b>\$6,000</b>	<b>\$9,492</b>	<b>\$7,507</b>	<b>\$16,778</b>	<b>\$4,087</b>	<b>\$26,860</b>	<b>\$13,108</b>	<b>\$30,376</b>	<b>\$2,790</b>	<b>\$5,787</b>
Annual Implementation Cost Amortization	\$187,175	\$5,679	\$11,300	\$17,984	\$8,227	\$10,854	\$9,990	\$19,236	\$5,354	\$33,616	\$15,736	\$37,982	\$3,572	\$7,645
<b>Total Annual Cost of Operations</b>	<b>\$50,681,506</b>	<b>1,273,476</b>	<b>3,248,351</b>	<b>5,080,309</b>	<b>2,098,708</b>	<b>2,954,110</b>	<b>2,110,129</b>	<b>5,213,298</b>	<b>1,533,107</b>	<b>8,964,921</b>	<b>4,407,681</b>	<b>11,042,350</b>	<b>888,678</b>	<b>1,866,387</b>
<b>Profit</b>	<b>\$5,320,158</b>	<b>\$133,680</b>	<b>\$340,987</b>	<b>\$533,292</b>	<b>\$220,306</b>	<b>\$310,100</b>	<b>\$221,505</b>	<b>\$547,252</b>	<b>\$160,934</b>	<b>\$941,069</b>	<b>\$462,685</b>	<b>\$1,159,142</b>	<b>\$93,287</b>	<b>\$195,919</b>
<b>Operating Ratio</b>	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%
<b>Total Operating Cost</b>	<b>\$56,001,664</b>	<b>\$1,407,156</b>	<b>\$3,589,338</b>	<b>\$5,613,601</b>	<b>\$2,319,015</b>	<b>\$3,264,210</b>	<b>\$2,331,634</b>	<b>\$5,760,551</b>	<b>\$1,694,041</b>	<b>\$9,905,990</b>	<b>\$4,870,366</b>	<b>\$12,201,492</b>	<b>\$981,965</b>	<b>\$2,062,306</b>
<b>Contractor Pass-Through Costs</b>														
Interest Expense	\$1,629,656	\$43,595	\$103,100	\$157,725	\$66,956	\$98,566	\$63,855	\$175,356	\$48,817	\$291,823	\$143,909	\$346,930	\$28,372	\$60,653
Interest Expense on Implementation Cost	\$53,748	\$1,447	\$3,215	\$5,533	\$2,340	\$3,114	\$2,504	\$5,594	\$1,597	\$9,702	\$4,516	\$11,272	\$935	\$1,980
Contract Changes to Specific Agencies	(\$422,253)	\$0	\$0	\$0	\$0	\$0	(\$440,857)	\$24,429	\$0	\$0	(\$5,825)	\$0	\$0	\$0
<b>BASE COMPENSATION</b>	<b>\$57,262,816</b>	<b>\$1,452,198</b>	<b>\$3,695,653</b>	<b>\$5,776,859</b>	<b>\$2,388,311</b>	<b>\$3,365,890</b>	<b>\$1,957,135</b>	<b>\$5,965,930</b>	<b>\$1,744,455</b>	<b>\$10,207,515</b>	<b>\$5,012,966</b>	<b>\$12,559,694</b>	<b>\$1,011,272</b>	<b>\$2,124,939</b>
Incentives and Disincentives	\$26,604	\$192	\$929	\$3,745	\$1,774	\$1,763	\$185	\$2,255	\$848	\$5,802	\$1,968	\$6,556	\$241	\$345
Split-Body Collection Vehicle Pilot Program	\$55,422	\$1,406	\$3,577	\$5,591	\$2,312	\$3,258	\$1,894	\$5,774	\$1,688	\$9,879	\$4,852	\$12,156	\$979	\$2,057
<b>Total Contractor Adjustments</b>	<b>\$82,026</b>	<b>\$1,598</b>	<b>\$4,506</b>	<b>\$9,336</b>	<b>\$4,085</b>	<b>\$5,021</b>	<b>\$2,079</b>	<b>\$8,029</b>	<b>\$2,537</b>	<b>\$15,682</b>	<b>\$6,820</b>	<b>\$18,712</b>	<b>\$1,220</b>	<b>\$2,402</b>
<b>TOTAL CONTRACTOR'S COMPENSATION</b>	<b>\$57,344,842</b>	<b>\$1,453,796</b>	<b>\$3,700,159</b>	<b>\$5,786,195</b>	<b>\$2,392,396</b>	<b>\$3,370,911</b>	<b>\$1,959,215</b>	<b>\$5,973,959</b>	<b>\$1,746,991</b>	<b>\$10,223,197</b>	<b>\$5,019,785</b>	<b>\$12,578,406</b>	<b>\$1,012,492</b>	<b>\$2,127,340</b>
<b>Prior Year's Surplus/Shortfall to/from Recology</b>														
Revenue Reconciliation 2014 (Surplus)/Shortfall	(\$3,104,353)	(\$895,936)	\$452,805	(\$1,223,751)	(\$81,081)	\$155,870	(\$448,106)	\$176,439	(\$83,311)	(\$1,294,907)	(\$328,781)	\$355,349	(\$32,545)	\$143,602
Interest on 2014 (Surplus)/Shortfall	\$70,611	\$0	\$28,866	\$0	\$0	\$9,937	\$0	\$0	\$0	\$0	\$0	\$22,653	\$0	\$9,155
<b>Sub-Total</b>	<b>(\$3,033,742)</b>	<b>(\$895,936)</b>	<b>\$481,671</b>	<b>(\$1,223,751)</b>	<b>(\$81,081)</b>	<b>\$165,807</b>	<b>(\$448,106)</b>	<b>\$176,439</b>	<b>(\$83,311)</b>	<b>(\$1,294,907)</b>	<b>(\$328,781)</b>	<b>\$378,002</b>	<b>(\$32,545)</b>	<b>\$152,757</b>
<b>TOTAL BALANCE TO CONTRACTOR 2016</b>	<b>\$54,311,100</b>	<b>\$557,860</b>	<b>\$4,181,830</b>	<b>\$4,562,444</b>	<b>\$2,311,315</b>	<b>\$3,536,718</b>	<b>\$1,511,109</b>	<b>\$6,150,398</b>	<b>\$1,663,680</b>	<b>\$8,928,290</b>	<b>\$4,691,004</b>	<b>\$12,956,408</b>	<b>\$979,947</b>	<b>\$2,280,097</b>
<b>TOTAL BALANCE TO CONTRACTOR - 2015</b>	<b>\$59,004,838</b>	<b>\$1,606,512</b>	<b>\$4,561,048</b>	<b>\$5,688,059</b>	<b>\$2,275,975</b>	<b>\$3,799,852</b>	<b>\$1,610,679</b>	<b>\$5,998,592</b>	<b>\$1,753,024</b>	<b>\$10,416,544</b>	<b>\$5,187,441</b>	<b>\$13,096,474</b>	<b>\$980,809</b>	<b>\$2,029,829</b>
<b>Change in Contractor's Compensation</b>	<b>(\$4,693,738)</b>	<b>(\$1,048,652)</b>	<b>(\$379,219)</b>	<b>(\$1,125,615)</b>	<b>\$35,340</b>	<b>(\$263,134)</b>	<b>(\$99,570)</b>	<b>\$151,806</b>	<b>(\$89,344)</b>	<b>(\$1,488,254)</b>	<b>(\$496,437)</b>	<b>(\$140,066)</b>	<b>(\$862)</b>	<b>\$250,269</b>
<b>Percentage Change in Compensation</b>	<b>-7.95%</b>	<b>-65.28%</b>	<b>-8.31%</b>	<b>-19.79%</b>	<b>1.55%</b>	<b>-6.92%</b>	<b>-6.18%</b>	<b>2.53%</b>	<b>-5.10%</b>	<b>-14.29%</b>	<b>-9.57%</b>	<b>-1.07%</b>	<b>-0.09%</b>	<b>12.33%</b>

## **SECTION 4 2015 MEMBER AGENCY REVENUE REQUIREMENT OBLIGATIONS**

### **4.A Components of Member Agency Revenue Requirement**

The compensation to Recology for 2016 collection service is only one of several components that make up the total collection cost reflected in the Member Agency's solid waste collection rates. In addition to the Recology compensation for collection service, there are pass-through costs (discussed below) that are also included in the Member Agency's Revenue Requirement (see **Table 8 –Member Agency Projected Rate Impacts**).

### **4.B Pass-Through Costs**

The pass-through costs are the following:

1. Disposal and processing expense – Disposal and processing expenses are based on projected tonnage and estimated 2016 tip fees at the Shoreway Environmental Center. Tonnage assumptions were provided to Member Agencies on July 24 with any comments due back on August 7.
2. Franchise fee – Franchise and other Member Agency fees and programs (e.g., Curbside Inc. Door-to-Door HHW Collection Service). Fee assumptions used for 2016 were provided by Member Agencies on July 10.
3. Agency specific changes – Agency specific changes made in 2011 to the Franchise Agreements are noted and applied to each Member Agency. These changes were: Recology billing service for Menlo Park, credit for Hillsborough purchase of organics carts and reduced cost for back yard service, and a credit for San Carlos for City-purchased kitchen pails.

### **4.C Cost Variance from 2015 to 2016**

The variance in Total Revenue Requirement from 2015 to 2016 is shown in **Table 7** by cost category and the rate impact of each change. The 2016 total collection cost which includes the Recology compensation and other pass-through costs shows an average SBWMA rate reduction of 1.3%. This rate adjustment can be further broken down into the following individual components:

1. The 2016 projected revenue before 2016 rate increases of \$99,479,968 is compared to the current estimated revenue requirement for 2015 (i.e., \$98,108,856). This shows a base revenue surplus of \$1,371,112 due to revenue exceeding the 2015 base total cost. Rates could decrease by 1.4% due to this surplus.
2. Recology Base Compensation decreased \$220,477 or 0.4% from 2015 compensation.
3. Incentive payments owed to Recology decreased by \$226,606 or 90.0% from 2015.
4. A new split-body vehicle residential collection pilot program was added for \$55,422.
5. The net compensation due to Recology decreased \$378,659 from 2015 with an estimated rate impact of a 0.4% decrease.
6. Disposal and Processing Fees at Shoreway increased by 1.6% due to tip fee increases planned for 2016 with a rate impact of 0.4%.
7. Total Member Agency fees increased slightly from the prior year (i.e., 0.5% increase) and reflect feedback received from each Member Agency.

The variance summary for each Member Agency is contained in **Appendix D** and will vary in accordance with the specific circumstances for each Member Agency. The issues that may affect Member Agencies include: fluctuations in revenue, changes in Recology's cost allocation, changes in Member Agency fees

and changes in collected tons. For the details on operational statistics and compensation by Member Agency, including year over year changes, please refer to Part II section 1 of Recology's Application.

**Table 7 – Recology and Other Pass-Through Costs Variance and Rate Adjustment**

COLLECTION RATE VARIANCE ANALYSIS estimated 8/13/2015	SBWMA TOTAL				
	2016 Variance				
	2015 Estimated	2016 Estimated	2016 vs 2015 Change	2016 vs 2015 %	% Rate Impact
Estimated Revenue (Before Rate Increase)		\$99,479,968			
Projected Collection Revenue (After Rate Increase)	\$99,499,341				
2015 Base Revenue Surplus / <Shortfall>			\$1,371,112		-1.4%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$57,905,546	\$57,685,069	-\$220,477	-0.4%	-0.2%
Agency Specific Contract Changes	(\$435,254)	(\$422,253)	\$13,001	-3.0%	0.0%
Incentives / Disincentives	\$253,210	\$26,604	-\$226,606	-89.5%	-0.2%
Split-Body Collection Vehicle Pilot Program	\$0	\$55,422	\$55,422	0.0%	0.1%
<b>Total Contractor's Compensation</b>	<b>\$57,723,502</b>	<b>\$57,344,843</b>	<b>-\$378,659</b>	<b>-0.7%</b>	<b>-0.4%</b>
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$26,271,800	\$26,689,994	\$418,194	1.6%	0.4%
Agency Franchise & Other Fees	\$14,113,554	\$14,181,586	\$68,032	0.5%	0.1%
<b>Subtotal Other Pass-Through Costs</b>	<b>\$40,385,354</b>	<b>\$40,871,580</b>	<b>\$486,225</b>	<b>1.2%</b>	<b>0.5%</b>
<b>TOTAL REVENUE REQUIREMENT</b>	<b>\$98,108,856</b>	<b>\$98,216,423</b>	<b>\$107,566</b>	<b>0.1%</b>	<b>0.1%</b>
2015 Estimated Surplus / <Shortfall>	\$1,390,484				
2016 Estimated Surplus / <Shortfall>		\$1,263,546			
<b>Required Revenue Adjustment</b>			<b>-1.3%</b>		<b>-1.3%</b>

All numbers above are current estimates except 2015 Contractor's (Recology) Compensation which is final and 2016 Contractor's Compensation which is subject to Board Approval.



#### 4.D Total Recommended Rate Adjustment

The SBWMA is responsible for compiling all the components that make up the recommended rate adjustment for 2016 and are summarized in **Table 8**. The amounts shown in Table 8 reflect estimated balances at December 31, 2016 before any 2016 Member Agency solid waste rate adjustments are applied. The purpose of this table is to assist Member Agencies with determining their rate adjustment(s) for 2016. The recommended rate adjustment is derived from comparing the 2016 base revenue at 2015 rates (i.e., \$99,479,968) on line A.1 to the total revenue impact on line F.1 (i.e., \$96,468,652), which in total results in a surplus balance of \$3,011,316 on line F.2 and a 3.0% recommended rate reduction (line F.3). The following provides an explanation of the sections in **Table 8**.

- **Section A** - The estimated 2016 Surplus/Shortfall balance with Recology (**A.8**), Agency Fees on shortfalls (**A.9**) and the Rate Adjustment Percentage (**A.10**) from changes in the Total Contractor's (i.e., Recology) Compensation for 2016 and the other Pass-Through cost components of disposal expense and agency fees. *The total SBWMA rate adjustment is negative 1.2%.*
- **Section B** - The results of the 2014 Recology Revenue Reconciliation surplus/shortfall that must be added to the 2016 rate adjustment. *The total SBWMA rate adjustment is negative 3.0%.*
- **Section C** - The 2016 Required Rate Adjustment which is the sum of sections A and B. **The total SBWMA rate adjustment is negative 4.2%.**
- **Section D** - The "2015 Estimated Surplus/Shortfall" balance with Recology. Also in this section is the final 2013 surplus/shortfall which would have been included in the 2015 rate adjustment. The total estimated surplus for all SBWMA Member Agencies is \$89,334 (D.4). The 2015 Revenue Reconciliation will be finalized in 2016, similar to how the 2014 Revenue Reconciliation was finalized in 2015.
- **Section E** - The amount of surplus balances (E.1) which Member Agencies have requested Recology to refund (i.e., Atherton, Burlingame, Redwood City and West Bay Sanitary District). It also includes an adjustment for Belmont's unique agreement with Recology.
- **Section F** - The "Total Rate Adjustment" and the cumulative surplus/shortfall of \$3,011,016 (F.2) which includes the result of Sections D and E. **The total SBWMA recommended rate adjustment is a decrease of 3.0% (F.3). The Member Agencies are obligated to set rates to generate the revenue needed as denoted in Section F per the MOU between Recology and SBWMA. Agencies that set rates lower than delineated in Section F and experience a shortfall in revenue are liable for future interest charges from Recology.**

**Table 8 – Total Collection Rate Adjustment (Part 1 of 2)**

SBWMA									
TOTAL COLLECTION RATE ADJUSTMENT BY MEMBER AGENCY									
		2016 Rate Year							
		2016 Total	Atherton	Belmont	Burlingame	East Palo Alto	Foster City	Hillsborough	Menlo Park
<b>A. 2016 RATE YEAR</b>									
<b>A.1</b>	<b>2016 Collection Revenue @ 2015 Rates</b>	\$99,479,968	\$3,166,449	\$6,478,278	\$10,640,785	\$4,583,066	\$5,748,700	\$3,109,177	\$10,300,014
A.2	Total Contractor's Compensation	\$ 57,344,842	\$ 1,453,795	\$ 3,700,159	\$ 5,786,195	\$ 2,392,396	\$ 3,370,911	\$ 1,959,215	\$ 5,973,959
A.3	Other Pass-Through Costs								
A.4	Disposal & Processing Fees	\$ 26,689,994	\$ 949,176	\$ 1,429,657	\$ 2,887,154	\$ 1,552,246	\$ 1,519,306	\$ 698,451	\$ 2,775,769
A.5	Agency Franchise Fees	\$ 14,181,586	\$ 336,363	\$ 1,768,730	\$ 1,955,912	\$ 780,411	\$ 416,405	\$ 302,038	\$ 1,712,220
A.6	<b>Total Other Pass-Through Costs</b>	<b>\$ 40,871,580</b>	<b>\$ 1,285,539</b>	<b>\$ 3,198,386</b>	<b>\$ 4,843,065</b>	<b>\$ 2,332,656</b>	<b>\$ 1,935,710</b>	<b>\$ 1,000,489</b>	<b>\$ 4,487,988</b>
A.7	<b>2016 REVENUE REQUIREMENT</b>	<b>\$98,216,422</b>	<b>\$2,739,334</b>	<b>\$6,898,545</b>	<b>\$10,629,260</b>	<b>\$4,725,052</b>	<b>\$5,306,621</b>	<b>\$2,959,704</b>	<b>\$10,461,947</b>
A.8	Surplus/(Shortfall) estimated	\$1,263,547	\$427,116	(\$420,267)	\$11,525	(\$141,986)	\$442,079	\$149,472	(\$161,933)
A.9	Agency Fees on A.8	(\$36,663)	\$0		\$0	(\$13,639)	\$0	\$0	(\$21,051)
A.10	Rate Adjustment Percentage <i>(See Rate Variance Analysis for detail.)</i>	-1.2%	-13.5%		-0.1%	3.4%	-7.7%	-4.8%	1.8%
<b>B. 2014 Final Surplus/(Shortfall)</b>									
B.1	Surplus/<Shortfall> , incl Interest	\$3,033,742	\$895,936	(\$481,671)	\$1,223,751	\$81,081	(\$165,807)	\$448,106	(\$176,439)
B.2	Agency Fees on B.1	(\$53,985)	\$0		\$0	\$0	(\$8,290)	\$0	(\$22,937)
B.3	Rate Adjustment Percentage	-3.0%	-28.3%		-11.5%	-1.8%	3.0%	-14.4%	1.9%
<b>C. 2016 REQUIRED REVENUE ADJUSTMENT</b>									
C.1	Cumulative Revenue Requirement (A7-B1-B2)	\$95,273,327	\$1,843,398	\$7,380,216	\$9,405,509	\$4,657,610	\$5,480,718	\$2,511,598	\$10,682,375
C.2	SubTotal Surplus/(Shortfall) (A8+A9+B1+B2)	\$4,206,641	\$1,323,052	(\$901,938)	\$1,235,276	(\$74,543)	\$267,982	\$597,578	(\$382,361)
C.3	Rate Adjustment Percentage	-4.2%	-41.8%		-11.6%	1.6%	-4.7%	-19.2%	3.7%
<b>D. 2015 Estimated Surplus/(Shortfall)</b>									
D.1	Surplus/(Shortfall), 2015 estimated	\$1,390,484	\$423,009	(\$320,473)	\$99,158	(\$182,816)	\$365,122	\$144,929	\$22,414
D.2	Agency Fees on D.1	(\$19,817)	\$0	\$0	\$0	(\$17,561)	\$0	\$0	\$0
D.3	Surplus/(Shortfall), 2013 FINAL (incl. Interest)	(\$1,281,334)	(\$145,437)	(\$940,070)	\$41,259	\$134,974	(\$333,499)	\$356,908	(\$160,011)
D.4	Net 2013 / 2015 Surplus/(Shortfall)	\$89,334	\$277,572	(\$1,260,543)	\$140,417	(\$65,403)	\$31,623	\$501,837	(\$137,597)
D.5	Rate Adjustment Percentage	-0.1%	-8.8%		-1.3%	1.4%	-0.6%	-16.1%	1.3%
<b>E. Adjustments</b>									
E.1	Adjustments, refund of surplus balance, etc.	(\$1,284,659)	(\$895,936)	\$2,162,480	(\$1,223,751)				
<b>F. TOTAL RATE ADJUSTMENT (C.1 - D.4 - E.1)</b>									
F.1	<b>TOTAL REVENUE ADJUSTMENT</b>	<b>\$96,468,652</b>	<b>\$2,461,762</b>	<b>\$6,478,278</b>	<b>\$10,488,843</b>	<b>\$4,723,013</b>	<b>\$5,449,095</b>	<b>\$2,009,761</b>	<b>\$10,819,972</b>
F.2	Total Year Surplus/(Shortfall)	\$3,011,316	\$704,688	\$0	\$151,942	(\$139,946)	\$299,605	\$1,099,415	(\$519,958)
F.3	Cumulative Rate Adjustment Percentage	-3.0%	-22.3%		-1.4%	3.1%	-5.2%	-35.4%	5.0%

**Table 8 – Total Collection Rate Adjustment (Part 2 of 2)**

SBWMA						
TOTAL COLLECTION RATE ADJUSTMENT BY MEMBER AGENCY						
2016 Rate Year						
	North Fair Oaks	Redwood City	San Carlos	San Mateo	West Bay	Unincorporated County - Total
<b>A. 2016 RATE YEAR</b>						
<b>A.1 2016 Collection Revenue @ 2015 Rates</b>	\$2,666,640	\$18,412,581	\$8,063,506	\$21,636,401	\$1,486,913	\$3,187,457
<b>A.2 Total Contractor's Compensation</b>	\$ 1,746,991	\$ 10,223,197	\$ 5,019,785	\$ 12,578,406	\$ 1,012,492	\$ 2,127,340
<b>A.3 Other Pass-Through Costs</b>						
<b>A.4 Disposal &amp; Processing Fees</b>	\$ 813,571	\$ 5,260,582	\$ 1,968,102	\$ 5,668,186	\$ 380,620	\$ 787,176
<b>A.5 Agency Franchise Fees</b>	\$ 143,035	\$ 2,528,993	\$ 1,075,642	\$ 2,886,213	\$ 95,841	\$ 179,784
<b>A.6 Total Other Pass-Through Costs</b>	\$ 956,605	\$ 7,789,575	\$ 3,043,745	\$ 8,554,399	\$ 476,462	\$ 966,960
<b>A.7 2016 REVENUE REQUIREMENT</b>	\$2,703,597	\$18,012,773	\$8,063,530	\$21,132,805	\$1,488,954	\$3,094,300
<b>A.8 Surplus/(Shortfall) estimated</b>	(\$36,956)	\$399,808	(\$24)	\$503,596	(\$2,040)	\$93,157
<b>A.9 Agency Fees on A.8</b>	(\$1,848)	\$0	(\$2)	\$0	(\$122)	\$0
<b>A.10 Rate Adjustment Percentage</b>	1.5%	-2.2%	0.0%	-2.3%	0.1%	-2.9%
<i>(See Rate Variance Analysis for detail.)</i>						
<b>B. 2014 Final Surplus/(Shortfall)</b>						
<b>B.1 Subtotal Year Surplus/&lt;Shortfall&gt;, incl Interest</b>	\$83,311	\$1,294,907	\$328,781	(\$378,002)	\$32,545	(\$152,757)
<b>B.2 Agency Fees on B.1</b>	\$0	\$0	\$0	(\$15,120)	\$0	(\$7,638)
<b>B.3 Rate Adjustment Percentage</b>	-3.1%	-7.0%	-4.1%	1.8%	-2.2%	5.0%
<b>C. 2016 REQUIRED REVENUE ADJUSTMENT</b>						
<b>C.1 Cumulative Revenue Requirement (A7-B1-B2))</b>	\$2,622,133	\$16,717,866	\$7,734,751	\$21,525,927	\$1,456,531	\$3,254,695
<b>C.2 SubTotal Surplus/(Shortfall) (A8+A9+B1+B2)</b>	\$44,507	\$1,694,715	\$328,754	\$110,474	\$30,382	(\$67,238)
<b>C.3 Rate Adjustment Percentage</b>	-1.7%	-9.2%	-4.1%	-0.5%	-2.0%	2.1%
<b>D. 2015 Estimated Surplus/(Shortfall)</b>						
<b>D.1 Surplus/(Shortfall), 2015 estimated</b>	(\$45,113)	\$182,170	\$148,073	\$457,995	\$15,692	\$80,324
<b>D.2 Agency Fees on D.1</b>	(\$2,256)	\$0	\$0	\$0	\$0	\$0
<b>D.3 Surplus/(Shortfall), 2013 FINAL (incl. Interest)</b>	\$17,634	\$144,629	(\$97,186)	(\$433,685)	\$15,717	\$117,433
<b>D.4 Net 2013 / 2015 Surplus/(Shortfall)</b>	(\$29,735)	\$326,799	\$50,887	\$24,310	\$31,409	\$197,757
<b>D.5 Rate Adjustment Percentage</b>	1.1%	-1.8%	-0.6%	-0.1%	-2.1%	-6.2%
<b>E. Adjustments</b>						
<b>E.1 Adjustments, refund of surplus balance, etc.</b>		(\$1,294,907)			(\$32,545)	
<b>F TOTAL RATE ADJUSTMENT (C.1 - D.4 - E.1)</b>						
<b>F.1 TOTAL REVENUE ADJUSTMENT</b>	\$2,651,868	\$17,685,974	\$7,683,864	\$21,501,617	\$1,457,667	\$3,056,938
<b>F.2 Total Year Surplus/(Shortfall)</b>	\$14,772	\$726,607	\$379,642	\$134,784	\$29,246	\$130,519
<b>F.3 Cumulative Rate Adjustment Percentage</b>	-0.6%	-3.9%	-4.7%	-0.6%	-2.0%	-4.1%

## **SECTION 5 CONCLUSION**

The SBWMA's review of the 2016 Recology Compensation Application results in the recommendation to adjust the 2016 compensation to Recology (i.e., Total Contractor's Compensation) by a 0.7% (i.e., \$378,660) decrease over approved 2015 compensation, as provided in the Executive Summary and Tables A, B and E in Recology's Application.

The Member Agency snapshot report prepared by the SBWMA, and updated by Recology annually, can be found in the Recology Application as Appendix 3. Each snapshot report includes six tables for each Member Agency including: 1) a three year summary of major statistics used to allocate costs; 2) detailed comparison of Recology costs for 2016 vs. 2015; 3) detailed cost comparison of 2016 vs. 2015 by Recology service sectors; and, 4) three tables showing the actual cost allocation process by service sector and the seventeen lines of business.

# **APPENDIX A**

RECOLOGY 2016 COMPENSATION  
APPLICATION ISSUED ON  
August 7, 2015 REFLECTING REDLINE  
CHANGES FROM THE VERSIONS  
SUBMITTED ON JUNE 15, 2015 AND  
July 24, 2015(PART I NARRATIVE  
SECTIONS 1 – 4 ONLY)

SBWMA FINAL REPORT REVIEWING  
THE RECOLOGY 2016  
COMPENSATION APPLICATION

September 17, 2015

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# EXECUTIVE SUMMARY

## Overview of the Application

Recology San Mateo County (Recology) is pleased to submit our 2016 Application for a Contractor's Compensation Adjustment per Section 11.04 of the Franchise Agreements with the twelve South Bayside Waste Management Authority (SBWMA) Member Agencies. The format of this Application is similar to the prior year submittals, which had been modified, with the assistance of the SBWMA and feedback from Board members, in an effort to provide a more user friendly and easier to understand Application.

Prior year feedback received identified that the Application would be best presented in two parts. Part 1 is made up of the report summarizing the components of the Calculation of Contractor's Compensation, the supporting tables and charts and describing identified cost allocation variances. Part 2 is made up of the source files and contains the data used to create the Application as well as other specific data identified in Article 11 of the Franchise Agreement as required information needed to be included in the Application.

Section 1 of this Application (Calculation of Contractor's Compensation for the 2016 Rate Year and Variance Analysis) explains the first step in calculating the annual adjustment to Recology's compensation. This section provides the results of our calculations and explains how the base compensation is adjusted using the indices prescribed in the Franchise Agreements. Also included are explanations on special issues such as Incentive and Disincentive payments and sections pertaining to several Member Agencies that have unique cost adjustments.

Section 2 (Annual 2014 Revenue Reconciliation) details the annual process to determine what net revenue Recology retained in compensation versus the amount actually owed to the company. This reconciliation of revenues billed by Recology calculates the surplus or shortfall due to/from each Member Agency for 2014.

Section 3 (Allocation of Costs to the Member Agencies) explains the second step in the compensation adjustment process which is to allocate contractor's compensation across all Member Agencies equitably as prescribed in the Franchise Agreements. This section provides the details of the operational metrics used to allocate costs, the results of the cost allocation and explanations for jurisdictions with allocation changes of 3% or more.

Section 4 (Cost Adjustment Calculations in Total and by Member Agency) consists of several Appendices which provide statistical tables and various cost adjustment tables. These tables provide a summary of the detailed calculations and steps taken to derive the compensation adjustment for 2016 by Member Agency.

Results of Index and Non-Indexed Based Cost Adjustments (Section 1)

Section 1 provides the results of the index and non-index based cost adjustments for the ten cost categories which ranged from -18.51% (i.e., Fuel) to a 2.45% increase (i.e., Worker's Compensation Insurance (Drivers)). The changes for the ten cost categories can be seen on **Table C**, page 9. The total adjustment for index-based cost adjustments is a 0.2% increase in compensation before interest and incentives/disincentives adjustments.

Specific Issues for 2016 (Section 1)

Section 1.2 describes the specific issues for 2016 which include a calculation of performance incentives and disincentives. The net performance incentive payment is calculated at \$26,604. The Member Agency specific issues are discussed in detail in Section 1.3.

Results of the 2014 Revenue Reconciliation (Section 2)

Recology issued its 2014 Revenue Reconciliation Report to the SBWMA and its Member Agencies on March 31, 2015, per Section 11.03 of the Franchise Agreement(s). The Revenue Reconciliation compares the amount owed to Recology to the amount paid to Recology by Member Agency. The result was a surplus due from Recology of \$3,104,353 in 2014 before adjustment for interest. The impact across the Member Agencies ranged from shortfalls in the Cities of Belmont of \$452,805 and San Mateo of \$355,349 to a surplus in the City of Redwood City of \$1,294,907. The following table provides the results of the 2014 Revenue Reconciliation. Please note that the detailed Revenue Reconciliation information is provided in **Table H** on page 22.

<b>Member Agency</b>	<b>2014 Surplus or (Shortfall)</b>	<b>Interest Due (to)/from Recology</b>	<b>Total</b>
Atherton	\$895,936	\$0	\$895,936
Belmont	(\$452,805)	(\$28,866)	(\$481,671)
Burlingame	\$1,223,751	\$0	\$1,223,751
East Palo Alto	\$81,081	\$0	\$81,081
Foster City	(\$155,870)	(\$9,937)	(\$165,807)
Hillsborough	\$448,106	\$0	\$448,106
Menlo Park	(\$176,439)	\$0	(\$176,439)
North Fair Oaks	\$83,311	\$0	\$83,311
Redwood City	\$1,294,907	\$0	\$1,294,907
San Carlos	\$328,781	\$0	\$328,781
City of San Mateo	(\$355,349)	(\$22,653)	(\$378,002)
West Bay Sanitary District	\$32,545	\$0	\$32,545
County of San Mateo	(\$143,602)	(\$9,155)	(\$152,757)
<b>Total</b>	<b>\$3,104,353</b>	<b>(\$70,611)</b>	<b>\$3,033,742</b>

Results of the 2016 Cost Allocation (Section 3)

Section 3 provides the details of the allocation of total Contractor collection costs to the Member Agencies. This cost allocation process resulted in year-over-year variances ranging from an increase in Menlo Park of 3.00% or \$172,995 to a decrease in Redwood City of 2.48% or \$259,547. The biggest factor of the cost allocation is driver hours attributed to each Member Agency which can fluctuate for a variety of reasons. The following table provides the percentage and dollar variance in the allocation of total compensation for 2016 compared to 2015.

Percentage of Total Contractor's Compensation Total Cost Allocation					
	2015	2016	Difference %	Variance %	Difference \$
Atherton	2.52%	2.52%	0.00%	-0.06%	\$ (927)
Belmont	6.23%	6.41%	0.17%	2.77%	\$ 99,698
Burlingame	9.84%	10.01%	0.18%	1.82%	\$ 103,209
East Palo Alto	4.14%	4.14%	0.01%	0.12%	\$ 2,902
Foster City	5.96%	5.83%	-0.12%	-2.09%	\$ (71,996)
Hillsborough	4.18%	4.16%	-0.02%	-0.45%	\$ (10,893)
Menlo Park	10.00%	10.30%	0.30%	3.00%	\$ 172,995
North Fair Oaks	3.04%	3.02%	-0.02%	-0.68%	\$ (11,898)
Redwood City	18.15%	17.70%	-0.45%	-2.48%	\$ (259,547)
San Carlos	8.77%	8.70%	-0.07%	-0.79%	\$ (40,136)
San Mateo	21.76%	21.77%	0.01%	0.04%	\$ 5,410
West Bay Sanitary	1.72%	1.75%	0.03%	2.03%	\$ 20,110
County of San Mateo	3.70%	3.68%	-0.02%	-0.42%	\$ (8,929)
Totals	100%	100%	0.00%	N/A	\$ 0

Note: Dollar difference amounts in parentheses are a reduction in total cost allocation.  
Year 2015 and 2016 percentages are shown rounded to two decimal places.

2016 Total Adjustment to Contractor's Compensation (Section 4)

The calculated adjustment for the Total Contractor's Compensation for Rate Year 2016 decreased by \$378,660 or -0.7% compared to the compensation approved for 2015. This total contractor's compensation adjustment for the SBWMA service area as a whole is summarized in the table on the next page.

	Compensation - 2015	Compensation - 2016	Change	% Change
<b>Total Annual Cost of Operations</b>	<b>50,595,200</b>	<b>50,681,506</b>	<b>86,306</b>	<b>0.2%</b>
<b>Profit</b>	5,311,098	5,320,158	9,060	<b>0.2%</b>
<b>Operating Ratio</b>	90.5%	90.5%		
<b>Total Operating Costs</b>	<b>55,906,299</b>	<b>56,001,664</b>	<b>95,366</b>	<b>0.2%</b>
<b>Total Contractor Pass-Through Costs</b>	<b>1,563,993</b>	<b>1,261,152</b>	<b>(302,841)</b>	<b>-19.4%</b>
<b>BASE CONTRACTOR'S COMPENSATION</b>	<b>57,470,292</b>	<b>57,262,816</b>	<b>(207,476)</b>	<b>-0.4%</b>
<b>Other Adjustments</b>				
<b>Incentive / Disincentives</b>	253,210	26,604	<b>(226,606)</b>	
<b>Split-Body Collection Vehicle Pilot Program</b>	-	55,422	55,422	
<b>Total Other Adjustments</b>	253,210	82,026	<b>(171,184)</b>	
<b>TOTAL CONTRACTOR'S COMPENSATION</b>	<b>57,723,502</b>	<b>57,344,842</b>	<b>(378,660)</b>	<b>-0.7%</b>

Revised Table 8/7/2015

This table provides the year-over-year comparison of the percentage change in total Contractor's Compensation due to Recology for collection services. **These figures do not include disposal and processing costs, franchise fees or the annual Revenue Reconciliation Surplus/Shortfall.**

# **1. CALCULATION OF CONTRACTOR'S COMPENSATION FOR THE 2016 RATE YEAR AND VARIANCE ANALYSIS**

## **1.1. ANNUAL ADJUSTMENT TO CONTRACTOR'S BASE COMPENSATION**

The process to adjust Recology's compensation entails several steps which are explained in detail in this report.

The first step is to adjust the prior year's costs by the various indices prescribed in the Franchise Agreements (refer to section 1.1.3.). The second step is to add specific adjustments to the Base Contractor's Compensation. These include Incentive/Disincentive payment owed to/from Recology and other specific adjustments that may arise in the normal course of this contract. The final step is the calculation of the Surplus/Shortfall due to/from Recology for the prior year's compensation. Since this is a revenue issue and not a cost issue, it is dealt with separately in this report (refer to Section 2).

### **1.1.1. Overview of Annual Contractor's Compensation Adjustment**

The annual compensation adjustment process is prescribed in the Member Agency Franchise Agreements in Article 11 (Contractor's Compensation, Pass-Through Costs and Rates), Attachment K (Contractor's Compensation and Rate Setting Process) and Attachment N (Contractor's Compensation and Rate Setting Statistics). Article 11 provides an overview of the compensation methodology. Attachment K explains the detailed process and specific rules used to adjust the various cost categories and the allocation of costs to the Member Agencies. The tables that comprise Attachment N are used to calculate the specific cost adjustments prescribed in Attachment K. Therefore, the process to annually adjust Contractor's Compensation is implemented by following the provisions in Article 11, Attachment K and Attachment N.

**1.1.2. Total Contractor's Compensation Adjustment**

The calculated adjustment for the Total Contractor's Compensation for Rate Year 2016 decreased by \$378,660 (-0.7%), to \$57,344,842 compared to the compensation approved for 2015. This total cost adjustment for the SBWMA service area as a whole is summarized in **Table A** below.

**Table A**

	Compensation - 2015	Compensation - 2016	Change	% Change
<b>Total Annual Cost of Operations</b>	<b>50,595,200</b>	<b>50,681,506</b>	<b>86,306</b>	<b>0.2%</b>
<b>Profit</b>	5,311,098	5,320,158	9,060	<b>0.2%</b>
<b>Operating Ratio</b>	90.5%	90.5%		
<b>Total Operating Costs</b>	<b>55,906,299</b>	<b>56,001,664</b>	<b>95,366</b>	<b>0.2%</b>
<b>Total Contractor Pass-Through Costs</b>	<b>1,563,993</b>	<b>1,261,152</b>	<b>(302,841)</b>	<b>-19.4%</b>
<b>BASE CONTRACTOR'S COMPENSATION</b>	<b>57,470,292</b>	<b>57,262,816</b>	<b>(207,476)</b>	<b>-0.4%</b>
<b>Other Adjustments</b>				
<b>Incentive / Disincentives</b>	253,210	26,604	(226,606)	
<b>Split-Body Collection Vehicle Pilot Program</b>	-	55,422	55,422	
<b>Total Other Adjustments</b>	253,210	82,026	(171,184)	
<b>TOTAL CONTRACTOR'S COMPENSATION</b>	<b>57,723,502</b>	<b>57,344,842</b>	<b>(378,660)</b>	<b>-0.7%</b>

Revised Table A 8/7/2015

The adjusted Total Contractor's Compensation for each Agency is provided in **Table B** on the next page.

Please note that the figures in the above **Table A** and **Table B** do not include disposal and processing costs, franchise fees or the annual Revenue Reconciliation **Surplus/Shortfall**. **Table A** (above) and **Table B** (on the next page) only pertain to Recology's Base Compensation.

Table B

BASE COLLECTION COSTS	2016 Costs													
	2016 Total	Atherton	Belmont	Burlingame	E Palo Alto	Foster City	Hillsborough	Menlo Park	North Fair Oaks	Redwood City	San Carlos	San Mateo	West Bay	Unincorporated County
<b>Annual Cost of Operations</b>														
Direct Labor-Related Costs														
Wages for CBAs	\$16,469,842	\$422,156	\$1,083,405	\$1,718,105	\$643,977	\$920,855	\$720,580	\$1,634,722	\$518,368	\$2,865,729	\$1,396,132	\$3,674,460	\$289,609	\$581,743
Benefits for CBAs	\$6,555,040	\$170,333	\$433,526	\$668,995	\$258,473	\$363,294	\$291,589	\$645,429	\$207,190	\$1,142,566	\$556,130	\$1,465,706	\$116,541	\$235,268
Payroll Taxes	\$1,370,291	\$35,123	\$90,139	\$142,946	\$53,579	\$76,615	\$59,952	\$136,009	\$43,128	\$238,429	\$116,158	\$305,715	\$24,095	\$48,401
Workers Compensation Insurance	\$1,452,653	\$37,234	\$95,557	\$151,538	\$56,739	\$81,220	\$63,556	\$144,184	\$45,721	\$252,760	\$123,140	\$324,090	\$25,544	\$51,310
<b>Total Direct Labor Related-Costs</b>	<b>\$25,847,826</b>	<b>\$664,848</b>	<b>\$1,702,628</b>	<b>\$2,681,583</b>	<b>\$1,012,829</b>	<b>\$1,441,985</b>	<b>\$1,135,677</b>	<b>\$2,560,344</b>	<b>\$814,406</b>	<b>\$4,499,484</b>	<b>\$2,191,560</b>	<b>\$5,769,972</b>	<b>\$455,789</b>	<b>\$916,722</b>
Direct Fuel Costs	\$3,348,085	\$92,024	\$208,528	\$324,251	\$138,736	\$197,194	\$163,247	\$354,205	\$98,945	\$594,440	\$288,332	\$699,956	\$61,127	\$127,100
Other Direct Costs	\$2,169,270	\$57,544	\$135,465	\$216,194	\$88,778	\$127,069	\$101,318	\$231,374	\$63,307	\$384,851	\$187,739	\$457,319	\$38,467	\$79,845
Depreciation														
- Collection Vehicles	\$4,016,792	\$114,144	\$248,687	\$385,803	\$161,869	\$240,362	\$196,401	\$439,694	\$115,694	\$714,716	\$349,722	\$821,732	\$73,666	\$153,702
- Containers	\$1,882,550	\$58,574	\$125,634	\$160,486	\$84,248	\$116,321	\$59,220	\$180,649	\$57,932	\$340,735	\$168,571	\$411,669	\$36,198	\$82,192
<b>Total Depreciation</b>	<b>\$5,899,342</b>	<b>172,718</b>	<b>374,321</b>	<b>546,290</b>	<b>246,117</b>	<b>357,284</b>	<b>255,621</b>	<b>620,343</b>	<b>173,626</b>	<b>1,055,451</b>	<b>518,293</b>	<b>1,233,400</b>	<b>109,864</b>	<b>235,894</b>
Allocated Indirect Costs														
General and Administrative	\$7,181,152	\$112,074	\$444,657	\$674,545	\$358,174	\$443,676	\$170,371	\$759,943	\$211,197	\$1,328,967	\$683,705	\$1,612,601	\$111,055	\$270,186
Operations	\$1,777,985	\$51,111	\$108,072	\$186,164	\$69,866	\$110,166	\$88,114	\$196,226	\$48,541	\$311,929	\$152,132	\$355,017	\$32,866	\$67,779
Vehicle Maintenance	\$3,067,890	\$88,192	\$186,476	\$321,224	\$120,553	\$190,091	\$152,040	\$338,586	\$83,757	\$538,230	\$262,502	\$612,578	\$56,710	\$116,952
Container Maintenance	\$1,050,330	\$24,308	\$67,635	\$95,394	\$49,431	\$66,300	\$26,242	\$116,262	\$29,826	\$191,093	\$94,573	\$233,149	\$16,438	\$38,478
<b>Total Allocated Indirect Costs</b>	<b>\$13,077,358</b>	<b>\$276,285</b>	<b>\$806,840</b>	<b>\$1,277,927</b>	<b>\$598,023</b>	<b>\$810,233</b>	<b>\$436,768</b>	<b>\$1,411,017</b>	<b>\$373,322</b>	<b>\$2,370,220</b>	<b>\$1,192,913</b>	<b>\$2,813,345</b>	<b>\$217,069</b>	<b>\$493,395</b>
Total Allocated Indirect Depreciation Costs	\$152,451	\$4,378	\$9,209	\$16,079	\$6,000	\$9,492	\$7,507	\$16,778	\$4,087	\$26,860	\$13,108	\$30,376	\$2,790	\$5,787
Annual Implementation Cost Amortization	\$187,175	\$5,679	\$11,300	\$17,984	\$8,227	\$10,854	\$9,930	\$19,236	\$5,354	\$33,616	\$15,736	\$37,982	\$3,572	\$7,645
<b>Total Annual Cost of Operations<sup>5</sup></b>	<b>\$50,681,506</b>	<b>1,273,476</b>	<b>3,248,351</b>	<b>5,080,309</b>	<b>2,098,708</b>	<b>2,954,110</b>	<b>2,110,129</b>	<b>5,213,298</b>	<b>1,533,107</b>	<b>8,964,921</b>	<b>4,407,681</b>	<b>11,042,350</b>	<b>888,678</b>	<b>1,866,387</b>
<b>Profit</b>	<b>\$5,320,158</b>	<b>\$133,680</b>	<b>\$340,987</b>	<b>\$533,292</b>	<b>\$220,306</b>	<b>\$310,100</b>	<b>\$221,505</b>	<b>\$547,252</b>	<b>\$160,934</b>	<b>\$941,069</b>	<b>\$462,685</b>	<b>\$1,159,142</b>	<b>\$93,287</b>	<b>\$195,919</b>
<b>Operating Ratio</b>	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%
<b>Total Operating Cost</b>	<b>\$56,001,664</b>	<b>\$1,407,156</b>	<b>\$3,589,338</b>	<b>\$5,613,601</b>	<b>\$2,319,015</b>	<b>\$3,264,210</b>	<b>\$2,331,634</b>	<b>\$5,760,551</b>	<b>\$1,694,041</b>	<b>\$9,905,990</b>	<b>\$4,870,366</b>	<b>\$12,201,492</b>	<b>\$981,965</b>	<b>\$2,062,306</b>
<b>Contractor Pass-Through Costs</b>														
Interest Expense	\$1,629,656	\$43,595	\$103,100	\$157,725	\$66,956	\$98,566	\$63,855	\$175,356	\$48,817	\$291,823	\$143,909	\$346,930	\$28,372	\$60,653
Interest Expense on Implementation Cost	\$53,748	\$1,447	\$3,215	\$5,533	\$2,340	\$3,114	\$2,504	\$5,594	\$1,597	\$9,702	\$4,516	\$11,272	\$935	\$1,980
Contract Changes to Specific Agencies	(\$422,253)	\$0	\$0	\$0	\$0	\$0	(\$440,857)	\$24,429	\$0	\$0	(\$5,825)	\$0	\$0	\$0
<b>BASE COMPENSATION</b>	<b>\$57,262,816</b>	<b>\$1,452,198</b>	<b>\$3,695,653</b>	<b>\$5,776,859</b>	<b>\$2,388,311</b>	<b>\$3,365,890</b>	<b>\$1,957,135</b>	<b>\$5,965,930</b>	<b>\$1,744,455</b>	<b>\$10,207,515</b>	<b>\$5,012,966</b>	<b>\$12,559,694</b>	<b>\$1,011,272</b>	<b>\$2,124,939</b>
Incentives and Disincentives	\$26,604	\$192	\$929	\$3,745	\$1,774	\$1,763	\$185	\$2,255	\$848	\$5,802	\$1,968	\$6,556	\$241	\$345
Split-Body Collection Vehicle Pilot Program	\$55,422	\$1,406	\$3,577	\$5,591	\$2,312	\$3,258	\$1,894	\$5,774	\$1,688	\$9,879	\$4,852	\$12,156	\$979	\$2,057
<b>Total Contractor Adjustments</b>	<b>\$82,026</b>	<b>\$1,598</b>	<b>\$4,506</b>	<b>\$9,336</b>	<b>\$4,085</b>	<b>\$5,021</b>	<b>\$2,079</b>	<b>\$8,029</b>	<b>\$2,537</b>	<b>\$15,682</b>	<b>\$6,820</b>	<b>\$18,712</b>	<b>\$1,220</b>	<b>\$2,402</b>
<b>TOTAL CONTRACTOR'S COMPENSATION</b>	<b>\$57,344,842</b>	<b>\$1,453,796</b>	<b>\$3,700,159</b>	<b>\$5,786,195</b>	<b>\$2,392,396</b>	<b>\$3,370,911</b>	<b>\$1,959,215</b>	<b>\$5,973,959</b>	<b>\$1,746,991</b>	<b>\$10,223,197</b>	<b>\$5,019,785</b>	<b>\$12,578,406</b>	<b>\$1,012,492</b>	<b>\$2,127,340</b>

Revised Table B 8/7/2015



### **1.1.3. Cost Adjustment Process**

The 2016 Recology Compensation Application adjusts 2015 costs by applying the year-over-year changes in several United States Department of Labor indices. Additional compensation adjustments have been made for the 2014 Revenue Reconciliation Surplus/Shortfall, interest payments due to/from Recology and 2014 performance incentive/disincentive payments. In addition, several Agencies have specific adjustments (i.e., the Town of Hillsborough, the City of San Carlos, and the City of Menlo Park – see Section 1.3 for more information on this).

The percentage increase and explanation of the various adjustments by cost categories used as the basis for the 2016 adjustment to Recology's compensation are provided in **Table C** on the following page.

**Table C**

<b>Cost Category</b>	<b>Cost Adjustment</b>	<b>Explanation</b>
<b>CBA Wages (Drivers)</b>	2.38%	The wages adjustment is based on the CPI index described in Table 1 of Attachment K.
<b>CBA Benefits (Drivers)</b>	2.38%	The benefits adjustment is based on the CPI index described in Table 1 of Attachment K.
<b>Payroll Tax (Drivers)</b>	2.38%	The payroll tax rate is adjusted by changes in Federal or state payroll tax rates. There are no tax rate changes for 2016; therefore, the payroll tax expense changes in accordance with change in wages.
<b>Worker's Compensation Insurance (Drivers)</b>	2.45%	The workers compensation insurance adjustment is based on an index which increased 2.45%.
<b>Depreciation – Collection Vehicles</b>	0.0%	No adjustment in 2016.
<b>Depreciation - Containers</b>	0.0%	No adjustment in 2016.
<b>CBA (Mechanics and Clerical) Wages and Benefits</b>	2.38%	The wages and benefits adjustments are based on the CPI index described in Table 1 of Attachment K.
<b>Non-CBA Labor</b>	2.38%	The adjustment is based on the CPI index described in Table 1 of Attachment K.
<b>Fuel</b>	-18.51%	The Fuel expense is adjusted by the change in a fuel index of -18.51%.
<b>Other Indirect</b>	0.86%	The Other Indirect expense includes insurance, general office expense, safety, etc. Other Indirect expenses are adjusted by 80% of a CPI index change of 1.07%.

The flowchart provided as **Table D** illustrates graphically the cost adjustment process that is conducted each year.

**Table D**

SBWMA - CONTRACTOR COST ADJUSTMENT PROCESS						
Collection and Shoreway Operations Contracts						
2015 APPROVED COSTS (not actual costs)			ADJUSTMENT		2016 CONTRACTORS COMPENSATION	
CBA (wages & benefits)	+		Index adjustment beginning Rate Year 2015	=	Base plus Adjustment	
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Other Cost	+		Index	=	Base plus Adjustment	
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Fuel	+		Index	=	Base plus Adjustment	
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Depreciation	+		No Change	=	Last Year's Depreciation	
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<b>Allowable Profit</b>					Profit calculated on total approved costs at Operating ratio in Proposal	
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<b>Contractor Pass-Through Cost</b>						
<hr style="border-top: 1px dashed black;"/>						
Interest			Interest is fixed on sliding scale based on final capital cost		Annual Interest Expense per Interest Schedule	
<hr style="border-top: 1px dashed black;"/>						
Other			Actual cost; ie, regulatory fees, etc.		Actual Cost	
<hr style="border-top: 1px dashed black;"/>						
<b>2015 TOTAL BASE CONTRACTOR COMPENSATION</b>		+	<b>Total of all Costs Above</b>		=	<b>2016 TOTAL BASE CONTRACTOR COMPENSATION</b>
<p><i>Note: The "CBA (wages &amp; benefits)" row applies to the Collective Bargaining Agreements covering drivers, mechanics and clerical employees. Simplified - for illustration only.</i></p>						

The result of the Cost Adjustment Process is provided in **Table E** on page 13.

**1.1.4. Direct Labor-Related Costs**

Total Direct Labor and related costs increased by \$601,696 or 2.4%, from the approved 2015 costs. This change is the result of applying an increase for changes in indices, as

described in Table 1 of Attachment K. The four specific costs that are adjusted which comprise the Direct Labor cost category increased as follows:

- 1) Wages for CBAs \$382,785.
- 2) Benefits for CBAs \$152,350.
- 3) Payroll tax expense has increased by \$31,848 due to the increase in wages described above. The actual payroll tax rate is unchanged from 2015.
- 4) The final component of Direct Labor-Related Costs, Workers' Compensation Insurance, increased by \$34,713 as a result of applying the change in the Employment Cost Index.

#### **1.1.5. Direct Fuel Costs**

Direct Fuel Costs are adjusted based on the change in the Producer Price Index - Commodity Index for #2 diesel fuel. The adjustment for 2016 is a decrease of 18.5% or \$760,256 from 2015. In 2012, this index experienced a 25.55% increase, which is indicative of the volatility of this index and the actual cost of fuel.

#### **1.1.6. Other Direct Costs**

Other Direct Costs are adjusted based on applying 80% of the change in a Federal Consumer Price Index. The result is an increase of 0.9% or \$18,497.

#### **1.1.7. Depreciation on Collection Vehicles, Containers and Equipment**

There is no cost adjustment for depreciation expense unless a change is approved to the base capital for trucks, containers and equipment. Therefore depreciation expense for Rate Year 2016 is the same as for Rate Year 2015.

#### **1.1.8. Indirect Costs Excluding Depreciation**

Allocated Indirect Costs Excluding Depreciation include overhead costs, as follows: General and Administrative costs, Operations (Supervisory) costs, Vehicle Maintenance costs and Container Maintenance costs. These overhead cost categories each include labor and related costs, fuel costs, and other costs. Each cost category is separately adjusted as explained above. Allocated Indirect Costs Excluding Depreciation, increased by 1.8% or \$226,370.

### **1.1.9. Annual Implementation Cost Amortization**

The Implementation or start-up costs for Recology to roll-out the services are amortized over the ten year Term of the Franchise Agreements and are fixed costs. The annual cost is \$187,175.

### **1.1.10. Profit**

Allowable Profit is calculated by applying the Operating Ratio (OR) of ninety and one-half percent (90.5%) to the Contractor's approved Total Annual Costs of Operations. The Total Annual Cost of Operations is not the actual cost of operations. The Total Annual Cost of Operations is determined by increasing the certain line items included in the prior year approved Total Costs of Operations by the index identified in Attachment K. The Total Contractor's Compensation for Rate Year 2016 is made up of annual approved increases added to the amounts originally included in Recology's 2008 RFP submittal.

The compensation for Total Annual Cost of Operations increased 0.2% or \$86,306 and is made up of the items discussed. Applying the prescribed OR to the Total Annual Cost of Operations results in an increase in Profit for 2016 of 0.2%, or \$9,060.

### **1.1.11. Contractor Pass-Through Costs**

Contractor Pass-Through Costs are made up of any new Regulatory Agency Fees (no changes for 2016), Interest Expense (on capital for trucks and equipment), and Interest Expense on Implementation Costs. Interest expense is adjusted based on the ten year debt service schedule approved at the start of the contract. Interest expense decreased by \$305,696 to \$1,629,656 for 2016. Interest Expense on Implementation Costs decreased by \$10,146 to \$53,748.

Table E

	Compensation - 2015	Compensation - 2016	Change	% Change
<b>Annual Cost of Operations</b>				
Direct Labor-Related Costs				
Wages for CBAs	16,087,056	16,469,842	382,785	2.4%
Benefits for CBAs	6,402,691	6,555,040	152,350	2.4%
Payroll Taxes	1,338,443	1,370,291	31,848	2.4%
Workers Compensation Insurance	1,417,940	1,452,653	34,713	2.4%
Total Direct Labor Related-Costs	25,246,130	25,847,826	601,696	2.4%
Direct Fuel Costs	4,108,341	3,348,085	(760,256)	-18.5%
Other Direct Costs	2,150,774	2,169,270	18,497	0.9%
Depreciation				
- Collection Vehicles	4,016,792	4,016,792	-	0.0%
- Containers	1,882,550	1,882,550	-	0.0%
Total Depreciation	5,899,342	5,899,342	-	0.0%
Allocated Indirect Costs				
General and Administrative	7,055,693	7,181,152	125,459	1.8%
Operations	1,750,219	1,777,985	27,766	1.6%
Vehicle Maintenance	3,005,558	3,067,890	62,332	2.1%
Container Maintenance	1,039,517	1,050,330	10,813	1.0%
Total Allocated Indirect Costs	12,850,988	13,077,358	226,370	1.8%
Total Allocated Indirect Depreciation Costs	152,451	152,451	-	0.0%
Annual Implementation Cost Amortization	187,175	187,175	-	0.0%
<b>Total Annual Cost of Operations</b>	<b>50,595,200</b>	<b>50,681,506</b>	<b>86,306</b>	<b>0.2%</b>
<b>Profit</b>	5,311,098	5,320,158	9,060	0.2%
<b>Operating Ratio</b>	90.5%	90.5%		
<b>Total Operating Costs</b>	<b>55,906,299</b>	<b>56,001,664</b>	<b>95,366</b>	<b>0.2%</b>
<b>Contractor Pass-Through Costs</b>				
Regulatory Agency Fees	-	-	-	
Interest Expense	1,935,353	1,629,656	(305,696)	-15.8%
Interest Expense on Implementation Cost	63,894	53,748	(10,146)	-15.9%
Contract Changes to Specific Agencies	(435,254)	(422,253)	13,001	
<b>Total Contractor Pass-Through Costs</b>	<b>1,563,993</b>	<b>1,261,152</b>	<b>(302,841)</b>	<b>-19.4%</b>
<b>BASE CONTRACTOR'S COMPENSATION</b>	<b>57,470,292</b>	<b>57,262,816</b>	<b>(207,476)</b>	<b>-0.4%</b>
<b>Other Adjustments</b>				
<b>Incentive / Disincentives</b>	253,210	26,604	(226,606)	
<b>Split-Body Collection Vehicle Pilot Program</b>	-	55,422	55,422	
<b>Total Other Adjustments</b>	<b>253,210</b>	<b>82,026</b>	<b>(171,184)</b>	
<b>TOTAL CONTRACTOR'S COMPENSATION</b>	<b>57,723,502</b>	<b>57,344,842</b>	<b>(378,660)</b>	<b>-0.7%</b>

Revised Table E 8/7/2015

## 1.2. SPECIFIC ISSUES FOR 2016

### 1.2.1. Performance Incentives and Disincentives

The Franchise Agreements prescribe numerous performance standards and also require Recology to compile information and submit monthly, quarterly and annual reports. The information and data contained in these reports are primarily self-reported by Recology. All of the Performance Incentives and Disincentives (Attachment I) with the exception of disincentives related to contamination are self-reported by Recology. The incentives and disincentives self-reported by Recology are currently being audited and may be adjusted pending the results of the audit. The contamination related disincentives are calculated by the SBWMA and payment is remitted directly to the SBWMA so these amounts are not presented.

The calculated Performance Incentives/Disincentives payment for 2014 (includes additional Liquidated Damages and Performance Disincentive payments) was an incentive payment to Recology of \$26,604.

**Table F** provides a breakdown by Member Agency. The payment for Performance Incentives/Disincentives (includes additional Liquidated Damages and Disincentives per the SBWMA audit) to Recology for 2013 was \$253,210 (applied to 2015 rates); therefore, the compensation for Performance Incentives/Disincentives from Recology for 2014 (applied to 2016 rates) is reduced by \$226,606 when compared to Incentives/Disincentives from Recology for 2013 (applied to 2015 rates).

### 1.2.2. Split-Body Collection Vehicle Pilot Program

The cost of the Split-Body Collection Vehicle Pilot Program, \$55,422, is included in Total Contractor's Compensation. The program is described in detail in the SBWMA's Long Range Plan approved by the SBWMA Board of Directors June 25, 2015. There is no Pilot Program cost in 2015. The total cost and distribution to the Member Agencies is presented in **Table B**, page 7 and in **Appendix 2-3**, page 40.

Table F

<b>Performance Incentive/Disincentive Payments 2014</b>						
<b>Performance Incentives and Disincentives*</b>						
<u>Member Agency</u>	<u>SFD Missed P/U Events</u>	<u>Average Speed of Answer</u>	<u>90 Second Max Hold Time</u>	<u>Diversion</u>	<u>Additional Disincentives &amp; Liquidated Damages Per Audit</u>	<u>Net Incentives and Disincentives</u>
Atherton	\$200	(\$131)	\$0	(\$513)	\$252	(\$192)
Belmont	\$600	(\$510)	\$0	(\$1,998)	\$980	(\$929)
Burlingame	\$300	(\$1,351)	\$0	(\$5,286)	\$2,592	(\$3,745)
East Palo Alto	\$350	(\$709)	\$0	(\$2,775)	\$1,361	(\$1,774)
Foster City	\$200	(\$656)	\$0	(\$2,566)	\$1,258	(\$1,763)
Hillsborough	\$300	(\$162)	\$0	(\$634)	\$311	(\$185)
Menlo Park	\$700	(\$987)	\$0	(\$3,862)	\$1,893	(\$2,255)
North Fair Oaks	\$200	(\$350)	\$0	(\$1,370)	\$672	(\$848)
Redwood City	\$950	(\$2,255)	\$0	(\$8,825)	\$4,327	(\$5,802)
San Carlos	\$400	(\$791)	\$0	(\$3,094)	\$1,517	(\$1,968)
San Mateo	\$1,050	(\$2,540)	\$0	(\$9,940)	\$4,874	(\$6,556)
SM County	\$400	(\$249)	\$0	(\$974)	\$477	(\$345)
WBSD	\$50	(\$97)	\$0	(\$380)	\$187	(\$241)
<b>Total</b>	<b>\$5,700</b>	<b>(\$10,787)</b>	<b>\$0</b>	<b>(\$42,217)</b>	<b>\$20,700</b>	<b>(\$26,604)</b>
*Negative number in parenthesis denotes Incentive payment due to Recology.						
*The payment calculated includes a reduction in the incentive/disincentive payment as delineated in the SBWMA audit of Recology's 2014 Annual Report approved by the SBWMA Board of Director's on June 25, 2015.						



### **1.3. MEMBER AGENCY SPECIFIC ISSUES**

#### **1.3.1. Town of Hillsborough Backyard Service Adjustment**

In 2008, the Town of Hillsborough (Hillsborough) initiated a backyard collection fee designed to encourage Single Family Dwelling customers to bring their garbage carts to the curb for collection. As a result of the new fees imposed by Hillsborough, fewer customers requested backyard service. This decrease in backyard collection data was not reflected in Recology's 2008 proposal submittal. Since the data had changed from the time of RSMC's 2008 proposal submittal, Hillsborough requested that Recology review the data included in the proposal and update the assumptions to more accurately reflect the migration to curbside service.

Recology agreed that the decrease in backyard service should in fact reduce the estimated number of Route Hours and the number of Route Labor Hours (two key metrics for cost allocations) needed to service Hillsborough. Therefore, Recology reduced Hillsborough's and the other SBWMA Member Agencies Total Single Family Dwelling Route Labor Hours and Route Hours for Solid Waste, Recyclable Materials, and Organic Materials collection. These changes were only made in the Town of Hillsborough and no other Member Agencies were affected by the changes.

The reduction in hours reduced the Total 2016 Contractor's Compensation for Hillsborough's Single Family Dwelling costs by \$423,671, slightly higher than last year, and is combined with the greenwaste cart cost adjustment described in **1.3.4** below.

#### **1.3.2. City of San Carlos Kitchen Pail Adjustment**

A deduction will be made for the City of San Carlos which had already purchased their kitchen pails prior to the roll-out of new services by Recology in 2011. This cost of \$5,825, page 7 in **Table B**, will be deducted from Recology's compensation and is adjusted annually.

#### **1.3.3. City of Menlo Park Billing Adjustment**

The City of Menlo Park requested that starting in 2011 Recology add the service of directly billing its customers who had previously been billed by the City. This cost of \$24,429, page 7 in **Table B**, will be added to Recology's compensation and adjusted annually.

#### **1.3.4. Town of Hillsborough Used Green Waste Carts Adjustment**

The Town of Hillsborough decided to use their previously owned organics containers and not purchase new ones. Starting in 2011 with the roll-out of new services by

Recology, the cost of new carts in the amount of \$17,186 will be deducted from Recology's compensation and is adjusted annually. This amount can be found on page 7 in **Table B** and is combined with the backyard service adjustment described in section **1.3.1** above for a total of \$440,857.

As part of the agreement to use used green waste carts, the annual depreciation of any new carts requested by residents of Hillsborough would need to be added to Contractor's Compensation (\$12,283 for Rate Year 2016). The staff report for the July 12, 2010 Town Council agenda is included on page 90 of Part 2. The residents have requested 2,463 new green waste carts since January 1, 2011. An additional depreciation schedule can be found on page 93 of Part 2.

### **1.3.5. City of Belmont Unique Franchise Agreement**

Eleven of the twelve SBWMA Member Agency Franchise Agreements use the same compensation methodology to calculate the annual adjustment to the compensation paid to Recology. One Member Agency (i.e., City of Belmont) used a different compensation adjustment methodology; however, use of this different methodology does not impact the costs or services provided to the other eleven Member Agencies. Including the City of Belmont in the cost calculations with the other eleven Member Agencies is necessary in order to accurately implement the cost allocation process prescribed in the Franchise Agreements.

## **2. ANNUAL REVENUE RECONCILIATION**

### **2.1. REVENUE RECONCILIATION FOR 2014 TO ACCOUNT FOR ANY SHORTFALL OR SURPLUS IN COMPENSATION PAID TO RECOLOGY**

For rate years 2013 through 2020, there is an annual revenue reconciliation process to determine what net revenue Recology retained in compensation versus the amount actually owed to the Company. The calculation compares gross revenue billed, less Contractor paid Pass-Through expenses for Agency fees and disposal expense at Shoreway, versus the approved Contractor's Compensation. This reconciliation of what was owed versus what was paid to Recology results in a surplus or shortfall owed to/from Recology by each Member Agency. The 2014 Revenue Reconciliation was submitted on March 31, 2015 and has been audited by a third party firm hired by the SBWMA. The submitted results are included in Recology's 2016 total compensation.

**Table G** illustrates how the Revenue Reconciliation process is conducted each year.

**Table G**

2014 REVENUE RECONCILIATION PROCESS	
January 1, 2014 <sup>1</sup>	December 31, 2014
Approved 2014 Recology Compensation	2014 Actual Revenue Billed
+↓	-↓
2014 <u>Estimated</u> Disposal Expense	2014 <u>Actual</u> Disposal <sup>2</sup> Expense Paid to SBWMA
+↓	-↓
2014 <u>Estimated</u> Agency Fees	2014 <u>Actual</u> Agency Fees Paid to Agency
+↓	-↓
Prior Period Surplus/Shortfall	Approved 2014 Recology Compensation (no changes)
=↓	=↓
2014 Approved Revenue Requirement	<u>Actual</u> Revenue Surplus/Shortfall Applied to 2016 Rates

<sup>1</sup> SBWMA Board approves Total Revenue Requirement in September for Member Agencies to set rates effective January 1.

<sup>2</sup> Also includes Organics and Food Scraps Processing costs (tons by Member Agency x contractor rates/ton).

This surplus or shortfall will be added to or subtracted from the Company's compensation for the subsequent rate year (2016) by Member Agency. The Recology 2014 Revenue Reconciliation Report was submitted on March 31, 2015 and has been audited by a third party firm hired by the SBWMA.

Included in the Revenue Reconciliation is a review of revenue received by Recology to provide backyard service. The Franchise Agreement identifies that revenues billed for providing backyard service for the first twenty percent (20%) of single family dwelling

(SFD) customers is to be excluded from contractor's compensation. Currently, no Member Agency has over 20% of their SFD customers subscribing to backyard service, Therefore, 100% of all backyard service revenue (\$89,014) is credited back to the Member Agencies for Rate Year 2014.

The final Revenue Reconciliation Report for Rate Year 2014 submitted by Recology on March 31, 2015 finds that Member Agencies in total have a surplus balance with Recology of \$3,033,742 including interest. (Refer to page 22 for the Recology Revenue Reconciliation summary table.) Member Agencies with a surplus balance may request a refund from Recology if requested by July 31, 2015 as further explained below.

## **2.2. INTEREST ASSOCIATED WITH A SHORTFALL OR SURPLUS IN REQUIRED REVENUES**

Section 11.07.B of the Franchise Agreement prescribes that interest shall be applied to any surplus or shortfall as calculated in the Revenue Reconciliation Report. The interest is applied to fifty percent (50%) of the difference during the Rate Year in which the difference in revenue occurred (Rate Year 2014) and one hundred percent (100%) of the difference during the immediately following Rate Year (Rate Year 2015). The interest rate is set at the prime rate plus one percent (1%). The prime rate in effect since December 16, 2008 is 3.25%. Therefore interest is calculated at 4.25%.

In March 2014, a Memorandum of Understanding (MOU) between Recology San Mateo County and the SBWMA was approved by the SBWMA Board to clarify the issue of Shortfall and Surplus balances and interest payments for Rate Year 2013 and beyond (see Part 2, page 86). This MOU described that shortfall amounts that are a result of a Member Agency setting rates lower than had been recommended by the SBWMA Board shall have interest applied as described in Section 11.07.B of the Franchise Agreement.

The MOU describes that no interest will be applied to shortfall or surplus amounts that were generated if the Member Agency set rates as recommended by the SBWMA Board. If a Member Agency sets rates above those recommended by the SBWMA Board and a surplus is generated, that Member Agency can have the amount of the surplus refunded to the Member Agency. The refund must be requested in writing by July 31 of each year and Recology will comply with the request for refund in a reasonable time frame. If a Member Agency elects to have the surplus amount refunded, that surplus amount will not be subtracted from the company's compensation for the subsequent rate year as described in Section 2.1 above.

The MOU was updated in July 2015 to include shortfall amounts generated due to a Member Agency setting rates lower than recommended by the SBWMA Board can be

paid to Recology by that Member Agency and avoid the interest charge described above. The Member Agency must notify Regology in writing of its intent to pay the shortfall amount by July 31 of each year. The payment must be received by Recology prior to September 30 of that year. If a Member Agency elects to pay the shortfall, that shortfall amount will not be added to the company's compensation for the subsequent rate year as described in Section 2.1 above. The amended MOU is included on Part 2, page 94.

The interest to be charged on the 2014 Revenue Reconciliation shortfall amounts and included in the Rate Year 2016 Total Contractor's Compensation is included in **Table H**, page 22.

**Recology San Mateo County**  
**Rate Year 2016 Application for Contractor's Compensation Adjustment**

June 15, 2015

**Table H**

Recology San Mateo County  
 Revenue Reconciliation and Interest  
 Rate Year 2014

	Atherton	Belmont	Burlingame	E Palo Alto	Foster City	Hillsborough	Menlo Park	North Fair Oaks	Redwood City	San Carlos	San Mateo	West Bay	Unincorporated County	Member Agency Total
Gross Revenue Billed	\$ 3,171,510	7,082,709	10,843,338	4,709,232	5,098,547	3,208,385	10,230,283	2,683,045	18,105,131	8,233,855	21,740,840	1,518,900	3,207,739	99,833,514
Less:														
Pass-Through Costs	1,276,596	3,152,451	4,863,078	2,295,616	1,852,457	1,008,214	4,399,382	905,524	7,460,839	2,817,730	8,442,520	481,996	950,849	39,907,252
Unscheduled and Intermittent Services	28,355	76,581	96,060	57,139	18,566	9,784	129,546	32,404	112,591	95,039	331,476	16,000	19,047	1,022,588
Net Revenue Billed	1,866,559	3,853,677	5,884,200	2,356,477	3,227,524	2,190,387	5,701,355	1,745,117	10,531,701	5,321,086	12,966,844	1,020,904	2,237,843	58,903,674
Contractor's Compensation	1,500,193	3,661,970	5,702,623	2,381,568	3,641,950	1,995,295	5,803,085	1,697,075	10,259,750	5,213,150	12,567,686	988,359	2,188,212	57,600,916
Agency Specific Contract Changes						(32,502)	23,919			(6,303)				(14,886)
Approved Contractor's Compensation 2012 (Surplus)/Shortfall	1,500,193	3,661,970	5,702,623	2,381,568	3,641,950	1,962,793	5,827,004	1,697,075	10,259,750	5,206,847	12,567,686	988,359	2,188,212	57,586,030
Interest on 2012 (Surplus)/Shortfall	(497,833)	605,887	(979,717)	(99,809)	(243,061)	(200,778)	47,746	(33,155)	(961,651)	(214,542)	709,290	(187,547)	181,653	(1,873,517)
Combine 2012 Surplus with 2013 Shortfall	(31,737)	38,625	(62,457)	(6,363)	(15,495)	(19,734)	3,044	(2,114)	(61,305)	—	45,217	(11,956)	11,580	(112,695)
Total Due Recology San Mateo County for Rate Year 2014	970,623	4,306,482	4,660,449	2,275,396	3,383,394	1,742,281	5,877,794	1,661,806	9,236,794	4,992,305	13,322,193	988,359	2,381,445	55,799,321
Surplus/(Shortfall) for Rate Year 2014	\$ 895,936	(452,805)	1,223,751	81,081	(155,870)	448,106	(176,439)	83,311	1,294,907	328,781	(355,349)	32,545	(143,602)	3,104,353
Interest to Recology	(1)	(28,866)			(9,937)						(22,653)		(9,155)	(70,611)
<b>TOTAL REVENUE RECONCILIATION</b>	<b>895,936</b>	<b>(481,671)</b>	<b>1,223,751</b>	<b>81,081</b>	<b>(165,807)</b>	<b>448,106</b>	<b>(176,439)</b>	<b>83,311</b>	<b>1,294,907</b>	<b>328,781</b>	<b>(378,002)</b>	<b>32,545</b>	<b>(152,757)</b>	<b>3,033,742</b>

(1) Note: In accordance with the Memorandum of Understanding, interest is applied to the shortfall between net revenue billed and the approved amount due Recology if rates are set below those recommended in the SBWMA report approved by the SBWMA Board. Interest is applied to 50% of the difference during the rate year in which the difference occurred (2014) because the difference occurs throughout the year and to 100% of the difference in the immediately following year (2015) because the difference exists the entire year. The interest applied to both years is the prime rate in effect when the SBWMA issued the report for that year plus one percent (1%). The prime rate has been 3.25% since December 16, 2008.

### **3. ALLOCATION OF COSTS TO THE MEMBER AGENCIES**

#### **3.1. EXPLANATION OF COST ALLOCATION PROCESS**

The process to allocate Recology's cost equitably across all Member Agencies is prescribed in Article 11 and Attachment K of the Agreements. Recology's sixteen cost categories are allocated based on four operational statistics for each of the 17 service sectors specific to each Member Agency. These operational statistics are:

- Annual route labor hours
- Annual route hours
- Number of containers in service
- Number of customer accounts serviced

Recology conducted its Annual Route Assessment over a four week period in April and May 2015 to determine the statistics that will be applied to each Member Agency. A summary of the metrics used for the cost allocation process are provided in Appendix 1-1. Refer to Appendix 1-2 and Appendix 1-3 on pages 34 and 35 for two of the statistics comparing 2015 to 2016 data by Member Agency (route labor hours and route hours).

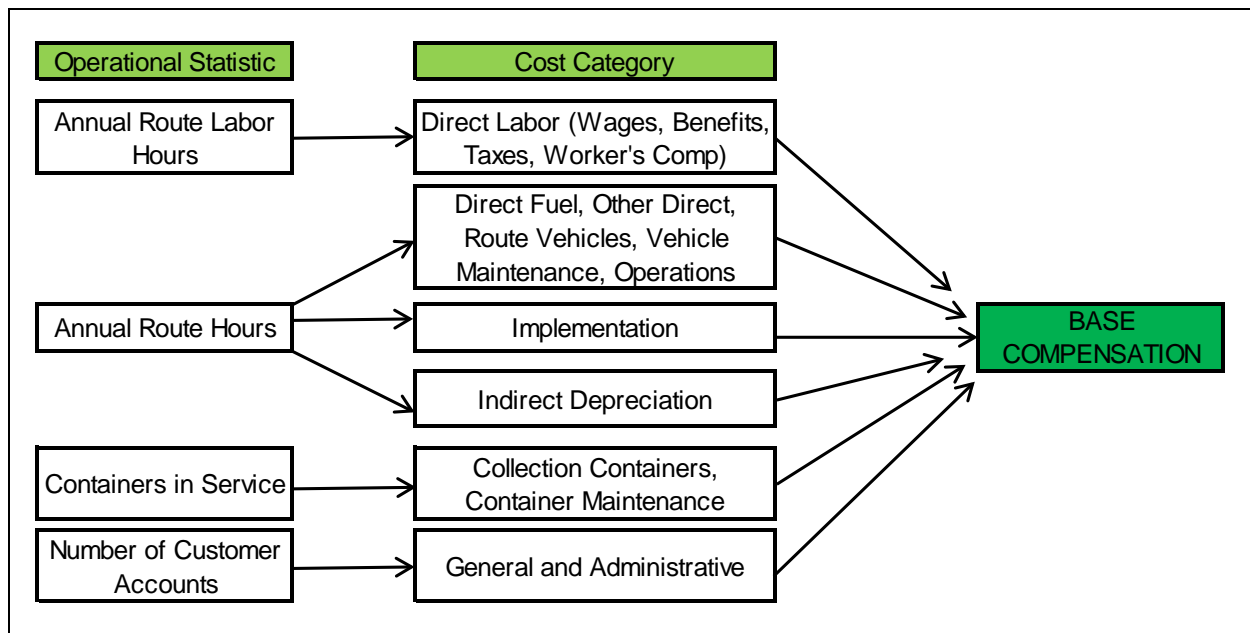
**Table I** details which operational statistics are applied to allocate each of the cost categories. **Table J** is a graphical representation of **Table I**.



**Table I**

<u>Cost Category</u>	<u>Operational Statistic</u>
<b>COST OF OPERATIONS</b>	
Wages for Direct Labor	Annual Route Labor Hours
Benefits for Direct Labor	Annual Route Labor Hours
Payroll Taxes	Annual Route Labor Hours
Worker's Compensation Expense	Annual Route Labor Hours
Direct Fuel Costs	Annual Route Hours
Other Direct Costs	Annual Route Hours
Route Vehicles	Annual Route Hours
Collection Containers	Containers in Service
Other	Annual Route Hours
<b>INDIRECT COSTS</b>	
General and Administrative	Number of Customer Accounts
Vehicle Maintenance	Annual Route Hours
Container Maintenance	Number of Containers in Service
Operations	Annual Route Hours
<b>IMPLEMENTATION</b>	Annual Route Hours
<b>INDIRECT DEPRECIATION</b>	Annual Route Hours

**Table J**



In an effort to illustrate how the cost allocation process is conducted, an example for the City of Menlo Park residential solid waste line of business is provided in **Table K** on page 25. The first section of this table outlines Menlo Park's share of the four operating statistics (i.e., number of accounts, total route labor hours per year, route hours per year and total containers in service.) The second section shows how the allocation of these operational statistics is applied to the cost categories (i.e., direct labor, direct fuel, etc.).

It is important to note that this process is conducted for seventeen lines of business (e.g., Single-Family solid waste, recycling, organics; Commercial/MFD solid waste, recycling, organics, etc.) and **Table K**, below, only represents the calculation for one service sector (i.e., Single-Family Dwelling) in one line of business (i.e., Solid Waste collection service). **Table L**, on page 26, provides a list of all seventeen lines of business.

**Table K**

Example of Cost Allocation Calculation - 2016			
City of Menlo Park Allocated Cost for SFD, Solid Waste Line of Business			
			Statistics
1	# of Accounts - City		7,874
	# of Accounts - Total SBWMA		94,453
	% of Accounts - City		8.3%
2	Total Route Labor hours year - City		3,869
	Total Route Labor hours year - Total SBWMA		46,656
	% Total Route Labor hours year - City		8.3%
3	# of route hours/year - City		3,641
	# of route hours/year - Total SBWMA		42,664
	% Total Route Labor hours year - City		8.5%
4	Total Containers in Service - City		8,106
	Total Containers in Service - Total SBWMA		96,614
	% Total Containers in Service - City		8.4%
		a	b
			c
Service Sector: SFD	Line of Business		
	Solid Waste	Solid Waste	Solid Waste
	SBWMA Total	% to MP	MP Cost Allocation
<b>Annual Cost of Operations</b>			(a x b)
Direct Labor-Related Costs			
Wages for CBAs	\$3,302,219	8.3%	\$273,809
Benefits for CBAs	\$1,306,623	8.3%	\$108,341
Payroll Taxes	\$274,745	8.3%	\$22,781
Workers Compensation Insurance	\$291,266	8.3%	\$24,151
<b>Total Direct Labor Related-Costs</b>	<b>\$5,174,851</b>		<b>\$429,081</b>
Direct Fuel Costs	\$655,254	8.5%	\$55,923
Other Direct Costs	\$403,974	8.5%	\$34,477
Depreciation - Collection Vehicles	\$803,031	8.5%	\$68,535
Depreciation - Containers	\$428,963	8.4%	\$35,990
Depreciation for Collection Equipment	\$1,231,994		\$104,526
Allocated Indirect Costs			
General and Administrative	\$1,346,977	8.3%	\$112,290
Operations	\$333,499	8.5%	\$28,463
Vehicle Maintenance	\$575,448	8.5%	\$49,112
Container Maintenance	\$197,011	8.4%	\$16,529
<b>Total Allocated Indirect Costs</b>	<b>\$2,452,935</b>		<b>\$206,394</b>
Total Allocated Indirect Depreciation Costs (Form 9)	\$28,295	8.5%	\$2,415
Annual Implementation Cost Amortization (Form A)	\$40,497	8.5%	\$3,456
<b>Total Annual Cost of Operations</b>	<b>\$9,987,801</b>		<b>\$836,272</b>
<b>Profit (from Operating Ratio below)</b>	<b>\$1,048,443</b>		<b>\$87,785</b>
	36.52	36.52	36.52
<b>Total Costs before Pass-Through Cost</b>	<b>\$11,036,244</b>		<b>\$924,058</b>
<b>Contractor Pass-Through Costs</b>			
Interest Expense	\$305,419	see note	\$25,913
Interest Expense on Implementation Cost	\$10,110	see note	\$863
<b>Total Contractor Pass-Through Costs</b>	<b>\$315,529</b>		<b>\$26,775</b>
<b>BASE CONTRACTOR'S COMPENSATION - 2</b>	<b>\$11,351,773</b>		<b>\$950,833</b>

Note: Interest Expense is allocated based on the % of each agency's depreciation expense to the total. Interest Expense on Implementation Cost is allocated based on route hours. Calculation is not

See Appendix 3-7, page 82 column A to trace the example identified in **Table K** to the Single-Family solid waste cost allocation to the actual Member Agency cost worksheet.

**Table L**

<b>Attachment N Reference</b>	<b><u>Line of Business</u></b>	<b><u>Service Sector</u></b>
<b>A</b>	<b>Solid Waste (1)</b>	<b>Single-Family Residential</b>
<b>B</b>	<b>Recyclable Materials (2)</b>	
<b>C</b>	<b>Organic Materials (3)</b>	
<b>D</b>	<b>Weekly Battery and Cell Phone Collection (4)</b>	
<b>E</b>	<b>Weekly Used Motor Oil and Filters (5)</b>	
<b>F</b>	<b>Twice Annual Bulky Item Collection (6)</b>	
<b>E</b>	<b>Cart and Bin Solid Waste (7)</b>	<b>Commercial/MFD</b>
<b>F</b>	<b>Cart and Bin Recyclable Materials (8)</b>	
<b>G</b>	<b>Cart and Bin Organic Materials (9)</b>	
<b>H</b>	<b>Drop Box Solid Waste (10)</b>	
<b>H</b>	<b>Drop Box Recyclable Materials (11)</b>	
<b>H</b>	<b>Drop Box Organic Materials (12)</b>	
<b>J</b>	<b>Twice Annual Bulky Item Collection (13)</b>	
<b>E</b>	<b>Solid Waste (14)</b>	<b>Agency Facility</b>
<b>G</b>	<b>Organic Materials (15)</b>	
<b>I</b>	<b>Public Litter and Recycling Cans (16)</b>	
<b>I</b>	<b>Venues and Events (17)</b>	

### 3.2. COST ALLOCATION VARIANCES FOR MEMBER AGENCIES

Total Contractor's Compensation is allocated each year based on the new operational statistics compiled from the annual route assessment conducted by Recology each year in April/May. Therefore, the percent of cost allocated to each Member Agency changes each year. **Table M** below shows the total cost allocation percent by Member Agency in 2015 and 2016, the allocation percentage difference, the total cost percent change, and the total cost variance attributed to the change in cost allocation percent.

**Table M**

Percentage of Total Contractor's Compensation					
Total Cost Allocation					
	2015	2016	Difference %	Variance %	Difference \$
Atherton	2.52%	2.52%	0.00%	-0.06%	\$ (927)
Belmont	6.23%	6.41%	0.17%	2.77%	\$ 99,698
Burlingame	9.84%	10.01%	0.18%	1.82%	\$ 103,209
East Palo Alto	4.14%	4.14%	0.01%	0.12%	\$ 2,902
Foster City	5.96%	5.83%	-0.12%	-2.09%	\$ (71,996)
Hillsborough	4.18%	4.16%	-0.02%	-0.45%	\$ (10,893)
Menlo Park	10.00%	10.30%	0.30%	3.00%	\$ 172,995
North Fair Oaks	3.04%	3.02%	-0.02%	-0.68%	\$ (11,898)
Redwood City	18.15%	17.70%	-0.45%	-2.48%	\$ (259,547)
San Carlos	8.77%	8.70%	-0.07%	-0.79%	\$ (40,136)
San Mateo	21.76%	21.77%	0.01%	0.04%	\$ 5,410
West Bay Sanitary	1.72%	1.75%	0.03%	2.03%	\$ 20,110
County of San Mateo	3.70%	3.68%	-0.02%	-0.42%	\$ (8,929)
Totals	100%	100%	0.00%	N/A	\$ 0

Note: Dollar difference amounts in parentheses are a reduction in total cost allocation.

Year 2015 and 2016 percentages are shown rounded to two decimal places.

The Total SBWMA year-over-year percentage change in the cost categories for the three service sectors (i.e., Residential, Commercial/Multi-Family and Member Agency Facilities) is provided as **Appendix 2-2**, page 39. For each Agency, the year-over-year changes in the main operational statistics are shown in the Member Agency Snapshot Summary table and the associated cost adjustments are provided in detail in **Appendix 3**. Additionally, the bottom of the Attachment N, Schedule B, shows the change in allocation in percent and cost by Line of Business (cost from allocation change only).

The primary factor that is attributable to the year-over-year cost allocation variances is the number of labor hours used to service each Member Agency. Because all Member

Agencies comprise 100% of the total allocation of costs, a reduction or increase in the allocation of one Member Agency affects the other Member Agencies.

Changes in each Member Agency's percent of route hours results in changes in the allocation of costs which can be impacted by several possible factors. Allocation changes can be the result of changes in route drivers, changes in traffic patterns, changes in set-out locations for containers, new service time constraints due to noise, street sweeping, requested collection times, etc.

In looking at the change in statistics from one year to the next, it is important to point out that it is not just how one Member Agency's statistics change but how the Agency's statistics change in comparison to the total. For example, if an Agency has a 10% reduction in hours but the total SBWMA also has a 10% reduction, then the cost allocation percent to this Agency will not change. If an Agency has a 10% reduction but the total SBWMA has a 15% reduction, then the Agency will actually have a larger cost allocation percent than the previous year. So the Agency's statistical changes in comparison to the total are what really affect changes to the cost allocation percent. The tables in Appendix 1 provide a useful comparison of how each Member Agency statistics change in comparison to other Member Agencies and to the total SBWMA.

### **3.3. INDIVIDUAL MEMBER AGENCY VARIANCES**

As in prior year compensation applications, Recology focuses the variance analysis on jurisdictions that had individual allocation changes over 3% on the total of the Contractors Compensation cost allocation. The 3% benchmark is used as anything less than 3% could be driven by a variety of "soft factors". Factors such as traffic, relief driver impact, proper/improper set outs, and seasonality can attribute to variances of less than 3%. For Rate Year 2016 only the City of Menlo Park had a year-over-year allocation variance of more than 3%. Of the twelve remaining jurisdictions, seven saw year-over-year changes in their cost allocations of less than 1%, one saw changes between 1% and 2% and four jurisdictions saw changes of more than 2%.

#### **Menlo Park**

The City of Menlo Park experienced an overall cost allocation variance percentage increase (unfavorable) of 3.0% or \$172,995. The City had increases in both route hours and route labor hours compared to those in the prior year. This increase in hours can be attributed to an annualized increase commercial bin lifts of 6,630 lifts over the bin in the prior year. The majority of these lifts, 54%, can be attributed to one account, Facebook, which had an annualized increase in lifts of 3,588 over the prior year.

### **3.4. OPERATIONAL INFORMATION FOR COST ALLOCATION**

Operational information used to allocate Contractor's Compensation can be found in the following tables provided in **Appendix 1**:

- A summary of major statistics (Appendix 1-1)
- Number of Route Labor Hours by Line of Business (Appendix 1-2)
- Number of Route Hours by Line of Business (Appendix 1-3)
- Number of Containers in Service by Line of Business (Appendix 1-4)
- Number of accounts by Line of Business and account type (i.e., container size, collection frequency, and material type) (Appendix 1-5)

All data provided is a result of the Annual Route Assessment conducted in April and May of 2015.

#### **3.4.1. Annual Route Hours by Line of Business**

Annual Route Hours by Line of Business identifies the time spent by each route servicing customers by Member Agency, Service Sector (i.e., Single-Family Dwelling, Multi-Family Dwelling, Commercial and Agency Facility), and Line of Business (e.g., solid waste collection, organic materials collection). This information was gathered over the four week period from April 13, 2015 to May 10, 2015 using the Route Time and Distance Reports from our Routeware on-board computer system.

It should be noted that in order to optimize routing efficiencies we maintain some collection routes that include stops in the territory of more than one Member Agency. For such routes our data management systems (Routeware System) enable us to accurately identify route hours to the appropriate Member Agencies. In instances where Routeware was not available on an individual truck on an individual day, route hours for that route and that day from another week in the four week period were used.

Route Hours are made up of the hours route vehicles spend servicing the customers in each jurisdiction. Route Labor Hours includes the employee actual worked hours spent servicing customers in each jurisdiction as well as any off route time. Off route time, which includes paid breaks, pre and post trip inspection of vehicles as well as travel time to and from the route, is allocated to each jurisdiction based on that jurisdictions percentage of route time for each specific route each day. Additionally, certain commercial routes are two man routes and include 2 employees. In these cases, the route labor hours will be doubled to include both employees.

### **3.4.2. Annual Route Labor Hours by Line of Business**

The Annual Route Labor Hours by Line of Business were generated by using information gathered during the four week period from April 13, 2015 through May 10, 2015 using the daily Route Time & Distance by Franchise reports from our Routeware on-board computer system.

### **3.4.3. Number of Containers in Service by Line of Business**

The Number of Containers in Service by Line of Business table is the number of containers, both carts and bins, located at active accounts at a point in time, that being May 8, 2015.

### **3.4.4. Number of Accounts by Line of Business**

The Number of Accounts by Line of Business table is not an annualized report. This particular report represents active accounts at a point in time, which was May 8, 2015.

## **3.5. DESCRIPTION OF OTHER OPERATIONAL INFORMATION**

The tables included in **Appendix 1** (Operational Information) of this Compensation Application include other data required in the Agreements. These tables provide a breakdown of the data by Member Agency, Service Sector, and Line of Business. For the complete list of statistical tables, see Part 2, Section 1, including these same tables and additional statistical tables (e.g., list of vehicles, personnel, set-outs).

## 4. COST ADJUSTMENT CALCULATIONS IN TOTAL AND BY MEMBER AGENCY

Attachment N of the Franchise Agreement illustrates the calculation process to derive the actual total compensation adjustment and allocation to each Member Agency. A summary of the tables from the Attachment N adjustment process are found in **Appendix 2**.

As previously shown in **Section 1.1.11 Table E**, the table provided as **Appendix 2-1** shows the results of all the cost adjustments, as previously described, in total for the combined SBWMA service area. In **Appendix 2-1**, each cost category is broken out with this year's cost, next year's cost, the dollar variance and the percent variance. In total, there was a **-\$378,660 (-0.7%)** compensation adjustment including Performance Incentives/Disincentives **and the Split-Body Collection Vehicle Pilot Program (Pilot Program)**.

**Appendix 2-2** breaks out the Base Contractor's costs by line of business and shows a decrease in compensation of -0.4% before the Performance Incentives/Disincentives **and Pilot Program** adjustment. Single Family collection costs decreased by -0.4%, Commercial and Multi-Family costs decreased by -0.3% and Agency Facilities costs decreased by -0.3 %.

**Appendix 2-3** shows the 2016 total costs including special and one-time adjustments by Member Agency. At the bottom of the table is a comparison to the 2015 total costs and the percentage change. The variance by Member Agency is primarily due to changes in the cost allocation percent versus last year and specific adjustments to individual Member Agencies.

**Appendices 2-4, 2-5 and 2-6** provide the 2016 costs by line of business and service sector. Costs are adjusted and allocated at the level of detail shown in this table. At the bottom of each table is the 2015 total cost, the dollar change and the percentage change. The variance by service sector reflects changes in operating hours, which impacts how the total cost is allocated.

**Appendix 3** provides six tables for each Agency:

1. Contractor's Base Compensation – Detail
2. Contractor's Compensation by Service Sector
3. Allocated Costs – SFD
4. Allocated Costs – MFD & Commercial
5. Allocated Costs – Agency Facilities
6. The Snapshot Report for the Member Agency



Contractor's Compensation by Service Sector shows the 2016 total costs including special adjustments by Member Agency. At the bottom of this table is a comparison to the 2015 total costs and the change in percentage. Also included at the bottom is a comparison of the total cost allocation by line of business for this year, next year, the dollar impact of the allocation change and the percentage change. For example, on page 87, Redwood City had a 17.6% allocation of the 2015 Single Family Dwelling cost but 17.5% for 2016 with a 0.1% year-over-year allocation decrease. This decrease resulted in a cost allocation decrease of \$34,382. Multi-Family and Commercial had an 18.7% allocation in 2015 and 17.8% for 2016, a 0.8% decrease, which resulted in a cost decrease of \$194,545. Similarly, the Agency Facilities cost allocation declined 3.1%, or \$30,823. The result was a total cost allocation decrease of 0.45% or \$259,751.

Allocated Costs by Service Sector and Line of Business provide the 2016 costs by line of business and service sector. Costs are adjusted and allocated at the seventeen lines of business shown in these tables. For comparison purposes, at the bottom of each column, is also the 2015 total cost, the dollar change and the percentage change. Provided at the top of each column are the operational statistics and percent of the total attributed to that specific Member Agency for each line of business. The color coding denotes the statistic used to adjust each cost category

Member Agency Snapshot is a summary and comparison of the basic operating statistics and includes three years of data. It includes the four statistics used to allocate costs as described in Section 3 of this Application, as follows:

1. Number of Accounts
2. Total Route Labor hours
3. Total Route Hours
4. Total Number of Solid Waste Containers

## **APPENDIX B**

# **ADDITIONAL SBWMA QUESTIONS AND COMMENTS ON THE JUNE 15, 2015 RECOLOGY 2016 COMPENSATION APPLICATION NOT ADDRESSED IN THE JULY 24, 2015 REVISED APPLICATION AND FOLLOW-UP QUESTIONS AND COMMENTS**

## **SBWMA FINAL REPORT REVIEWING THE 2016 RECOLOGY COMPENSATION APPLICATION**

September 17, 2015



**Recology San Mateo County  
Response to Questions from the SBWMA Regarding  
Recology 2016 Compensation Application**

**SBWMA Comments:** Please explain the following variances for 2015 to 2016 listed below.

Appendix 1-1 (page 33) - "SERVICE METRICS USED FOR COST ALLOCATION BY MEMBER AGENCY"

SINGLE-FAMILY DWELLING

Agency: Belmont

1. # of SFD Account increase of 0.4%
2. Route Labor Hours increase of **5.1%**
3. # of Route Hours increase of 0.6%
4. Why was there an increase in Labor Hours of 5.1% with only a 0.5% increase in Route Hours and a 0.4% increase in Accounts?

The increase in Route Labor Hours is attributed to a driver who was pulled off the route for a medical issue, which increased the off-route time, thus affecting the Route Labor Hours.

Additionally, a commercial route was inadvertently coded as residential rather than commercial. The commercial hours have since been adjusted and as such, there will be a slight adjustment to the allocation variances.

Agency: East Palo Alto

1. # of SFD Account increase of 0.2%
2. Route Labor Hours increase of 2.6%
3. # of Route Hours increase of 6.8%
4. Why was there an increase in Route Hours of 6.8% with only a 0.2% increase in Accounts?

The increase in Route Hours is attributed to an increase in Bulky Item Collections.



Agency: North Fair Oaks

1. # of SFD Account decrease of 0.2%
2. Route Labor Hours decrease of 11.6%
3. # of Route Hours decrease of 9.6%
4. Why was there a decrease in Labor Hours of 11.6% with only a 0.2% decrease in Accounts?

The 0.2% decrease in SFD Accounts, which equates to 4 accounts, may not necessarily correlate to the decrease in Route Hours and Route Labor Hours. The change, however, can be attributed to route efficiencies, including improved/improper cart set-outs, favorable/unfavorable on-route and off-route traffic conditions, seasonality, and the proficiency of the collection vehicle operator.

#### COMMERCIAL & MFD

Agency: Atherton

1. # of Accounts increase of 14.3%
2. Route Labor Hours increase of 11.0%
3. # of Route Hours decrease of 3.5%
4. Why were there substantive increases in Accounts (14.3%) and Labor Hours (11.0%) and a 3.5% decrease in Route Hours?
5. How can Accounts and Labor Hours increase substantively while Route Hours decreased?

We identified one collection day where hours were inadvertently attributed to Atherton. Subsequently, we updated the Route Labor Hours now reflect a nominal decrease of 0.1% and Route Hours realized a decrease of 0.8%.

Agency: East Palo Alto

1. # of Accounts increase of 3.2%
2. Route Labor Hours decrease of 7.8%
3. # of Route Hours decrease of 4.0%
4. Why were there decreases in Labor Hours (7.8%) and Route Hours (4.0%), yet a 3.2% increase in Accounts?
5. Why wouldn't more Accounts result in increases in Labor and Route Hours, instead of the reverse?



The 3.2% increase in Accounts, which equates to 28 accounts, may not necessarily correlate to the change in Route Hours and Route Labor Hours. The change, however, can be attributed to route efficiencies, including improved/improper cart/bin set-outs, favorable/unfavorable on-route and off-route traffic conditions, seasonality, and the proficiency of the collection vehicle operator.

Agency: Hillsborough

1. # of Accounts decrease of 12.5%
2. Route Labor Hours increase of 42.8%
3. # of Route Hours increase of 27.8%
4. Why were there increases in Route Labor Hours (42.8%) and Route Hours (27.8%), yet a 12.5% decrease in accounts (i.e., 3 Accounts fewer)?
5. Why wouldn't fewer Accounts result in decreases in Route and Labor Hours instead of substantive increases?

The 12.5% decrease in accounts, which equates to 3 accounts, may not necessarily correlate to the change in Route Hours and Route Labor Hours. The change, however, can be attributed to route efficiencies, including improved/improper cart/bin set-outs, favorable/unfavorable on-route and off-route traffic conditions, seasonality, and the proficiency of the collection vehicle operator.

Agency: North Fair Oaks

1. # of Accounts increase of 5.0%
2. Route Labor Hours increase of 9.5%
3. # of Route Hours increase of 2.3%
4. Why was there an increase in Labor Hours of 9.5% with only a 5.0% increase in Accounts? Why are Route Hours and Route Labor Hour increases out of sync?

The increase in the number of accounts may not necessarily correlate to the change in Route Hours and Route Labor Hours. The change, however, can be attributed to route efficiencies, including improved/improper cart/bin set-outs, favorable/unfavorable on-route and off-route traffic conditions, seasonality, and the proficiency of the collection vehicle operator. In this particular case, we identified one day where we had a vehicle breakdown. This would not affect the Route Hours, but would affect the Route Labor Hours.



## [MEMBER] AGENCY FACILITY SERVICES

Agency: Burlingame

1. # of Lifts increase of 11.3%
2. Route Labor Hours decrease of 19.5%
3. # of Route Hours decrease of 19.9%
4. Why did the # of lifts increase by 11.3%, while both Route Labor Hours (19.5%) and route hours (19.9%) decreased?
5. Why wouldn't an increase in Lifts correlate to increases in Route Labor and Route Hours?

The decrease in Route Hours and Route Labor Hours is attributed to the re-opening of Burlingame Avenue after the streetscape improvements and the efficiencies regained in the collection of City Cans and neighboring collection areas.

Agency: Foster City

1. # of Lifts increase of 14.9%
2. Route Labor Hours increase of 66.3%
3. # of Route Hours increase of 61.7%
4. Why was there increases in Route Labor Hours (66.3%) and # of Route Hours (61.7%), but only a 14.9% increase in # of Lifts?

The increase in Route Hours and Route Labor Hours can be attributed to the additional time required to service Windsurf Park, which was opened in January 2015.

Agency: Hillsborough

1. # of Lifts increase of 7.1%
2. Route Labor Hours increase of 63.0%
3. # of Route Hours increase of 73.8%
4. Why is there a 7.1% increase in Lifts but 63% increase in Route Labor Hours and 73.8% increase in Route Hours?

The increase in the number of accounts may not necessarily correlate to the change in Route Hours and Route Labor Hours. The change, however, can be attributed to route efficiencies, including improved/improper cart/bin set-outs, favorable/unfavorable on-



route and off-route traffic conditions, seasonality, and the proficiency of the collection vehicle operator.

In the case of Hillsborough Member Agency Facility, the 63% increase in Route Labor Hours and 73.8% in Route Hours equates to less than 10 minutes per week.

Agency: Redwood City

1. # of Lifts decrease of 1.2%
2. Route Labor Hours decrease of 15.9%
3. # of Route Hours decrease of 15.3%
4. Why did Route Labor Hours (15.9%) and # of Route Hours (15.3%) decrease substantively, with only a 1.2% decrease in Lifts?

The increase in the number of accounts may not necessarily correlate to the change in Route Hours and Route Labor Hours. The change, however, can be attributed to route efficiencies, including improved/improper cart/bin set-outs, favorable/unfavorable on-route and off-route traffic conditions, seasonality, and the proficiency of the collection vehicle operator.

**SBWMA Comment:**

While the Compensation Application as presented establishes a threshold of cost allocation variances equal to or less than 3% as the threshold for Recology to provide a detailed analysis of why the variance occurred, we respectfully request that a threshold of \$50,000 be applied in lieu of a 3% fixed percentage. In the 2016 Compensation Application all cost allocation variances are less than 3%, thus no analysis was provided of the specific cause for any variances for individual Member Agencies. However, five Member Agencies experienced variances greater than \$50,000 both positive and negative.

Please provide a detailed analysis of the cost allocation variance for the following five Member Agencies which experienced substantive changes in their cost allocation exceeding \$50,000:

- Belmont – increase of \$98,962
- Burlingame – increase of \$101,756
- Foster City – decrease of \$73,303
- Menlo Park – increase of \$170,748



- Redwood City – decrease of \$264,278

Using a fixed dollar amount as a threshold for required additional detailed analysis does not reflect an equitable nor substantive change in cost allocations. As an example, a \$50,000 variance in Hillsborough would be more significant than a \$50,000 variance in San Mateo. Therefore, we will continue to use the 3% threshold variance, as previously agreed upon.

**SBWMA Comment:** In Section 3.3 it states a cost allocation variance under 3% is due to “soft factors” which includes “seasonality.” Please explain how “seasonality” can impact variances in cost allocation given that all Member Agencies likely experience any seasonal changes or events uniformly and the cost allocation data is collected during the same time period annually.

Seasonality is a contributing factor, especially in the residential and commercial organic sectors, as environmental conditions, such as the current drought or forecasted El Niño, will impact commodity volumes and service times and affect jurisdictions differently.



# **APPENDIX C**

## **MEMBER AGENCY QUESTIONS AND COMMENTS ON RECOLOGY 2016 COMPENSATION APPLICATION WITH RECOLOGY'S RESPONSES**

### **SBWMA FINAL REPORT REVIEWING THE 2016 RECOLOGY COMPENSATION APPLICATION**

September 17, 2015

June 29, 2015

Mr. Kevin McCarthy  
Executive Director  
South Bayside Waste Management Authority  
610 Elm Street, Suite 202  
San Carlos, CA 94070

**Re: County of San Mateo Comments on the Recology San Mateo County Rate Year 2016 Application for Contractor's Compensation Adjustment June 15, 2015.**

Dear Mr. McCarthy:

The purpose of this correspondence is to provide comments from the County of San Mateo on the following report: **Recology San Mateo County Rate Year 2016 Application for Contractor's Compensation Adjustment June 15, 2015.**

We understand that the SBWMA Board Members and member agencies are required to submit their comments to SBWMA in writing on or before June 29, 2015. Our questions, comments, and concerns are contained in the attached table.

If you have any questions, please do not hesitate to contact Joe La Mariana, Lillian Clark, or me a call at (650)363-4100.

Very truly yours,



Ann M. Stillman  
Deputy Director  
Engineering and Resource Protection

AMS:LC

F-246 (8)

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Encl: County of San Mateo Comments on: Recology San Mateo County Rate Year 2016 Application For Contractor's Compensation Adjustment June 15, 2015

cc: Mario Puccinelli, General Manager, Recology San Mateo County  
James C. Porter, P.E., Director, Department of Public Works  
Joe La Mariana, Waste Management and Environmental Services Manager  
Lillian Clark, Resource Conservation Programs Manager  
Colleen Costine and Rick Simonson, H F & H Consultants



**County of San Mateo Comments on:  
Recology San Mateo County Rate Year 2016 Application For Contractor's Compensation Adjustment  
June 15, 2015**

Section	Comment	Response from Recology
<p><b>Operation Information,</b> <i>Annual Route Hours by Line of Business, Appendix 1- Summary Service Metrics, Metrics Summary Used for Cost Allocation, Part 1: Attachment N, page 33, (Page 1 of 1) Appendix 1-1.</i></p>	<p>1. Please provide an explanation of the <b>new single family accounts listed</b> for 2016 for the <b>Unincorporated County</b> areas and an explanation on why the Route Labor Hours decreased, if there is an anticipated increase in SFD accounts?</p> <p>2. <b>Agency Facility Services</b> - please provide an explanation for the agency lifts decrease anticipated for 2016 when the Labor hours and # of route hours per year will increase for 2016?</p>	
<p><b>Operation Information,</b> <i>Annual Route Hours by Line of Business, Appendix 1- Summary Service Metrics, Annual Route Hours by Line of Business, page 35, Part 1: Table 7 (Page 1 of 1) Appendix 1-3. and Operational Information, Table 1, Number of Accounts by Line of Business page 37, (Page 1 of 1) the chart on page 37 Appendix 1-5, Part 1: Table 1</i></p>	<p>Please provide an explanation for the annual route labor hours for Single Family Dwelling's Recyclable Materials and Organic Materials in <b>North Fair Oaks</b> which is projected to increase in 2016 as shown in the information provided in Table 7. However, the total number of accounts are projected to decrease (Number of Accounts by Line of Business, page 37, (Page 1 of 1) Appendix 1-5).</p>	
<p><b>Recology San Mateo County's Annual Revenue</b> <i>Reconciliation and Interest Rate Year 2014, Part 1: Table H, Annual Revenue Reconciliation page 21, (Page 4 of 4)</i></p>	<p>Please provide the detailed calculation used to determine the interest to Recology for the Unincorporated County areas for Rate Year 2014 (\$9,155).</p>	
<p><b>Operational Information,</b> <i>Operational Information Roster of Personnel, Part 2: Table 10, page 10, (Page 1 of 1)</i></p>	<p>Does Recology envision the General Manager position to be a 1.0 FTE, and dedicated to this business unit in 2016?</p> <p>Were there any additional salary savings for wages, benefits, or payroll taxes due to some positions that were not fully staffed as FTE's in 2015?</p>	

## Cliff Feldman

---

**From:** Lillian Clark <lclark@smcgov.org>  
**Sent:** Monday, June 29, 2015 5:55 PM  
**To:** Kevin McCarthy  
**Cc:** Jim Porter; Joe La Mariana; ccostine@hfh-consultants.com; mpucchinelli@recology.com; rsimonson@hfh-consultants.com  
**Subject:** County of San Mateo Comments on the Recology San Mateo County Rate Year 2016 Application  
**Attachments:** Letter San Mateo County Rate Year 2016 Application for Contractor's Compensation Adjustment 15, 2015.pdf; Table of County of San Mateo Comments on the Recology San Mateo County Rate Year 2016 Application.pdf

Kevin,  
Attached you find our comments or question to the Recology San Mateo County Rate Year 2016 Application.

Sincerely,  
Lillian Clark  
County of San Mateo  
RecycleWorks  
(650) 599-1447

 Save Paper. Think Before You Print.



**Recology San Mateo County**  
**Response to Questions from the County of San Mateo Regarding**  
**Recology 2016 Compensation Application**

**Operation Information**

Annual Route Hours by Line of Business, Appendix 1- Summary Service Metrics, Metrics Summary Used for Cost Allocation, Part 1: Attachment N, page 33, (Page 1 of 1)

Appendix 1-1.

1. Please provide an explanation of the new single family accounts listed for 2016 for the Unincorporated County areas and an explanation on why the Route Labor Hours decreased, if there is an anticipated increase in SFD accounts?

Unincorporated County SFD Accounts increased by 15 accounts. The increase in the number of accounts may not necessarily correlate to the change in Route Hours and Route Labor Hours. The change, however, can be attributed to route efficiencies, including improved/improper cart/bin set-outs, favorable/unfavorable on-route and off-route traffic conditions, seasonality, and the proficiency of the collection vehicle operator.

2. Agency Facility Services - please provide an explanation for the agency lifts decrease anticipated for 2016 when the Labor hours and # of route hours per year will increase for 2016?

The increase in Route Labor Hours equates to approximately 16 minutes per week. Hour changes can be attributed to route efficiencies, including improved/improper cart/bin set-outs, favorable/unfavorable on-route and off-route traffic conditions, seasonality, and the proficiency of the collection vehicle operator.

**Operation Information**

Annual Route Hours by Line of Business, Appendix 1- Summary Service Metrics, Annual Route Hours by Line of Business, page 35, Part 1: Table 7 (Page 1 of 1)



Appendix 1-3. and Operational Information, Table 1, Number of Accounts by Line of Business page 37, (Page 1 of 1) the chart on page 37 Appendix 1-5, Part 1: Table 1

Please provide an explanation for the annual route labor hours for Single Family Dwelling's Recyclable Materials and Organic Materials in North Fair Oaks which is projected to increase in 2016 as shown in the information provided in Table 7. However, the total number of accounts are projected to decrease (Number of Accounts by Line of Business, page 37, (Page 1 of 1) Appendix 1-5).

The Rate Years on Table 7 were reversed and the Route Hours for 2016 are decreasing.

### **Recology San Mateo County's Annual Revenue**

Reconciliation and Interest Rate Year 2014, Part 1: Table H, Annual Revenue Reconciliation page 21, (Page 4 of 4)

Please provide the detailed calculation used to determine the interest to Recology for the Unincorporated County areas for Rate Year 2014 (\$9,155).

Interest is calculated on the Shortfall at the Prime Rate plus 1% (3.25% plus 1% = 4.25%) for one-half year for 2014 and for the full year of 2015. Schedule included

### **Operational Information**

Operational Information Roster of Personnel, Part 2: Table 10, page 10, (Page 1 of 1) Does Recology envision the General Manager position to be a 1.0 FTE, and dedicated to this business unit in 2016?

Yes, Recology envisions the General Manager position to be 1.0 FTE, dedicated to this unit in 2016 along with the addition of the Senior Administrative Manager and the Senior Finance Manager (50% Recology, 50% SBR)

Were there any additional salary savings for wages, benefits, or payroll taxes due to some positions that were not fully staffed as FTE's in 2015?

There were no additional salary savings/nor expenses for wages, benefits or payroll taxes. Although staffing may vary throughout the year, all services are provided to customers. Any lapse in service, whether or not it is attributed to staffing, is subject to Liquidated Damages and/or Disincentives.

## Cliff Feldman

---

**From:** Laura Galli <lgalli@fostercity.org>  
**Sent:** Monday, June 29, 2015 6:13 PM  
**To:** Mario Puccinelli  
**Cc:** Charlie Bronitsky; Jeff Moneda; Kevin McCarthy  
**Subject:** FW: Recology 2016 Compensation Application Review Schedule

Mario,

Following are questions/comment from Foster City pertaining to the compensation application:

### Part 1:

#### Appendix 1-1 through Appendix 1-5 pages 33-37:

##### Appendix 1-1

1. Why did the City's route labor hours (100 hrs to 166 hrs- a 66.3% increase) and route hours (94 hrs to 152 hrs- a 61.7% increase) increase by so much?
2. Why did the # lifts in the same category go up by 14.9% (3,133 lifts to 3,601 lifts?)

##### Appendix 1-2 (Route Labor Hours) and Appendix 1-3 (Route Hours)

3. Column for "Member Agency Facilities Recyclable materials":
  - Route Labor Hours increased by 549.3% (9 hrs to 63 hrs)
  - Route Hours increased by 514.5% (9 hrs to 57 hrs)

Are these type o's? If not please explain the incredible increase in route labor hours attributed to the Agency's recycling

4. Columns for "MFD and Commercial Family Organics carts and bins",
  - Route Labor Hours increased by 22.6%.
  - Route Hours increased by 22.4%

What is attributed to these increases in hours? added organics accounts? Which ones?

5. Column for "Member Agency solid waste",
  - Route Labor Hours increased by 17.6%
  - Route hours increased by 15.6%

Why so many more hours attributed to servicing FC Agency trash accounts? We added 4 accounts total.

##### Appendix 1-4 (Containers)

6. Why doesn't this table show a year over year comparison similar to the other tables?

##### Appendix 1-5 (Accounts)

7. Column for "multi-family and commercial organics carts"
  - 5 accounts were added. Which accounts?
8. Column for "Member agency solid waste, organics, and recyclables"
  - Relates to route hours above. The City added one account. Why were so many more hours charged?
9. Column for "member agency facilities roll-off and compactor"
  - Relates to route hours above. The City added 3 accounts. How can this equate to so many additional route hours and route labor hours?

- Where are these three new accounts?
10. Would it be possible to include just one set of the Appendix 3 data sheets for each of the member agencies and reference them accordingly?. Part 1, pages 44-121, contain the identical Allocated costs tables for SFD, MFD and Commercial, and Agency Facilities for each member Agency listed in Part 2, pages 30-71.
  11. Similarly, tables are duplicated in report. Is it necessary to include the same tables and label them differently? Example: Appendix 1-5 in Part 1 is the same table as Table 1 in Part 2. Can we streamline this so there are so many redundancies?

**Comments on Part 1 – Report:**

1. Page 7 of 13 (page 11 of packet): the narrative references 4 specific costs. 1) wages, 2) benefits. Please number Payroll tax expenses 3) and Direct Labor- Related costs 4).
2. Page 10 of 13 (page 14 of packet): Last paragraph. Please clarify. It is unclear to me what the point of the paragraph is.
3. Will the revised report include the audited data?

Thanks,  
Laura

**From:** Cyndi Urman [mailto:curman@rethinkwaste.org]  
**Sent:** Wednesday, June 24, 2015 1:22 PM  
**To:** Cyndi Urman  
**Cc:** Cliff Feldman; Farouk Fakira; Faustina Mututa; Heather Co; Hilary Gans; Kevin McCarthy; Marshall Moran; Monica Devincenzi  
**Subject:** Recology 2016 Compensation Application Review Schedule

Good afternoon Board Members and TAC:

This is a friendly reminder regarding this year’s schedule to review and approve Recology’s 2016 Compensation Application (which is required to set rates for 2016).

This schedule is provided monthly in the Board of Director’s packet in the item titled “2015 Finance and Rate Setting Calendar”. The specific schedule to review Recology’s 2016 Compensation Application is consolidated below for your convenience. This schedule is similar to the one used in past years and provides our Member Agencies two-week periods to review both the original Recology Compensation Application and the SBWMA Report Reviewing the Compensation Application.

**Please note that your agency’s comments on the Recology 2016 Compensation Application are due to Recology by close of business on Monday, June 29. We would appreciate it if you cc myself and Marshall on any comments submitted to Recology.**

If you have any questions for us, please do not hesitate to ask.

Thank you,  
Cliff

Due Date	Milestone
June 15, 2015	Recology 2016 Compensation Application Submitted to Member Agencies and SBWMA
June 29, 2015	Member Agencies and SBWMA Comments Due to Recology



July 24, 2015	Revised Recology 2016 Compensation Application Submitted to Member Agencies and SBWMA
August 14, 2015	SBWMA Draft Report Reviewing the 2016 Recology Compensation Application Issued to Member Agencies
August 28, 2015	Member Agencies Written Comments on SBWMA Draft Report Due to SBWMA
September 10, 2015	SBWMA Special Board Meeting: Staff Update and Discussion
September 17, 2014	SBWMA Final Report Issued to Member Agencies/Board
September 24, 2014	SBWMA Board Meeting: Consideration of Final Report

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**Cliff Feldman**, Recycling Programs Manager

Phone: 650.802.3502 Fax: 650.802.3501

610 Elm Street, Suite 202, San Carlos, CA 94070



**Recology San Mateo County  
Response to Questions from the City of Foster City Regarding  
Recology 2016 Compensation Application**

**Part 1:**

**Appendix 1-1 through Appendix 1-5 pages 33-37:**

Appendix 1-1

1. Why did the City's route labor hours (100 hrs to 166 hrs- a 66.3% increase) and route hours (94 hrs to 152 hrs- a 61.7% increase) increase by so much?

The increase in MA Route Labor Hours is attributed in part to the addition of Windsurf Park, which is in a remote location and has multiple carts with multiple services per week

2. Why did the # lifts in the same category go up by 14.9% (3,133 lifts to 3,601 lifts?)

The increase in percentage is driven by the increase in the number of lifts.

Appendix 1-2 (Route Labor Hours) and Appendix 1-3 (Route Hours)

1. Column for "Member Agency Facilities Recyclable materials":
  - Route Labor Hours increased by 549.3% (9 hrs to 63 hrs)
  - Route Hours increased by 514.5% (9 hrs to 57 hrs)

Are these typo's? If not please explain the incredible increase in route labor hours attributed to the Agency's recycling

The increase in MA Route Labor Hours is attributed in part to the addition of Windsurf Park, which is in a remote location and has multiple carts with multiple services per week

1. Columns for "MFD and Commercial Family Organics carts and bins",
  - Route Labor Hours increased by 22.6%.
  - Route Hours increased by 22.4%



What is attributed to these increases in hours? Added organics accounts? Which ones?

The increase in hours is attributed to added organic accounts. Below are the accounts with the most significant service level new starts or increases for organics. The accounts that are new organic starts are highlighted:

Buon Hospitality, 981 E Hillsdale Blvd (+25.98 yds/month)

SVBIO, 348 Hatch Dr (+2.08 yds/month)

Woodstock Development, 363 Vintage Park Dr (+8.66 yds/month)

Gilead Sciences, 101 Lincoln Centre Dr (+34.64 yds/month)

Parkside Towers, 1001 E Hillsdale Blvd (+34.64 yds/month)

Westlake Development, 1088 Shell Blvd (+75.86 yds/month)

TWM Industries, 1140 Triton Dr (+12.47 yds/month)

Woodstock Development, 323 Vintage Park Dr (+5.54 yds/month)

Westlake Development, 1088 Shell Blvd (5.54 yds/month)

Equity Office BPC (4.33 yds/month)

Woodstock Development, 393 Vintage Park (8.66 yds/month)

DWF IV Century Base Plaza, 1065 E Hillsdale Blvd (+12.47 yds/month)

Hudson Metro Center, 989 E Hillsdale (+4.33 yds/month)

1. Column for "Member Agency solid waste",
  - Route Labor Hours increased by 17.6%
  - Route hours increased by 15.6%



Why so many more hours attributed to servicing FC Agency trash accounts? We added 4 accounts total.

Although there were only 4 accounts, one of the new accounts is Windsurf Park, which is in a remote location and has multiple carts with multiple services per week. .

Appendix 1-4 (Containers)

1. Why doesn't this table show a year over year comparison similar to the other tables?

This Appendix was not designed to include year-over-year comparisons.

Appendix 1-5 (Accounts)

1. Column for "multi-family and commercial organics carts"
  - 5 accounts were added. Which accounts?

Below are the 5 new accounts, include container size, quantity and frequency of service:

ACCT #	Name	Address		Size (gal)	# Conts	Frequency
938332	WESTLAKE DEVELOPMENT CO	1088	SHELL BLVD	32	3	4
146508 7	WOODSTOCK DEVELOPMENT, INC	323	VINTAGE PARK DR	64	2	2
155456 7	DWF IV CENTURY BASE PLAZA LLC	1065	E HILLSDALE BLVD	64	3	3
149781 7	SVBIO	348	HATCH DR	96	1	1
152197 0	T W M INDUSTRIES	1140	TRITON DR	96	2	3

2. Column for "Member agency solid waste, organics, and recyclables"
  - Relates to route hours above. The City added one account. Why were so many more hours charged?



The increase in the number of accounts may not necessarily correlate to the change in Route Hours and Route Labor Hours. The change, however, can be attributed to route efficiencies, including improved/improper cart/bin set-outs, favorable/unfavorable on-route and off-route traffic conditions, seasonality, and the proficiency of the collection vehicle operator. However, as stated previously, Windsurf Park is in a remote location and has multiple carts with multiple services per week, thus affecting the Route Hours.

3. Column for “member agency facilities roll-off and compactor”
  - Relates to route hours above. The City added 3 accounts. How can this equate to so many additional route hours and route labor hours?
  - Where are these three new accounts?

The three new accounts were temporary accounts, which include Spinnaker Cove (BIC), The Plaza (BIC) and Foster City Art & Wine Festival. The Member Agency roll-off account information provided is for informational purposes only and does not affect the Member Agency cost allocation.

4. Would it be possible to include just one set of the Appendix 3 data sheets for each of the member agencies and reference them accordingly?. Part 1, pages 44-121, contain the identical Allocated costs tables for SFD, MFD and Commercial, and Agency Facilities for each member Agency listed in Part 2, pages 30-71.
5. Similarly, tables are duplicated in report. Is it necessary to include the same tables and label them differently? Example: Appendix 1-5 in Part 1 is the same table as Table 1 in Part 2. Can we streamline this so there are so many redundancies?

The Rate Application was modified by the SBWMA to improve the presentation of the data provided. Part 2 is submitted because information included in Part 2 is required per the Franchise Agreement.

Comments on Part 1 – Report:

1. Page 7 of 13 (page 11 of packet): the narrative references 4 specific costs. 1) wages, 2) benefits. Please number Payroll tax expenses 3) and Direct Labor-Related costs 4).

This has been revised



1. Page 10 of 13 (page 14 of packet): Last paragraph. Please clarify. It is unclear to me what the point of the paragraph is.

This has been revised

1. Will the revised report include the audited data?

The audited data will not be included, but the result of the audit is included.

## Cliff Feldman

---

**From:** Jan Cooke <JCooke@HILLSBOROUGH.NET>  
**Sent:** Monday, June 29, 2015 4:33 PM  
**To:** Mario Puccinelli; Mike Kelly (mkelly@recology.com); Gino Gasparini  
**Cc:** Kevin McCarthy; Cliff Feldman; Marshall Moran; Cyndi Urman  
**Subject:** FW: SBWMA Questions/Comments on the Recology 2016 Compensation Application

Hello:

On the 2016 Recology Compensation for Town of Hillsborough: My question is on page 79, the commercial/multifamily accounts and number of carts are going down, yet the route hours are going up. Can you explain that.

Thanks  
Jan Cooke

**Jan Cooke, C.P.A.**  
**Finance Director**  
Town of Hillsborough  
1600 Floribunda Avenue  
Hillsborough, CA 94010  
Tel. (650) 375-7408  
Fax (650) 375-7417  
[jcooke@hillsborough.net](mailto:jcooke@hillsborough.net)

[www.hillsborough.net](http://www.hillsborough.net)

*Download Mobile App on [Google Play Store](#) or [Apple iTunes Store](#)  
Subscribe to Town News and Alerts: <http://www.hillsborough.net/list.aspx>*

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**From:** Cyndi Urman [<mailto:curman@rethinkwaste.org>]  
**Sent:** Monday, June 29, 2015 11:11 AM  
**To:** Cyndi Urman  
**Cc:** Cliff Feldman; Marshall Moran; Farouk Fakira; Kevin McCarthy  
**Subject:** SBWMA Questions/Comments on the Recology 2016 Compensation Application

Good afternoon Board Members and TAC:

Attached please find the SBWMA's questions and comments on Recology's 2016 Compensation Application which were sent to Recology today.

If your Agency submitted comments to Recology, please also forward a copy.

Per the below schedule, the next step in this process is for Recology to issue its revised and final 2016 Compensation Application on July 24.

If you have any questions for us, please do not hesitate to ask.

Thank you,  
Cliff

Cliff Feldman, Recycling Programs Manager  
Phone: 650.802.3502 Fax: 650.802.3501  
610 Elm Street, Suite 202, San Carlos, CA 94070



**From:** Cyndi Urman  
**Sent:** Wednesday, June 24, 2015 1:22 PM  
**To:** Cyndi Urman  
**Cc:** Cliff Feldman; Farouk Fakira; Faustina Mututa; Heather Co; Hilary Gans; Kevin McCarthy; Marshall Moran; Monica Devincenzi  
**Subject:** Recology 2016 Compensation Application Review Schedule

Good afternoon Board Members and TAC:

This is a friendly reminder regarding this year's schedule to review and approve Recology's 2016 Compensation Application (which is required to set rates for 2016).

This schedule is provided monthly in the Board of Director's packet in the item titled "2015 Finance and Rate Setting Calendar". The specific schedule to review Recology's 2016 Compensation Application is consolidated below for your convenience. This schedule is similar to the one used in past years and provides our Member Agencies two-week periods to review both the original Recology Compensation Application and the SBWMA Report Reviewing the Compensation Application.

**Please note that your agency's comments on the Recology 2016 Compensation Application are due to Recology by close of business on Monday, June 29. We would appreciate it if you cc myself and Marshall on any comments submitted to Recology.**

If you have any questions for us, please do not hesitate to ask.

Thank you,  
Cliff

<u>Due Date</u>	<u>Milestone</u>
June 15, 2015	Recology 2016 Compensation Application Submitted to Member Agencies and SBWMA
June 29, 2015	Member Agencies and SBWMA Comments Due to Recology
July 24, 2015	Revised Recology 2016 Compensation Application Submitted to Member Agencies and SBWMA
August 14, 2015	SBWMA Draft Report Reviewing the 2016 Recology Compensation Application Issued to Member Agencies
August 28, 2015	Member Agencies Written Comments on SBWMA Draft Report Due to SBWMA
September 10, 2015	SBWMA Special Board Meeting: Staff Update and Discussion
September 17, 2014	SBWMA Final Report Issued to Member Agencies/Board
September 24, 2014	SBWMA Board Meeting: Consideration of Final Report

Cliff Feldman, Recycling Programs Manager



Phone: 650.802.3502 Fax: 650.802.3501  
610 Elm Street, Suite 202, San Carlos, CA 94070



**Recology San Mateo County  
Response to Questions from the Town of Hillsborough Regarding  
Recology 2016 Compensation Application**

On the 2016 Recology Compensation for Town of Hillsborough: My question is on page 79, the commercial/multifamily accounts and number of carts are going down, yet the route hours are going up. Can you explain that.

The increase in the number of accounts may not necessarily correlate to the change in Route Hours and Route Labor Hours. The change, however, can be attributed to route efficiencies, including improved/improper cart/bin set-outs, favorable/unfavorable on-route and off-route traffic conditions, seasonality, and the proficiency of the collection vehicle operator.

## Cliff Feldman

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**From:** Abrams, Heather <habrams@menlopark.org>  
**Sent:** Monday, June 29, 2015 9:19 PM  
**To:** Cyndi Urman; Cliff Feldman; Farouk Fakira; Faustina Mututa; Heather Co; Hilary Gans; Kevin McCarthy; Marshall Moran; Monica Devincenzi; Gino Gasparini; Yvette Madera  
**Cc:** McIntyre, Alex D; Cat Carlton; Quirion, Jesse T  
**Subject:** RE: Recology 2016 Compensation Application Review Schedule

RethinkWaste and Recology Team,

Thank you for the opportunity to review the Rate Year 2016 Application for Contractor's Compensation Adjustment.

To summarize and review, overall in the Rethink Waste (SBWMA) area, Recology is requesting a smaller compensation amount as compared with last year, based primarily on the following factors:

- Decrease in fuel expense
- Decrease in interest expense
- Decrease in incentive payments

However, labor hours and route hours increased in Menlo Park in 2015 as compared with 2014. These increases were not seen in neighboring cities and they do not correspond to increases in collection accounts or bins/carts collected. The labor hours and route hours are collected using an on-board GPS system mounted in the collection trucks, measured in April. These increases could be attributed to the following possible causes:

- Errors
- Routing and/or travel time to Atherton and/or Redwood City being mistakenly attributed to Menlo Park
- Traffic delays within Menlo Park
- Menlo Park's direction to Recology to follow Menlo Park's street sweeping days, which caused re-routing by Recology (Recology to confirm this action)
- Menlo Park's direction to Recology to bill customers directly (at a cost of approximately \$25,000)

Please look into these increases in labor and route hours to determine the causes.

Menlo Park Observations:

- Menlo Park showed a \$176, 439 shortfall in rate year 2014 as shown in part 2, attachment NC. For rate year 2015, RethinkWaste recommended a small rate increase (approximately 2.5%), however the City did not adopt a rate increase based on a recommendation from the City's Finance Department.
- Part 1 shows a similar rate year 2016 shortfall, which will likely result in a small total recommended rate increase for Menlo Park (approximately 2-3%) for rate year 2016. Decreases in expenses listed above were outweighed by increases in labor and route hours as described above. Please investigate the changes in labor and route hours, and confirm the recommended rate increase.
- A small number of single family residents have solid waste containers, but no recycling containers and, a few hundred additional single family customers do not have organics service. Please provide an excel sheet showing which residential customers do not have recycling and/or organics service and why. I understand Recology and RethinkWaste are working with commercial and multi-family dwellings to increase participation in recycling and organics.
- Safety is a priority - Please review safety protocol with the Recology driver who was driving the wrong way for a short distance on Willow at Alma this morning at 7am. Unfortunately, I did not see his truck number.

Process Next Steps:

- Recology to confirm that the City requested route changes based on street sweeping schedule
- Recology to confirm labor and route hours increase

- SBWMA review and consider compensation application
- City to consider modest rate increase (via City Council)

Please let me know if you would like to discuss this further.

Thanks,

Heather Abrams

Environmental Programs Manager

City of Menlo Park

habrams@menlopark.org

(650)330-6765

---

**From:** Quirion, Jesse T  
**Sent:** Monday, June 29, 2015 8:27 AM  
**To:** Cat Carlton; McIntyre, Alex D  
**Cc:** Abrams, Heather  
**Subject:** RE: Recology 2016 Compensation Application Review Schedule

Our Environmental Services Manager, Heather Abrahams is working on this. Comments are due today, so she will send them directly to Recology and include you on the message.

-Jesse Q.

---

**From:** Cat Carlton [<mailto:cat.carlton@me.com>]  
**Sent:** Thursday, June 25, 2015 3:15 PM  
**To:** McIntyre, Alex D; Quirion, Jesse T  
**Subject:** Fwd: Recology 2016 Compensation Application Review Schedule

Who is our tech on this committee? I would like his or her opinion on the below.

Catherine

Begin forwarded message:

**From:** Cyndi Urman <[curman@rethinkwaste.org](mailto:curman@rethinkwaste.org)>  
**Subject:** Recology 2016 Compensation Application Review Schedule  
**Date:** June 24, 2015 at 1:22:03 PM PDT  
**To:** Cyndi Urman <[curman@rethinkwaste.org](mailto:curman@rethinkwaste.org)>  
**Cc:** Cliff Feldman <[cfeldman@rethinkwaste.org](mailto:cfeldman@rethinkwaste.org)>, Farouk Fakira <[ffakira@rethinkwaste.org](mailto:ffakira@rethinkwaste.org)>, Faustina Mututa <[fmututa@rethinkwaste.org](mailto:fmututa@rethinkwaste.org)>, Heather Co <[heatherco@rethinkwaste.org](mailto:heatherco@rethinkwaste.org)>, Hilary Gans <[hgans@rethinkwaste.org](mailto:hgans@rethinkwaste.org)>, Kevin McCarthy <[kmccarthy@rethinkwaste.org](mailto:kmccarthy@rethinkwaste.org)>, Marshall Moran <[mmoran@rethinkwaste.org](mailto:mmoran@rethinkwaste.org)>, Monica Devincenzi <[mdevincenzi@rethinkwaste.org](mailto:mdevincenzi@rethinkwaste.org)>  
**Resent-From:** [ccarlton@menlopark.org](mailto:ccarlton@menlopark.org)

Good afternoon Board Members and TAC:

This is a friendly reminder regarding this year's schedule to review and approve Recology's 2016 Compensation Application (which is required to set rates for 2016).

This schedule is provided monthly in the Board of Director's packet in the item titled "2015 Finance and Rate Setting Calendar". The specific schedule to review Recology's 2016 Compensation Application is consolidated below for your convenience. This schedule is similar to the one used in past years and provides our Member Agencies two-week periods to review both the original Recology Compensation Application and the SBWMA Report Reviewing the Compensation Application.

**Please note that your agency's comments on the Recology 2016 Compensation Application are due to Recology by close of business on Monday, June 29. We would appreciate it if you cc myself and Marshall on any comments submitted to Recology.**

If you have any questions for us, please do not hesitate to ask.

Thank you,  
Cliff

<u>Due Date</u>	<u>Milestone</u>
June 15, 2015	Recology 2016 Compensation Application Submitted to Member Agencies and SBWMA
June 29, 2015	Member Agencies and SBWMA Comments Due to Recology
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September 10, 2015	SBWMA Special Board Meeting: Staff Update and Discussion
September 17, 2014	SBWMA Final Report Issued to Member Agencies/Board
September 24, 2014	SBWMA Board Meeting: Consideration of Final Report

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**Cliff Feldman**, Recycling Programs Manager  
Phone: 650.802.3502 Fax: 650.802.3501  
610 Elm Street, Suite 202, San Carlos, CA 94070



**Recology San Mateo County**  
**Response to Questions from the City of Menlo Park Regarding**  
**Recology 2016 Compensation Application**

To summarize and review, overall in the Rethink Waste (SBWMA) area, Recology is requesting a smaller compensation amount as compared with last year, based primarily on the following factors:

- Decrease in fuel expense
- Decrease in interest expense
- Decrease in incentive payments

However, labor hours and route hours increased in Menlo Park in 2015 as compared with 2014. These increases were not seen in neighboring cities and they do not correspond to increases in collection accounts or bins/carts collected. The labor hours and route hours are collected using an on-board GPS system mounted in the collection trucks, measured in April. These increases could be attributed to the following possible causes:

- Errors
- Routing and/or travel time to Atherton and/or Redwood City being mistakenly attributed to Menlo Park
- Traffic delays within Menlo Park
- Menlo Park's direction to Recology to follow Menlo Park's street sweeping days, which caused re-routing by Recology (Recology to confirm this action)
- Menlo Park's direction to Recology to bill customers directly (at a cost of approximately \$25,000)

Please look into these increases in labor and route hours to determine the causes.



The increase in Route Hours and Route Labor Hours is attributed to the growth in Commercial sector. There is a year-over-year increase of approximately 6600 lifts for bin service, and an additional 91 exchanges in roll-off.

#### Menlo Park Observations:

- Menlo Park showed a \$176, 439 shortfall in rate year 2014 as shown in part 2, attachment NC. For rate year 2015, RethinkWaste recommended a small rate increase (approximately 2.5%), however the City did not adopt a rate increase based on a recommendation from the City's Finance Department.
- Part 1 shows a similar rate year 2016 shortfall, which will likely result in a small total recommended rate increase for Menlo Park (approximately 2-3%) for rate year 2016. Decreases in expenses listed above were outweighed by increases in labor and route hours as described above. Please investigate the changes in labor and route hours, and confirm the recommended rate increase.
- A small number of single family residents have solid waste containers, but no recycling containers and, a few hundred additional single family customers do not have organics service. Please provide an excel sheet showing which residential customers do not have recycling and/or organics service and why. I understand Recology and RethinkWaste are working with commercial and multi-family dwellings to increase participation in recycling and organics.
- Safety is a priority - Please review safety protocol with the Recology driver who was driving the wrong way for a short distance on Willow at Alma this morning at 7am. Unfortunately, I did not see his truck number.

The issue reported about Willow Road and Alma Street was immediately addressed in a Driver Tailgate meeting. Please note that Safety and Tailgate meetings and Route Supervisor driver observations are conducted on a regular basis, to ensure drivers are continually informed/trained on safety matters.

#### Process Next Steps:

- Recology to confirm that the City requested route changes based on street sweeping schedule.



Yes, the request to change routing based upon street sweeping schedule was initiated by Rebecca Fotu.

- Recology to confirm labor and route hours increase

The increases were confirmed.

- SBWMA review and consider compensation application
- City to consider modest rate increase (via City Council)



# **APPENDIX D**

## **MEMBER AGENCY VARIANCE ANALYSIS OF TOTAL COLLECTION COST AND RATE ADJUSTMENT**

### **SBWMA FINAL REPORT REVIEWING THE 2016 RECOLOGY COMPENSATION APPLICATION**

September 17, 2015

COLLECTION RATE VARIANCE ANALYSIS estimated 8/13/2015		SBWMA TOTAL				
		2016 Variance				
		2015 Estimated	2016 Estimated	2016 vs 2015 Change	2016 vs 2015 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>			\$99,479,968			
<b>Projected Collection Revenue (After Rate Increase)</b>		\$99,499,341				
<b>2015 Base Revenue Surplus / &lt;Shortfall&gt;</b>				\$1,371,112		-1.4%
<b>Total Contractor's Compensation</b>						
Base Compensation		\$57,905,546	\$57,685,069	-\$220,477	-0.4%	-0.2%
Agency Specific Contract Changes		(\$435,254)	(\$422,253)	\$13,001	-3.0%	0.0%
Incentives / Disincentives		\$253,210	\$26,604	-\$226,606	-89.5%	-0.2%
Split-Body Collection Vehicle Pilot Program		\$0	\$55,422	\$55,422	0.0%	0.1%
<b>Total Contractor's Compensation</b>		\$57,723,502	\$57,344,843	-\$378,659	-0.7%	-0.4%
<b>Other Pass-Through Costs</b>						
Disposal & Processing Fees		\$26,271,800	\$26,689,994	\$418,194	1.6%	0.4%
Agency Franchise & Other Fees		\$14,113,554	\$14,181,586	\$68,032	0.5%	0.1%
<b>Subtotal Other Pass-Through Costs</b>		\$40,385,354	\$40,871,580	\$486,225	1.2%	0.5%
<b>TOTAL REVENUE REQUIREMENT</b>		\$98,108,856	\$98,216,423	\$107,566	0.1%	0.1%
<b>2015 Estimated Surplus / &lt;Shortfall&gt;</b>		\$1,390,484				
<b>2016 Estimated Surplus / &lt;Shortfall&gt;</b>			\$1,263,546			
<b>Required Revenue Adjustment</b>			-1.3%			-1.3%

All numbers above are current estimates except 2015 Contractor's (Recology) Compensation which is final and 2016 Contractor's Compensation which is subject to Board Approval.

COLLECTION RATE VARIANCE ANALYSIS estimated 8/13/2015		Atherton				
		2016 Variance				
		2015 Estimated	2016 Estimated	2016 vs 2015 Change	2016 vs 2015 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>			\$3,166,449			
<b>Projected Collection Revenue (After Rate Increase)</b>		\$3,167,017				
<b>2015 Base Revenue Surplus / &lt;Shortfall&gt;</b>				\$422,442		-13.3%
<b>Total Contractor's Compensation</b>						
	Base Compensation	\$1,458,679	\$1,452,198	(\$6,481)	-0.4%	-0.2%
	Incentives / Disincentives	\$2,395	\$192	(\$2,203)	-92.0%	-0.1%
	Split-Body Collection Vehicle Pilot Program		\$1,406	\$1,406	\$0	0.0%
<b>Total Contractor's Compensation</b>		\$1,461,074	\$1,453,796	-\$7,278	-0.5%	-0.2%
<b>Other Pass-Through Costs</b>						
	Disposal & Processing Fees	\$949,659	\$949,176	(\$484)	-0.1%	0.0%
	Agency Franchise & Other Fees	\$333,274	\$336,363	\$3,089	0.9%	0.1%
<b>Subtotal Other Pass-Through Costs</b>		\$1,282,933	\$1,285,539	\$2,605	0.2%	0.1%
<b>TOTAL REVENUE REQUIREMENT</b>		\$2,744,008	\$2,739,335	(\$4,673)	-0.2%	-0.1%
<b>2015 Estimated Surplus / &lt;Shortfall&gt;</b>		\$423,009				
<b>2016 Estimated Surplus / &lt;Shortfall&gt;</b>			\$427,115			
<b>Required Revenue Adjustment</b>			-13.5%			-13.5%
All numbers above are current estimates except 2015 Contractor's (Recology) Compensation which is final and 2016 Contractor's Compensation which is subject to Board Approval.						

COLLECTION RATE VARIANCE ANALYSIS estimated 8/13/2015	Belmont				
	2016 Variance				
	2015 Estimated	2016 Estimated	2016 vs 2015 Change	2016 vs 2015 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$6,478,278			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$6,479,810				
<b>2015 Base Revenue Surplus / &lt;Shortfall&gt;</b>			(\$322,005)		5.0%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$3,609,698	\$3,695,653	\$85,954	2.4%	1.3%
Incentives / Disincentives	\$11,280	\$929	(\$10,351)	-91.8%	-0.2%
Split-Body Collection Vehicle Pilot Program		\$3,577	\$3,577	0.0%	0.1%
<b>Total Contractor's Compensation</b>	<b>\$3,620,978</b>	<b>\$3,700,159</b>	<b>\$79,180</b>	<b>2.2%</b>	<b>1.2%</b>
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$1,411,823	\$1,429,657	\$17,834	1.3%	0.3%
Agency Franchise & Other Fees	\$1,767,482	\$1,768,730	\$1,248	0.1%	0.0%
<b>Subtotal Other Pass-Through Costs</b>	<b>\$3,179,305</b>	<b>\$3,198,386</b>	<b>\$19,082</b>	<b>0.6%</b>	<b>0.3%</b>
<b>TOTAL REVENUE REQUIREMENT</b>	<b>\$6,800,283</b>	<b>\$6,898,545</b>	<b>\$98,262</b>	<b>1.4%</b>	<b>1.5%</b>
<b>2015 Estimated Surplus / &lt;Shortfall&gt;</b>	<b>(\$320,473)</b>				
<b>2016 Estimated Surplus / &lt;Shortfall&gt;</b>		<b>(\$420,267)</b>			
<b>Required Revenue Adjustment</b>		<b>6.5%</b>			<b>6.5%</b>
All numbers above are current estimates except 2015 Contractor's (Recology) Compensation which is final and 2016 Contractor's Compensation which is subject to Board Approval.					

COLLECTION RATE VARIANCE ANALYSIS estimated 8/13/2015	Burlingame				
	2016 Variance				
	2015 Estimated	2016 Estimated	2016 vs 2015 Change	2016 vs 2015 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$10,640,785			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$10,672,706				
<b>2015 Base Revenue Surplus / &lt;Shortfall&gt;</b>			\$67,237		-0.6%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$5,695,334	\$5,776,859	\$81,524	1.4%	0.8%
Incentives / Disincentives	\$33,983	\$3,745	(\$30,238)	-89.0%	-0.3%
Split-Body Collection Vehicle Pilot Program		\$5,591	\$5,591	0.0%	0.1%
<b>Total Contractor's Compensation</b>	<b>\$5,729,318</b>	<b>\$5,786,195</b>	<b>\$56,877</b>	<b>1.0%</b>	<b>0.5%</b>
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$2,880,710	\$2,887,154	\$6,444	0.2%	0.1%
Agency Franchise & Other Fees	\$1,963,521	\$1,955,912	(\$7,609)	-0.4%	-0.1%
<b>Subtotal Other Pass-Through Costs</b>	<b>\$4,844,231</b>	<b>\$4,843,065</b>	<b>(\$1,166)</b>	<b>0.0%</b>	<b>0.0%</b>
<b>TOTAL REVENUE REQUIREMENT</b>	<b>\$10,573,548</b>	<b>\$10,629,260</b>	<b>\$55,712</b>	<b>0.5%</b>	<b>0.5%</b>
<b>2015 Estimated Surplus / &lt;Shortfall&gt;</b>	\$99,158				
<b>2016 Estimated Surplus / &lt;Shortfall&gt;</b>		\$11,525			
<b>Required Revenue Adjustment</b>			-0.1%		-0.1%
All numbers above are current estimates except 2015 Contractor's (Recology) Compensation which is final and 2016 Contractor's Compensation which is subject to Board Approval.					

COLLECTION RATE VARIANCE ANALYSIS estimated 8/13/2015	E Palo Alto				
	2016 Variance				
	2015 Estimated	2016 Estimated	2016 vs 2015 Change	2016 vs 2015 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$4,583,066			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$4,528,497				
<b>2015 Base Revenue Surplus / &lt;Shortfall&gt;</b>			(\$128,246)		2.8%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$2,394,526	\$2,388,311	(\$6,215)	-0.3%	-0.1%
Incentives / Disincentives	\$16,423	\$1,774	(\$14,650)	-89.2%	-0.3%
Split-Body Collection Vehicle Pilot Program		\$2,312	\$2,312	0.0%	0.1%
<b>Total Contractor's Compensation</b>	<b>\$2,410,949</b>	<b>\$2,392,396</b>	<b>(\$18,553)</b>	<b>-0.8%</b>	<b>-0.4%</b>
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$1,526,644	\$1,552,246	\$25,601	1.7%	0.6%
Agency Franchise & Other Fees	\$773,719	\$780,411	\$6,691	0.9%	0.1%
<b>Subtotal Other Pass-Through Costs</b>	<b>\$2,300,364</b>	<b>\$2,332,656</b>	<b>\$32,293</b>	<b>1.4%</b>	<b>0.7%</b>
<b>TOTAL REVENUE REQUIREMENT</b>	<b>\$4,711,312</b>	<b>\$4,725,052</b>	<b>\$13,740</b>	<b>0.3%</b>	<b>0.3%</b>
<b>2015 Estimated Surplus / &lt;Shortfall&gt;</b>	<b>(\$182,816)</b>				
<b>2016 Estimated Surplus / &lt;Shortfall&gt;</b>		<b>(\$141,986)</b>			
<b>Required Revenue Adjustment</b>		<b>3.1%</b>			<b>3.1%</b>
All numbers above are current estimates except 2015 Contractor's (Recology) Compensation which is final and 2016 Contractor's Compensation which is subject to Board Approval.					

COLLECTION RATE VARIANCE ANALYSIS estimated 8/13/2015	Foster City				
	2016 Variance				
	2015 Estimated	2016 Estimated	2016 vs 2015 Change	2016 vs 2015 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		<b>\$5,748,700</b>			
<b>Projected Collection Revenue (After Rate Increase)</b>	<b>\$5,749,071</b>				
<b>2015 Base Revenue Surplus / &lt;Shortfall&gt;</b>			<b>\$364,751</b>		<b>-6.3%</b>
<b>Total Contractor's Compensation</b>					
Base Compensation	<b>\$3,451,025</b>	<b>\$3,365,890</b>	<b>(\$85,136)</b>	<b>-2.5%</b>	-1.5%
Incentives / Disincentives	<b>\$15,327</b>	<b>\$1,763</b>	<b>(\$13,564)</b>	<b>-88.5%</b>	-0.2%
Split-Body Collection Vehicle Pilot Program		<b>\$3,258</b>	<b>\$3,258</b>	<b>0.0%</b>	0.1%
<b>Total Contractor's Compensation</b>	<b>\$3,466,353</b>	<b>\$3,370,911</b>	<b>(\$95,442)</b>	<b>-2.8%</b>	-1.7%
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$1,505,950	\$1,519,306	\$13,356	0.9%	0.2%
Agency Franchise & Other Fees	\$411,647	\$416,405	\$4,758	1.2%	0.1%
<b>Subtotal Other Pass-Through Costs</b>	<b>\$1,917,597</b>	<b>\$1,935,710</b>	<b>\$18,113</b>	<b>0.9%</b>	0.3%
<b>TOTAL REVENUE REQUIREMENT</b>	<b>\$5,383,949</b>	<b>\$5,306,621</b>	<b>(\$77,328)</b>	<b>-1.4%</b>	<b>-1.3%</b>
<b>2015 Estimated Surplus / &lt;Shortfall&gt;</b>	<b>\$365,122</b>				
<b>2016 Estimated Surplus / &lt;Shortfall&gt;</b>		<b>\$442,079</b>			
<b>Required Revenue Adjustment</b>		<b>-7.7%</b>			<b>-7.7%</b>
All numbers above are current estimates except 2015 Contractor's (Recology) Compensation which is final and 2016 Contractor's Compensation which is subject to Board Approval.					

COLLECTION RATE VARIANCE ANALYSIS estimated 8/13/2015		Hillsborough				
		2016 Variance				
		2015 Estimated	2016 Estimated	2016 vs 2015 Change	2016 vs 2015 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>			\$3,109,177			
<b>Projected Collection Revenue (After Rate Increase)</b>		\$3,109,372				
<b>2015 Base Revenue Surplus / &lt;Shortfall&gt;</b>				\$144,734		-4.7%
<b>Total Contractor's Compensation</b>						
Base Compensation		\$1,964,709	\$1,957,135	(\$7,573)	-0.4%	-0.2%
Incentives / Disincentives		\$2,878	\$185	(\$2,693)	-93.6%	-0.1%
Split-Body Collection Vehicle Pilot Program			\$1,894	\$1,894	0.0%	0.1%
<b>Total Contractor's Compensation</b>		\$1,967,587	\$1,959,215	(\$8,372)	-0.4%	-0.3%
<b>Other Pass-Through Costs</b>						
Disposal & Processing Fees		\$695,185	\$698,451	\$3,266	0.5%	0.1%
Agency Franchise & Other Fees		\$301,671	\$302,038	\$367	0.1%	0.0%
<b>Subtotal Other Pass-Through Costs</b>		\$996,856	\$1,000,489	\$3,633	0.4%	0.1%
<b>TOTAL REVENUE REQUIREMENT</b>		\$2,964,443	\$2,959,704	(\$4,739)	-0.2%	-0.2%
<b>2015 Estimated Surplus / &lt;Shortfall&gt;</b>		\$144,929				
<b>2016 Estimated Surplus / &lt;Shortfall&gt;</b>			\$149,472			
<b>Required Revenue Adjustment</b>			-4.8%			-4.8%
All numbers above are current estimates except 2015 Contractor's (Recology) Compensation which is final and 2016 Contractor's Compensation which is subject to Board Approval.						



COLLECTION RATE VARIANCE ANALYSIS estimated 8/13/2015	Menlo Park				
	2016 Variance				
	2015 Estimated	2016 Estimated	2016 vs 2015 Change	2016 vs 2015 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$10,300,014			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$10,302,605				
<b>2015 Base Revenue Surplus / &lt;Shortfall&gt;</b>			\$19,823		-0.2%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$5,814,754	\$5,965,930	\$151,176	2.6%	1.5%
Incentives / Disincentives	\$23,827	\$2,255	(\$21,572)	-90.5%	-0.2%
Split-Body Collection Vehicle Pilot Program		\$5,774	\$5,774	0.0%	0.1%
<b>Total Contractor's Compensation</b>	<b>\$5,838,582</b>	<b>\$5,973,959</b>	<b>\$135,377</b>	<b>2.3%</b>	<b>1.3%</b>
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$2,730,494	\$2,775,769	\$45,275	1.7%	0.4%
Agency Franchise & Other Fees	\$1,711,116	\$1,712,220	\$1,104	0.1%	0.0%
<b>Subtotal Other Pass-Through Costs</b>	<b>\$4,441,610</b>	<b>\$4,487,988</b>	<b>\$46,379</b>	<b>1.0%</b>	<b>0.5%</b>
<b>TOTAL REVENUE REQUIREMENT</b>	<b>\$10,280,191</b>	<b>\$10,461,947</b>	<b>\$181,756</b>	<b>1.8%</b>	<b>1.8%</b>
<b>2015 Estimated Surplus / &lt;Shortfall&gt;</b>	\$22,414				
<b>2016 Estimated Surplus / &lt;Shortfall&gt;</b>		(\$161,933)			
<b>Required Revenue Adjustment</b>		1.6%			1.6%
All numbers above are current estimates except 2015 Contractor's (Recology) Compensation which is final and 2016 Contractor's Compensation which is subject to Board Approval.					

COLLECTION RATE VARIANCE ANALYSIS estimated 8/13/2015	North Fair Oaks				
	2016 Variance				
	2015 Estimated	2016 Estimated	2016 vs 2015 Change	2016 vs 2015 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$2,666,640			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$2,661,922				
<b>2015 Base Revenue Surplus / &lt;Shortfall&gt;</b>			(\$40,395)		1.5%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$1,763,066	\$1,744,455	(\$18,611)	-1.1%	-0.7%
Incentives / Disincentives	\$7,592	\$848	(\$6,744)	-88.8%	-0.3%
Split-Body Collection Vehicle Pilot Program		\$1,688	\$1,688	0.0%	0.1%
<b>Total Contractor's Compensation</b>	<b>\$1,770,658</b>	<b>\$1,746,991</b>	<b>(\$23,667)</b>	<b>-1.3%</b>	<b>-0.9%</b>
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$793,883	\$813,571	\$19,688	2.5%	0.7%
Agency Franchise & Other Fees	\$142,494	\$143,035	\$541	0.4%	0.0%
<b>Subtotal Other Pass-Through Costs</b>	<b>\$936,377</b>	<b>\$956,605</b>	<b>\$20,228</b>	<b>2.2%</b>	<b>0.8%</b>
<b>TOTAL REVENUE REQUIREMENT</b>	<b>\$2,707,035</b>	<b>\$2,703,597</b>	<b>(\$3,438)</b>	<b>-0.1%</b>	<b>-0.1%</b>
<b>2015 Estimated Surplus / &lt;Shortfall&gt;</b>	<b>(\$45,113)</b>				
<b>2016 Estimated Surplus / &lt;Shortfall&gt;</b>		<b>(\$36,956)</b>			
<b>Required Revenue Adjustment</b>		<b>1.4%</b>			<b>1.4%</b>
All numbers above are current estimates except 2015 Contractor's (Recology) Compensation which is final and 2016 Contractor's Compensation which is subject to Board Approval.					

COLLECTION RATE VARIANCE ANALYSIS estimated 8/13/2015	Redwood City				
	2016 Variance				
	2015 Estimated	2016 Estimated	2016 vs 2015 Change	2016 vs 2015 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$18,412,581			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$18,414,833				
<b>2015 Base Revenue Surplus / &lt;Shortfall&gt;</b>			\$179,918		-1.0%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$10,507,068	\$10,207,515	(\$299,552)	-2.9%	-1.6%
Incentives / Disincentives	\$54,105	\$5,802	(\$48,303)	-89.3%	-0.3%
Split-Body Collection Vehicle Pilot Program		\$9,879	\$9,879	0.0%	0.1%
<b>Total Contractor's Compensation</b>	\$10,561,173	\$10,223,197	(\$337,976)	-3.2%	-1.8%
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$5,142,497	\$5,260,582	\$118,085	2.3%	0.6%
Agency Franchise & Other Fees	\$2,528,993	\$2,528,993	\$0	0.0%	0.0%
<b>Subtotal Other Pass-Through Costs</b>	\$7,671,490	\$7,789,575	\$118,085	1.5%	0.6%
<b>TOTAL REVENUE REQUIREMENT</b>	\$18,232,663	\$18,012,773	(\$219,890)	-1.2%	-1.2%
<b>2015 Estimated Surplus / &lt;Shortfall&gt;</b>	\$182,170				
<b>2016 Estimated Surplus / &lt;Shortfall&gt;</b>		\$399,808			
<b>Required Revenue Adjustment</b>		-2.2%			-2.2%
All numbers above are current estimates except 2015 Contractor's (Recology) Compensation which is final and 2016 Contractor's Compensation which is subject to Board Approval.					

COLLECTION RATE VARIANCE ANALYSIS estimated 8/13/2015	San Carlos				
	2016 Variance				
	2015 Estimated	2016 Estimated	2016 vs 2015 Change	2016 vs 2015 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$8,063,506			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$8,095,406				
<b>2015 Base Revenue Surplus / &lt;Shortfall&gt;</b>			\$116,172		-1.4%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$5,072,191	\$5,012,966	(\$59,226)	-1.2%	-0.7%
Incentives / Disincentives	\$18,063	\$1,968	(\$16,095)	-89.1%	-0.2%
Split-Body Collection Vehicle Pilot Program		\$4,852	\$4,852	0.0%	0.1%
<b>Total Contractor's Compensation</b>	<b>\$5,090,254</b>	<b>\$5,019,785</b>	<b>(\$70,469)</b>	<b>-1.4%</b>	<b>-0.9%</b>
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$1,911,562	\$1,968,102	\$56,540	3.0%	0.7%
Agency Franchise & Other Fees	\$945,516	\$1,075,642	\$130,126	13.8%	1.6%
<b>Subtotal Other Pass-Through Costs</b>	<b>\$2,857,079</b>	<b>\$3,043,745</b>	<b>\$186,666</b>	<b>6.5%</b>	<b>2.3%</b>
<b>TOTAL REVENUE REQUIREMENT</b>	<b>\$7,947,333</b>	<b>\$8,063,530</b>	<b>\$116,197</b>	<b>1.5%</b>	<b>1.4%</b>
<b>2015 Estimated Surplus / &lt;Shortfall&gt;</b>	\$148,073				
<b>2016 Estimated Surplus / &lt;Shortfall&gt;</b>		(\$24)			
<b>Required Revenue Adjustment</b>		0.0%			0.0%
All numbers above are current estimates except 2015 Contractor's (Recology) Compensation which is final and 2016 Contractor's Compensation which is subject to Board Approval.					

COLLECTION RATE VARIANCE ANALYSIS estimated 8/13/2015	San Mateo				
	2016 Variance				
	2015 Estimated	2016 Estimated	2016 vs 2015 Change	2016 vs 2015 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$21,636,401			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$21,643,030				
<b>2015 Base Revenue Surplus / &lt;Shortfall&gt;</b>			\$451,365		-2.1%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$12,602,268	\$12,559,694	(\$42,574)	-0.3%	-0.2%
Incentives / Disincentives	\$60,521	\$6,556	(\$53,965)	-89.2%	-0.2%
Split-Body Collection Vehicle Pilot Program		\$12,156	\$12,156	0.0%	0.1%
<b>Total Contractor's Compensation</b>	\$12,662,789	\$12,578,406	(\$84,383)	-0.7%	-0.4%
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$5,563,923	\$5,668,186	\$104,262	1.9%	0.5%
Agency Franchise & Other Fees	\$2,958,323	\$2,886,213	(\$72,110)	-2.4%	-0.3%
<b>Subtotal Other Pass-Through Costs</b>	\$8,522,247	\$8,554,399	\$32,152	0.4%	0.1%
<b>TOTAL REVENUE REQUIREMENT</b>	\$21,185,035	\$21,132,805	(\$52,231)	-0.2%	-0.2%
<b>2015 Estimated Surplus / &lt;Shortfall&gt;</b>	\$457,995				
<b>2016 Estimated Surplus / &lt;Shortfall&gt;</b>		\$503,596			
<b>Required Revenue Adjustment</b>		-2.3%			-2.3%
All numbers above are current estimates except 2015 Contractor's (Recology) Compensation which is final and 2016 Contractor's Compensation which is subject to Board Approval.					

COLLECTION RATE VARIANCE ANALYSIS estimated 8/13/2015	West Bay				
	2016 Variance				
	2015 Estimated	2016 Estimated	2016 vs 2015 Change	2016 vs 2015 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		<b>\$1,486,913</b>			
<b>Projected Collection Revenue (After Rate Increase)</b>	<b>\$1,487,233</b>				
<b>2015 Base Revenue Surplus / &lt;Shortfall&gt;</b>			<b>\$15,372</b>		<b>-1.0%</b>
<b>Total Contractor's Compensation</b>					
Base Compensation	<b>\$994,950</b>	<b>\$1,011,272</b>	<b>\$16,322</b>	<b>1.6%</b>	1.1%
Incentives / Disincentives	<b>\$1,576</b>	<b>\$241</b>	<b>(\$1,335)</b>	<b>-84.7%</b>	-0.1%
Split-Body Collection Vehicle Pilot Program		<b>\$979</b>	<b>\$979</b>	<b>0.0%</b>	0.1%
<b>Total Contractor's Compensation</b>	<b>\$996,526</b>	<b>\$1,012,492</b>	<b>\$15,966</b>	<b>1.6%</b>	1.1%
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$378,466	\$380,620	\$2,154	0.6%	0.1%
Agency Franchise & Other Fees	\$96,549	\$95,841	(\$708)	-0.7%	0.0%
<b>Subtotal Other Pass-Through Costs</b>	<b>\$475,015</b>	<b>\$476,462</b>	<b>\$1,446</b>	<b>0.3%</b>	0.1%
<b>TOTAL REVENUE REQUIREMENT</b>	<b>\$1,471,541</b>	<b>\$1,488,954</b>	<b>\$17,412</b>	<b>1.2%</b>	<b>1.2%</b>
<b>2015 Estimated Surplus / &lt;Shortfall&gt;</b>	<b>\$15,692</b>				
<b>2016 Estimated Surplus / &lt;Shortfall&gt;</b>		<b>(\$2,040)</b>			
<b>Required Revenue Adjustment</b>		<b>0.1%</b>			<b>0.1%</b>
All numbers above are current estimates except 2015 Contractor's (Recology) Compensation which is final and 2016 Contractor's Compensation which is subject to Board Approval.					

COLLECTION RATE VARIANCE ANALYSIS estimated 8/13/2015	Unincorporated County				
	2016 Variance				
	2015 Estimated	2016 Estimated	2016 vs 2015 Change	2016 vs 2015 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>		\$3,187,457			
<b>Projected Collection Revenue (After Rate Increase)</b>	\$3,187,838				
<b>2015 Base Revenue Surplus / &lt;Shortfall&gt;</b>			\$79,943		-2.5%
<b>Total Contractor's Compensation</b>					
Base Compensation	\$2,142,023	\$2,124,939	(\$17,084)	-0.8%	-0.5%
Incentives / Disincentives	\$5,239	\$345	(\$4,894)	-93.4%	-0.2%
Split-Body Collection Vehicle Pilot Program		\$2,057	\$2,057	0.0%	0.1%
<b>Total Contractor's Compensation</b>	<b>\$2,147,262</b>	<b>\$2,127,340</b>	<b>(\$19,921)</b>	<b>-0.9%</b>	<b>-0.6%</b>
<b>Other Pass-Through Costs</b>					
Disposal & Processing Fees	\$781,004	\$787,176	\$6,172	0.8%	0.2%
Agency Franchise & Other Fees	\$179,248	\$179,784	\$536	0.3%	0.0%
<b>Subtotal Other Pass-Through Costs</b>	<b>\$960,252</b>	<b>\$966,960</b>	<b>\$6,708</b>	<b>0.7%</b>	<b>0.2%</b>
<b>TOTAL REVENUE REQUIREMENT</b>	<b>\$3,107,513</b>	<b>\$3,094,300</b>	<b>(\$13,213)</b>	<b>-0.4%</b>	<b>-0.4%</b>
<b>2015 Estimated Surplus / &lt;Shortfall&gt;</b>	\$80,324				
<b>2016 Estimated Surplus / &lt;Shortfall&gt;</b>		\$93,157			
<b>Required Revenue Adjustment</b>			<b>-2.9%</b>		<b>-2.9%</b>
All numbers above are current estimates except 2015 Contractor's (Recology) Compensation which is final and 2016 Contractor's Compensation which is subject to Board Approval.					