

ATTACHMENT I

PERFORMANCE INCENTIVES/DISINCENTIVES

{Note to Proposers: The inclusion of the performance incentive/disincentive mechanism in this Agreement is optional for Member Agencies. Some Member Agencies may choose to include this requirement in their Collection Agreement while others may not. In addition, it is anticipated that the Performance Incentives provisions contained herein will commence after full implementation of the roll-out. In some cases the performance levels that are associated with incentives/disincentives will be established after Year 1 of the Agreement. In other cases, incentives/disincentives may be deferred until after the first six (6) months of the collection operations.}

1. GENERAL

The Agency will provide an incentive payment to Contractor for exceptional performance on three (3) performance measures. The performance measures are:

- Overall Diversion Level
- Missed Pick-Up Initial Complaints
- Average Speed of Answer

In addition, the Agency will assess a disincentive payment to the Contractor for substandard performance on ten (10) performance measures as follows:

- Minimum Single Family Diversion Level
- Minimum Commercial Diversion Level
- Maximum Contamination Level – Targeted (Residential) Recyclable Materials
- Maximum Contamination Level – Residential Organic Materials
- Maximum Contamination Level – Commercial Organic Materials
- Maximum Contamination Level – Commercial Plant Materials
- Missed Pick-Up Initial Complaints
- Missed Pick-Up Collection Events
- Average Speed of Answer
- Three (3) Minute Maximum Hold Time

In this Attachment, the performance incentives/disincentives designed to encourage Contractor's exceptional performance in the above areas are presented. These performance incentives/disincentives include an incentive payment to Contractor for exceeding goals and a disincentive payment assessed to Contractor for failure to achieve the performance standards. The table below provides a summary of the incentive/disincentive structure, which is described in detail in Sections 2 - 7 of this Attachment. Section 8 of this Attachment describes the frequency and method for distributing incentive payments and assessing disincentive payments.

Summary of Incentives/Disincentives

	Disincentive Payment Threshold	Incentive Payment Threshold	Performance Incentive/Disincentive Payment Amount
Annual Diversion Level			
Overall Annual Diversion Level*	Not applicable	Calculated Overall Diversion Level > the targeted Overall Diversion Level	Incentive Payment = \$70.00 per ton
Minimum Single-Family Diversion Level*	Level < __% (to be determined after Rate Year 1)	Not applicable	Disincentive Payment = \$70.00 per ton
Minimum Commercial Diversion Level*	Level < __% (to be determined after Rate Year 1)	Not applicable	Disincentive Payment = \$70.00 per ton
Maximum Contamination Level – Residential Recyclable Materials*	Level > 8% of Residential Recyclable Materials	Not applicable	Disincentive Payment = \$175.00 per ton
Maximum Contamination Level – Residential Organic Materials*	Level > 5% of Residential Organic Materials	Not applicable	Disincentive Payment = \$70.00 per ton
Maximum Contamination Level – Commercial Organic Materials*	Level > 10% of Commercial Organic Materials	Not applicable	Disincentive Payment = \$70.00 per ton
Maximum Contamination Level – Commercial Plant Materials*	Level > 5% of Commercial Plant Materials	Not applicable	Disincentive Payment = \$70.00 per ton
Missed Pick-Up Initial Complaints* (as a percentage of Service Opportunities)	Actual % > 0.1% (1 miss per 1,000 Service Opportunities)	Actual % < 0.067% (1 miss per 1,500 Service Opportunities)	Incentive or Disincentive Payment = \$50.00 per Complaint
Missed Pick-Up Collection Event*	Actual > 0	Not applicable	Disincentive Payment = \$50.00 per Collection Event
Average Speed of Answer*	Actual > 30 seconds	Actual < 17 seconds	Incentive or Disincentive Payment = \$500 per second
Three (3) Minute Maximum Hold Time*	Actual < 100% of all calls received are answered in three (3) minutes or less	Not applicable	Incentive or Disincentive Payment = \$5.00 per second

* Definitions provided in the following sections

2. DIVERSION LEVELS

Definition of Calculated Diversion Level

The Diversion Levels achieved shall be calculated based on the methodology shown in the following example:

Assumptions (will be based on actual Contractor performance):

Annual Recyclable Materials Collected = 80,000 tons

Recyclable Materials Contamination Level = 7%

Annual Organic Materials Collected = 90,000 tons

Organic Materials Contamination Level = 8%

Annual Solid Waste Collected = 325,000 tons

Calculated Overall Annual Diversion Level

$80,000 \text{ tons} + 90,000 \text{ tons} = 170,000 \text{ tons}$

$7\% \text{ (contamination level)} \times 80,000 \text{ tons} = 5,600 \text{ tons}$

$8\% \text{ (contamination level)} \times 90,000 \text{ tons} = 7,200 \text{ tons}$

$170,000 - (5,600 + 7,200) = 157,200 \text{ tons (net annual tons diverted)}$

$325,000 + 170,000 = 495,000 \text{ tons (total tons generated)}$

$(157,200/495,000) \times 100 = 32\% \text{ (Overall annual diversion level)}$

Calculated Single-Family Diversion Level (as a percentage)

Assumptions (will be based on actual Contractor performance):

Annual SFD Recyclable Materials Collected = 40,000 tons

Recyclable Materials Contamination Level = 8%

Annual SFD Organic Materials Collected = 65,000 tons

Organic Materials Contamination Level = 5%

Annual Residential Solid Waste Collected = 135,000 tons

$40,000 \text{ tons} + 65,000 \text{ tons} = 105,000 \text{ tons}$

$8\% \text{ (contamination level)} \times 40,000 = 3,200 \text{ tons}$

$5\% \text{ (contamination level)} \times 65,000 = 3,250 \text{ tons}$

$105,000 - (3,200 + 3,250) = 98,550 \text{ tons (net annual tons diverted)}$

$135,000 + 105,000 = 240,000 \text{ tons (total tons generated)}$

$(98,550/240,000) \times 100 = 41\% \text{ (Single-Family diversion level)}$

Calculated Commercial Diversion Level (as a percentage)

Assumptions (will be based on actual Contractor performance):

Annual Commercial Recyclable Materials Collected = 40,000 tons

Commercial Recyclable Materials Contamination Level = 7%

Annual Commercial Organic Materials Collected = 25,000 tons

Organic Materials Contamination Level = 8%

Annual Commercial Solid Waste Collected = 190,000 tons

$40,000 \text{ tons} + 25,000 \text{ tons} = 65,000 \text{ tons}$

$7\% \text{ (contamination level)} \times 40,000 = 2,800 \text{ tons}$

8% (contamination level) x 25,000 = 2,000 tons
65,000 – (2,800 + 2,000) = 60,200 tons (net annual tons diverted)
190,000 + 65,000 = 255,000 tons (total tons generated)
(60,200/255,000) x 100 = 24% (Commercial diversion level)

To calculate the Diversion Levels, the most-recently determined quarterly Measured Contamination Level shall be used per Section 6.02.B.

Exceptional Diversion Level Performance

Contractor shall receive an incentive payment if the annual Calculated Overall Diversion Level exceeds the targeted Overall Diversion Level. The targeted Overall Diversion Level shall be set for Rate Year 2 after completion of Rate Year 1 (one) and shall be adjusted each Rate Year thereafter if the Contractor exceeds the targeted Overall Diversion Level. In such cases, the adjusted targeted Overall Diversion Level shall be calculated based on the methodology used in the following example:

Assumptions (*will be based on actual Contractor performance*):

Current Year Overall Diversion Level = 42%

Prior Year Overall Diversion Level = 40%

Incentive payment

Overall Annual Diversion Level = 42%

Targeted Annual Overall Diversion Level = 40%

Total Annual Solid Waste Collected = 325,000 tons

Total Annual Recyclable Materials Collected = 110,000 tons

Total Annual Organic Materials Collected = 125,000 tons

Incentive Payment = \$70.00

42/100 = 0.42

40/100 = 0.40

325,000 + 110,000 + 125,000 = 560,000 (total tons generated)

0.42 – 0.40 = 0.02 (% increase in annual diversion level)

0.02 x 560,000 tons = 11,200 tons (net increase in tons diverted)

\$70.00 x 11,200 tons = \$784,000 (incentive payment)

If the annual Calculated Overall Diversion Level is less than or equal to ___% **{to be determined after Rate Year 1(one)}**, no incentive payment shall be distributed for the reporting period.

Minimum Diversion Level Requirements

Contractor shall achieve a minimum annual Single-Family Diversion Level of ___% **{to be determined after Rate Year 1 (one)}** and a minimum annual Commercial Diversion Level of ___% **{to be determined after Rate Year 1 (one)}**. The Agency may assess disincentive payments, if the:

- Calculated Single-Family Diversion Level for the Rate Year is less than the minimum Single-Family Diversion Level of ___% **{to be determined after Rate Year 1 (one)}** and/or,

- Calculated Commercial Diversion Level for the Rate Year is less than the minimum Commercial Diversion Level of ___% {to be determined after Rate Year 1 (one)}.

3. CONTAMINATION LEVELS

Contamination Level Requirements

The minimum contamination levels must not exceed:

Residential Recyclable Materials Contamination Threshold = 8%

Residential Organic Materials = 5%

Commercial Organic Materials = 10%

Commercial Plant Materials = 5%

Contamination Disincentive Payment = \$175.00 per ton for recyclables and \$70.00 per ton for organics and plant materials.

The contamination levels achieved will be determined based on the results of the quarterly waste composition study performed by SBWMA per Section 6.02.B.

Contamination Disincentive Payment

In the event Contractor exceeds the allowable contamination thresholds, it shall be assessed a disincentive payment based on the methodology shown in the following example:

Residential Recyclable Materials Contamination Level = 9.1%

Total Recyclable Materials Collected = 40,000 tons

Contamination Disincentive Payment = \$175.00 per ton

$9.1\% - 8.0\% = 1.1\%$

$0.011 \times 40,000 = 440 \text{ tons}$

$440 \times \$175.00 = \$77,000$

4. MISSED PICK-UP INITIAL COMPLAINTS

Definition of Missed Pick-Up Initial Complaints

Missed pick-ups Initial Complaints shall be considered all complaints received by Contractor for missed pick-up of Solid Waste, Recyclable Materials and Organic Materials with the exception of missed pick-up Complaints for which Contractor: (i) documented in its Customer service system the Customer's failure to properly set out Container or that the Containers were blocked for Collection based on the route driver's report; and, (ii) coded the call for a recollection request or courtesy pick-up rather than missed pick-up Complaint pursuant to Section 8.02.B.2.

Incentive Payment for Exceptionally Low Missed Pick-Up Initial Complaint Level

Contractor shall receive an incentive payment if the percentage of missed pick-up Initial Complaints is less than one (1) per one-thousand and five hundred (1,500) of the total Service Opportunities during the monthly reporting period (e.g., 90,000 SFD that are provided service for three carts or 270,000 total weekly service opportunities x 4.33 weeks per month = 1,169,100 service opportunities per month, which equates to a total allowance of 783 or fewer

Missed Pick Up Complaints each month for both Service Districts; or, the total number of Complaints is less 0.067% of all Service Opportunities). In such cases, the incentive payment shall be calculated based on the following example:

Actual Number of Missed Pick-Up Initial Complaints = 607

Allowable Threshold of Missed Pick-Up Complaints = 783

Incentive Payment = \$50 per complaint

$783 - 607 = 176$

$176 \times \$50 = \$8,800$

If the percentage of missed pick-up Complaints is equal to or greater than one tenth of one percent (0.1%) of Service Opportunities during the quarterly reporting period, no incentive payment shall be distributed for the quarterly reporting period.

Disincentive Payment for Excessive Initial Missed Pick-Up Complaints

At a minimum, Contractor's actual percentage of Missed Pick-Up Initial Complaints shall be less than or equal to one-tenth of one percent (0.1%) of Service Opportunities per monthly reporting period (e.g., number of Complaint is less than or equal to 1 missed pick-up Complaints per 1,000 Service Opportunities). If Contractor fails to achieve this minimum missed pick-up threshold (i.e., the actual percentage of missed pick-up Complaints is greater than 0.1% of the Service Opportunities), the Agency shall assess a disincentive payment based on the following example:

Actual Number of Missed Pick-Up Initial Complaints = 1,300

Allowable Threshold of Missed Pick-Up Complaints = 1,169

Disincentive Payment = \$50 per complaint

$1,300 - 1,169 = 131$

$131 \times \$50 = \$6,550$

Incentive < 0.067% (i.e., 783) ≤ 0 ≤ 0.1% (i.e., 1,169) < Disincentive

5. MISSED PICK-UP COLLECTION EVENTS

Definition of Missed Pick-Up Collection Events

Missed Pick-Ups Collection Events shall be considered all missed pick-up initial complaints received by Contractor that were not collected on or before the business day following Contractor's receipt of the Initial Complaint for Contractor's failure to collect Solid Waste, Recyclable Materials and Organic Materials. The only exceptions to this definition include: missed pick-up Initial Complaints for which Contractor: (i) documented in its Customer service system the Customer's failure to properly set out Container or that the Containers were blocked for Collection based on the route driver's report; and, (ii) coded the call for a recollection request or courtesy pick-up rather than missed pick-up Complaint pursuant to Section 8.02.B.2.

Missed Pick-Up Collection Events Threshold

Contractor shall be assessed a disincentive payment for the actual number of Missed Pick-Up Collection Events accrued during each monthly reporting period.

If Contractor fails to achieve this Missed Pick-Up Collection Event requirement, the Agency shall assess a disincentive payment based on the following example:

Actual Number of Missed Pick-Up Collection Events = 87

Allowable Threshold of Missed Pick-Up Collection Events = 0

Disincentive Payment = \$50 per missed pick-up

$87 \times \$50 = \$4,350$

6. AVERAGE SPEED OF ANSWER OF CUSTOMER SERVICE CENTER

Definition of Average Speed of Answer

The Average Speed of Answer shall be the average time that Customers have to wait for their call to be answered, as determined using a methodology and monthly reports from contractor's customer service call center system that are approved by the Agency or SBWMA pursuant to Section 7.02.A. ("Average Speed of Answer means the amount of time before a call is answered once that call is queued (i.e., upon completion of the introductory voicemail message(s).")

Exceptionally Low Average Speed of Answer

Contractor shall receive an incentive payment if the actual Average Speed of Answer time is less than seventeen (17) seconds on a monthly basis. In such cases, the incentive payment shall be calculated based on the following example:

Actual Average Speed of Answer = 14 seconds

Speed of Answer Incentive Payment = \$500.00 per second

$17 - 14 = 3$ seconds

$3 \times \$500.00 = \$1,500$

If the actual Average Speed of Answer is equal to or greater than 17 seconds over the monthly reporting period, no incentive payment will be earned.

Maximum Average Speed of Answer

Contractor's average Speed of Answer shall be less than or equal to thirty (30) seconds on a monthly basis. If Contractor fails to achieve this maximum average Speed of Answer, the Agency shall assess a disincentive payment based on the following example:

Actual Average Speed of Answer = 47 seconds

Speed of Answer Disincentive Payment = \$500.00 per second

$47 - 30 = 17$ seconds

$17 \times \$500.00 = \$8,500$

Incentive < 17 seconds ≤ Nothing ≤ 30 seconds < Disincentive

7. THREE (3) MINUTE MAXIMUM HOLD TIME

Definition of Three (3) Minute Maximum Hold Time

All calls received at the Customer Service Center must be answered by an agent within three (3) minutes after contractor's introductory voicemail message(s) are ended either by completion of the message or by action performed by customer, as determined using a methodology and monthly reports from the customer service call center system that are approved by the Agency or SBWMA pursuant to Section 7.02.A. ("Hold Time" shall be defined as the amounts of time per answered call that a customer service agent (or agents) placed a call on hold, plus the amounts of time a call is left unanswered after contractor's introductory voicemail message(s) are ended either by completion of the message(s) or by action performed by customer. ("Average Hold time" means the sum of all call Hold Times divided by the number of calls answered by the agent or queue of agents over the same time interval.)

Three Minute Maximum Hold Time

Contractor shall answer all calls received within three (3) minutes after the introductory voicemail messages are ended by completion of by customer. If Contractor fails to achieve this performance standard, the Agency shall assess a disincentive payment based on the following example:

Number of Calls Exceeding the Three (3) Minute Threshold = 312

Disincentive Payment = \$5.00 per call

312 x \$5.00 = \$1,560

8. INCENTIVE/DISINCENTIVE PAYMENT PROCEDURES

A. **Record Keeping.** In accordance with Section 9.01, records shall be maintained by Contractor for Agency in a manner that adequately demonstrates and documents Contractor's performance in accordance with this Agreement. They shall be sufficient for the determination that Contractor has (or has not) performed in accordance with the performance standards presented in the Attachment I.

B. **Determination of Achievement of Performance Standards.** Agency shall on a quarterly basis, or more frequently at its discretion, review the reports submitted by Contractor pursuant to the requirements of Article 9 and determine if Contractor has achieved performance levels specified in this attachment that warrant incentive/disincentive payments. No later than twenty (20) Business Days after receipt of the Contractor's reports for the reporting periods ending in March, June, September, and December, Agency shall provide written notice to the Contractor of its determination of incentive/disincentive payments, if any due, and shall include a description of its method of determination and its calculations of incentive/disincentive payments. The incentive/disincentive payments that will be calculated quarterly include: Missed Pick-Up Initial Complaints, Missed Pick-Up Collection Events, Average Speed of Answer, and Three (3) Minute Maximum Hold Time.

On an annual basis, Agency shall review the annual report submitted by the Contractor pursuant to the requirements of Article 9 and determine if the

Contractor has achieved the Overall Diversion Level that warrants Agency distribution of incentive payments. No later than twenty (20) Business Days after receipt of the Contractor's annual report, Agency shall provide written notice to the Contractor of its determination of incentive payments, if any due, and shall include a description of its method of determination and any calculations of incentive payments. The incentive/disincentive payments that will be calculated annually include: Overall Diversion Level, Minimum Single Family Diversion, Minimum Commercial Diversion Level, Maximum Contamination Level (i.e., Targeted Residential Recyclables, Residential Organic Materials, Commercial Organic Materials, and Commercial Plant Materials).

- C. **Amount.** The incentive/disincentive net payment amounts shall be determined in accordance with the formulas presented in Sections 2 - 7 of this Attachment I.
- D. **Timing of Payment.** If an incentive/disincentive payment is due, Agency or Contractor shall provide payment in the form of a check or wire transfer no later than twenty (20) calendar days after the issuance of the Agency's written notice of incentive net payment determination. Alternatively, Agency may reimburse Contractor for some or all of the incentive payments or account for disincentive payments as an adjustment to Contractor's Compensation for the coming Rate Year. This adjustment may be a net positive or negative (dollar amount) depending upon the calculations described above.
- E. **Disputes by Contractor.** Contractor may, within ten (10) calendar days after receiving the Agency's written notice regarding its determination of incentive/disincentive payments, provide written notice to the Agency of any disagreement with the Agency's determination. Contractor may present evidence in writing to support its position. Agency shall review Contractor's submission and within ten (10) calendar days shall make its final determination of incentive/disincentive payments. The decision of Agency shall be final.