



South Bayside Waste Management Authority
Review of Allied Waste Industries' Final 2010
Collection Compensation Application



September 15, 2011 - Final



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September 15, 2011

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

Subject: Review of Allied Waste Industries' Final 2010 Collection Compensation Application

Reference Number: S3804

Dear Mr. McCarthy:

This report documents HF&H Consultants, LLC's (HF&H) findings and recommendations to the South Bayside Waste Management Authority (SBWMA) from our review of Allied Waste Industries' (Allied) Solid Waste, Recyclable, and Plant Materials Collection Rate Application reconciling 2010 actual expenses (Application). Specifically, this report summarizes our audit of the reasonableness of Allied's reported 2010 revenue and operating expenses, calculates the cumulative balancing account shortfalls/surplus of each member agency, and reflects the negotiated revisions since the draft report dated July 22, 2011.

Application Review

For the year 2010, Allied calculated a balancing account surplus and shortfall (as appropriate) for each Member Agency, based on its allocated cost of service. Allied calculated an average balancing account shortfall for all Member Agencies of \$926,000 (ranging from a surplus of \$181,000 for the West Bay Sanitary District to a shortfall of \$3,700,000 for San Mateo).

After HF&H's review and recommended adjustments described in Section VI of this report, we calculated an average cumulative balancing account shortfall of \$885,000 (ranging from a surplus of \$189,000 for the West Bay Sanitary District to a shortfall of \$3,551,000 for San Mateo).

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Balancing Account Balances

Authority-wide, the actual balancing account balance owed to Allied was \$199,000 less than projected last year, with eight Member Agencies' balancing account balances decreasing and four increasing (as shown in Table 1).

With the exception of the West Bay Sanitary District and North Fair Oaks, all other Member Agencies have balancing account shortfalls which are required to be paid back to Allied within 12-months of the agreed-upon amount owed. Additional details by Member Agency can be found in Appendix A of this report.

| Jurisdiction | Balancing | Final | |
|---------------------------|---|--|------------------------------|
| | Acct. Balances. 2010 Projected Last Year (000's) | Balancing Account Balances (000's) | Variance (act. Vs. proj.) |
| Burlingame | \$ (721) | \$ (682) | \$ (39) |
| San Mateo | (3,554) | (3,551) | (3) |
| Hillsborough | (318) | (341) | 23 |
| Belmont | (1,005) | (1,019) | 14 |
| San Carlos | (551) | (540) | (11) |
| RWC | (2,146) | (2,136) | (11) |
| Atherton | (334) | (337) | 3 |
| Menlo Park | (841) | (737) | (104) |
| West Bay | 176 | 189 | (13) |
| EPA | (933) | (976) | 43 |
| Foster City | (560) | (502) | (58) |
| North Fair Oaks | (28) | 15 | (43) |
| Total Surplus/(Shortfall) | \$ (10,815) | \$ (10,616) | \$ (199) |

Note: Negative value denotes owing Allied less and positive value denotes owing Allied more than projected

The Member Agency collection franchise agreements with Allied expired on December 31, 2010. In accordance with Section VI.J of Exhibit D – SBWMA Compensation Adjustment Guidelines of the agreement “Any surplus owed to the Member Agencies shall be paid by [Allied] to the [Member Agency] over a one-year period. Any shortfall owed to [Allied] will be paid to [Allied] over a one-year period.”



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HF&H appreciates the assistance provided by Allied management and staff during our review and the direction and assistance received from the SBWMA. Should you have any questions, please call me at 925/977-6957.

Very truly yours,
HF&H CONSULTANTS, LLC

Richard J. Simonson, CMC
Vice President

cc: Marshall Moran, SBWMA
Kevin Finn, Allied Waste Industries
Rich Lanser, Allied Waste Industries
HF&H Client Files

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SECTION I: EXECUTIVE SUMMARY

Allied Waste Industries (Allied) provided to the South Bayside Waste Management Authority (SWBMA) solid waste, recyclable material, and plant/organic material collection services; Transfer station, recyclable material, and plant material processing through December 2010. This report presents the SBWMA with specific findings and recommendations from HF&H Consultants, LLC's (HF&H's) review of Allied's 2010 Solid Waste, Recyclable Materials, and Plant Materials Collection Application (Application).

This report is organized in the following sections:

Section I – Executive Summary – This section summarizes the results of our review and provides a summary of other factors that may impact current and future operations.

Section II – Variance Analysis – This section describes the variances between last year's 2010 projection and 2010 actual results.

Section II – Summary by Member Agency– This section provides a breakdown by Member Agency and describes the methodology for the allocation of expenses among the Member Agencies.

Section IV – Allied's Application – This section summarizes Allied's request for compensation and their calculation of the balancing account balances for each Member Agency.

Section V – Scope of Review – This section describes scope and limitations of our review; and,

Section VI – Findings and Recommendations – This section provides a summary of the HF&H adjustments and our calculation of the balancing account balances for each Member Agency based on the recommended adjustments.

Allied's Compensation Application

For the year 2010, Allied calculated a balancing account surplus and shortfall (as appropriate) for each Member Agency, based on its allocated cost of service. Allied calculated an average balancing account shortfall for all Member Agencies of \$926,000 (ranging from a surplus of \$181,000 for the West Bay Sanitary District to a shortfall of \$3,700,000 for San Mateo).

HF&H Adjustments to Allied's Rate Application

Based on its review of the Application, HF&H recommends the following adjustments, which are also described in Section VI of this report:

- Adjust Allied's reported actual 2010 revenues by \$60,000 (net of franchise fees) for schools (increasing revenue reduces the Balancing Account); and,
- Reduce Allied's allowable 2010 expenses by \$431,000.

These adjustments result in an average cumulative balancing account shortfall of \$885,000 (ranging from a surplus of \$189,000 for the West Bay Sanitary District to a shortfall of \$3,551,000 for San Mateo). With the exception of the West Bay Sanitary District and North Fair Oaks, all other Member Agencies have balancing account shortfalls. Details by Member Agency can be found in Appendix A of this report.

Allied's Comments Regarding HF&H Current-Year Adjustments

HF&H, SBWMA, and Allied staff met on August 17 to discuss HF&H's recommended adjustments presented in our July 22, 2011 draft report (which was presented to the Board at the July 28, 2011 Board meeting). At that meeting, Allied staff took exception to several of HF&H's recommended adjustments in the July 22, 2011 draft report. While we were able to come to a mutually agreeable compromise on most items; there are several issues that remain. The results presented in this report reflect the adjustments based on HF&H and SBWMA staff's interpretations of the Agreement; however, Allied is not in agreement with all of our adjustments. These adjustments and Allied's concerns are described below. **Where applicable, we have noted and provided an update based on meetings with Allied management subsequent to the presentation of the draft report to the Board on July 28, 2011.**

Reconciliation of Post-2010 Expenses Not Yet Known

Workers' Compensation Claims

Allied's 2010 reported expenses include approximately \$570,000 in a projected liability for the future (i.e., past December 31, 2010) settlement of workers compensation claims on accidents that occurred during the contract period (i.e., through 12/31/10). Allied's workers compensation insurance is self-funded; as such, a third-party insurance adjuster estimates the probable cost to remedy the injury (i.e., costs related to doctor visits, surgeries, physical therapy, prescriptions, etc.) and establishes a reserve. The reserve is subsequently reconciled to the actual costs incurred and the San Mateo division receives an additional expense or credit associated with each claim (subject to a \$250,000 cap). Such adjustments can be made up to two years from the date of the claim. Therefore, it is unknown at this time what the total cost of claims that occurred in 2009 and 2010 will be; the final costs may be higher or lower. In addition, Allied is obligated to continue to pay the monthly health care premiums for all employees out on workers compensation, as of December 31, 2010, until the employee is able to return to work with Allied or another company.

Update since the July 22, 2011 draft report: Allied’s final compensation (detailed in this report) includes actual workers compensation claim reserves and health care premiums through August 2011 and projected health care premiums from September 2011 through December 2012. Actual claims and health care premiums will be higher or lower than what has been projected; however, **the parties have agreed that this is a fixed amount which will not be reconciled based on actual results.**

Bad Debt Expense

Allied’s 2010 reported expenses include approximately \$234,000 (down from \$253,000 included in the draft report) in projected bad debt Allied anticipates having to write-off in 2011 as the result of customers not paying their bills for services provided prior to December 31, 2010. The final bad debt expense for customer’s failure to remit payments may be higher or lower; **however, the parties have agreed that this is a fixed amount which will not be reconciled based on actual results.** Exhibit 1, on the following page, summarizes the actual bad debt (by Member Agency) for 2009, 2010, and Allied’s estimates for 2011. Redwood City’s material amount is due to the City’s methodology used to track and book the revenue billed by the City and remitted to Allied. Redwood City has a unique billing/payment arrangement with Allied and as such there is a timing lag issue unique to them. Some of the amount reflected in the exhibit below is not due to actual bad debt, but is a result of customer downsizing and service reductions due to the economy.

| <u>Jurisdiction</u> | Exhibit 1 | | |
|---------------------|---------------------------|---------------------------|------------------------------|
| | 2009 Actual (000's) | 2010 Actual (000's) | 2011 Projected (000's) |
| Burlingame | \$ 18 | \$ 36 | \$ 13 |
| San Mateo | 63 | 98 | 42 |
| Hillsborough | 6 | 10 | 9 |
| Belmont | 9 | 20 | 12 |
| San Carlos | 25 | 31 | 21 |
| RWC | 46 | 37 | 106 |
| Atherton | 2 | 5 | 3 |
| Menlo Park | 16 | 12 | 9 |
| West Bay | 2 | 2 | 2 |
| EPA | (2) | 83 | 5 |
| Foster City | 7 | 14 | 8 |
| North Fair Oaks | <u>11</u> | <u>16</u> | <u>3</u> |
| Total | \$ 205 | \$ 363 | \$ 234 |

Note: Net Bad debt (Write-offs minus Recoveries)

Update since the July 22, 2011 draft report: 2011 Bad debt has been re-projected based on actual write-offs and recoveries through September 11, 2011.

Schools Revenue

It was recently discovered that Allied has been billing schools at a rate lower than the franchised rates, resulting in less than anticipated revenue. No records or agreements memorializing this practice have been provided by Allied; no Member Agency approvals of this practice have been provided. Thus Allied has been in violation of the respective franchise agreements. The following table summarizes the 2010 variances between the franchised rates and the billed rates, by Member Agency. SBWMA staff has requested payment from Allied for the intentional, but not approved, rate discount for 2010. The unrealized revenue is estimated to be approximately \$166,000 for 2010.

| Exhibit 2 | | | |
|---------------------|--------------------------------------|---------------|--|
| <u>Jurisdiction</u> | Est. 2010 "unrealized" Revenue | % of Total | Allocated Agreed-Upon Reimbursement ¹ \$60,000 |
| Burlingame | \$ 14,837 | 8.9% | \$ 5,366 |
| San Mateo | 1,590 | 1.0% | 575 |
| Hillsborough | 18,548 | 11.2% | 6,708 |
| Belmont | 37,102 | 22.4% | 13,418 |
| San Carlos | 28,664 | 17.3% | 10,367 |
| RWC | none | | - |
| Atherton | 22,782 | 13.7% | 8,239 |
| Menlo Park | 20,041 | 12.1% | 7,248 |
| West Bay | none | | - |
| EPA | 1,061 | 0.6% | 384 |
| Foster City | none | | - |
| North Fair Oaks | <u>21,280</u> | <u>12.8%</u> | <u>7,696</u> |
| Total | \$ 165,906 | 100.0% | \$ 60,000 |

¹ The negotiated reimbursement of \$60,000 has been allocated based on each member agency's percentage share of the estimated total "unrealized"

Update since the July 22, 2011 draft report: Services to schools are outside the franchise agreement; therefore, SBWMA and Allied management met and negotiated a settlement amount of \$60,000 in conjunction with other settlement issues.

Pre-Paid Vehicle Licenses

Allied's 2010 operating costs included the accelerated expensing of vehicle licenses fees for vehicles that were manufactured in 2000 or prior. The state bills, and Allied pays, the vehicle license fees one-time per year; however, historically such expenses are divided into 12 equal payments and booked over a 12-month period. The vehicle license fees paid in 2010 cover anywhere from 1 to 11 months of calendar year 2011 (depending which month in 2010 the vehicle license is due). Allied's application has included the full 12-month fee even though the vehicle was only used to collect materials from the Authority's service area for something less than the full 12-months. We do not believe the methodology for spreading such costs over the 12-month period should change during the last year of the agreement by accelerating the depreciation. Allied is not in agreement with our position. Cost to Allied is approximately \$32,000 for the year ending December 31, 2010. Although the SBWMA has essentially paid for these vehicles through the compensated depreciation expense, Allied will have the use of these vehicles in other operations or will have the full benefit from the proceeds from any sale of these vehicles with nothing coming back to the SBWMA.

Update since the July 22, 2011 draft report: Allied has agreed to allow this adjustment.

Safety Incentive Program

During the 4th quarter of 2009, Allied's General Manager doubled the monthly safety incentive payments payable to those collection drivers which maintain a safe driving/accident record during the previous month; however, such an increase was not discussed with nor approved by the SBWMA's Executive Director, as required. HF&H has reduced Allied's allowable safety incentive program expenses for 2009 and 2010 to the projected amounts which would have been paid prior to the General Manager doubling the incentive payment amount. Allied believes the increased incentive payments lead to fewer accidents and workers' compensation claims during that time period and should therefore be an allowable expense; however, total amount paid for insurance claims have continue to increase. Cost to Allied is approximately \$115,000 for the year ending December 31, 2010.

Update since the July 22, 2011 draft report: Allied continues to disagree with this adjustment.

January TBT Payment

Allied's rate application included \$459,000 in additional labor expenses for the January 2011 health care premiums paid by Allied for drivers many of whom are employed by the new contractor (i.e., Recology). Some of this is Allied's 2011 expense primarily for drivers out on workers comp. Subsequent to Allied submitting their Application, the SBWMA requested Recology to reimburse Allied for the \$357,000 cost to cover Recology employees for January 2011. As of the draft report (dated July 22, 2011) Recology had not agreed to this and consequently the entire balance remained in Allied's compensation for 2011.

Update since the July 22, 2011 draft report: The \$357,000 TBT payment has been removed from Allied's final compensation (therefore reducing the member agency balancing accounts). Allied has

agreed to receiving payment from the SBWMA directly, and not through the rate application process. The SBWMA will receive reimbursement from Recology .

Section II. Variance Analysis

This section documents our analyses of Allied's collection revenue and expense variances between the 2010 projected results (as estimated during last year's review) to the 2010 actual results.

Projected 2010 vs. Actual 2010 Results Variance Analysis

Summarized below is HF&H's variance analysis comparing 2010 actual results to the projections made last year.

Exhibit 3

South Bayside Waste Management Authority
Collection Variance Analysis (2010 Projected vs. 2010 Actual)
(\$000's Unless Otherwise Indicated)

| | 2010 | 2010 | Variance | |
|--|------------------------|------------------------|----------|------|
| | Projected Last year | Actual Current Year | \$ | % |
| 1. Revenues | \$ 73,234 | \$ 73,957 | \$ 723 | 1.0% |
| 2. Operating Costs Eligible for Profit | 43,097 | 43,479 | 383 | 0.9% |
| 3. Profit @ 91% Operating Ratio | 4,262 | 4,300 | 38 | 0.9% |
| 4. Pass-Through Expenses | 33,004 | 33,105 | 101 | 0.3% |
| 5. Annual Revenue Requirement | 80,363 | 80,885 | 521 | 0.7% |
| 6. Beginning Balancing Account (Due to)/Due from Allied | (3,672) | (3,672) | - | |
| 7. Total Revenue Requirement | \$ 84,035 | \$ 84,556 | \$ 521 | 0.6% |
| 8. Interest Income/(Expense) | \$ (13) | \$ (16) | (2) | |
| 9. Cumulative Surplus/(Shortfall) | \$ (10,815) | \$ (10,616) | \$ 199 | |

The variances shown in Exhibit 3 are detailed starting on the next page as follows:

1. Revenues

Actual revenues were \$723,000 (1.0%) more than projected last year, with the following variances by Member Agency:

| Jurisdiction | 2010 Projected | | 2010 | | Exhibit 4 | | |
|-----------------|----------------|--------|---------|--------|-----------|-----|------|
| | Last Year | | Actual | | Variance | | |
| | (000's) | | (000's) | | \$ | % | |
| Burlingame | \$ | 7,709 | \$ | 7,731 | \$ | 22 | 0.3% |
| San Mateo | | 16,684 | | 16,810 | | 126 | 0.8% |
| Hillsborough | | 2,401 | | 2,416 | | 16 | 0.7% |
| Belmont | | 4,751 | | 4,762 | | 11 | 0.2% |
| San Carlos | | 6,226 | | 6,267 | | 42 | 0.7% |
| RWC | | 14,066 | | 14,357 | | 291 | 2.1% |
| Atherton | | 1,857 | | 1,866 | | 9 | 0.5% |
| Menlo Park | | 8,597 | | 8,746 | | 149 | 1.7% |
| West Bay | | 889 | | 898 | | 8 | 1.0% |
| EPA | | 3,414 | | 3,428 | | 15 | 0.4% |
| Foster City | | 4,170 | | 4,182 | | 12 | 0.3% |
| North Fair Oaks | | 2,470 | | 2,492 | | 22 | 0.9% |
| Total | \$ | 73,234 | \$ | 73,957 | \$ | 723 | 1.0% |

2. Operating Costs Eligible for Profit

Allied's actual operating costs eligible for profit were \$383,000 (0.9%) greater than projected, as a result of the following:

- Labor expense was \$228,000 (1.0%) greater than projected as a result of: 1) health care premium costs covering drivers not hired by Recology and drivers out on workers compensation for the month of January 2011 (which was not anticipated during last year's review); and 2) greater than anticipated payout of unused vacation and sick time payouts at the end of the year.
- Operating Insurance expense was \$232,000 (5.0%) greater than projected due to the actual cost to cover workers' compensation claims (i.e., cost related to doctor visits, surgeries, physical therapy, prescriptions, etc.) were greater than the reserve amounts initially set up by the third-party insurance adjuster; **Partially offset by:**

- General and Administrative and Corporate Overhead expense was \$75,000 (2.1%) less than projected, primarily resulting from less than anticipated legal and other consulting/professional fees; and,
- Vehicle-related expense (i.e., Depreciation and Maintenance expenses) was a net \$2,000 (less than one-tenth of one percent) less than projected.

3. Profit

An increase in Allied's operating profit of \$38,000 as a result of the net increase in operating costs described above.

4. Pass-Through Expenses

The increase in pass-through expense of \$101,000 (0.3%) is attributable to the following:

- Disposal expense was \$18,000 (0.1%) less than projected, as the result of slightly less tonnage collected, processed, and disposed.
- Compacted Trash expense, which includes all services provided by BDBS (compactors, JPA boxes, and large recycling boxes), was \$105,000 (2.8%) greater than projected as the result of more boxes collected in the last six months of 2010 than projected. The increased activity results in additional costs as Allied is paid on a per-hour basis for each box collected. In addition, the increased activity was partially responsible for the increase in route revenue described above which helped offset the increased costs.
- Third-party Contract Management pass-through costs (i.e., solid waste related work done by third-parties on behalf of Member Agencies and paid by Allied) were \$200,000 (50.0%) less than anticipated;
- Franchise fees were a net \$214,000 greater than anticipated due to franchise fees on the greater than anticipated rate revenue.

Section III. Summary by Member Agency

Allied's Rate Application by Member Agency

Allied's Application presented a balancing account surplus and shortfall (as appropriate) for each Member Agency, based on its allocated cost of service. Allied calculated an average balancing account shortfall for all Member Agencies of \$926,000 (ranging from a surplus of \$181,000 for the West Bay Sanitary District to a shortfall of \$3,700,000 for San Mateo). After HF&H's recommended adjustments described in Section VI of this report, we calculated an average cumulative balancing account shortfall of \$884,000 (ranging from a surplus of \$186,000 for the West Bay Sanitary District to a shortfall of \$3,635,000 for San Mateo).

Balancing Account Balances by Member Agency

Each Member Agency's calculated balancing account surplus or shortfall (a net reduction of \$212,000 from last year's projection) results from several factors, based on expense adjustments to Allied's Application, allocation changes, and other factors described below:

- Average rate revenue increase of 1.0% over the previous 2010 projections (see Exhibit 3);
- Changes to Member Agency allocation percentages due to corrections of calculation errors;
- Average cost increase of 0.9% over the previous 2010 projections (see Exhibit 3).

As shown in Exhibit 5a (on the following page) the cumulative net balancing account due Allied by the Member Agencies totals \$10.6M. The original franchise agreements allowed the Member Agencies to carry positive or negative account balances in an effort to minimize substantial rate increases and decreases. If costs were down in a particular year, Member Agencies were not forced to reduced rates, just to have rates increase the following years as costs rise (as they inevitably do). Conversely, if costs increased unexpectedly, the balancing accounts allowed Member Agencies to spread significant increases across multiple years instead of one large increase. Accordingly, each Member Agencies' balancing accounts balances differed as each Member Agency independently chose to defer recommended rate increases; imposed rate increases later than January 1 of each year; chose increases less than recommended; and, actual costs and revenues were higher or lower than projected.

This final rate review was conducted to finalize each Member Agencies' balancing account balance due to or due from Allied. Once approved, the final balancing accounts need to be paid to Allied over the 12-month period following the date of approval.

Exhibit 5a summarizes the HF&H adjusted actual 2010 revenue and expenses for each Member Agency, the actual balances in each Member Agency's balancing account as of January 1, 2010, and the resulting estimated cumulative surplus/(shortfall) due from/(to) Allied as of December 31, 2010.

| SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY 2010 REVENUE REQUIREMENT AND RATE INCREASE/DECREASE CALCULATIONS (\$000's Unless Otherwise Indicated) | | | | | | | | | | | | | | Exhibit 5a |
|--|-----------------|-------------------|-----------------|-------------------|-----------------|-------------------|-----------------|-----------------|---------------|-----------------|-----------------|-----------------|--------------------|------------|
| | Burl. | San Mateo | Hillsb. | Belmont | San Carlos | RWC | Ather | Menlo Park | West Bay | EPA | Foster City | North Fair Oaks | Total | |
| 1. Adjusted Rate Revenue | 7,722 | 16,783 | 2,411 | 4,753 | 6,255 | 14,337 | 1,863 | 8,735 | 890 | 3,422 | 4,173 | 2,487 | 73,830 | |
| 2. Adjusted Other Revenue | 9 | 27 | 6 | 10 | 12 | 20 | 3 | 11 | 8 | 6 | 10 | 6 | 127 | |
| 3. Total Projected Revenue | \$ 7,731 | \$ 16,810 | \$ 2,416 | \$ 4,762 | \$ 6,267 | \$ 14,357 | \$ 1,866 | \$ 8,746 | \$ 898 | \$ 3,428 | \$ 4,182 | \$ 2,492 | \$ 73,957 | |
| 4. Adjusted Operating Costs | 4,141 | 10,325 | 1,489 | 2,696 | 3,751 | 8,533 | 1,184 | 4,564 | 635 | 2,072 | 2,558 | 1,530 | 43,479 | |
| 5. Profit @ 91% Operating Ratio | 410 | 1,021 | 147 | 267 | 371 | 844 | 117 | 451 | 63 | 205 | 253 | 151 | 4,300 | |
| 6. Adjusted Pass-Through Costs | 3,806 | 7,780 | 913 | 2,220 | 2,580 | 6,740 | 855 | 3,382 | 284 | 1,874 | 1,868 | 801 | 33,105 | |
| 7. 2010 Revenue Requirement (4.+5.+6.) | 8,356 | 19,127 | 2,550 | 5,183 | 6,703 | 16,118 | 2,156 | 8,398 | 982 | 4,151 | 4,679 | 2,483 | 80,885 | |
| 8. January 1, 2010 Balancing Account | (55) | (1,230) | (207) | (597) | (104) | (371) | (47) | (1,085) | 273 | (251) | (4) | 6 | (3,672) | |
| 9. Total Revenue Requirements (7.-8.) | \$ 8,412 | \$ 20,356 | \$ 2,757 | \$ 5,780 | \$ 6,806 | \$ 16,488 | \$ 2,203 | \$ 9,483 | \$ 708 | \$ 4,402 | \$ 4,683 | \$ 2,477 | \$ 84,556 | |
| 10. Surplus/(Shortfall) - Current Year (3.-7.) | \$ (625) | \$ (2,317) | \$ (133) | \$ (421) | \$ (435) | \$ (1,761) | \$ (290) | \$ 348 | \$ (84) | \$ (723) | \$ (497) | \$ 10 | \$ (6,928) | |
| 11. Interest Expense @1.43% | \$ (1) | \$ (5) | \$ (0) | \$ (1) | \$ (1) | \$ (4) | \$ (1) | \$ 1 | \$ (0) | \$ (2) | \$ (1) | \$ 0 | \$ (16) | |
| 12. Surplus/(Shortfall) - Cumulative (3.- 9.+ 11.) | \$ (682) | \$ (3,551) | \$ (341) | \$ (1,019) | \$ (540) | \$ (2,136) | \$ (337) | \$ (737) | \$ 189 | \$ (976) | \$ (502) | \$ 15 | \$ (10,616) | |

Appendix A summarizes key operational, financial, rate, and variance information for each Member Agency (in alphabetical order) that explains the calculation of the recommended rate adjustment. For each Member Agency, HF&H presents:

1. A summary of key operational and financial information; and
2. A variance analysis comparing 2010 projections made last year to 2010 actuals.

Expense Allocation Methodology

The SBWMA approved the expense allocation methodology in February 2000. The data used to allocate costs among the Member Agencies is summarized in Exhibit 5b based on route audits. Collection tonnage is actual tonnages for calendar year 2010. Generally, the following three factors have the greatest impact on cost of service:

1. Number of Routes

A Member Agency's collection route productivity is affected by many factors: density; terrain; distance to the Shoreway Facility; backyard versus curbside service; etc. Relative route days within each Member

Agency are used to allocate collection truck costs. Relative work force (i.e., number of employees per route multiplied by the number of routes) is used to allocate direct (i.e., route) labor costs.

Member agencies should note that, due to shared routes with adjoining Member Agencies, costs are further allocated based on the number of containers for each Member Agency. Costs may vary from year to year due to the relative number of containers assigned to each Member Agency (i.e., if two Member Agencies share a route and both have a reduction in the number of accounts on the route, one Member Agency may sustain a greater loss of accounts and still have a larger portion of the route due to the number of containers remaining).

Exhibit 5b

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
 JURISDICTIONAL OPERATING STATISTICS

COMMERCIAL

| Jurisdiction Code | Jurisdiction | Equivalent Route-Days | % | Equivalent Workforce | % | Collection Tonnage | % | Accounts | % | Lifts | % |
|-------------------|-----------------------|-----------------------|---------------|----------------------|---------------|--------------------|---------------|--------------|---------------|---------------|---------------|
| 1 | Burlingame | 17.5 | 11.4% | 29.1 | 12.2% | 12,158 | 11.2% | 1,370 | 14.2% | 1,018 | 9.4% |
| 3 | San Mateo | 37.9 | 24.6% | 64.1 | 26.8% | 26,164 | 24.0% | 2,276 | 23.6% | 2,462 | 22.8% |
| 5 | Hillsborough | 0.4 | 0.3% | 0.8 | 0.3% | 414 | 0.4% | 13 | 0.1% | 43 | 0.4% |
| 6 | Belmont | 7.3 | 4.7% | 12.4 | 5.2% | 5,485 | 5.0% | 432 | 4.5% | 584 | 5.4% |
| 7 | San Carlos | 12.4 | 8.0% | 19.5 | 8.1% | 8,383 | 7.7% | 1,118 | 11.6% | 902 | 8.3% |
| 9 | RWC | 29.7 | 19.3% | 44.4 | 18.5% | 25,645 | 23.5% | 1,857 | 19.3% | 2,319 | 21.5% |
| 11 | Atherton | 0.6 | 0.4% | 0.8 | 0.3% | 760 | 0.7% | 39 | 0.4% | 65 | 0.6% |
| 12 | Menlo Park | 18.8 | 12.2% | 28.6 | 11.9% | 13,178 | 12.1% | 1,120 | 11.6% | 1,212 | 11.2% |
| 13 | West Bay | 0.4 | 0.3% | 0.6 | 0.2% | 500 | 0.5% | 29 | 0.3% | 39 | 0.4% |
| 14 | EPA | 5.6 | 3.6% | 7.9 | 3.3% | 4,835 | 4.4% | 222 | 2.3% | 457 | 4.2% |
| 18 | Foster City | 9.5 | 6.2% | 11.7 | 4.9% | 6,885 | 6.3% | 230 | 2.4% | 804 | 7.4% |
| 19 | N. Fair Oaks | 5.0 | 3.2% | 7.6 | 3.2% | 3,068 | 2.8% | 476 | 4.9% | 369 | 3.4% |
| | SBWMA Subtotal | 145.3 | 94.2% | 227.4 | 95.0% | 107,475 | 98.5% | 9,182 | 95.2% | 10,274 | 95.0% |
| 2,4,8,10 | County | 1.7 | 1.1% | 2.6 | 1.1% | 1,578 | 1.5% | 109 | 1.1% | 135 | 1.3% |
| 15,16,17,20 | Other (1) | 7.2 | 4.7% | 9.5 | 4.0% | 11 | 0.0% | 352 | 3.6% | 403 | 3.7% |
| | Grand Total | 154.3 | 100.0% | 239.5 | 100.0% | 109,064 | 100.0% | 9,643 | 100.0% | 10,812 | 100.0% |

RESIDENTIAL

| Jurisdiction Code | Jurisdiction | Equivalent Route-Days | % | Equivalent Workforce | % | Collection Tonnage | % | Accounts | % | Cans/ Household | % |
|-------------------|-----------------------|-----------------------|---------------|----------------------|---------------|--------------------|---------------|---------------|---------------|-----------------|---------------|
| 1 | Burlingame | 13.4 | 6.0% | 22.0 | 6.2% | 4,709 | 6.3% | 6,339 | 6.7% | 1,15 | 6.0% |
| 3 | San Mateo | 42.2 | 18.9% | 69.1 | 19.5% | 15,655 | 20.8% | 19,053 | 20.1% | 1,23 | 21.0% |
| 5 | Hillsborough | 13.9 | 6.2% | 22.6 | 6.4% | 3,233 | 4.3% | 3,600 | 3.8% | 1,25 | 4.0% |
| 6 | Belmont | 13.8 | 6.2% | 22.7 | 6.4% | 4,468 | 5.9% | 6,527 | 6.9% | 1,10 | 6.0% |
| 7 | San Carlos | 17.0 | 7.6% | 27.7 | 7.8% | 5,687 | 7.6% | 8,340 | 8.8% | 1,12 | 8.0% |
| 9 | RWC | 35.1 | 15.7% | 57.8 | 16.3% | 13,132 | 17.4% | 16,990 | 18.0% | 1,17 | 17.0% |
| 11 | Atherton | 11.6 | 5.2% | 17.5 | 4.9% | 2,213 | 2.9% | 2,316 | 2.5% | 1,47 | 3.0% |
| 12 | Menlo Park | 18.4 | 8.2% | 27.4 | 7.7% | 5,540 | 7.4% | 7,734 | 8.2% | 1,30 | 9.0% |
| 13 | West Bay | 5.4 | 2.4% | 8.6 | 2.4% | 1,456 | 1.9% | 2,076 | 2.2% | 1,20 | 2.0% |
| 14 | EPA | 11.6 | 5.2% | 11.7 | 3.3% | 7,091 | 9.4% | 4,137 | 4.4% | 1,02 | 4.0% |
| 18 | Foster City | 11.1 | 5.0% | 18.7 | 5.3% | 4,567 | 6.1% | 6,495 | 6.9% | 1,14 | 6.0% |
| 19 | N. Fair Oaks | 5.8 | 2.6% | 9.7 | 2.7% | 3,775 | 5.0% | 2,543 | 2.7% | 1,87 | 4.0% |
| | SBWMA Subtotal | 199.3 | 89.2% | 315.6 | 89.0% | 71,526 | 95.0% | 86,150 | 91.0% | 1,21 | 91.0% |
| 2,4,8,10 | County | 12.8 | 5.7% | 20.1 | 5.7% | 3,697 | 4.9% | 4,876 | 5.2% | 1,15 | 5.0% |
| 15,16,17,20 | Other (1) | 11.3 | 5.1% | 19.0 | 5.4% | 34 | 0.0% | 3,646 | 3.9% | 1,15 | 4.0% |
| | Grand Total | 223.4 | 100.0% | 354.8 | 100.0% | 75,257 | 100.0% | 94,672 | 100.0% | 1,20 | 100.0% |

(1) Half Moon Bay, Pescadero, La Honda, Woodside

| COMBINED | | | | | | | | | | |
|-------------------|--------------|-----------------------|--------|----------------------|--------|--------------------|--------|----------|--------|--|
| Jurisdiction Code | Jurisdiction | Equivalent Route Days | % | Equivalent Workforce | % | Collection Tonnage | % | Accounts | % | |
| 1 | Burlingame | 30.9 | 8.2% | 51.2 | 8.6% | 16,866 | 9.2% | 7,709 | 7.4% | |
| 3 | San Mateo | 80.2 | 21.2% | 133.2 | 22.4% | 41,819 | 22.7% | 21,329 | 20.5% | |
| 5 | Hillborough | 14.3 | 3.8% | 23.4 | 3.9% | 3,647 | 2.0% | 3,613 | 3.5% | |
| 6 | Belmont | 21.1 | 5.6% | 35.0 | 5.9% | 9,953 | 5.4% | 6,959 | 6.7% | |
| 7 | San Carlos | 29.4 | 7.8% | 47.2 | 8.0% | 14,069 | 7.6% | 9,458 | 9.1% | |
| 9 | RWC | 64.8 | 17.2% | 102.2 | 17.2% | 38,777 | 21.0% | 18,847 | 18.1% | |
| 11 | Atherton | 12.2 | 3.2% | 18.3 | 3.1% | 2,973 | 1.6% | 2,355 | 2.3% | |
| 12 | Menlo Park | 37.2 | 9.9% | 56.0 | 9.4% | 18,718 | 10.2% | 8,854 | 8.5% | |
| 13 | West Bay | 5.9 | 1.6% | 9.2 | 1.6% | 1,956 | 1.1% | 2,105 | 2.0% | |
| 14 | EPA | 17.2 | 4.6% | 19.6 | 3.3% | 11,926 | 6.5% | 4,359 | 4.2% | |
| 18 | Foster City | 20.6 | 5.5% | 30.4 | 5.1% | 11,453 | 6.2% | 6,725 | 6.5% | |
| 19 | N. Fair Oaks | 10.8 | 2.9% | 17.3 | 2.9% | 6,843 | 3.7% | 3,019 | 2.9% | |
| 2,4,8,10 | County | 14.6 | 3.9% | 22.7 | 3.9% | 5,275 | 2.9% | 4,985 | 4.8% | |
| 15,16,17,20 | Other (1) | 18.5 | 4.9% | 28.5 | 4.8% | 45 | 0.0% | 3,998 | 3.8% | |
| | Total | 378 | 100.0% | 594 | 100.0% | 184,321 | 100.0% | 104,315 | 100.0% | |

| Jurisdiction Code | Jurisdiction | Cans/ Household | % | Lifts | % |
|-------------------|--------------|-----------------|--------|--------|--------|
| 1 | Burlingame | 1.15 | 6.0% | 1,018 | 9.4% |
| 3 | San Mateo | 1.23 | 21.0% | 2,462 | 22.8% |
| 5 | Hillborough | 1.25 | 4.0% | 43 | 0.4% |
| 6 | Belmont | 1.10 | 6.0% | 584 | 5.4% |
| 7 | San Carlos | 1.12 | 8.0% | 902 | 8.3% |
| 9 | RWC | 1.17 | 17.0% | 2,319 | 21.5% |
| 11 | Atherton | 1.47 | 3.0% | 65 | 0.6% |
| 12 | Menlo Park | 1.30 | 9.0% | 1,212 | 11.2% |
| 13 | West Bay | 1.20 | 2.0% | 39 | 0.4% |
| 14 | EPA | 1.02 | 4.0% | 457 | 4.2% |
| 18 | Foster City | 1.14 | 6.0% | 804 | 7.4% |
| 19 | N. Fair Oaks | 1.87 | 4.0% | 369 | 3.4% |
| 2,4,8,10 | County | 1.15 | 5.0% | 135 | 1.3% |
| 15,16,17,20 | Other (1) | 1.15 | 4.0% | 403 | 3.7% |
| | Total | 1.20 | 100.0% | 10,812 | 100.0% |

Exhibit 5b
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Exhibit 6

**Comparison of Route Allocation
(Used to Allocate Truck Expenses)**

| <u>Jurisdiction</u> | <u>2009 Allocation</u> | <u>2010 Allocation</u> | <u>Change</u> |
|-----------------------|----------------------------|----------------------------|---------------|
| Burlingame | 8.2% | 8.2% | 0.03% |
| San Mateo | 21.3% | 21.2% | -0.03% |
| Hillsborough | 3.9% | 3.8% | -0.07% |
| Belmont | 5.7% | 5.6% | -0.06% |
| San Carlos | 7.7% | 7.8% | 0.11% |
| Redwood City | 17.1% | 17.2% | 0.12% |
| Atherton | 3.3% | 3.2% | -0.07% |
| Menlo Park | 9.9% | 9.9% | -0.07% |
| West Bay | 1.6% | 1.6% | -0.01% |
| East Palo Alto | 4.4% | 4.6% | 0.15% |
| Foster City | 5.4% | 5.5% | 0.06% |
| N. Fair Oaks | 3.0% | 2.9% | -0.10% |
| Unincorporated County | 3.9% | 3.9% | -0.03% |
| Other | <u>4.9%</u> | <u>4.9%</u> | -0.02% |
| | 100.0% | 100.0% | |

Exhibit 7

**Comparison of Work Force Allocation
(Used to Allocate Direct Labor Expenses)**

| <u>Jurisdiction</u> | <u>2009 Allocation</u> | <u>2010 Allocation</u> | <u>Change</u> |
|-----------------------|----------------------------|----------------------------|---------------|
| Burlingame | 8.6% | 8.6% | 0.02% |
| San Mateo | 22.4% | 22.4% | 0.03% |
| Hillsborough | 4.0% | 3.9% | -0.05% |
| Belmont | 6.0% | 5.9% | -0.05% |
| San Carlos | 7.9% | 8.0% | 0.08% |
| Redwood City | 17.1% | 17.2% | 0.11% |
| Atherton | 3.1% | 3.1% | -0.05% |
| Menlo Park | 9.5% | 9.4% | -0.07% |
| West Bay | 1.6% | 1.6% | -0.01% |
| East Palo Alto | 3.2% | 3.3% | 0.10% |
| Foster City | 5.1% | 5.1% | 0.03% |
| N. Fair Oaks | 3.0% | 2.9% | -0.08% |
| Unincorporated County | 3.9% | 3.9% | -0.04% |
| Other | <u>4.8%</u> | <u>4.8%</u> | -0.02% |
| | 100.0% | 100.0% | |

2. Solid Waste Disposal Volume

Solid Waste disposal volume varies between Member Agencies and between residential and commercial customers. Disposal volumes may be affected by diversion programs including rate structures (such as uniform or increasing can rates).

The 2010 disposal tonnage by Member Agency is based on actual data through December 2010. Due to continued improvements in accounting for Jurisdictional disposal tonnage and changes in customer behavior, relative Jurisdictional disposal allocations have changed, as shown in Exhibit 8.

Exhibit 8

Comparison of Collection Tonnage Allocation (Used to Allocate Collection Disposal Expenses)

| <u>Jurisdiction</u> | <u>2009 Allocation</u> | <u>2010 Allocation</u> | <u>Change</u> |
|-----------------------|----------------------------|----------------------------|---------------|
| Burlingame | 9.46% | 9.15% | -0.31% |
| San Mateo | 22.21% | 22.69% | 0.48% |
| Hillsborough | 1.98% | 1.98% | 0.00% |
| Belmont | 5.33% | 5.40% | 0.07% |
| San Carlos | 8.00% | 7.63% | -0.36% |
| Redwood City | 20.69% | 21.04% | 0.35% |
| Atherton | 1.58% | 1.61% | 0.03% |
| Menlo Park | 10.24% | 10.16% | -0.08% |
| West Bay | 1.25% | 1.06% | -0.19% |
| East Palo Alto | 6.07% | 6.47% | 0.40% |
| Foster City | 6.42% | 6.21% | -0.20% |
| N. Fair Oaks | 3.80% | 3.71% | -0.09% |
| Unincorporated County | 2.95% | 2.86% | -0.09% |
| Other | <u>0.02%</u> | <u>0.02%</u> | 0.00% |
| | 100.00% | 100.00% | |

Changes in a Member Agency's allocation percentage can have significant impact on its revenue requirement. The impact of the change is determined based on the relative size of the Member Agency (i.e., larger cities are impacted less than smaller cities by an identical change in an allocation percentage) and by the relative size of the expense category that is being allocated.

3. Franchise Fees

Franchise fees within the SBWMA range from 0% to 15.5%. In addition, many Member Agencies have included other fees in their rates (i.e., street sweeping fees, AB939 fees, solid waste contract management fees, etc.). How the franchise fee rate and other fees are included in collection rates can directly affect the balancing account in each Member Agency.

Section IV. Allied's Application

As previously explained, Allied submits an annual application which is summarized in this Section IV. The application is reviewed by the SBWMA Consultant, HF&H. This review process is summarized in Section V. Through this process, HF&H makes adjustment to Allied's application in accordance with the compensation methodology described in each of the Member Agency's agreements with Allied. The HF&H adjustments, Allied's resulting allowable compensation, and the final rate recommendations are summarized in Section VI.

Allied's 2010 Compensation Application

Allied calculated an \$11,115,000 cumulative balancing account shortfall for operations through December 31, 2010. Allied's calculation is summarized in Exhibit 9.

| Exhibit 9 | |
|--|--------------------|
| South Bayside Waste Management Authority | |
| Allied's Calculated SBWMA Revenue Requirement | |
| (000's, Unless Otherwise Indicated) | |
| | <u>2010</u> |
| | <u>Operating</u> |
| | <u>Results</u> |
| Operating Revenue | 73,897 |
| Operating Expenses Eligible for Profit | 43,780 |
| Profit @ 91% Operating Ratio | <u>4,330</u> |
| Operating Cost Plus Profit | \$ 48,110 |
| <u>Pass-Through Expenses</u> | <u>\$ 33,206</u> |
| Total Revenue Requirement | \$ 81,316 |
| Balancing Account: | |
| Current Year Surplus/(Shortfall) | \$ (7,419) |
| Beginning Balancing Account | (3,680) |
| Interest Expense | <u>(17)</u> |
| Ending Balancing Account | <u>\$ (11,115)</u> |
| Revenue Surplus (-)/Shortfall for Current Operations | 10.0% |
| Revenue Surplus (-)/Shortfall with Balancing Account | 15.0% |

Allied's "Reserves" for Post-2010 Expenses

Allied's 2010 reported expenses include "reserves" for costs net yet incurred but related to services provided prior to December 31, 2010, specifically:

- Approximately \$1,168,000 in a projected liability for the future (i.e., past December 31, 2010) settlement of workers compensation claims on accidents that occurred during the contract period (i.e., through 12/31/10) and premiums for those workers still out on workers' compensation. Allied's workers compensation insurance is self-funded; as such, a third-party insurance adjuster estimates the probable cost to remedy the injury (i.e., costs related to doctor visits, surgeries, physical therapy, prescriptions, etc.) and establishes a reserve. The reserve is subsequently reconciled to the actual costs incurred and the San Mateo division receives an additional expense or credit associated with each claim (subject to a \$250,000 cap). Such adjustments can be made up to two years from the date of the claim. Therefore, it is unknown at this time what the total cost of claims that occurred in 2009 and 2010 will be; the final costs may be higher or lower.
- Approximately \$253,000 in projected bad debt from customer billings for services provided during 2010. The final bad debt expense for customer's failure to remit payments may be higher or lower.

Section V. Scope of Review of Allied's 2010 Application

Scope of Review

HF&H's review of the Application included:

- ⊕ Assessing it for compliance with the franchise agreements;
- ⊕ Examining its mathematical accuracy and logical consistency;
- ⊕ Reconciling it to Allied's audited 2010 financial statements [Pending completion and receipt of Auditor's findings];
- ⊕ Determining the reasonableness of the projected revenues and expenses:
- ⊕ Calculating Allied's profit based on a 91% operating ratio applied to non-pass through expenses;
- ⊕ Reviewing the calculation of balancing accounts; and,
- ⊕ Calculating the final revenue requirement for 2010

Limitations

Our review did not comprise an audit of Allied's financial statements to express an opinion regarding the financial statements taken as a whole. For 2010, Hood and Strong performed such an audit.

Section VI. Findings and Recommendations

Exhibit 10 shows the results of HF&H's review of the Application and our recommended adjustments to the operating results reported by Allied. We briefly describe our adjustments on the following pages.

| South Bayside Waste Management Authority HF&H Adjusted Operating Results (000's, Unless Otherwise Indicated) | | Exhibit 10 |
|---|--|---------------------------------------|
| | | <u>2010 Operating Results</u> |
| 1. Revenues Reported by Allied | | \$ 73,897 |
| Adjustment to Revenues: | | |
| 2. Route Revenue | | 60 |
| 3. Adjusted Revenues | | \$ 73,957 |
| 4. Operating Expenses Eligible for Profit Reported by Allied | | \$ 43,780 |
| Adjustment to Operating Costs: | | |
| 5. Direct Labor | | (311) |
| 6. Direct Fixed | | (5) |
| 7. Direct Maintenance | | (87) |
| 8. Indirect Fixed | | - |
| 9. Indirect Maintenance | | - |
| 10. Supervisory | | - |
| 11. Other Expense | | - |
| 12. Insurance | | 238 |
| 13. General & Administrative Expense | | (130) |
| 14. Overhead | | (5) |
| 15. Adjusted Operating Costs Eligible for Profit | | \$ 43,480 |
| 16. Profit @ 91% Operating Ratio Reported By Allied | | \$ 4,330 |
| 17. Revised Profit due to Operating Expense Adjustments | | (30) |
| 18. Adjusted Profit | | \$ 4,300 |
| 19. Operating Cost Plus Profit | | \$ 47,780 |
| 20. Pass-Through Expenses Reported by Allied | | \$ 33,206 |
| Adjustments to Pass-Through Expenses: | | |
| 21. Intercompany Disposal | | - |
| 22. BDBS Haul and Disposal Expense | | - |
| 23. Contract Management | | - |
| 24. Franchise Fees | | (101) |
| 25. Adjusted Pass-Through Expenses | | \$ 33,105 |
| 26. Total Revenue Requirement | | \$ 80,885 |
| Balancing Account: | | |
| 27. Current Year Surplus/(Shortfall) | | \$ (6,928) |
| 28. Beginning Surplus/(Shortfall) | | (3,672) |
| 29. Interest | | (16) |
| 30. Ending Balancing Account | | \$ (10,616) |
| Revenue Surplus (-)/Shortfall for Current Operations | | 9.4% |
| Revenue Surplus (-)/Shortfall with Balancing Account | | 14.4% |

Note: Numbers on the exhibit may not add exactly due to rounding

Adjustments to Allied's Actual 2010 Revenues

It was recently discovered that Allied has been billing schools at a rate lower than the franchised rates, resulting in less than anticipated revenue. No records or agreements memorializing this practice have been provided by Allied; no Member Agency approvals of this practice have been provided. Thus Allied has been in violation of the respective franchise agreements. The following table summarizes the 2010 variances between the franchised rates and the billed rates, by Member Agency. SBWMA staff has requested payment from Allied for the intentional, but not approved, rate discount for 2010. The unrealized revenue is estimated to be approximately \$166,000 for 2010.

Services to schools are outside the franchise agreement; therefore, SBWMA and Allied management met and negotiated a settlement amount of \$60,000. Based on the negotiated settlement amount, we recommend increasing Allied's Actual Revenue by \$60,000 for 2010.

Adjustments to Allied's Operating Expenses Eligible for Profit

HF&H recommends that Allied's operating expenses eligible for profit be reduced by \$300,000.

Description of Adjustments

Direct Labor

HF&H reviewed and recommends decreasing Allied's reported Direct Labor expenses by \$311,000 (Exhibit 10, Line 5), due to the following:

- ⊕ A decrease of \$317,000 to remove January 2011 health care premiums for drivers hired by Recology;
- ⊕ An increase of \$6,000 due to Allied overstating the cart collection cost credit allocated to the franchised operations versus the non-franchised county operations. Per an agreement with the Executive Director, Allied was provided \$250,000 to collect their residential carts in order to facilitate the delivery of new carts by Recology. Allied calculated the total cost to collect the carts to be \$474,210, of which \$448,723 was allocated to franchised activities. Allied mistakenly allocated the costs using residential solid waste route statistics even though 95% of the containers collected were residential plant material containers. Our recommended adjustment allocated the credit based on number of plant material container within the franchised and non-franchised areas.

Direct Fixed

HF&H reviewed and recommends decreasing Direct Fixed expenses by \$5,000 (Exhibit 10, Line 6), due to Allied overstating expenses related to the purchase of recyclable material collection tubs. As agreed, tubs purchased after 2008 would be amortized of three years. Allied mistakenly expense tubs purchased in 2010.

Direct Maintenance

HF&H reviewed and recommends decreasing Allied's reported Direct Maintenance expense by \$87,000 (Exhibit 10, Line 7), due to the following:

- A decrease of \$55,000 to remove Allied's over accrual of estimated expenses incurred during 2010 but an invoice had not yet been received. Vendors typically send invoices 2-3 weeks after services/products have been requested or received. In order to ensure they would be compensated for expenses that were incurred but not yet paid as of December 31, 2010, Allied estimated what those costs would be. HF&H reviewed subsequent payments during January, February, and March 2011 and found allied had overstated the expenses; and,
- A decrease of \$32,000 to remove the 2011 portion of the accelerated expensing of vehicle license fees. Allied's 2010 operating costs included the accelerated expensing of vehicle licenses fees for vehicles that were manufactured in 2000 or prior. The state bills, and Allied pays, the vehicle license fees one-time per year; however, historically such expenses are divided into 12 equal payments and booked over a 12-month period. The vehicle license fees paid in 2010 cover anywhere from 1 to 11 months of calendar year 2011 (depending which month in 2010 the vehicle license is due). Allied's application has included the full 12-month fee even though the vehicle was only used to provide collection services to the Authority for something less than the full 12-months. We do not believe the methodology for spreading such costs over the 12-month period should change during the last year of the agreement by accelerating the depreciation. **Allied has agreed to accept this adjustment.**

Indirect Fixed

HF&H reviewed and does not recommend any adjustments to Indirect Fixed expenses for 2010 (Exhibit 10, Line 8).

Indirect Maintenance

HF&H reviewed and does not recommend any adjustments to Indirect Maintenance expenses for 2010 (Exhibit 10, Line 9).

Supervisory Expense

HF&H reviewed and does not recommend any adjustments to Supervisory expenses for 2010 (Exhibit 10, Line 10).

Other Expense

HF&H reviewed and does not recommend any adjustments to Other expenses for 2010 (Exhibit 10, Line 11).

Insurance

HF&H reviewed and recommends increasing Allied's reported Operating Insurance expense by \$238,000 (Exhibit 10, Line 12) due to the following:

- An increase of \$343,000 in workers compensation claims paid in 2011 for incidents that occurred prior to Allied ceasing operations on December 31, 2010; partially offset by,
- A decrease of \$105,000 to disallow doubling of safety incentive payments to collection drivers without prior approval by the Executive Director. A similar adjustment was made to Allied's 2009 expenses during last year's review.

General and Administrative

HF&H has reviewed and recommends decreasing Allied's reported General and Administrative (G&A) expense by \$130,000 (Exhibit 10, Line 13) to: 1) remove charitable contributions which are disallowed expenses per the Collection Agreements (greater than those Allied removed before submitting the Application); 2) reduce projected bad debt anticipated from late 2010 billings; 3) correct a calculation error in Allied's rate application, which overstated G&A expenses; and, 4) the cost for automated phone calls alerting Half Moon Bay customers of the strike in August 2010 (Half Moon Bay is not within the Authority's service area).

Overhead

HF&H reviewed and recommends decreasing Overhead expense by \$5,000 in 2010 (Exhibit 10, Line 14) due to Allied's application amount which exceed the allowable cap on Overhead expenses as a result of the indices needed to calculate the allowable cap amount were not yet published when Allied submitted their Application.

Adjustments to Operating Profit

HF&H recommends decreasing Allied's Operating Profit by \$30,000 (Exhibit 10, Line 17), due to the respective net recommended reductions to Allied's Operating Expenses Eligible for Profit, described above.

Adjustments to Allied's Projected Pass-Through Expense

Inter-company Disposal

HF&H reviewed and does not recommend any adjustments to Inter-company Disposal expenses (Exhibit 10, Line 21).

BDBS Subcontractor Expense (Debris Box Services)

HF&H reviewed and does not recommend any adjustments to BDBS Subcontractor expenses (Exhibit 10, Line 22).

Contract Management

Contract Management expenses are third-party expenses for solid waste and recycling consulting services incurred by the Member Agencies on an individual basis (i.e., rate structure studies, recycling services, Proposition 218 mailing notices, etc.).

HF&H reviewed and does not recommend any adjustments to Contract Management expense (Exhibit 10, Line 23).

Franchise Fees

HF&H reviewed and recommends decreasing Franchise Fees by \$101,000 as a result of double counting San Mateo's 4th quarter franchise fees (Exhibit 10, Line 24).

**APPENDIX A:
MEMBER AGENCY SPECIFIC INFORMATION**

Revenue Requirement and
Operating Data for 2008-2010

| | A | | B | | C | | D | | E | | F | | H | | J | |
|----|------------------|------------------|------------------|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------------------|------------------|-----------------------|---|--|
| | 2008 (Actual) | 2009 (Actual) | 2009 (Actual) | 2010 (Projected) | 2008 (Actual) | 2009 (Actual) | 2009 (Actual) | 2010 (Actual) | 2008 (Actual) | 2009 (Actual) | 2010 (Actual) | Difference 2010 LY vs TY | 2010 LY vs TY | % 2010 LY vs TY | | |
| 1 | \$ 1,651,103 | \$ 1,640,276 | \$ 1,640,276 | \$ 1,856,034 | \$ 1,651,103 | \$ 1,640,276 | \$ 1,640,276 | \$ 1,862,738 | \$ 1,651,103 | \$ 1,640,276 | \$ 1,862,738 | | | | | |
| 2 | \$ 6,524 | \$ 7,691 | \$ 7,691 | \$ 666 | \$ 6,524 | \$ 7,691 | \$ 7,691 | \$ 3,360 | \$ 6,524 | \$ 7,691 | \$ 3,360 | | | | | |
| 3 | \$ 1,657,627 | \$ 1,647,967 | \$ 1,647,967 | \$ 1,856,701 | \$ 1,657,627 | \$ 1,647,967 | \$ 1,647,967 | \$ 1,866,098 | \$ 1,657,627 | \$ 1,647,967 | \$ 1,866,098 | \$ 9,397 | 0.51% | | | |
| 4 | \$ 564,808 | \$ 623,871 | \$ 623,871 | \$ 654,044 | \$ 564,808 | \$ 623,871 | \$ 623,871 | \$ 657,073 | \$ 564,808 | \$ 623,871 | \$ 657,073 | \$ 3,030 | 0.46% | | | |
| 5 | \$ 207,067 | \$ 194,253 | \$ 194,253 | \$ 206,457 | \$ 207,067 | \$ 194,253 | \$ 194,253 | \$ 206,956 | \$ 207,067 | \$ 194,253 | \$ 206,956 | \$ 499 | 0.24% | | | |
| 6 | \$ 70,555 | \$ 84,322 | \$ 84,322 | \$ 120,081 | \$ 70,555 | \$ 84,322 | \$ 84,322 | \$ 138,441 | \$ 70,555 | \$ 84,322 | \$ 138,441 | \$ 18,361 | 15.29% | | | |
| 7 | \$ 190,492 | \$ 176,304 | \$ 176,304 | \$ 185,533 | \$ 190,492 | \$ 176,304 | \$ 176,304 | \$ 181,037 | \$ 190,492 | \$ 176,304 | \$ 181,037 | \$ (4,496) | -2.42% | | | |
| 8 | \$ 102,157 | \$ 106,689 | \$ 106,689 | \$ 115,330 | \$ 102,157 | \$ 106,689 | \$ 106,689 | \$ 117,050 | \$ 102,157 | \$ 106,689 | \$ 117,050 | \$ 1,720 | 1.49% | | | |
| 9 | \$ 463,633 | \$ 527,167 | \$ 527,167 | \$ 635,223 | \$ 463,633 | \$ 527,167 | \$ 527,167 | \$ 631,319 | \$ 463,633 | \$ 527,167 | \$ 631,319 | \$ (3,904) | -0.61% | | | |
| 10 | \$ 35,293 | \$ 31,322 | \$ 31,322 | \$ 31,897 | \$ 35,293 | \$ 31,322 | \$ 31,322 | \$ 26,157 | \$ 35,293 | \$ 31,322 | \$ 26,157 | \$ (5,740) | -18.00% | | | |
| 11 | \$ 172,504 | \$ 163,289 | \$ 163,289 | \$ 194,646 | \$ 172,504 | \$ 163,289 | \$ 163,289 | \$ 197,585 | \$ 172,504 | \$ 163,289 | \$ 197,585 | \$ 2,940 | 1.51% | | | |
| 12 | \$ 1,806,508 | \$ 1,907,217 | \$ 1,907,217 | \$ 2,143,211 | \$ 1,806,508 | \$ 1,907,217 | \$ 1,907,217 | \$ 2,155,621 | \$ 1,806,508 | \$ 1,907,217 | \$ 2,155,621 | \$ 12,409 | 0.58% | | | |
| 13 | \$ (148,882) | \$ (259,250) | \$ (259,250) | \$ (286,511) | \$ (148,882) | \$ (259,250) | \$ (259,250) | \$ (289,523) | \$ (148,882) | \$ (259,250) | \$ (289,523) | \$ (3,012) | | | | |
| 14 | \$ (2,129) | \$ (487) | \$ (487) | \$ (539) | \$ (2,129) | \$ (487) | \$ (487) | \$ (663) | \$ (2,129) | \$ (487) | \$ (663) | \$ (124) | | | | |
| 15 | \$ 363,606 | \$ 212,595 | \$ 212,595 | \$ (47,142) | \$ 363,606 | \$ 212,595 | \$ 212,595 | \$ (47,142) | \$ 363,606 | \$ 212,595 | \$ (47,142) | \$ - | | | | |
| 16 | \$ 212,595 | \$ (47,142) | \$ (47,142) | \$ (334,192) | \$ 212,595 | \$ (47,142) | \$ (47,142) | \$ (337,328) | \$ 212,595 | \$ (47,142) | \$ (337,328) | \$ (3,136) | | | | |
| 17 | | | | 2.9% | | | | 18.0% | | | | | | | | |

*All Other Expenses includes Admin, Supervisory, Container, and Corporate Overhead Expenses

Variance Analysis:

The amount owed Allied (i.e., your balancing account) increased slightly from \$334,192 to \$337,328, mainly as the result of the following:

- ◆ Revenues 0.51% greater than anticipated (includes 2010 schools unrealized revenue payment from Allied); offset by,
- ◆ Increased Labor expense due to Allied's payment of the January 2011 health care premiums for the drivers and greater than anticipated vacation/sick payouts; and,
- ◆ Operating insurance related to workers' compensation claims from residential drivers. Total claims (for both residential and commercial drivers) was actually slightly less than projected; however, residential claims were much higher and commercial claims much lower. Because Atherton has very little commercial customers, the greater than projected residential claims were not fully offset by the less than projected commercial claims.
- ◆ Increased Labor expense due to Allied's unanticipated payment of the January 2011 health care premiums for the drivers not hired by Recology and greater than anticipated vacation/sick payouts.

Atherton

Operating Statistics

Atherton

| Routes | Last Year's Review | | | This Year's Review | | | Difference 2010 LY vs TY | % 2010 LY vs TY |
|--|--------------------|--------------|--------------|--------------------|--------------|--------------|--------------------------------|-----------------------|
| | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 | | |
| Solid Waste Routes | 6.66 | 6.57 | 6.49 | 6.66 | 6.57 | 6.49 | - | 0.00% |
| Plant Material Routes | 5.21 | 5.20 | 5.13 | 5.21 | 5.20 | 5.13 | - | 0.00% |
| REL Routes | 0.18 | 0.18 | 0.19 | 0.18 | 0.18 | 0.19 | - | 0.00% |
| FEL Routes | 0.42 | 0.42 | 0.41 | 0.42 | 0.42 | 0.41 | - | 0.00% |
| Total | 12.48 | 12.38 | 12.21 | 12.48 | 12.38 | 12.21 | - | 0.00% |
| REL = Rear-End Load Vehicles used to collect containers; FEL = Front-End Load Vehicles used to collection containers | | | | | | | | |
| Route Statistics | | | | | | | | |
| Residential Solid Waste Accounts per route | 345.40 | 352.70 | 356.92 | 345.40 | 352.70 | 356.92 | - | 0.00% |
| Residential Plant Material Accounts per route | 221.01 | 222.90 | 225.79 | 221.01 | 222.90 | 225.79 | - | 0.00% |
| Residential Solid Waste Tons per route | 350.04 | 325.45 | 341.95 | 350.04 | 340.48 | 341.02 | (0.93) | -0.27% |
| Residential Plant Material Tons per route | 926.72 | 951.06 | 997.00 | 926.72 | 945.17 | 1,026.17 | 29.17 | 2.93% |
| Commercial REL Accounts per Route | 146.16 | 148.37 | 155.73 | 146.16 | 148.37 | 155.73 | - | 0.00% |
| Commercial FEL Accounts per Route | - | 23.82 | 24.59 | - | 23.82 | 24.59 | - | 0.00% |
| Commercial REL Tons per Route | 817.37 | 756.03 | 656.07 | 817.37 | 1,220.20 | 655.11 | (0.96) | -0.15% |
| Commercial FEL Tons per Route | 1,551.93 | 1,420.03 | 1,565.15 | 1,551.93 | 1,434.48 | 1,569.41 | 4.26 | 0.27% |
| Tonnage | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 | | |
| Residential - Solid Waste | 2,333 | 2,140 | 2,219 | 2,333 | 2,239 | 2,213 | (6) | -0.27% |
| Residential - Plant Material | 4,826 | 4,947 | 5,113 | 4,826 | 4,917 | 5,263 | 150 | 2.93% |
| Commercial REL Solid Waste | 151 | 138 | 122 | 151 | 222 | 122 | (0) | -0.15% |
| Commercial FEL Solid Waste | 659 | 596 | 637 | 659 | 602 | 638 | 2 | 0.27% |
| Commercial Organics | 266 | 243 | 272 | 266 | 242 | 272 | (0) | -0.01% |
| Subtotal | 8,235 | 8,064 | 8,362 | 8,235 | 8,222 | 8,507 | 145 | 1.74% |
| Agency Tons to Transfer Station | 19 | 6 | - | 19 | 2 | - | - | - |
| Agency Tons to Ox Mtn. | - | - | - | - | - | - | - | - |
| BDBS Compactor/JPA Tonnage | | | | | | | | |
| Solid Waste | - | - | - | - | - | - | - | - |
| Recyclables and Organic Materials | 375 | 4 | - | 375 | 1 | - | - | - |
| Agency Tons | 122 | 107 | 71 | 122 | 92 | 71 | (1) | -0.74% |
| | 497 | 112 | 71 | 497 | 93 | 71 | (1) | -0.74% |
| Accounts | | | | | | | | |
| Residential | 2,302 | 2,319 | 2,316 | 2,302 | 2,319 | 2,316 | - | 0.00% |
| Commercial-REL | 27 | 27 | 29 | 27 | 27 | 29 | - | 0.00% |
| Commercial-FEL | - | 10 | 10 | - | 10 | 10 | - | 0.00% |
| Commercial Subtotal | 27 | 37 | 39 | 27 | 37 | 39 | - | 0.00% |
| Lifts | | | | | | | | |
| Residential Cans - Solid Waste | 3,521 | 3,505 | 3,394 | 3,521 | 3,505 | 3,394 | - | 0.00% |
| Commercial - REL Cans, Solid Waste | 11 | 11 | 14 | 11 | 11 | 14 | - | 0.00% |
| Commercial - REL Cans, Organics | 14 | 13 | 7 | 14 | 13 | 7 | - | 0.00% |
| Commercial - REL Bins, Solid Waste | 29 | 27 | 27 | 29 | 27 | 27 | - | 0.00% |
| Commercial - FEL Bins, Solid Waste | 40 | 39 | 38 | 40 | 39 | 38 | - | 0.00% |
| Commercial - FEL Bins, Organics | 13 | 12 | 16 | 13 | 12 | 16 | - | 0.00% |

Revenue Requirement and
Operating Data for 2008-2010

| | A | | B | | C | | D | | E | | F | | H | | J | |
|----------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------------------|-----------------------|--|---|--|
| | 2008 (Actual) | 2009 (Actual) | 2009 (Actual) | 2010 (Projected) | 2008 (Actual) | 2009 (Actual) | 2009 (Actual) | 2010 (Actual) | 2008 (Actual) | 2009 (Actual) | 2010 (Actual) | Difference 2010 LY vs TY | % 2010 LY vs TY | | | |
| Belmont | | | | | | | | | | | | | | | | |
| 1 | \$ 4,486,221 | \$ 4,435,571 | \$ 4,435,571 | \$ 4,749,694 | \$ 4,486,221 | \$ 4,435,571 | \$ 4,435,571 | \$ 4,752,855 | \$ 4,486,221 | \$ 4,435,571 | \$ 4,752,855 | | | | | |
| 2 | \$ 17,614 | \$ 21,166 | \$ 21,166 | \$ 1,528 | \$ 17,614 | \$ 21,166 | \$ 21,166 | \$ 9,561 | \$ 17,614 | \$ 21,166 | \$ 9,561 | | | | | |
| 3 | \$ 4,503,835 | \$ 4,456,736 | \$ 4,456,736 | \$ 4,751,222 | \$ 4,503,835 | \$ 4,456,736 | \$ 4,456,736 | \$ 4,762,416 | \$ 4,503,835 | \$ 4,456,736 | \$ 4,762,416 | \$ 11,195 | 0.24% | | | |
| 4 | \$ 1,193,857 | \$ 1,324,420 | \$ 1,324,420 | \$ 1,377,926 | \$ 1,193,857 | \$ 1,324,420 | \$ 1,324,420 | \$ 1,395,951 | \$ 1,193,857 | \$ 1,324,420 | \$ 1,395,951 | \$ 18,025 | 1.31% | | | |
| 5 | \$ 384,941 | \$ 366,196 | \$ 366,196 | \$ 388,305 | \$ 384,941 | \$ 366,196 | \$ 366,196 | \$ 393,096 | \$ 384,941 | \$ 366,196 | \$ 393,096 | \$ 4,791 | 1.23% | | | |
| 6 | \$ 150,906 | \$ 181,592 | \$ 181,592 | \$ 288,137 | \$ 150,906 | \$ 181,592 | \$ 181,592 | \$ 306,701 | \$ 150,906 | \$ 181,592 | \$ 306,701 | \$ 18,563 | 6.44% | | | |
| 7 | \$ 633,869 | \$ 600,885 | \$ 600,885 | \$ 611,833 | \$ 633,869 | \$ 600,885 | \$ 600,885 | \$ 600,678 | \$ 633,869 | \$ 600,885 | \$ 600,678 | \$ (11,154) | -1.82% | | | |
| 8 | \$ 233,760 | \$ 244,592 | \$ 244,592 | \$ 263,690 | \$ 233,760 | \$ 244,592 | \$ 244,592 | \$ 266,679 | \$ 233,760 | \$ 244,592 | \$ 266,679 | \$ 2,989 | 1.13% | | | |
| 9 | \$ 929,341 | \$ 1,056,195 | \$ 1,056,195 | \$ 1,173,835 | \$ 929,341 | \$ 1,056,195 | \$ 1,056,195 | \$ 1,185,234 | \$ 929,341 | \$ 1,056,195 | \$ 1,185,234 | \$ 11,398 | 0.97% | | | |
| 10 | \$ 84,160 | \$ 99,122 | \$ 99,122 | \$ 131,157 | \$ 84,160 | \$ 99,122 | \$ 99,122 | \$ 135,673 | \$ 84,160 | \$ 99,122 | \$ 135,673 | \$ 4,516 | 3.44% | | | |
| 11 | \$ 850,703 | \$ 846,108 | \$ 846,108 | \$ 923,298 | \$ 850,703 | \$ 846,108 | \$ 846,108 | \$ 899,424 | \$ 850,703 | \$ 846,108 | \$ 899,424 | \$ (23,874) | -2.59% | | | |
| 12 | \$ 4,461,536 | \$ 4,719,110 | \$ 4,719,110 | \$ 5,158,181 | \$ 4,461,536 | \$ 4,719,110 | \$ 4,719,110 | \$ 5,183,435 | \$ 4,461,536 | \$ 4,719,110 | \$ 5,183,435 | \$ 25,254 | 0.49% | | | |
| 13 | \$ 42,299 | \$ (262,373) | \$ (262,373) | \$ (406,960) | \$ 42,299 | \$ (262,373) | \$ (262,373) | \$ (421,019) | \$ 42,299 | \$ (262,373) | \$ (421,019) | \$ (14,059) | | | | |
| 14 | \$ 605 | \$ (493) | \$ (493) | \$ (765) | \$ 605 | \$ (493) | \$ (493) | \$ (964) | \$ 605 | \$ (493) | \$ (964) | \$ (199) | | | | |
| 15 | \$ (376,866) | \$ (333,962) | \$ (333,962) | \$ (596,829) | \$ (376,866) | \$ (333,962) | \$ (333,962) | \$ (596,829) | \$ (376,866) | \$ (333,962) | \$ (596,829) | \$ - | | | | |
| 16 | \$ (333,962) | \$ (596,829) | \$ (596,829) | \$ (1,004,554) | \$ (333,962) | \$ (596,829) | \$ (596,829) | \$ (1,018,812) | \$ (333,962) | \$ (596,829) | \$ (1,018,812) | \$ (14,258) | | | | |
| 17 | | | | 21.1% | | | | | | | | | | | | |
| | | | | 13.5% | | | | | | | | | | | | |

*All Other Expenses includes Admin, Supervisory, Container, and Corporate Overhead Expenses

Variance Analysis:

The amount owed Allied (i.e., your balancing account) increased from \$1,004,554 to \$1,018,812, mainly as the result of the following:

- ◆ Revenues were slightly greater than anticipated (includes 2010 schools unrealized revenue payment from Allied);
- ◆ Increased labor expense due to Allied's unanticipated payment of the January 2011 health care premiums for the drivers not hired by Recology and greater than anticipated vacation/sick payouts.
- ◆ Greater than anticipated tip fee expenses due to greater than anticipated commercial solid waste tonnage collected; and,
- ◆ Increased debris box service expenses from more than anticipated debris box loads, which did lead to additional revenue.
- ◆ Greater than anticipated workers compensation claims expense in 2011 for incidents which occurred prior to Allied ceasing operations on December 31, 2010.

Operating Statistics

Belmont

| Routes | Last Year's Review | | This Year's Review | | Difference 2010 LY vs TY | % 2010 LY vs TY |
|--|--------------------|---------------|--------------------|---------------|--------------------------------|-----------------------|
| | 2008 | 2009 | 2008 | 2009 | | |
| Solid Waste Routes | 9.01 | 9.00 | 9.01 | 9.00 | - | 0.00% |
| Plant Material Routes | 4.95 | 5.14 | 4.95 | 5.14 | - | 0.00% |
| REL Routes | 5.12 | 5.08 | 5.12 | 5.08 | - | 0.00% |
| FEL Routes | 2.29 | 2.34 | 2.29 | 2.34 | - | 0.00% |
| Total | 21.36 | 21.56 | 21.36 | 21.56 | - | 0.00% |
| REL = Rear-End Load Vehicles used to collect containers; FEL = Front-End Load Vehicles used to collection containers | | | | | | |
| Route Statistics | | | | | | |
| Residential Solid Waste Accounts per route | 723.44 | 727.05 | 723.44 | 727.05 | - | 0.00% |
| Residential Plant Material Accounts per route | 658.36 | 636.88 | 658.36 | 636.88 | - | 0.00% |
| Residential Solid Waste Tons per route | 496.77 | 461.50 | 496.77 | 480.64 | (5.88) | -1.17% |
| Residential Plant Material Tons per route | 573.53 | 570.55 | 573.53 | 590.74 | (7.30) | -1.07% |
| Commercial REL Accounts per Route | 65.07 | 65.19 | 65.07 | 65.19 | - | 0.00% |
| Commercial FEL Accounts per Route | 51.08 | 46.99 | 51.08 | 46.99 | - | 0.00% |
| Commercial REL Tons per Route | 659.24 | 611.49 | 659.24 | 634.27 | (11.28) | -1.75% |
| Commercial FEL Tons per Route | 1,067.73 | 988.09 | 1,067.73 | 972.68 | (2.16) | -0.21% |
| Tonnage | | | | | | |
| Residential - Solid Waste | 4,474 | 4,154 | 4,474 | 4,326 | (53) | -1.17% |
| Residential - Plant Material | 2,838 | 2,931 | 2,838 | 3,035 | (35) | -1.07% |
| Commercial REL Solid Waste | 3,374 | 3,105 | 3,374 | 3,220 | (57) | -1.75% |
| Commercial FEL Solid Waste | 2,446 | 2,313 | 2,446 | 2,277 | (5) | -0.21% |
| Commercial Organics | 421 | 411 | 421 | 458 | (16) | -3.73% |
| Subtotal | 13,552 | 12,914 | 13,552 | 13,317 | (166) | -1.20% |
| Agency Tons to Transfer Station | 1,661 | 1,630 | 1,661 | 2,098 | 191 | 17.00% |
| Agency Tons to Ox Mtn. | 355 | - | 355 | - | - | - |
| DBBS Compactor/JPA Tonnage | | | | | | |
| Solid Waste | 518 | 495 | 518 | 484 | 20 | 4.67% |
| Recyclables and Organic Materials | 219 | 11 | 219 | 21 | (43) | -100.00% |
| Agency Tons | 222 | 304 | 222 | 256 | 51 | 7.05% |
| | 958 | 810 | 958 | 761 | 28 | 2.33% |
| Accounts | | | | | | |
| Residential | 6,515 | 6,544 | 6,515 | 6,544 | - | 0.00% |
| Commercial-REL | 333 | 331 | 333 | 331 | - | 0.00% |
| Commercial-FEL | 117 | 110 | 117 | 110 | - | 0.00% |
| Commercial Subtotal | 450 | 441 | 450 | 441 | - | 0.00% |
| Lifts | | | | | | |
| Residential Cans - Solid Waste | 7,410 | 7,335 | 7,410 | 7,335 | - | 0.00% |
| Commercial - REL Cans, Solid Waste | 1,201 | 1,093 | 1,201 | 1,093 | - | 0.00% |
| Commercial - REL Cans, Organics | 33 | 27 | 33 | 27 | - | 0.00% |
| Commercial - REL Bins, Solid Waste | 338 | 337 | 338 | 337 | - | 0.00% |
| Commercial - FEL Bins, Solid Waste | 253 | 249 | 253 | 249 | - | 0.00% |
| Commercial - FEL Bins, Organics | 28 | 34 | 28 | 34 | - | 0.00% |

Revenue Requirement and
Operating Data for 2008-2010

Burlingame

| | A | B | C | D | E | F | G | H |
|----|----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|------------------------|------------------|
| | Last Year's Review | | This Year's Review | | Difference | | % | |
| | 2008 (Actual) | 2009 (Actual) | 2010 (Projected) | 2008 (Actual) | 2009 (Actual) | 2010 (Actual) | Difference LY vs TY | 2010 LY vs TY |
| 1 | Rate Revenue | \$ 7,178,534 | \$ 7,400,317 | \$ 7,707,483 | \$ 7,178,534 | \$ 7,400,317 | \$ 7,721,950 | |
| 2 | Other Revenue | \$ 17,696 | \$ 20,352 | \$ 1,575 | \$ 17,696 | \$ 20,352 | \$ 9,076 | |
| 3 | Total Revenue | \$ 7,196,230 | \$ 7,420,669 | \$ 7,709,059 | \$ 7,196,230 | \$ 7,420,669 | \$ 7,731,026 | 0.28% |
| 4 | Collection Labor | \$ 1,799,099 | \$ 1,990,203 | \$ 2,065,981 | \$ 1,799,099 | \$ 1,990,203 | \$ 2,088,558 | 1.09% |
| 5 | Vehicle Expenses | \$ 578,655 | \$ 549,982 | \$ 573,388 | \$ 578,655 | \$ 549,982 | \$ 581,882 | 1.48% |
| 6 | Operating Insurance | \$ 224,117 | \$ 269,948 | \$ 454,018 | \$ 224,117 | \$ 269,948 | \$ 461,019 | 1.54% |
| 7 | All Other Expenses* | \$ 1,088,495 | \$ 1,031,505 | \$ 1,054,604 | \$ 1,088,495 | \$ 1,031,505 | \$ 1,009,916 | -4.24% |
| 8 | Profit | \$ 364,981 | \$ 379,942 | \$ 410,241 | \$ 364,981 | \$ 379,942 | \$ 409,587 | -0.16% |
| 9 | Disposal/Processing | \$ 1,462,454 | \$ 1,582,479 | \$ 1,791,110 | \$ 1,462,454 | \$ 1,582,479 | \$ 1,766,469 | -1.38% |
| 10 | Compactors/JPA Boxes | \$ 947,315 | \$ 987,749 | \$ 1,056,868 | \$ 947,315 | \$ 987,749 | \$ 1,093,353 | 3.45% |
| 11 | Franchise and Other Agency Fees | \$ 584,010 | \$ 768,320 | \$ 967,463 | \$ 584,010 | \$ 768,320 | \$ 945,703 | -2.25% |
| 12 | Total Revenue Requirement | \$ 7,049,127 | \$ 7,560,129 | \$ 8,373,673 | \$ 7,049,127 | \$ 7,560,129 | \$ 8,356,487 | -0.21% |
| 13 | Surplus/(Shortfall) | \$ 147,103 | \$ (139,460) | \$ (664,615) | \$ 147,103 | \$ (139,460) | \$ (625,462) | |
| 14 | Interest | \$ 2,104 | \$ (262) | \$ (1,249) | \$ 2,104 | \$ (262) | \$ (1,432) | |
| 15 | Prior Year Bal | \$ (64,509) | \$ 84,697 | \$ (55,026) | \$ (64,509) | \$ 84,697 | \$ (55,026) | |
| 16 | Cumulative Balancing Acct. | \$ 84,697 | \$ (55,026) | \$ (720,890) | \$ 84,697 | \$ (55,026) | \$ (681,920) | |
| 17 | Rate Adj Increase/(decrease) | | 0.7% | 9.4% | | | \$ 38,970 | |

* All Other Expenses includes Admin, Supervisory, Container, and Corporate Overhead Expense:

Variance Analysis:

The amount owed Allied (i.e., your balancing account) decreased from \$720,890 to \$681,920, mainly as the result of the following

- ◆ Revenues 0.28% greater than anticipated (includes 2010 schools unrealized revenue payment from Allied); and
- ◆ Less than anticipated tip fee expenses due to less than anticipated commercial solid waste tonnage collected; partially offset by
- ◆ Increased debris box service expenses from more than anticipated debris box loads, which did lead to additional revenue
- ◆ Greater than anticipated workers compensation claims expense in 2011 for incidents which occurred prior to Allied ceasing operations on December 31, 2010
- ◆ Increased Labor expense due to Allied's unanticipated payment of the January 2011 health care premiums for the drivers not hired by Recology and greater than anticipated vacation/sick payouts

Operating Statistics

Burlingame

| Routes | Last Year's Review | | This Year's Review | | Difference 2010 LY vs TY | % 2010 LY vs TY |
|---|--------------------|---------------|--------------------|---------------|--------------------------------|-----------------------|
| | 2008 | 2009 | 2008 | 2009 | | |
| Routes | | | | | | |
| Solid Waste Routes | 8.64 | 8.73 | 8.64 | 8.73 | - | 0.00% |
| Plant Material Routes | 4.50 | 4.51 | 4.50 | 4.51 | - | 0.00% |
| REL Routes | 11.69 | 11.58 | 11.69 | 11.58 | - | 0.00% |
| FEL Routes | 5.96 | 5.98 | 5.96 | 5.98 | - | 0.00% |
| Total | 30.79 | 30.81 | 30.79 | 30.81 | - | 0.00% |
| REL = Rear-End Load Vehicles used to collect containers; FEL = Front-End Load Vehicles used to collect containers | | | | | | |
| Route Statistics | | | | | | |
| Residential Solid Waste Accounts per route | 734.38 | 734.89 | 734.38 | 734.89 | - | 0.00% |
| Residential Plant Material Accounts per route | 704.98 | 711.06 | 704.98 | 711.06 | - | 0.00% |
| Residential Solid Waste Tons per route | 568.16 | 532.28 | 568.16 | 545.21 | (5.17) | -0.95% |
| Residential Plant Material Tons per route | 686.38 | 680.63 | 686.38 | 704.00 | 50.01 | 7.10% |
| Commercial REL Accounts per Route | 93.70 | 93.09 | 93.70 | 93.09 | - | 0.00% |
| Commercial FEL Accounts per Route | 55.33 | 53.34 | 55.33 | 53.34 | - | 0.00% |
| Commercial REL Tons per Route | 565.97 | 542.51 | 565.97 | 536.00 | (6.65) | -1.25% |
| Commercial FEL Tons per Route | 1,187.24 | 1,105.76 | 1,187.24 | 1,062.76 | (13.98) | -1.36% |
| Tonnage | | | | | | |
| Residential - Solid Waste | 4,907 | 4,649 | 4,907 | 4,762 | (45) | -0.95% |
| Residential - Plant Material | 3,088 | 3,072 | 3,088 | 3,178 | 230 | 7.10% |
| Commercial REL Solid Waste | 6,614 | 6,282 | 6,614 | 6,207 | (76) | -1.25% |
| Commercial FEL Solid Waste | 7,080 | 6,613 | 7,080 | 6,356 | (84) | -1.36% |
| Commercial Organics | 1,014 | 1,112 | 1,014 | 1,272 | 37 | 2.88% |
| Subtotal | 22,704 | 21,730 | 22,704 | 21,775 | 61 | 0.28% |
| Agency Tons to Transfer Station | 1,149 | 1,500 | 1,149 | 1,173 | (433) | -46.03% |
| Agency Tons to Ox Mtrn. | 442 | - | 442 | - | - | - |
| BDBS Compactor/JPA Tonnage | | | | | | |
| Solid Waste | 8,601 | 7,152 | 8,601 | 7,391 | 539 | 7.25% |
| Recyclables and Organic Materials | 686 | 235 | 686 | 199 | 1 | 0.74% |
| Agency Tons | 1,522 | 1,485 | 1,522 | 1,634 | 42 | 2.79% |
| | 10,809 | 8,873 | 10,809 | 9,224 | 582 | 6.39% |
| Accounts | | | | | | |
| Residential | 6,343 | 6,419 | 6,343 | 6,419 | - | 0.00% |
| Commercial-REL | 1,095 | 1,078 | 1,095 | 1,078 | - | 0.00% |
| Commercial-FEL | 330 | 319 | 330 | 319 | - | 0.00% |
| Commercial Subtotal | 1,425 | 1,397 | 1,425 | 1,397 | - | 0.00% |
| Lifts | | | | | | |
| Residential Cans - Solid Waste | 7,533 | 7,488 | 7,533 | 7,488 | - | 0.00% |
| Commercial - REL Cans, Solid Waste | 3,677 | 3,571 | 3,677 | 3,571 | - | 0.00% |
| Commercial - REL Cans, Organics | 202 | 283 | 202 | 283 | - | 0.00% |
| Commercial - REL Bins, Solid Waste | 476 | 458 | 476 | 458 | - | 0.00% |
| Commercial - FEL Bins, Solid Waste | 645 | 632 | 645 | 632 | - | 0.00% |
| Commercial - FEL Bins, Organics | 42 | 58 | 42 | 58 | - | 0.00% |

East Palo Alto

| | A | | B | | C | | D | | E | | F | | H | | J | |
|----|------------------|------------------|------------------|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------------------|--------------------------------|-----------------------|---------|
| | 2008 (Actual) | 2009 (Actual) | 2009 (Actual) | 2010 (Projected) | 2008 (Actual) | 2009 (Actual) | 2009 (Actual) | 2010 (Actual) | 2008 (Actual) | 2009 (Actual) | 2009 (Actual) | 2010 (Actual) | Difference 2010 LY vs TY | Difference 2010 LY vs TY | % 2010 LY vs TY | (H / C) |
| 1 | \$ 3,086,745 | \$ 3,130,223 | \$ 3,130,223 | \$ 3,413,174 | \$ 3,086,745 | \$ 3,130,223 | \$ 3,130,223 | \$ 3,422,195 | \$ 10,878 | \$ 13,216 | \$ 13,216 | \$ 6,024 | | | | |
| 2 | \$ 10,878 | \$ 13,216 | \$ 13,216 | \$ 447 | \$ 10,878 | \$ 13,216 | \$ 13,216 | \$ 6,024 | \$ 3,097,623 | \$ 3,143,439 | \$ 3,143,439 | \$ 3,428,220 | \$ 14,599 | \$ 14,599 | 0.43% | |
| 3 | \$ 3,097,623 | \$ 3,143,439 | \$ 3,143,439 | \$ 3,413,621 | \$ 3,097,623 | \$ 3,143,439 | \$ 3,143,439 | \$ 3,428,220 | \$ 3,292,726 | \$ 3,608,024 | \$ 3,608,024 | \$ 4,150,936 | \$ 57,261 | \$ 57,261 | 1.40% | |
| 4 | \$ 811,485 | \$ 921,855 | \$ 921,855 | \$ 972,293 | \$ 811,485 | \$ 921,855 | \$ 921,855 | \$ 987,097 | \$ 811,485 | \$ 921,855 | \$ 921,855 | \$ 987,097 | \$ 14,804 | \$ 14,804 | 1.52% | |
| 5 | \$ 345,696 | \$ 340,406 | \$ 340,406 | \$ 381,843 | \$ 345,696 | \$ 340,406 | \$ 340,406 | \$ 378,379 | \$ 345,696 | \$ 340,406 | \$ 340,406 | \$ 378,379 | \$ (3,464) | \$ (3,464) | -0.91% | |
| 6 | \$ 104,349 | \$ 123,484 | \$ 123,484 | \$ 187,579 | \$ 104,349 | \$ 123,484 | \$ 123,484 | \$ 204,502 | \$ 104,349 | \$ 123,484 | \$ 123,484 | \$ 204,502 | \$ 16,923 | \$ 16,923 | 9.02% | |
| 7 | \$ 454,761 | \$ 424,232 | \$ 424,232 | \$ 498,696 | \$ 454,761 | \$ 424,232 | \$ 424,232 | \$ 502,317 | \$ 454,761 | \$ 424,232 | \$ 424,232 | \$ 502,317 | \$ 3,621 | \$ 3,621 | 0.73% | |
| 8 | \$ 169,743 | \$ 179,009 | \$ 179,009 | \$ 201,799 | \$ 169,743 | \$ 179,009 | \$ 179,009 | \$ 204,952 | \$ 169,743 | \$ 179,009 | \$ 179,009 | \$ 204,952 | \$ 3,153 | \$ 3,153 | 1.56% | |
| 9 | \$ 922,536 | \$ 1,054,055 | \$ 1,054,055 | \$ 1,198,788 | \$ 922,536 | \$ 1,054,055 | \$ 1,054,055 | \$ 1,231,296 | \$ 922,536 | \$ 1,054,055 | \$ 1,054,055 | \$ 1,231,296 | \$ 32,507 | \$ 32,507 | 2.71% | |
| 10 | \$ 135,223 | \$ 207,213 | \$ 207,213 | \$ 254,004 | \$ 135,223 | \$ 207,213 | \$ 207,213 | \$ 250,477 | \$ 135,223 | \$ 207,213 | \$ 207,213 | \$ 250,477 | \$ (3,526) | \$ (3,526) | -1.39% | |
| 11 | \$ 348,933 | \$ 357,769 | \$ 357,769 | \$ 398,672 | \$ 348,933 | \$ 357,769 | \$ 357,769 | \$ 391,915 | \$ 348,933 | \$ 357,769 | \$ 357,769 | \$ 391,915 | \$ (6,757) | \$ (6,757) | -1.69% | |
| 12 | \$ 3,292,726 | \$ 3,608,024 | \$ 3,608,024 | \$ 4,093,674 | \$ 3,292,726 | \$ 3,608,024 | \$ 3,608,024 | \$ 4,150,936 | \$ 3,292,726 | \$ 3,608,024 | \$ 3,608,024 | \$ 4,150,936 | \$ 57,261 | \$ 57,261 | 1.40% | |
| 13 | \$ (195,102) | \$ (464,585) | \$ (464,585) | \$ (680,054) | \$ (195,102) | \$ (464,585) | \$ (464,585) | \$ (722,716) | \$ (195,102) | \$ (464,585) | \$ (464,585) | \$ (722,716) | \$ (42,662) | \$ (42,662) | | |
| 14 | \$ (2,790) | \$ (873) | \$ (873) | \$ (1,279) | \$ (2,790) | \$ (873) | \$ (873) | \$ (1,655) | \$ (2,790) | \$ (873) | \$ (873) | \$ (1,655) | \$ (377) | \$ (377) | | |
| 15 | \$ 412,060 | \$ 214,167 | \$ 214,167 | \$ (251,292) | \$ 412,060 | \$ 214,167 | \$ 214,167 | \$ (251,292) | \$ 412,060 | \$ 214,167 | \$ 214,167 | \$ (251,292) | \$ - | \$ - | | |
| 16 | \$ 214,167 | \$ (251,292) | \$ (251,292) | \$ (932,624) | \$ 214,167 | \$ (251,292) | \$ (251,292) | \$ (975,663) | \$ 214,167 | \$ (251,292) | \$ (251,292) | \$ (975,663) | \$ (43,039) | \$ (43,039) | | |
| 17 | | | | 27.3% | | | 8.0% | | | | | | | | | |

* All Other Expenses includes Admin, Supervisory, Container, and Corporate Overhead Expenses

Variance Analysis:

The amount owed Allied (i.e., your balancing account) increased from \$932,624 to \$975,663, mainly as the result of the following:

- Greater than anticipated tip fee expenses due to greater than anticipated solid waste tonnage collected;
- Increased Labor expense due to Allied's unanticipated payment of the January 2011 health care premiums for the drivers not hired by Recology and greater than anticipated vacation/sick payouts.
- Greater than anticipated workers compensation claims expense in 2011 for incidents which occurred prior to Allied ceasing operations on December 31, 2010.
- Revenues 0.43% greater than anticipated (includes 2010 schools unrealized revenue payment from Allied); and,
- Less than anticipated third-party pass-through costs (Line 11)

Operating Statistics

East Palo Alto

| Routes | Last Year's Review | | 2010 | | 2008 | | This Year's Review | | 2010 | | Difference 2010 LY vs TY | % 2010 LY vs TY |
|---|--------------------|---------------|---------------|---------------|---------------|---------------|--------------------|---------------|---------------|--------------|--------------------------------|-----------------------|
| | 2009 | 2008 | 2009 | 2010 | 2008 | 2009 | 2009 | 2010 | | | | |
| Solid Waste Routes | 7.99 | 7.99 | 7.91 | 7.91 | 7.99 | 7.99 | 7.99 | 7.99 | 7.91 | 7.91 | - | 0.00% |
| Plant Material Routes | 3.69 | 3.70 | 3.70 | 3.70 | 3.69 | 3.70 | 3.70 | 3.70 | 3.70 | 3.70 | - | 0.00% |
| REL Routes | 2.37 | 2.36 | 2.47 | 2.47 | 2.37 | 2.36 | 2.36 | 2.36 | 2.47 | 2.47 | - | 0.00% |
| FEL Routes | 2.58 | 2.81 | 3.13 | 3.13 | 2.58 | 2.81 | 2.81 | 3.13 | 3.13 | 3.13 | - | 0.00% |
| Total | 16.64 | 16.86 | 17.21 | 17.21 | 16.64 | 16.86 | 16.86 | 17.21 | 17.21 | 17.21 | - | 0.00% |
| REL = Rear-End Load Vehicles used to collect containers; FEL = Front-End Load Vehicles used to collect containers | | | | | | | | | | | | |
| Route Statistics | | | | | | | | | | | | |
| Residential Solid Waste Accounts per route | 518.24 | 518.59 | 523.21 | 523.21 | 518.24 | 518.59 | 518.59 | 523.21 | 523.21 | 523.21 | - | 0.00% |
| Residential Plant Material Accounts per route | 560.88 | 560.60 | 558.53 | 558.53 | 560.88 | 560.60 | 560.60 | 558.53 | 558.53 | 558.53 | - | 0.00% |
| Residential Solid Waste Tons per route | 877.11 | 823.65 | 924.69 | 924.69 | 877.11 | 874.80 | 874.80 | 896.78 | 896.78 | (27.90) | - | -3.02% |
| Residential Plant Material Tons per route | 724.45 | 707.61 | 789.18 | 789.18 | 724.45 | 692.38 | 692.38 | 799.38 | 799.38 | 10.19 | - | 1.29% |
| Commercial REL Accounts per Route | 57.34 | 53.29 | 50.57 | 50.57 | 57.34 | 53.29 | 53.29 | 50.57 | 50.57 | - | - | 0.00% |
| Commercial FEL Accounts per Route | 38.70 | 35.25 | 31.00 | 31.00 | 38.70 | 35.25 | 35.25 | 31.00 | 31.00 | - | - | 0.00% |
| Commercial REL Tons per Route | 735.38 | 686.07 | 708.39 | 708.39 | 735.38 | 833.28 | 833.28 | 693.55 | 693.55 | (14.85) | - | -2.10% |
| Commercial FEL Tons per Route | 1,226.25 | 1,089.66 | 931.31 | 931.31 | 1,226.25 | 1,125.47 | 1,125.47 | 997.16 | 997.16 | 65.85 | - | 7.07% |
| Tonnage | 2008 | 2009 | 2010 | 2010 | 2008 | 2009 | 2009 | 2010 | 2010 | | | |
| Residential - Solid Waste | 7,012 | 6,583 | 7,311 | 7,311 | 7,012 | 6,992 | 6,992 | 7,091 | 7,091 | (221) | - | -3.02% |
| Residential - Plant Material | 2,676 | 2,616 | 2,923 | 2,923 | 2,676 | 2,560 | 2,560 | 2,960 | 2,960 | 38 | - | 1.29% |
| Commercial REL Solid Waste | 1,744 | 1,622 | 1,751 | 1,751 | 1,744 | 1,970 | 1,970 | 1,714 | 1,714 | (37) | - | -2.10% |
| Commercial FEL Solid Waste | 3,169 | 3,060 | 2,914 | 2,914 | 3,169 | 3,161 | 3,161 | 3,120 | 3,120 | 206 | - | 7.07% |
| Commercial Organics | 127 | 119 | 126 | 126 | 127 | 117 | 117 | 126 | 126 | 1 | - | 0.44% |
| Subtotal | 14,727 | 14,001 | 15,025 | 15,025 | 14,727 | 14,800 | 14,800 | 15,012 | 15,012 | (13) | - | -0.09% |
| Agency Tons to Transfer Station | 451 | 477 | - | - | 451 | 414 | 414 | - | - | - | - | - |
| Agency Tons to Ox Mtn. | - | - | - | - | - | - | - | - | - | - | - | - |
| BDBS Compactor/JPA Tonnage | | | | | | | | | | | | |
| Solid Waste | 242 | 191 | 702 | 702 | 242 | 454 | 454 | 685 | 685 | (17) | - | -2.47% |
| Recyclables and Organic Materials | 20 | - | 26 | 26 | 20 | 12 | 12 | 10 | 10 | (17) | - | -62.54% |
| Agency Tons | 641 | 838 | 872 | 872 | 641 | 701 | 701 | 899 | 899 | 28 | - | 3.19% |
| | 902 | 1,029 | 1,600 | 1,600 | 902 | 1,167 | 1,167 | 1,594 | 1,594 | (6) | - | -0.38% |
| Accounts | | | | | | | | | | | | |
| Residential | 4,143 | 4,145 | 4,137 | 4,137 | 4,143 | 4,145 | 4,145 | 4,137 | 4,137 | - | - | 0.00% |
| Commercial-REL | 136 | 126 | 125 | 125 | 136 | 126 | 126 | 125 | 125 | - | - | 0.00% |
| Commercial-FEL | 100 | 99 | 97 | 97 | 100 | 99 | 99 | 97 | 97 | - | - | 0.00% |
| Commercial Subtotal | 236 | 225 | 222 | 222 | 236 | 225 | 225 | 222 | 222 | - | - | 0.00% |
| Lifts | | | | | | | | | | | | |
| Residential Cans - Solid Waste | 4,231 | 4,230 | 4,220 | 4,220 | 4,231 | 4,230 | 4,230 | 4,220 | 4,220 | - | - | 0.00% |
| Commercial - REL Cans, Solid Waste | 473 | 426 | 431 | 431 | 473 | 426 | 426 | 431 | 431 | - | - | 0.00% |
| Commercial - REL Cans, Organics | 19 | 15 | 17 | 17 | 19 | 15 | 15 | 17 | 17 | - | - | 0.00% |
| Commercial - REL Bins, Solid Waste | 183 | 180 | 177 | 177 | 183 | 180 | 180 | 177 | 177 | - | - | 0.00% |
| Commercial - FEL Bins, Solid Waste | 273 | 292 | 280 | 280 | 273 | 292 | 292 | 280 | 280 | - | - | 0.00% |
| Commercial - FEL Bins, Organics | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | - | - | 0.00% |

Revenue Requirement and
Operating Data for 2008-2010

Fair Oaks

| | A | B | C | D | E | F | H | J |
|----|----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------|
| | Last Year's Review | | 2010 | 2008 | This Year's Review | | Difference | % |
| | 2008 | 2009 | (Projected) | (Actual) | 2009 | 2010 | 2010 | 2010 |
| | (Actual) | (Actual) | (Projected) | (Actual) | (Actual) | (Actual) | LY vs TY | LY vs TY |
| 1 | Rate Revenue | \$ 2,070,026 | \$ 2,259,503 | \$ 2,469,443 | \$ 2,070,026 | \$ 2,259,503 | \$ 2,486,649 | |
| 2 | Other Revenue | \$ 150,386 | \$ 11,398 | \$ 401 | \$ 150,386 | \$ 11,398 | \$ 5,600 | |
| 3 | Total Revenue | \$ 2,220,412 | \$ 2,270,901 | \$ 2,469,844 | \$ 2,220,412 | \$ 2,270,901 | \$ 2,492,249 | 0.91% |
| 4 | Collection Labor | \$ 667,805 | \$ 727,405 | \$ 754,741 | \$ 667,805 | \$ 727,405 | \$ 759,747 | 0.66% |
| 5 | Vehicle Expenses | \$ 228,874 | \$ 216,693 | \$ 233,569 | \$ 228,874 | \$ 216,693 | \$ 236,494 | 1.25% |
| 6 | Operating Insurance | \$ 84,564 | \$ 99,786 | \$ 154,246 | \$ 84,564 | \$ 99,786 | \$ 165,845 | 7.52% |
| 7 | All Other Expenses* | \$ 401,769 | \$ 372,724 | \$ 381,611 | \$ 401,769 | \$ 372,724 | \$ 367,719 | -3.64% |
| 8 | Profit | \$ 136,781 | \$ 140,104 | \$ 150,742 | \$ 136,781 | \$ 140,104 | \$ 151,299 | 0.37% |
| 9 | Disposal/Processing | \$ 592,508 | \$ 629,186 | \$ 734,207 | \$ 592,508 | \$ 629,186 | \$ 715,060 | -2.61% |
| 10 | Compactors/JPA Boxes | \$ 16,410 | \$ 12,935 | \$ 14,143 | \$ 16,410 | \$ 12,935 | \$ 13,853 | -2.05% |
| 11 | Franchise and Other Agency Fees | \$ 61,234 | \$ 49,613 | \$ 80,277 | \$ 61,234 | \$ 49,613 | \$ 72,541 | -9.64% |
| 12 | Total Revenue Requirement | \$ 2,189,945 | \$ 2,248,446 | \$ 2,503,535 | \$ 2,189,945 | \$ 2,248,446 | \$ 2,482,558 | -0.84% |
| 13 | Surplus/(Shortfall) | \$ 30,466 | \$ 22,455 | \$ (33,691) | \$ 30,466 | \$ 22,455 | \$ 9,691 | |
| 14 | Interest | \$ 436 | \$ 42 | \$ (63) | \$ 436 | \$ 42 | \$ 22 | |
| 15 | Prior Year Bal | \$ (47,809) | \$ (16,907) | \$ 5,590 | \$ (47,809) | \$ (16,907) | \$ 5,590 | |
| 16 | Cumulative Balancing Acct. | \$ (16,907) | \$ 5,590 | \$ (28,165) | \$ (16,907) | \$ 5,590 | \$ 15,302 | |
| 17 | Rate Adj Increase/(decrease) | | -0.2% | 1.1% | | | \$ 43,467 | |

* All Other Expenses includes Admin, Supervisory, Container, and Corporate Overhead Expenses

Variance Analysis:

- Anticipated balancing account balance increased from a \$28,165 shortfall to a \$15,302 surplus, mainly as the result of the following:
 - Revenues 0.91% greater than anticipated (includes 2010 schools unrealized revenue payment from Allied); and,
 - Less than anticipated tip fee costs for solid waste disposal; partially fully offset by,
 - Increased Labor expense due to Allied's unanticipated payment of the January 2011 health care premiums for the drivers not hired by Recology and greater than anticipated vacation/sick payouts.
 - Greater than anticipated workers compensation claims expense in 2011 for incidents which occurred prior to Allied ceasing operations on December 31, 2010.

Operating Statistics

Fair Oaks

| Routes | Last Year's Review | | This Year's Review | | Difference 2010 LY vs TY | % 2010 LY vs TY |
|--|--------------------|--------------|--------------------|--------------|--------------------------------|-----------------------|
| | 2008 | 2009 | 2008 | 2009 | | |
| Solid Waste Routes | 3.86 | 3.90 | 3.86 | 3.90 | - | 0.00% |
| Plant Material Routes | 1.90 | 1.90 | 1.90 | 1.89 | - | 0.00% |
| REL Routes | 2.72 | 2.62 | 2.72 | 2.63 | - | 0.00% |
| FEL Routes | 2.71 | 2.66 | 2.71 | 2.37 | - | 0.00% |
| Total | 11.18 | 11.09 | 11.18 | 11.09 | - | 0.00% |
| REL = Rear-End Load Vehicles used to collect containers; FEL = Front-End Load Vehicles used to collection containers | | | | | | |
| Route Statistics | | | | | | |
| Residential Solid Waste Accounts per route | 639.18 | 651.59 | 639.18 | 651.59 | - | 0.00% |
| Residential Plant Material Accounts per route | 649.86 | 670.15 | 649.86 | 670.15 | - | 0.00% |
| Residential Solid Waste Tons per route | 881.45 | 837.21 | 881.45 | 906.57 | (8.73) | -0.89% |
| Residential Plant Material Tons per route | 835.75 | 899.23 | 835.75 | 827.95 | 1.62 | 0.18% |
| Commercial REL Accounts per Route | 126.16 | 106.71 | 126.16 | 106.71 | - | 0.00% |
| Commercial FEL Accounts per Route | 66.79 | 63.46 | 66.79 | 63.46 | - | 0.00% |
| Commercial REL Tons per Route | 676.30 | 667.42 | 676.30 | 516.27 | (0.31) | -0.08% |
| Commercial FEL Tons per Route | 897.38 | 864.21 | 897.38 | 828.13 | (64.68) | -6.84% |
| Tonnage | 2008 | 2009 | 2008 | 2009 | 2008 | 2010 |
| Residential - Solid Waste | 3,401 | 3,269 | 3,401 | 3,540 | (34) | -0.89% |
| Residential - Plant Material | 1,586 | 1,707 | 1,586 | 1,572 | 3 | 0.18% |
| Commercial REL Solid Waste | 1,839 | 1,751 | 1,839 | 1,355 | (1) | -0.08% |
| Commercial FEL Solid Waste | 2,432 | 2,301 | 2,432 | 2,205 | (154) | -6.84% |
| Commercial Organics | 544 | 507 | 544 | 500 | (478) | -9.68% |
| Subtotal | 9,801 | 9,535 | 9,801 | 9,171 | (237) | -2.56% |
| Agency Tons to Transfer Station | - | - | - | - | - | - |
| Agency Tons to Ox Mtn. | - | - | - | - | - | - |
| BDBS Compactor/JPA Tonnage | | | | | | |
| Solid Waste | - | - | - | - | - | - |
| Recyclables and Organic Materials | 1,736 | 90 | 1,736 | 51 | (2) | -2.74% |
| Agency Tons | 3 | - | 3 | 4 | - | - |
| | 1,739 | 90 | 1,739 | 55 | (2) | -2.74% |
| Accounts | | | | | | |
| Residential | 2,466 | 2,544 | 2,466 | 2,544 | - | 0.00% |
| Commercial-REL | 343 | 280 | 343 | 280 | - | 0.00% |
| Commercial-FEL | 181 | 169 | 181 | 169 | - | 0.00% |
| Commercial Subtotal | 524 | 449 | 524 | 449 | - | 0.00% |
| Lifts | | | | | | |
| Residential Cans - Solid Waste | 4,583 | 4,761 | 4,583 | 4,761 | - | 0.00% |
| Commercial - REL Cans, Solid Waste | 667 | 640 | 667 | 640 | - | 0.00% |
| Commercial - REL Cans, Organics | 44 | 38 | 44 | 38 | - | 0.00% |
| Commercial - REL Bins, Solid Waste | 189 | 177 | 189 | 177 | - | 0.00% |
| Commercial - FEL Bins, Solid Waste | 267 | 243 | 267 | 243 | - | 0.00% |
| Commercial - FEL Bins, Organics | 37 | 35 | 37 | 35 | - | 0.00% |

Revenue Requirement and
Operating Data for 2008-2010

| | A | | B | | C | | D | | E | | F | | H | | J | |
|----|------------------|------------------|------------------|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------------------|-----------------------|--------------------------------|-----------------------|--|
| | 2008 (Actual) | 2009 (Actual) | 2009 (Actual) | 2010 (Projected) | 2008 (Actual) | 2009 (Actual) | 2009 (Actual) | 2010 (Actual) | 2008 (Actual) | 2009 (Actual) | 2010 (Actual) | Difference 2010 LY vs TY | % 2010 LY vs TY | Difference 2010 LY vs TY | % 2010 LY vs TY | |
| 1 | \$ 4,319,257 | \$ 4,310,544 | \$ 4,310,544 | \$ 4,168,450 | \$ 4,319,257 | \$ 4,310,544 | \$ 4,310,544 | \$ 4,172,585 | \$ 18,100 | \$ 21,468 | \$ 9,577 | | | | | |
| 2 | \$ 18,100 | \$ 21,468 | \$ 21,468 | \$ 1,501 | \$ 18,100 | \$ 21,468 | \$ 21,468 | \$ 9,577 | \$ 4,337,356 | \$ 4,332,011 | \$ 4,182,162 | \$ 12,211 | 0.29% | \$ 12,211 | 0.29% | |
| 3 | \$ 4,337,356 | \$ 4,332,011 | \$ 4,332,011 | \$ 4,169,952 | \$ 4,337,356 | \$ 4,332,011 | \$ 4,182,162 | \$ 4,182,162 | \$ 4,337,356 | \$ 4,332,011 | \$ 4,182,162 | \$ 12,211 | 0.29% | \$ 12,211 | 0.29% | |
| 4 | \$ 1,109,798 | \$ 1,233,878 | \$ 1,233,878 | \$ 1,286,253 | \$ 1,109,798 | \$ 1,233,878 | \$ 1,286,382 | \$ 1,286,382 | \$ 1,109,798 | \$ 1,233,878 | \$ 1,286,382 | \$ 129 | 0.01% | \$ 129 | 0.01% | |
| 5 | \$ 388,742 | \$ 370,069 | \$ 370,069 | \$ 395,464 | \$ 388,742 | \$ 370,069 | \$ 395,644 | \$ 395,644 | \$ 388,742 | \$ 370,069 | \$ 395,644 | \$ 180 | 0.05% | \$ 180 | 0.05% | |
| 6 | \$ 139,785 | \$ 167,981 | \$ 167,981 | \$ 271,364 | \$ 139,785 | \$ 167,981 | \$ 280,444 | \$ 280,444 | \$ 139,785 | \$ 167,981 | \$ 280,444 | \$ 9,080 | 3.35% | \$ 9,080 | 3.35% | |
| 7 | \$ 656,376 | \$ 631,126 | \$ 631,126 | \$ 617,543 | \$ 656,376 | \$ 631,126 | \$ 595,240 | \$ 595,240 | \$ 656,376 | \$ 631,126 | \$ 595,240 | \$ (22,302) | -3.61% | \$ (22,302) | -3.61% | |
| 8 | \$ 226,948 | \$ 237,665 | \$ 237,665 | \$ 254,238 | \$ 226,948 | \$ 237,665 | \$ 252,960 | \$ 252,960 | \$ 226,948 | \$ 237,665 | \$ 252,960 | \$ (1,277) | -0.50% | \$ (1,277) | -0.50% | |
| 9 | \$ 973,892 | \$ 1,106,716 | \$ 1,106,716 | \$ 1,305,965 | \$ 973,892 | \$ 1,106,716 | \$ 1,284,847 | \$ 1,284,847 | \$ 973,892 | \$ 1,106,716 | \$ 1,284,847 | \$ (21,118) | -1.62% | \$ (21,118) | -1.62% | |
| 10 | \$ 293,466 | \$ 330,391 | \$ 330,391 | \$ 292,180 | \$ 293,466 | \$ 330,391 | \$ 301,284 | \$ 301,284 | \$ 293,466 | \$ 330,391 | \$ 301,284 | \$ 9,105 | 3.12% | \$ 9,105 | 3.12% | |
| 11 | \$ 303,901 | \$ 1,072,911 | \$ 1,072,911 | \$ 302,039 | \$ 303,901 | \$ 1,072,911 | \$ 282,079 | \$ 282,079 | \$ 303,901 | \$ 1,072,911 | \$ 282,079 | \$ (19,960) | -6.61% | \$ (19,960) | -6.61% | |
| 12 | \$ 4,092,908 | \$ 5,150,735 | \$ 5,150,735 | \$ 4,725,046 | \$ 4,092,908 | \$ 5,150,735 | \$ 4,678,882 | \$ 4,678,882 | \$ 4,092,908 | \$ 5,150,735 | \$ 4,678,882 | \$ (46,164) | -0.98% | \$ (46,164) | -0.98% | |
| 13 | \$ 244,449 | \$ (818,724) | \$ (818,724) | \$ (555,094) | \$ 244,449 | \$ (818,724) | \$ (496,719) | \$ (496,719) | \$ 244,449 | \$ (818,724) | \$ (496,719) | \$ 58,375 | | \$ 58,375 | | |
| 14 | \$ 3,496 | \$ (1,539) | \$ (1,539) | \$ (1,044) | \$ 3,496 | \$ (1,539) | \$ (1,137) | \$ (1,137) | \$ 3,496 | \$ (1,539) | \$ (1,137) | \$ (94) | | \$ (94) | | |
| 15 | \$ 568,462 | \$ 816,407 | \$ 816,407 | \$ (3,856) | \$ 568,462 | \$ 816,407 | \$ (3,856) | \$ (3,856) | \$ 568,462 | \$ 816,407 | \$ (3,856) | \$ - | | \$ - | | |
| 16 | \$ 816,407 | \$ (3,856) | \$ (3,856) | \$ (559,994) | \$ 816,407 | \$ (3,856) | \$ (501,713) | \$ (501,713) | \$ 816,407 | \$ (3,856) | \$ (501,713) | \$ 58,281 | | \$ 58,281 | | |
| 17 | | | | 13.4% | | 0.1% | | | | | | | | | | |

*All Other Expenses includes Admin, Supervisory, Container, and Corporate Overhead Expenses

Variance Analysis:

The amount owed Allied (i.e., your balancing account) decreased from \$559,994 to \$501,713, mainly as the result of the following:

- ◆ Revenues 0.29% greater than anticipated;
- ◆ Less than anticipated tip fee expenses due to less than anticipated commercial solid waste tonnage collected;
- ◆ Less than anticipated third-party pass-through costs (Line 11); partially offset by,
- ◆ Increased Labor expense due to Allied's payment of the January 2011 health care premiums for the drivers and greater than anticipated vacation/sick payouts; and,
- ◆ Increased debris box service expenses from more than anticipated debris box loads, which did lead to additional revenue.
- ◆ Greater than anticipated workers compensation claims expense in 2011 for incidents which occurred prior to Allied ceasing operations on December 31, 2010.

Operating Statistics

Foster City

| Routes | Last Year's Review | | This Year's Review | | Difference 2010 LY vs TY | % 2010 LY vs TY |
|---|--------------------|---------------|--------------------|---------------|--------------------------------|-----------------------|
| | 2008 | 2009 | 2008 | 2009 | | |
| Solid Waste Routes | 7.52 | 7.50 | 7.52 | 7.50 | - | 0.00% |
| Plant Material Routes | 3.56 | 3.55 | 3.56 | 3.55 | - | 0.00% |
| REL Routes | 1.49 | 1.53 | 1.49 | 1.53 | - | 0.00% |
| FEL Routes | 7.83 | 8.02 | 7.83 | 8.02 | - | 0.00% |
| Total | 20.41 | 20.60 | 20.41 | 20.60 | - | 0.00% |
| REL = Rear-End Load Vehicles used to collect containers; FEL = Front-End Load Vehicles used to collect containers | | | | | | |
| Route Statistics | | | | | | |
| Residential Solid Waste Accounts per route | 871.12 | 862.16 | 871.12 | 862.16 | - | 0.00% |
| Residential Plant Material Accounts per route | 920.31 | 909.25 | 920.31 | 909.25 | - | 0.00% |
| Residential Solid Waste Tons per route | 616.64 | 580.21 | 616.64 | 604.17 | (3.63) | -0.60% |
| Residential Plant Material Tons per route | 536.96 | 512.38 | 536.96 | 533.31 | 56.96 | 10.37% |
| Commercial REL Accounts per Route | 56.96 | 54.14 | 56.96 | 54.14 | - | 0.00% |
| Commercial FEL Accounts per Route | 24.00 | 20.95 | 24.00 | 20.95 | - | 0.00% |
| Commercial REL Tons per Route | 459.13 | 418.76 | 459.13 | 568.19 | (3.89) | -0.82% |
| Commercial FEL Tons per Route | 905.48 | 821.90 | 905.48 | 832.86 | (61.75) | -7.38% |
| Tonnage | | | | | | |
| Residential - Solid Waste | 4,638 | 4,350 | 4,638 | 4,530 | (28) | -0.60% |
| Residential - Plant Material | 1,911 | 1,821 | 1,911 | 1,896 | 203 | 10.37% |
| Commercial REL Solid Waste | 685 | 642 | 685 | 871 | (6) | -0.82% |
| Commercial FEL Solid Waste | 7,093 | 6,592 | 7,093 | 6,679 | (492) | -7.38% |
| Commercial Organics | 1,326 | 1,285 | 1,326 | 1,340 | 347 | 24.30% |
| Subtotal | 15,653 | 14,690 | 15,653 | 15,316 | 25 | 0.16% |
| Agency Tons to Transfer Station | 419 | 672 | 419 | 760 | (310) | -27.49% |
| Agency Tons to Ox Mtn. | - | - | - | - | - | - |
| BDBS Compactor/JPA Tonnage | | | | | | |
| Solid Waste | 2,436 | 2,379 | 2,436 | 2,396 | 146 | 8.26% |
| Recyclables and Organic Materials | 77 | 24 | 77 | 11 | 53 | 527.98% |
| Agency Tons | 468 | 488 | 468 | 476 | 2 | 0.57% |
| Subtotal | 2,980 | 2,891 | 2,980 | 2,883 | 202 | 9.15% |
| Accounts | | | | | | |
| Residential | 6,552 | 6,464 | 6,552 | 6,464 | - | 0.00% |
| Commercial-REL | 85 | 83 | 85 | 83 | - | 0.00% |
| Commercial-FEL | 188 | 168 | 188 | 168 | - | 0.00% |
| Commercial Subtotal | 273 | 251 | 273 | 251 | 250 | 0.00% |
| Lifts | | | | | | |
| Residential Cans - Solid Waste | 7,702 | 7,446 | 7,702 | 7,446 | - | 0.00% |
| Commercial - REL Cans, Solid Waste | 850 | 853 | 850 | 853 | - | 0.00% |
| Commercial - REL Cans, Organics | 36 | 36 | 36 | 36 | - | 0.00% |
| Commercial - REL Bins, Solid Waste | 15 | 15 | 15 | 15 | - | 0.00% |
| Commercial - FEL Bins, Solid Waste | 859 | 852 | 859 | 852 | - | 0.00% |
| Commercial - FEL Bins, Organics | 80 | 79 | 80 | 79 | - | 0.00% |

Hillsborough

| | A | B | C | D | E | F | H | J |
|----|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------------------|-----------------------|
| | 2008 (Actual) | 2009 (Actual) | 2010 (Projected) | 2008 (Actual) | 2009 (Actual) | 2010 (Actual) | Difference 2010 LY vs TY | % 2010 LY vs TY |
| 1 | \$ 2,162,315 | \$ 2,488,790 | \$ 2,399,810 | \$ 2,162,315 | \$ 2,488,790 | \$ 2,410,838 | | |
| 2 | \$ 9,875 | \$ 11,761 | \$ 1,009 | \$ 9,875 | \$ 11,761 | \$ 5,631 | | |
| 3 | \$ 2,172,190 | \$ 2,500,551 | \$ 2,400,819 | \$ 2,172,190 | \$ 2,500,551 | \$ 2,416,468 | \$ 15,649 | 0.65% |
| 4 | \$ 726,142 | \$ 795,073 | \$ 837,410 | \$ 726,142 | \$ 795,073 | \$ 831,485 | \$ (5,925) | -0.71% |
| 5 | \$ 233,374 | \$ 218,675 | \$ 236,677 | \$ 233,374 | \$ 218,675 | \$ 234,307 | \$ (2,371) | -1.00% |
| 6 | \$ 94,145 | \$ 112,805 | \$ 161,703 | \$ 94,145 | \$ 112,805 | \$ 187,676 | \$ 25,974 | 16.06% |
| 7 | \$ 241,867 | \$ 235,479 | \$ 230,065 | \$ 241,867 | \$ 235,479 | \$ 235,713 | \$ 5,648 | 2.45% |
| 8 | \$ 128,129 | \$ 134,707 | \$ 144,975 | \$ 128,129 | \$ 134,707 | \$ 147,282 | \$ 2,307 | 1.59% |
| 9 | \$ 402,591 | \$ 454,923 | \$ 517,916 | \$ 402,591 | \$ 454,923 | \$ 524,149 | \$ 6,233 | 1.20% |
| 10 | \$ 74,919 | \$ 82,513 | \$ 56,809 | \$ 74,919 | \$ 82,513 | \$ 56,808 | \$ (2) | 0.00% |
| 11 | \$ 385,378 | \$ 335,607 | \$ 325,533 | \$ 385,378 | \$ 335,607 | \$ 332,209 | \$ 6,676 | 2.05% |
| 12 | \$ 2,286,545 | \$ 2,369,782 | \$ 2,511,088 | \$ 2,286,545 | \$ 2,369,782 | \$ 2,549,628 | \$ 38,540 | 1.53% |
| 13 | \$ (114,355) | \$ 130,769 | \$ (110,268) | \$ (114,355) | \$ 130,769 | \$ (133,160) | \$ (22,891) | |
| 14 | \$ (1,635) | \$ 246 | \$ (207) | \$ (1,635) | \$ 246 | \$ (305) | \$ (98) | |
| 15 | \$ (222,509) | \$ (338,499) | \$ (207,485) | \$ (222,509) | \$ (338,499) | \$ (207,485) | \$ - | |
| 16 | \$ (338,499) | \$ (207,485) | \$ (317,960) | \$ (338,499) | \$ (207,485) | \$ (340,950) | \$ (22,989) | |
| 17 | | | | | | | | |

*All Other Expenses includes Admin, Supervisory, Container, and Corporate Overhead Expenses:

Variance Analysis:

- The amount owed Allied (i.e., your balancing account) increased from \$317,960 to \$340,950 (includes 2010 schools unrealized revenue payment from Allied), mainly as the result of the following:
 - Operating insurance related to workers' compensation claims from residential drivers. Total claims (for both residential and commercial drivers) was actually slightly less than projected; however, residential claims were much higher and commercial claims much lower. Because Hillsborough has very little commercial customers, the greater than projected residential claims were not fully offset by the less than projected commercial claims; and
 - Increased Labor expense due to Allied's unanticipated payment of the January 2011 health care premiums for the drivers not hired by Recology and greater than anticipated vacation/sick payouts.
 - Partially offset by,
 - Revenues 0.37% greater than anticipated.

Operating Statistics

Hillsborough

| Routes | Last Year's Review | | | This Year's Review | | | Difference 2010 LY vs TY | % 2010 LY vs TY |
|--|--------------------|--------------|--------------|--------------------|--------------|--------------|--------------------------------|-----------------------|
| | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 | | |
| Solid Waste Routes | 10.07 | 9.76 | 9.77 | 10.07 | 9.76 | 9.77 | - | 0.00% |
| Plant Material Routes | 4.10 | 4.11 | 4.10 | 4.10 | 4.11 | 4.10 | - | 0.00% |
| Commercial | 0.32 | 0.33 | 0.33 | 0.32 | 0.33 | 0.33 | - | 0.00% |
| FEL Routes | 0.10 | 0.11 | 0.11 | 0.10 | 0.11 | 0.11 | - | 0.00% |
| Total | 14.57 | 14.30 | 14.31 | 14.57 | 14.30 | 14.31 | - | 0.00% |
| REL = Rear-End Load Vehicles used to collect containers; FEL = Front-End Load Vehicles used to collection container: | | | | | | | | |
| Route Statistics | | | | | | | | |
| Residential Solid Waste Accounts per route | 354.75 | 370.01 | 368.61 | 354.75 | 370.01 | 368.61 | - | 0.00% |
| Residential Plant Material Accounts per route | 435.92 | 439.64 | 438.70 | 435.92 | 439.64 | 438.70 | - | 0.00% |
| Residential Solid Waste Tons per route | 346.71 | 323.59 | 331.62 | 346.71 | 333.54 | 330.99 | (0.63) | -0.19% |
| Residential Plant Material Tons per route | 661.60 | 684.25 | 661.25 | 661.60 | 673.81 | 702.16 | 40.91 | 6.19% |
| Commercial REL Accounts per Route | 47.50 | 30.34 | 30.57 | 47.50 | 30.34 | 30.57 | - | 0.00% |
| Commercial FEL Accounts per Route | 41.27 | 27.96 | 27.11 | 41.27 | 27.96 | 27.11 | - | 0.00% |
| Commercial REL Tons per Route | 657.30 | 567.80 | 647.97 | 657.30 | 1,030.39 | 644.30 | (3.68) | -0.57% |
| Commercial FEL Tons per Route | 2,091.97 | 1,748.85 | 1,793.26 | 2,091.97 | 1,798.35 | 1,840.57 | 47.31 | 2.64% |
| Tonnage | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 | | |
| Residential - Solid Waste | 3,490 | 3,158 | 3,239 | 3,490 | 3,255 | 3,233 | (6) | -0.19% |
| Residential - Plant Material | 2,710 | 2,810 | 2,713 | 2,710 | 2,767 | 2,881 | 168 | 6.19% |
| Commercial REL Solid Waste | 208 | 187 | 212 | 208 | 340 | 211 | (1) | -0.57% |
| Commercial FEL Solid Waste | 203 | 188 | 198 | 203 | 193 | 204 | 5 | 2.64% |
| Commercial Organics | 313 | 320 | 310 | 313 | 325 | 319 | 9 | 2.88% |
| Subtotal | 6,923 | 6,663 | 6,672 | 6,923 | 6,880 | 6,847 | 175 | 2.62% |
| Agency Tons to Transfer Station | - | - | - | - | - | - | - | 0.00% |
| Agency Tons to Ox Mtn. | 3 | - | - | 3 | - | - | - | - |
| BDBS Compactor/JPA Tonnage | | | | | | | | |
| Solid Waste | - | - | - | - | - | - | - | - |
| Recyclables and Organic Materials | - | 1 | - | - | - | - | - | #DIV/0! |
| Agency Tons | 1,014 | 286 | 431 | 1,014 | 437 | 375 | (57) | -13.14% |
| Accounts | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 | | |
| Residential | 3,571 | 3,611 | 3,600 | 3,571 | 3,611 | 3,600 | - | 0.00% |
| Commercial-REL | 15 | 10 | 10 | 15 | 10 | 10 | - | 0.00% |
| Commercial-FEL | 4 | 3 | 3 | 4 | 3 | 3 | - | 0.00% |
| Commercial Subtotal | 19 | 13 | 13 | 19 | 13 | 13 | - | 0.00% |
| Lifts | | | | | | | | |
| Residential Cans - Solid Waste | 4,789 | 4,630 | 4,506 | 4,789 | 4,630 | 4,506 | - | 0.00% |
| Commercial - REL Cans, Solid Waste | 2 | 4 | 2 | 2 | 4 | 2 | - | 0.00% |
| Commercial - REL Cans, Organics | 1 | 4 | 5 | 1 | 4 | 5 | - | 0.00% |
| Commercial - REL Bins, Solid Waste | 32 | 31 | 31 | 32 | 31 | 31 | - | 0.00% |
| Commercial - FEL Bins, Solid Waste | 11 | 12 | 12 | 11 | 12 | 12 | - | 0.00% |
| Commercial - FEL Bins, Organics | 14 | 15 | 15 | 14 | 15 | 15 | - | 0.00% |

Revenue Requirement and
Operating Data for 2008-2010

Menlo Park

| | A | | B | | C | | D | | E | | F | | H | | J | |
|-----------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|--------------------------------|--------------------------------|-----------------------|--|
| | 2008 (Actual) | 2009 (Actual) | 2009 (Actual) | 2010 (Projected) | 2008 (Actual) | 2009 (Actual) | 2009 (Actual) | 2010 (Actual) | 2008 (Actual) | 2009 (Actual) | 2009 (Actual) | 2010 (Actual) | Difference 2010 LY vs TY | Difference 2010 LY vs TY | % 2010 LY vs TY | |
| 1 | \$ 6,926,659 | \$ 7,238,888 | \$ 7,238,888 | \$ 8,595,424 | \$ 6,926,659 | \$ 7,238,888 | \$ 7,238,888 | \$ 8,734,556 | \$ 6,926,659 | \$ 7,238,888 | \$ 8,734,556 | | | | | |
| 2 | \$ 20,752 | \$ 24,860 | \$ 24,860 | \$ 1,824 | \$ 20,752 | \$ 24,860 | \$ 24,860 | \$ 11,200 | \$ 20,752 | \$ 24,860 | \$ 11,200 | | | | | |
| 3 | \$ 6,947,411 | \$ 7,263,748 | \$ 7,263,748 | \$ 8,597,248 | \$ 6,947,411 | \$ 7,263,748 | \$ 7,263,748 | \$ 8,745,756 | \$ 6,947,411 | \$ 7,263,748 | \$ 8,745,756 | \$ 148,508 | \$ 148,508 | 1.73% | | |
| 4 | \$ 1,980,412 | \$ 2,175,434 | \$ 2,175,434 | \$ 2,266,752 | \$ 1,980,412 | \$ 2,175,434 | \$ 2,175,434 | \$ 2,297,682 | \$ 1,980,412 | \$ 2,175,434 | \$ 2,297,682 | \$ 30,929 | \$ 30,929 | 1.36% | | |
| 5 | \$ 699,546 | \$ 655,551 | \$ 655,551 | \$ 689,659 | \$ 699,546 | \$ 655,551 | \$ 655,551 | \$ 699,077 | \$ 699,546 | \$ 655,551 | \$ 699,077 | \$ 9,418 | \$ 9,418 | 1.37% | | |
| 6 | \$ 244,027 | \$ 290,201 | \$ 290,201 | \$ 481,074 | \$ 244,027 | \$ 290,201 | \$ 290,201 | \$ 492,142 | \$ 244,027 | \$ 290,201 | \$ 492,142 | \$ 11,068 | \$ 11,068 | 2.30% | | |
| 7 | \$ 1,140,303 | \$ 1,092,554 | \$ 1,092,554 | \$ 1,094,520 | \$ 1,140,303 | \$ 1,092,554 | \$ 1,092,554 | \$ 1,075,563 | \$ 1,140,303 | \$ 1,092,554 | \$ 1,075,563 | \$ (18,957) | \$ (18,957) | -1.73% | | |
| 8 | \$ 401,963 | \$ 416,743 | \$ 416,743 | \$ 448,220 | \$ 401,963 | \$ 416,743 | \$ 416,743 | \$ 451,430 | \$ 401,963 | \$ 416,743 | \$ 451,430 | \$ 3,210 | \$ 3,210 | 0.72% | | |
| 9 | \$ 1,720,905 | \$ 1,891,143 | \$ 1,891,143 | \$ 2,203,921 | \$ 1,720,905 | \$ 1,891,143 | \$ 1,891,143 | \$ 2,185,974 | \$ 1,720,905 | \$ 1,891,143 | \$ 2,185,974 | \$ (17,947) | \$ (17,947) | -0.81% | | |
| 10 | \$ 197,806 | \$ 249,261 | \$ 249,261 | \$ 209,278 | \$ 197,806 | \$ 249,261 | \$ 249,261 | \$ 234,369 | \$ 197,806 | \$ 249,261 | \$ 234,369 | \$ 25,092 | \$ 25,092 | 11.99% | | |
| 11 | \$ 712,903 | \$ 773,019 | \$ 773,019 | \$ 959,877 | \$ 712,903 | \$ 773,019 | \$ 773,019 | \$ 962,017 | \$ 712,903 | \$ 773,019 | \$ 962,017 | \$ 2,140 | \$ 2,140 | 0.22% | | |
| 12 | \$ 7,097,865 | \$ 7,543,906 | \$ 7,543,906 | \$ 8,353,301 | \$ 7,097,865 | \$ 7,543,906 | \$ 7,543,906 | \$ 8,398,253 | \$ 7,097,865 | \$ 7,543,906 | \$ 8,398,253 | \$ 44,952 | \$ 44,952 | 0.54% | | |
| 13 | \$ (150,453) | \$ (280,158) | \$ (280,158) | \$ 243,947 | \$ (150,453) | \$ (280,158) | \$ (280,158) | \$ 347,503 | \$ (150,453) | \$ (280,158) | \$ 347,503 | \$ 103,556 | \$ 103,556 | | | |
| 14 | \$ (2,151) | \$ (527) | \$ (527) | \$ 459 | \$ (2,151) | \$ (527) | \$ (527) | \$ 796 | \$ (2,151) | \$ (527) | \$ 796 | \$ 337 | \$ 337 | | | |
| 15 | \$ (651,795) | \$ (804,399) | \$ (804,399) | \$ (1,085,084) | \$ (651,795) | \$ (804,399) | \$ (804,399) | \$ (1,085,084) | \$ (651,795) | \$ (804,399) | \$ (1,085,084) | \$ - | \$ - | | | |
| 16 | \$ (804,399) | \$ (1,085,084) | \$ (1,085,084) | \$ (840,678) | \$ (804,399) | \$ (1,085,084) | \$ (1,085,084) | \$ (736,785) | \$ (804,399) | \$ (1,085,084) | \$ (736,785) | \$ 103,893 | \$ 103,893 | | | |
| 17 | | | | 9.8% | | | | | | | | | | | | |

*All Other Expenses includes Admin, Supervisory, Container, and Corporate Overhead Expenses

Variance Analysis:

The amount owed Allied (i.e., your balancing account) decreased from \$840,678 to \$736,785 mainly as the result of the following:

- ◆ Revenues 1.73% greater than anticipated (includes 2010 schools unrealized revenue payment from Allied); partially fully offset by, and greater than anticipated debris box service expenses from more than anticipated debris box loads, which did lead to additional revenue;
- ◆ Increased Franchise fees resulting from the increased revenue; and,
- ◆ Greater than anticipated workers compensation claims expense in 2011 for incidents which occurred prior to Allied ceasing operations on December 31, 2010.
- ◆ Increased Labor expense due to Allied's unanticipated payment of the January 2011 health care premiums for the drivers not hired by Recology and greater than anticipated vacation/sick payouts.

Operating Statistics

Menlo Park

| Routes | Last Year's Review | | This Year's Review | | Difference 2010 LY vs TY | % 2010 LY vs TY |
|---|--------------------|---------------|--------------------|---------------|--------------------------------|-----------------------|
| | 2008 | 2009 | 2008 | 2009 | | |
| Residential Solid Waste Routes | 10.10 | 10.15 | 10.10 | 10.15 | - | 0.00% |
| Residential Material Routes | 8.32 | 8.32 | 8.32 | 8.32 | - | 0.00% |
| Commercial REL Routes | 9.80 | 9.72 | 9.80 | 9.72 | - | 0.00% |
| Commercial FEL Routes | 9.26 | 8.84 | 9.26 | 8.84 | - | 0.00% |
| Total | 37.48 | 37.03 | 37.48 | 37.03 | - | 0.00% |
| REL = Rear-End Load Vehicles used to collect containers; FEL = Front-End Load Vehicles used to collect containers | | | | | | |
| Route Statistics | | | | | | |
| Residential Solid Waste Accounts per route | 753.99 | 757.91 | 753.99 | 757.91 | - | 0.00% |
| Residential Plant Material Accounts per route | 458.08 | 462.36 | 458.08 | 462.36 | - | 0.00% |
| Residential Solid Waste Tons per route | 565.30 | 554.29 | 565.30 | 564.74 | (20.81) | -3.63% |
| Residential Plant Material Tons per route | 726.36 | 775.52 | 726.36 | 776.85 | 18.49 | 2.36% |
| Commercial REL Accounts per Route | 83.28 | 81.20 | 83.28 | 81.20 | - | 0.00% |
| Commercial FEL Accounts per Route | 39.18 | 36.77 | 39.18 | 36.77 | - | 0.00% |
| Commercial REL Tons per Route | 478.62 | 467.23 | 478.62 | 492.74 | (16.96) | -3.49% |
| Commercial FEL Tons per Route | 1,089.89 | 1,026.18 | 1,089.89 | 981.99 | 19.13 | 2.07% |
| Tonnage | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 |
| Residential - Solid Waste | 5,712 | 5,628 | 5,712 | 5,734 | (209) | -3.63% |
| Residential - Plant Material | 6,041 | 6,453 | 6,041 | 6,464 | 154 | 2.36% |
| Commercial REL Solid Waste | 4,690 | 4,540 | 4,690 | 4,788 | (165) | -3.49% |
| Commercial FEL Solid Waste | 10,097 | 9,069 | 10,097 | 8,679 | 175 | 2.07% |
| Commercial Organics | 2,279 | 2,194 | 2,279 | 2,293 | (31) | -1.22% |
| Subtotal | 28,819 | 27,994 | 28,819 | 27,957 | (76) | -0.27% |
| Agency Tons to Transfer Station | - | - | - | - | - | - |
| Agency Tons to Ox Mtn. | - | - | - | - | - | - |
| BDBS Compactor/JPA Tonnage | | | | | | |
| Solid Waste | 162 | 274 | 162 | 251 | 38 | 21.07% |
| Recyclables and Organic Materials | - | 550 | - | 440 | 209 | 70.24% |
| Agency Tons | 1,638 | 1,712 | 1,638 | 1,670 | (99) | -5.76% |
| | 1,799 | 2,536 | 1,799 | 2,361 | 148 | 6.73% |
| Accounts | | | | | | |
| Residential | 7,619 | 7,695 | 7,619 | 7,695 | - | 0.00% |
| Commercial-REL | 816 | 789 | 816 | 789 | - | 0.00% |
| Commercial-FEL | 363 | 325 | 363 | 325 | - | 0.00% |
| Commercial Subtotal | 1,179 | 1,114 | 1,179 | 1,114 | - | 0.00% |
| Lifts | | | | | | |
| Residential Cans - Solid Waste | 10,725 | 10,468 | 10,725 | 10,468 | - | 0.00% |
| Commercial - REL Cans, Solid Waste | 3,925 | 3,723 | 3,925 | 3,723 | - | 0.00% |
| Commercial - REL Cans, Organics | 119 | 129 | 119 | 129 | - | 0.00% |
| Commercial - REL Bins, Solid Waste | 413 | 416 | 413 | 416 | - | 0.00% |
| Commercial - FEL Bins, Solid Waste | 907 | 829 | 907 | 829 | - | 0.00% |
| Commercial - FEL Bins, Organics | 146 | 153 | 146 | 153 | - | 0.00% |

Redwood City

| | A | | B | | C | | D | | E | | F | | H | | J | |
|-----------|----------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|-----------------------|--------------------------------|--------------------------------|-----------------------|---|--|
| | 2008 (Actual) | 2009 (Actual) | 2009 (Actual) | 2010 (Projected) | 2008 (Actual) | 2009 (Actual) | 2009 (Actual) | 2010 (Actual) | 2008 (Actual) | 2009 (Actual) | 2010 (Actual) | Difference 2010 LY vs TY | Difference 2010 LY vs TY | % 2010 LY vs TY | | |
| 1 | \$ 14,330,234 | \$ 14,177,059 | \$ 14,177,059 | \$ 14,062,469 | \$ 14,330,234 | \$ 14,177,059 | \$ 14,177,059 | \$ 14,336,920 | \$ 14,330,234 | \$ 14,177,059 | \$ 14,336,920 | | | | | |
| 2 | \$ 35,664 | \$ 43,685 | \$ 43,685 | \$ 3,328 | \$ 35,664 | \$ 43,685 | \$ 43,685 | \$ 20,021 | \$ 35,664 | \$ 43,685 | \$ 20,021 | | | | | |
| 3 | \$ 14,365,898 | \$ 14,220,745 | \$ 14,220,745 | \$ 14,065,796 | \$ 14,365,898 | \$ 14,220,745 | \$ 14,220,745 | \$ 14,356,941 | \$ 14,365,898 | \$ 14,220,745 | \$ 14,356,941 | \$ 291,145 | \$ 291,145 | 2.07% | | |
| 4 | \$ 3,658,425 | \$ 4,084,040 | \$ 4,084,040 | \$ 4,238,063 | \$ 3,658,425 | \$ 4,084,040 | \$ 4,084,040 | \$ 4,299,093 | \$ 3,658,425 | \$ 4,084,040 | \$ 4,299,093 | \$ 61,030 | \$ 61,030 | 1.44% | | |
| 5 | \$ 1,221,638 | \$ 1,177,603 | \$ 1,177,603 | \$ 1,239,149 | \$ 1,221,638 | \$ 1,177,603 | \$ 1,177,603 | \$ 1,247,753 | \$ 1,221,638 | \$ 1,177,603 | \$ 1,247,753 | \$ 8,604 | \$ 8,604 | 0.69% | | |
| 6 | \$ 459,551 | \$ 553,116 | \$ 553,116 | \$ 904,212 | \$ 459,551 | \$ 553,116 | \$ 553,116 | \$ 934,188 | \$ 459,551 | \$ 553,116 | \$ 934,188 | \$ 29,976 | \$ 29,976 | 3.32% | | |
| 7 | \$ 2,160,427 | \$ 2,060,656 | \$ 2,060,656 | \$ 2,003,386 | \$ 2,160,427 | \$ 2,060,656 | \$ 2,060,656 | \$ 2,052,148 | \$ 2,160,427 | \$ 2,060,656 | \$ 2,052,148 | \$ 48,761 | \$ 48,761 | 2.43% | | |
| 8 | \$ 741,762 | \$ 778,887 | \$ 778,887 | \$ 829,267 | \$ 741,762 | \$ 778,887 | \$ 778,887 | \$ 843,941 | \$ 741,762 | \$ 778,887 | \$ 843,941 | \$ 14,674 | \$ 14,674 | 1.77% | | |
| 9 | \$ 3,108,696 | \$ 3,434,629 | \$ 3,434,629 | \$ 4,038,260 | \$ 3,108,696 | \$ 3,434,629 | \$ 3,434,629 | \$ 4,052,902 | \$ 3,108,696 | \$ 3,434,629 | \$ 4,052,902 | \$ 14,642 | \$ 14,642 | 0.36% | | |
| 10 | \$ 638,587 | \$ 663,856 | \$ 663,856 | \$ 663,866 | \$ 638,587 | \$ 663,856 | \$ 663,856 | \$ 694,446 | \$ 638,587 | \$ 663,856 | \$ 694,446 | \$ 30,580 | \$ 30,580 | 4.61% | | |
| 11 | \$ 1,986,516 | \$ 1,947,371 | \$ 1,947,371 | \$ 1,921,605 | \$ 1,986,516 | \$ 1,947,371 | \$ 1,947,371 | \$ 1,993,123 | \$ 1,986,516 | \$ 1,947,371 | \$ 1,993,123 | \$ 71,518 | \$ 71,518 | 3.72% | | |
| 12 | \$ 13,975,602 | \$ 14,700,159 | \$ 14,700,159 | \$ 15,837,808 | \$ 13,975,602 | \$ 14,700,159 | \$ 14,700,159 | \$ 16,117,593 | \$ 13,975,602 | \$ 14,700,159 | \$ 16,117,593 | \$ 279,785 | \$ 279,785 | 1.77% | | |
| 13 | \$ 390,296 | \$ (479,414) | \$ (479,414) | \$ (1,772,012) | \$ 390,296 | \$ (479,414) | \$ (479,414) | \$ (1,760,652) | \$ 390,296 | \$ (479,414) | \$ (1,760,652) | \$ 11,360 | \$ 11,360 | | | |
| 14 | \$ 5,581 | \$ (901) | \$ (901) | \$ (3,331) | \$ 5,581 | \$ (901) | \$ (901) | \$ (4,032) | \$ 5,581 | \$ (901) | \$ (4,032) | \$ (701) | \$ (701) | | | |
| 15 | \$ (286,450) | \$ 109,427 | \$ 109,427 | \$ (370,888) | \$ (286,450) | \$ 109,427 | \$ 109,427 | \$ (370,888) | \$ (286,450) | \$ 109,427 | \$ (370,888) | \$ - | \$ - | | | |
| 16 | \$ 109,427 | \$ (370,888) | \$ (370,888) | \$ (2,146,232) | \$ 109,427 | \$ (370,888) | \$ (370,888) | \$ (2,135,572) | \$ 109,427 | \$ (370,888) | \$ (2,135,572) | \$ 10,660 | \$ 10,660 | | | |
| 17 | | | | 15.3% | | | | | | | | | | | | |

*All Other Expenses includes Admin, Supervisory, Container, and Corporate Overhead Expenses

Variance Analysis:

The amount owed Allied (i.e., your balancing account) decreased from \$2,146,232 to \$2,135,572, mainly as the result of the following:

- ◆ Revenues much greater than anticipated; partially offset by;
- ◆ Increased debris box service expenses from more than anticipated debris box loads, which did lead to additional revenue;
- ◆ Approximately \$102,000 in additional bad debt from the City's billings for services;
- ◆ Increased Franchise fees resulting from the increased revenue; and,
- ◆ Increased Labor expense due to Allied's unanticipated payment of the January 2011 health care premiums for the drivers not hired by Recology and greater than anticipated vacation/sick payouts.
- ◆ Greater than anticipated workers compensation claims expense in 2011 for incidents which occurred prior to Allied ceasing operations on December 31, 2010.

Operating Statistics

Redwood City

| Routes | Last Year's Review | | This Year's Review | | Difference 2010 LY vs TY | % 2010 LY vs TY |
|---|--------------------|---------------|--------------------|---------------|--------------------------------|-----------------------|
| | 2008 | 2009 | 2008 | 2009 | | |
| Solid Waste Routes | 22.77 | 22.66 | 22.77 | 22.66 | - | 0.00% |
| Plant Material Routes | 12.31 | 12.68 | 12.31 | 12.68 | - | 0.00% |
| REL Routes | 13.53 | 13.72 | 13.53 | 13.72 | - | 0.00% |
| FEL Routes | 15.79 | 16.07 | 15.79 | 16.07 | - | 0.00% |
| Total | 64.40 | 65.13 | 64.40 | 65.13 | - | 0.00% |
| REL = Rear-End Load Vehicles used to collect containers; FEL = Front-End Load Vehicles used to collect containers | | | | | | |
| Route Statistics | | | | | | |
| Residential Solid Waste Accounts per route | 744.09 | 748.67 | 744.09 | 748.67 | - | 0.00% |
| Residential Plant Material Accounts per route | 688.35 | 669.03 | 688.35 | 669.03 | - | 0.00% |
| Residential Solid Waste Tons per route | 601.98 | 576.50 | 601.98 | 589.01 | (16.70) | -2.82% |
| Residential Plant Material Tons per route | 602.46 | 643.67 | 602.46 | 625.87 | 50.02 | 7.55% |
| Commercial REL Accounts per Route | 95.02 | 92.43 | 95.02 | 92.43 | - | 0.00% |
| Commercial FEL Accounts per Route | 39.91 | 36.97 | 39.91 | 36.97 | - | 0.00% |
| Commercial REL Tons per Route | 722.71 | 672.23 | 722.71 | 701.14 | (17.43) | -2.56% |
| Commercial FEL Tons per Route | 1,096.17 | 1,012.75 | 1,096.17 | 994.17 | 6.22 | 0.60% |
| Tonnage | 2008 | 2009 | 2008 | 2009 | 2010 | |
| Residential - Solid Waste | 13,706 | 13,065 | 13,706 | 13,349 | 13,132 | (381) |
| Residential - Plant Material | 7,414 | 8,162 | 7,414 | 7,936 | 8,774 | 616 |
| Commercial REL Solid Waste | 9,781 | 9,222 | 9,781 | 9,619 | 9,164 | (241) |
| Commercial FEL Solid Waste | 17,305 | 16,273 | 17,305 | 15,975 | 16,480 | 99 |
| Commercial Organics | 2,214 | 2,183 | 2,214 | 2,161 | 2,505 | 236 |
| Subtotal | 50,421 | 48,906 | 50,421 | 49,040 | 50,055 | 329 |
| Agency Tons to Transfer Station | 146 | 163 | 146 | 115 | 169 | (93) |
| Agency Tons to Ox Mtn. | 1,981 | 3,231 | 1,981 | 2,134 | 2,238 | (72) |
| BDBS Compactor/JPA Tonnage | | | | | | |
| Solid Waste | 5,076 | 4,594 | 5,076 | 4,347 | 4,015 | 61 |
| Recyclables and Organic Materials | 10 | 187 | 10 | 118 | 119 | (52) |
| Agency Tons | 1,846 | 1,929 | 1,846 | 1,867 | 2,009 | 251 |
| | 6,931 | 6,710 | 6,931 | 6,332 | 6,142 | 260 |
| Accounts | | | | | | |
| Residential | 16,942 | 16,967 | 16,942 | 16,967 | 16,990 | - |
| Commercial-REL | 1,286 | 1,268 | 1,286 | 1,268 | 1,266 | - |
| Commercial-FEL | 630 | 594 | 630 | 594 | 591 | - |
| Commercial Subtotal | 1,916 | 1,862 | 1,916 | 1,862 | 1,857 | - |
| Lifts | | | | | | |
| Residential Cans - Solid Waste | 20,389 | 20,034 | 20,359 | 20,034 | 19,802 | - |
| Commercial - REL Cans, Solid Waste | 4,684 | 4,519 | 4,684 | 4,519 | 4,516 | - |
| Commercial - REL Cans, Organics | 128 | 251 | 128 | 251 | 185 | - |
| Commercial - REL Bins, Solid Waste | 803 | 797 | 803 | 797 | 767 | - |
| Commercial - FEL Bins, Solid Waste | 1,671 | 1,611 | 1,671 | 1,611 | 1,552 | - |
| Commercial - FEL Bins, Organics | 153 | 141 | 153 | 141 | 187 | - |

San Carlos

| | A | | B | | C | | D | | E | | F | | H | | J | |
|-----------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------------------|--------------------------------|-----------------------|---|--|
| | 2008 (Actual) | 2009 (Actual) | 2009 (Actual) | 2010 (Projected) | 2008 (Actual) | 2009 (Actual) | 2009 (Actual) | 2010 (Actual) | 2008 (Actual) | 2009 (Actual) | 2010 (Actual) | Difference 2010 LY vs TY | Difference 2010 LY vs TY | % 2010 LY vs TY | | |
| 1 | \$ 5,515,824 | \$ 5,805,815 | \$ 5,805,815 | \$ 6,223,860 | \$ 5,515,824 | \$ 5,805,815 | \$ 5,805,815 | \$ 6,255,341 | \$ 5,515,824 | \$ 5,805,815 | \$ 6,255,341 | | | | | |
| 2 | \$ 22,572 | \$ 26,841 | \$ 26,841 | \$ 2,009 | \$ 22,572 | \$ 26,841 | \$ 26,841 | \$ 12,049 | \$ 22,572 | \$ 26,841 | \$ 12,049 | | | | | |
| 3 | \$ 5,538,396 | \$ 5,832,656 | \$ 5,832,656 | \$ 6,225,869 | \$ 5,538,396 | \$ 5,832,656 | \$ 5,832,656 | \$ 6,267,390 | \$ 5,538,396 | \$ 5,832,656 | \$ 6,267,390 | \$ 41,521 | \$ 41,521 | 0.67% | | |
| 4 | \$ 1,612,379 | \$ 1,759,651 | \$ 1,759,651 | \$ 1,873,527 | \$ 1,612,379 | \$ 1,759,651 | \$ 1,759,651 | \$ 1,885,949 | \$ 1,612,379 | \$ 1,759,651 | \$ 1,885,949 | \$ 12,422 | \$ 12,422 | 0.66% | | |
| 5 | \$ 533,731 | \$ 491,987 | \$ 491,987 | \$ 543,422 | \$ 533,731 | \$ 491,987 | \$ 491,987 | \$ 545,505 | \$ 533,731 | \$ 491,987 | \$ 545,505 | \$ 2,083 | \$ 2,083 | 0.38% | | |
| 6 | \$ 204,162 | \$ 242,614 | \$ 242,614 | \$ 393,533 | \$ 204,162 | \$ 242,614 | \$ 242,614 | \$ 415,495 | \$ 204,162 | \$ 242,614 | \$ 415,495 | \$ 21,962 | \$ 21,962 | 5.58% | | |
| 7 | \$ 956,485 | \$ 914,408 | \$ 914,408 | \$ 918,952 | \$ 956,485 | \$ 914,408 | \$ 914,408 | \$ 904,373 | \$ 956,485 | \$ 914,408 | \$ 904,373 | \$ (14,578) | \$ (14,578) | -1.59% | | |
| 8 | \$ 327,042 | \$ 337,120 | \$ 337,120 | \$ 368,845 | \$ 327,042 | \$ 337,120 | \$ 337,120 | \$ 371,010 | \$ 327,042 | \$ 337,120 | \$ 371,010 | \$ 2,165 | \$ 2,165 | 0.59% | | |
| 9 | \$ 1,251,884 | \$ 1,391,178 | \$ 1,391,178 | \$ 1,648,680 | \$ 1,251,884 | \$ 1,391,178 | \$ 1,391,178 | \$ 1,644,265 | \$ 1,251,884 | \$ 1,391,178 | \$ 1,644,265 | \$ (4,414) | \$ (4,414) | -0.27% | | |
| 10 | \$ 195,199 | \$ 167,697 | \$ 167,697 | \$ 169,439 | \$ 195,199 | \$ 167,697 | \$ 167,697 | \$ 174,552 | \$ 195,199 | \$ 167,697 | \$ 174,552 | \$ 5,112 | \$ 5,112 | 3.02% | | |
| 11 | \$ 428,679 | \$ 648,452 | \$ 648,452 | \$ 755,696 | \$ 428,679 | \$ 648,452 | \$ 648,452 | \$ 761,492 | \$ 428,679 | \$ 648,452 | \$ 761,492 | \$ 5,797 | \$ 5,797 | 0.77% | | |
| 12 | \$ 5,509,561 | \$ 5,953,109 | \$ 5,953,109 | \$ 6,672,093 | \$ 5,509,561 | \$ 5,953,109 | \$ 5,953,109 | \$ 6,702,642 | \$ 5,509,561 | \$ 5,953,109 | \$ 6,702,642 | \$ 30,549 | \$ 30,549 | 0.46% | | |
| 13 | \$ 28,835 | \$ (120,452) | \$ (120,452) | \$ (446,225) | \$ 28,835 | \$ (120,452) | \$ (120,452) | \$ (435,253) | \$ 28,835 | \$ (120,452) | \$ (435,253) | \$ 10,972 | \$ 10,972 | | | |
| 14 | \$ 412 | \$ (226) | \$ (226) | \$ (839) | \$ 412 | \$ (226) | \$ (226) | \$ (997) | \$ 412 | \$ (226) | \$ (997) | \$ (158) | \$ (158) | | | |
| 15 | \$ (12,373) | \$ 16,874 | \$ 16,874 | \$ (103,805) | \$ (12,373) | \$ 16,874 | \$ 16,874 | \$ (103,805) | \$ (12,373) | \$ 16,874 | \$ (103,805) | \$ - | \$ - | | | |
| 16 | \$ 16,874 | \$ (103,805) | \$ (103,805) | \$ (550,868) | \$ 16,874 | \$ (103,805) | \$ (103,805) | \$ (540,054) | \$ 16,874 | \$ (103,805) | \$ (540,054) | \$ 10,814 | \$ 10,814 | | | |
| 17 | | | | 1.8% | | | | 8.9% | | | | | | | | |

*All Other Expenses includes Admin, Supervisory, Container, and Corporate Overhead Expenses

Variance Analysis:

The amount owed Allied (i.e., your balancing account) decreased from \$550,868 to \$540,054, mainly as the result of the following:

- ◆ Revenues 0.67% greater than anticipated (includes 2010 schools unrealized revenue payment from Allied); and,
- ◆ Less than anticipated tip fee expenses due to less than anticipated commercial solid waste tonnage collected; partially offset by,
- ◆ Increased Franchise fees resulting from the increased revenue; and,
- ◆ Increased Labor expense due to Allied's unanticipated payment of the January 2011 health care premiums for the drivers not hired by Recology and greater than anticipated vacation/sick payouts.
- ◆ Greater than anticipated workers compensation claims expense in 2011 for incidents which occurred prior to Allied ceasing operations on December 31, 2010.

Operating Statistics

San Carlos

| Routes | Last Year's Review | | This Year's Review | | Difference 2010 LY vs TY | % 2010 LY vs TY |
|--|--------------------|---------------|--------------------|---------------|--------------------------------|-----------------------|
| | 2008 | 2009 | 2008 | 2009 | | |
| Residential Solid Waste Routes | 10.88 | 11.07 | 10.88 | 11.07 | - | 0.00% |
| Residential Material Routes | 5.90 | 5.40 | 5.90 | 5.40 | - | 0.00% |
| Commercial Routes | 6.94 | 7.05 | 6.94 | 7.05 | - | 0.00% |
| FEL Routes | 5.28 | 5.33 | 5.28 | 5.33 | - | 0.00% |
| Total | 29.00 | 28.85 | 29.00 | 28.85 | - | 0.00% |
| REL = Rear-End Load Vehicles used to collect containers; FEL = Front-End Load Vehicles used to collection containers | | | | | | |
| Route Statistics | | | | | | |
| Residential Solid Waste Accounts per route | 767.55 | 754.29 | 767.55 | 754.29 | - | 0.00% |
| Residential Plant Material Accounts per route | 707.56 | 772.79 | 707.56 | 772.79 | - | 0.00% |
| Residential Solid Waste Tons per route | 598.30 | 540.79 | 598.30 | 532.05 | (13.87) | -2.64% |
| Residential Plant Material Tons per route | 666.17 | 877.49 | 666.17 | 968.04 | 79.90 | 8.77% |
| Commercial REL Accounts per Route | 117.91 | 111.70 | 117.91 | 111.70 | - | 0.00% |
| Commercial FEL Accounts per Route | 67.43 | 65.11 | 67.43 | 65.11 | - | 0.00% |
| Commercial REL Tons per Route | 540.88 | 484.79 | 540.88 | 497.81 | (15.75) | -3.30% |
| Commercial FEL Tons per Route | 1,046.59 | 963.77 | 1,046.59 | 942.68 | 6.97 | 0.73% |
| Tonnage | 2008 | 2009 | 2008 | 2009 | 2010 | |
| Residential - Solid Waste | 6,510 | 5,985 | 6,510 | 5,888 | 5,687 | (154) |
| Residential - Plant Material | 3,931 | 4,740 | 3,931 | 5,229 | 5,853 | 472 |
| Commercial REL Solid Waste | 3,752 | 3,420 | 3,752 | 3,512 | 3,269 | (112) |
| Commercial FEL Solid Waste | 5,525 | 5,137 | 5,525 | 5,024 | 5,113 | 37 |
| Commercial Organics | 479 | 463 | 479 | 580 | 653 | 33 |
| Subtotal | 20,198 | 19,744 | 20,198 | 20,233 | 20,576 | 277 |
| Agency Tons to Transfer Station | 487 | 155 | 487 | 228 | 364 | (253) |
| Agency Tons to Ox Mtn. | - | - | - | - | - | - |
| DBBS Compactor/JPA Tonnage | | | | | | |
| Solid Waste | 1,490 | 1,046 | 1,490 | 955 | 960 | 14 |
| Recyclables and Organic Materials | 126 | 211 | 126 | 309 | 324 | 32 |
| Agency Tons | 481 | 617 | 481 | 466 | 362 | (13) |
| | 2,097 | 1,874 | 2,097 | 1,730 | 1,646 | 32 |
| Accounts | | | | | | |
| Residential | 8,351 | 8,348 | 8,351 | 8,348 | 8,340 | - |
| Commercial-REL | 818 | 788 | 818 | 788 | 777 | - |
| Commercial-FEL | 356 | 347 | 356 | 347 | 341 | - |
| Commercial Subtotal | 1,174 | 1,135 | 1,174 | 1,135 | 1,118 | - |
| Lifts | | | | | | |
| Residential Cans - Solid Waste | 9,873 | 9,631 | 9,873 | 9,631 | 9,363 | - |
| Commercial - REL Cans, Solid Waste | 1,809 | 1,734 | 1,809 | 1,734 | 1,672 | - |
| Commercial - REL Cans, Organics | 73 | 73 | 73 | 73 | 83 | - |
| Commercial - REL Bins, Solid Waste | 371 | 382 | 371 | 382 | 356 | - |
| Commercial - FEL Bins, Solid Waste | 564 | 552 | 564 | 552 | 546 | - |
| Commercial - FEL Bins, Organics | 20 | 31 | 20 | 31 | 39 | - |

San Mateo

| | A | | B | | C | | D | | E | | F | | H (E - C) | | J (H / C) |
|-----------|----------------------|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|--------------------------------|-----------------------|----------------------|-----------------------|-----------------------|--------------------------------|-----------------------|
| | 2008 (Actual) | 2009 (Actual) | 2009 (Actual) | 2010 (Projected) | 2008 (Actual) | 2009 (Actual) | 2009 (Actual) | 2010 (Actual) | Difference 2010 LY vs TY | % 2010 LY vs TY | 2008 (Actual) | 2009 (Actual) | 2010 (Actual) | Difference 2010 LY vs TY | % 2010 LY vs TY |
| 1 | \$ 15,527,742 | \$ 15,968,389 | \$ 15,968,389 | \$ 16,680,281 | \$ 15,527,742 | \$ 15,968,389 | \$ 16,782,821 | \$ 16,505,302 | \$ 16,030,595 | \$ 16,810,036 | \$ 16,505,302 | \$ 16,030,595 | \$ 16,810,036 | \$ 125,835 | 0.75% |
| 2 | \$ 977,560 | \$ 62,205 | \$ 62,205 | \$ 3,921 | \$ 977,560 | \$ 62,205 | \$ 27,215 | | | | | | | | |
| 3 | \$ 16,505,302 | \$ 16,030,595 | \$ 16,030,595 | \$ 16,684,202 | \$ 16,505,302 | \$ 16,030,595 | \$ 16,810,036 | | | | | | | | |
| 4 | \$ 4,552,009 | \$ 5,038,565 | \$ 5,038,565 | \$ 5,259,262 | \$ 4,552,009 | \$ 5,038,565 | \$ 5,322,566 | \$ 4,552,009 | \$ 5,038,565 | \$ 5,322,566 | \$ 4,552,009 | \$ 5,038,565 | \$ 5,322,566 | \$ 63,304 | 1.20% |
| 5 | \$ 1,478,738 | \$ 1,393,501 | \$ 1,393,501 | \$ 1,481,391 | \$ 1,478,738 | \$ 1,393,501 | \$ 1,488,861 | \$ 1,478,738 | \$ 1,393,501 | \$ 1,488,861 | \$ 1,478,738 | \$ 1,393,501 | \$ 1,488,861 | \$ 7,470 | 0.50% |
| 6 | \$ 574,402 | \$ 690,793 | \$ 690,793 | \$ 1,126,426 | \$ 574,402 | \$ 690,793 | \$ 1,178,580 | \$ 574,402 | \$ 690,793 | \$ 1,178,580 | \$ 574,402 | \$ 690,793 | \$ 1,178,580 | \$ 52,154 | 4.63% |
| 7 | \$ 2,430,072 | \$ 2,361,022 | \$ 2,361,022 | \$ 2,377,735 | \$ 2,430,072 | \$ 2,361,022 | \$ 2,335,387 | \$ 2,430,072 | \$ 2,361,022 | \$ 2,335,387 | \$ 2,430,072 | \$ 2,361,022 | \$ 2,335,387 | \$ (42,348) | -1.78% |
| 8 | \$ 893,593 | \$ 937,966 | \$ 937,966 | \$ 1,013,223 | \$ 893,593 | \$ 937,966 | \$ 1,021,193 | \$ 893,593 | \$ 937,966 | \$ 1,021,193 | \$ 893,593 | \$ 937,966 | \$ 1,021,193 | \$ 7,969 | 0.79% |
| 9 | \$ 3,384,795 | \$ 3,777,339 | \$ 3,777,339 | \$ 4,395,219 | \$ 3,384,795 | \$ 3,777,339 | \$ 4,413,682 | \$ 3,384,795 | \$ 3,777,339 | \$ 4,413,682 | \$ 3,384,795 | \$ 3,777,339 | \$ 4,413,682 | \$ 18,462 | 0.42% |
| 10 | \$ 844,593 | \$ 825,739 | \$ 825,739 | \$ 824,436 | \$ 844,593 | \$ 825,739 | \$ 828,220 | \$ 844,593 | \$ 825,739 | \$ 828,220 | \$ 844,593 | \$ 825,739 | \$ 828,220 | \$ 3,784 | 0.46% |
| 11 | \$ 2,228,106 | \$ 2,325,700 | \$ 2,325,700 | \$ 2,527,041 | \$ 2,228,106 | \$ 2,325,700 | \$ 2,538,157 | \$ 2,228,106 | \$ 2,325,700 | \$ 2,538,157 | \$ 2,228,106 | \$ 2,325,700 | \$ 2,538,157 | \$ 11,117 | 0.44% |
| 12 | \$ 16,386,308 | \$ 17,350,626 | \$ 17,350,626 | \$ 19,004,734 | \$ 16,386,308 | \$ 17,350,626 | \$ 19,126,646 | \$ 16,386,308 | \$ 17,350,626 | \$ 19,126,646 | \$ 16,386,308 | \$ 17,350,626 | \$ 19,126,646 | \$ 121,912 | 0.64% |
| 13 | \$ 118,994 | \$ (1,320,032) | \$ (1,320,032) | \$ (2,320,532) | \$ 118,994 | \$ (1,320,032) | \$ (2,316,610) | \$ 118,994 | \$ (1,320,032) | \$ (2,316,610) | \$ 118,994 | \$ (1,320,032) | \$ (2,316,610) | \$ 3,922 | |
| 14 | \$ 1,702 | \$ (2,482) | \$ (2,482) | \$ (4,363) | \$ 1,702 | \$ (2,482) | \$ (5,305) | \$ 1,702 | \$ (2,482) | \$ (5,305) | \$ 1,702 | \$ (2,482) | \$ (5,305) | \$ (942) | |
| 15 | \$ (27,687) | \$ 93,008 | \$ 93,008 | \$ (1,229,505) | \$ (27,687) | \$ 93,008 | \$ (1,229,505) | \$ (27,687) | \$ 93,008 | \$ (1,229,505) | \$ (27,687) | \$ 93,008 | \$ (1,229,505) | \$ - | |
| 16 | \$ 93,008 | \$ (1,229,505) | \$ (1,229,505) | \$ (3,554,400) | \$ 93,008 | \$ (1,229,505) | \$ (3,551,420) | \$ 93,008 | \$ (1,229,505) | \$ (3,551,420) | \$ 93,008 | \$ (1,229,505) | \$ (3,551,420) | \$ 2,980 | |
| 17 | | | | | | | | | | | | | | | |

* All Other Expenses includes Admin, Supervisory, Container, and Corporate Overhead Expenses

Variance Analysis:

The amount owed Allied (i.e., your balancing account) decreased from \$3,554,400 to \$3,551,420, mainly as the result of the following:

- ◆ Revenues 0.75% greater than anticipated (includes 2010 schools unrealized revenue payment from Allied); partially offset by,
- ◆ Increased Labor expense due to Allied's unanticipated payment of the January 2011 health care premiums for the drivers not hired by Recology and greater than anticipated vacation/sick payouts.
- ◆ Greater than anticipated tip fee expenses due to greater than anticipated commercial plant/food waste tonnage collected; and,
- ◆ Greater than anticipated workers compensation claims expense in 2011 for incidents which occurred prior to Allied ceasing operations on December 31, 2010.
- ◆ Increased debris box service expenses from more than anticipated debris box loads, which did lead to additional revenue.

Operating Statistics

San Mateo

| Routes | Last Year's Review | | This Year's Review | | Difference 2010 LY vs TY | % 2010 LY vs TY |
|--|--------------------|---------------|--------------------|---------------|--------------------------------|-----------------------|
| | 2008 | 2009 | 2008 | 2010 | | |
| Residential Solid Waste Routes | 27.00 | 26.99 | 27.00 | 26.99 | - | 0.00% |
| Residential Material Routes | 15.35 | 15.37 | 15.35 | 15.37 | - | 0.00% |
| REL Routes | 25.44 | 25.52 | 25.44 | 25.52 | - | 0.00% |
| FEL Routes | 12.48 | 12.12 | 12.48 | 12.12 | - | 0.00% |
| Total | 80.27 | 79.99 | 80.27 | 79.99 | - | 0.00% |
| REL = Rear-End Load Vehicles used to collect containers; FEL = Front-End Load Vehicles used to collection containers | | | | | | |
| Route Statistics | | | | | | |
| Residential Solid Waste Accounts per route | 705.28 | 237.86 | 705.28 | 237.86 | - | 0.00% |
| Commercial Plant Material Accounts per route | 620.59 | 208.81 | 620.59 | 208.81 | - | 0.00% |
| Residential Solid Waste Tons per route | 616.51 | 591.63 | 616.51 | 601.54 | (19.42) | -3.22% |
| Residential Plant Material Tons per route | 605.30 | 619.13 | 605.30 | 630.89 | 53.44 | 8.40% |
| Commercial REL Accounts per Route | 73.24 | 42.24 | 73.24 | 42.24 | - | 0.00% |
| Commercial FEL Accounts per Route | 36.37 | 26.33 | 36.37 | 26.33 | - | 0.00% |
| Commercial REL Tons per Route | 563.35 | 535.46 | 563.35 | 563.68 | (19.75) | -3.56% |
| Commercial FEL Tons per Route | 1,020.72 | 981.34 | 1,020.72 | 958.13 | 41.85 | 4.29% |
| Tonnage | 2008 | 2009 | 2008 | 2009 | 2010 | |
| Residential - Solid Waste | 16,649 | 15,966 | 16,649 | 16,234 | 15,655 | (521) |
| Residential - Plant Material | 9,288 | 9,516 | 9,288 | 9,697 | 10,630 | 823 |
| Commercial REL Solid Waste | 14,330 | 13,665 | 14,330 | 14,385 | 13,808 | (509) |
| Commercial FEL Solid Waste | 12,743 | 11,890 | 12,743 | 11,608 | 12,356 | 509 |
| Commercial Organics | 2,767 | 2,806 | 2,767 | 2,993 | 2,992 | 79 |
| Subtotal | 55,776 | 53,844 | 55,776 | 54,917 | 55,441 | 381 |
| Agency Tons to Transfer Station | 151 | 80 | 151 | 135 | 126 | 41 |
| Agency Tons to Ox Mtn. | 2 | - | 2 | - | 130 | (260) |
| BDBS Compactor/JPA Tonnage | | | | | | |
| Solid Waste | 5,154 | 4,357 | 5,154 | 4,162 | 4,237 | 140 |
| Recyclables and Organic Materials | - | 495 | - | 704 | 621 | (158) |
| Agency Tons | 2,595 | 1,733 | 2,595 | 1,847 | 2,218 | (439) |
| | 7,748 | 6,585 | 7,748 | 6,713 | 7,075 | (457) |
| Accounts | | | | | | |
| Residential | 19,046 | 6,419 | 19,046 | 6,419 | 6,339 | - |
| Commercial-REL | 1,863 | 1,078 | 1,863 | 1,078 | 1,066 | - |
| Commercial-FEL | 454 | 319 | 454 | 319 | 304 | - |
| Commercial Subtotal | 2,317 | 1,397 | 2,317 | 1,397 | 1,370 | - |
| Lifts | | | | | | |
| Residential Cans - Solid Waste | 24,753 | 24,187 | 24,753 | 24,187 | 23,398 | - |
| Commercial - REL Cans, Solid Waste | 6,246 | 6,052 | 6,246 | 6,052 | 6,052 | - |
| Commercial - REL Cans, Organics | 160 | 175 | 160 | 175 | 195 | - |
| Commercial - REL Bins, Solid Waste | 1,242 | 1,244 | 1,242 | 1,244 | 1,216 | - |
| Commercial - FEL Bins, Solid Waste | 1,345 | 1,287 | 1,345 | 1,287 | 1,246 | - |
| Commercial - FEL Bins, Organics | 169 | 190 | 169 | 190 | 192 | - |

Revenue Requirement and Operating Data for 2008-2010

West Bay

| | A | | B | | C | | D | | E | | F | | H | | J | |
|-----------|-------------------|-------------------|-------------------|---------------------|-------------------|-------------------|-------------------|--------------------|-------------------|-------------------|--------------------|--------------------------------|-----------------------|--------------------------------|-----------------------|--|
| | 2008 (Actual) | 2009 (Actual) | 2009 (Actual) | 2010 (Projected) | 2008 (Actual) | 2009 (Actual) | 2009 (Actual) | 2010 (Actual) | 2008 (Actual) | 2009 (Actual) | 2010 (Actual) | Difference 2010 LY vs TY | % 2010 LY vs TY | Difference 2010 LY vs TY | % 2010 LY vs TY | |
| 1 | \$ 930,199 | \$ 906,303 | \$ 906,303 | \$ 888,747 | \$ 930,199 | \$ 906,303 | \$ 906,303 | \$ 890,192 | \$ 930,199 | \$ 906,303 | \$ 890,192 | | | | | |
| 2 | \$ 56,891 | \$ 16,365 | \$ 16,365 | \$ 580 | \$ 56,891 | \$ 16,365 | \$ 16,365 | \$ 7,591 | \$ 56,891 | \$ 16,365 | \$ 7,591 | | | | | |
| 3 | \$ 987,089 | \$ 922,668 | \$ 922,668 | \$ 889,328 | \$ 987,089 | \$ 922,668 | \$ 922,668 | \$ 897,783 | \$ 987,089 | \$ 922,668 | \$ 897,783 | \$ 8,455 | 0.95% | \$ 8,455 | 0.95% | |
| 4 | \$ 298,035 | \$ 326,582 | \$ 326,582 | \$ 342,533 | \$ 298,035 | \$ 326,582 | \$ 326,582 | \$ 343,673 | \$ 298,035 | \$ 326,582 | \$ 343,673 | \$ 1,139 | 0.33% | \$ 1,139 | 0.33% | |
| 5 | \$ 104,583 | \$ 97,893 | \$ 97,893 | \$ 105,481 | \$ 104,583 | \$ 97,893 | \$ 97,893 | \$ 105,158 | \$ 104,583 | \$ 97,893 | \$ 105,158 | \$ (323) | -0.31% | \$ (323) | -0.31% | |
| 6 | \$ 37,951 | \$ 44,843 | \$ 44,843 | \$ 64,084 | \$ 37,951 | \$ 44,843 | \$ 44,843 | \$ 73,808 | \$ 37,951 | \$ 44,843 | \$ 73,808 | \$ 9,724 | 15.17% | \$ 9,724 | 15.17% | |
| 7 | \$ 127,589 | \$ 116,802 | \$ 116,802 | \$ 112,117 | \$ 127,589 | \$ 116,802 | \$ 116,802 | \$ 112,073 | \$ 127,589 | \$ 116,802 | \$ 112,073 | \$ (45) | -0.04% | \$ (45) | -0.04% | |
| 8 | \$ 56,192 | \$ 57,968 | \$ 57,968 | \$ 61,736 | \$ 56,192 | \$ 57,968 | \$ 57,968 | \$ 62,774 | \$ 56,192 | \$ 57,968 | \$ 62,774 | \$ 1,038 | 1.68% | \$ 1,038 | 1.68% | |
| 9 | \$ 213,171 | \$ 239,456 | \$ 239,456 | \$ 289,913 | \$ 213,171 | \$ 239,456 | \$ 239,456 | \$ 279,374 | \$ 213,171 | \$ 239,456 | \$ 279,374 | \$ (10,539) | -3.64% | \$ (10,539) | -3.64% | |
| 10 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | | \$ - | | |
| 11 | \$ 5,019 | \$ 5,023 | \$ 5,023 | \$ 10,918 | \$ 5,019 | \$ 5,023 | \$ 5,023 | \$ 5,029 | \$ 5,019 | \$ 5,023 | \$ 5,029 | \$ (5,889) | -53.94% | \$ (5,889) | -53.94% | |
| 12 | \$ 842,540 | \$ 888,568 | \$ 888,568 | \$ 986,783 | \$ 842,540 | \$ 888,568 | \$ 888,568 | \$ 981,888 | \$ 842,540 | \$ 888,568 | \$ 981,888 | \$ (4,895) | -0.50% | \$ (4,895) | -0.50% | |
| 13 | \$ 144,550 | \$ 34,101 | \$ 34,101 | \$ (97,456) | \$ 144,550 | \$ 34,101 | \$ 34,101 | \$ (84,105) | \$ 144,550 | \$ 34,101 | \$ (84,105) | \$ 13,350 | | \$ 13,350 | | |
| 14 | \$ 2,067 | \$ 64 | \$ 64 | \$ (183) | \$ 2,067 | \$ 64 | \$ 64 | \$ (193) | \$ 2,067 | \$ 64 | \$ (193) | \$ (9) | | \$ (9) | | |
| 15 | \$ 92,653 | \$ 239,270 | \$ 239,270 | \$ 273,434 | \$ 92,653 | \$ 239,270 | \$ 239,270 | \$ 273,434 | \$ 92,653 | \$ 239,270 | \$ 273,434 | \$ - | | \$ - | | |
| 16 | \$ 239,270 | \$ 273,434 | \$ 273,434 | \$ 175,795 | \$ 239,270 | \$ 273,434 | \$ 273,434 | \$ 189,136 | \$ 239,270 | \$ 273,434 | \$ 189,136 | \$ 13,341 | | \$ 13,341 | | |
| 17 | | | | | | | | | | | | | | | | |

*All Other Expenses includes Admin, Supervisory, Container, and Corporate Overhead Expenses

Variance Analysis:

The amount Allied owes the District (i.e., your positive balancing account amount) increased from \$175,795 to \$189,136, mainly as the result of the following:

- ◆ Revenues 0.95% greater than anticipated; and,
- ◆ Less than anticipated tip fee costs for solid waste disposal; partially fully offset by,
- ◆ Increased labor expense due to Allied's unanticipated payment of the January 2011 health care premiums for the drivers not hired by Recology and greater than anticipated vacation/sick payouts.
- ◆ Greater than anticipated workers compensation claims expense in 2011 for incidents which occurred prior to Allied ceasing operations on December 31, 2010.

Operating Statistics

West Bay

| Routes | Last Year's Review | | This Year's Review | | Difference 2010 LY vs TY | % 2010 LY vs TY |
|---|--------------------|--------------|--------------------|--------------|--------------------------------|-----------------------|
| | 2008 | 2009 | 2008 | 2009 | | |
| Solid Waste Routes | 3.19 | 3.20 | 3.19 | 3.20 | - | 0.00% |
| Plant Material Routes | 2.21 | 2.22 | 2.21 | 2.22 | - | 0.00% |
| REL Routes | 0.15 | 0.14 | 0.15 | 0.14 | - | 0.00% |
| FEL Routes | 0.37 | 0.37 | 0.37 | 0.37 | - | 0.00% |
| Total | 5.92 | 5.93 | 5.92 | 5.93 | - | 0.00% |
| REL = Rear-End Load Vehicles used to collect containers; FEL = Front-End Load Vehicles used to collect containers | | | | | | |
| Route Statistics | | | | | | |
| Residential Solid Waste Accounts per route | 643.64 | 645.52 | 643.64 | 645.52 | - | 0.00% |
| Residential Plant Material Accounts per route | 463.56 | 465.03 | 463.56 | 465.03 | - | 0.00% |
| Residential Solid Waste Tons per route | 501.77 | 451.06 | 501.77 | 454.29 | (4.49) | -0.98% |
| Residential Plant Material Tons per route | 621.52 | 701.36 | 621.52 | 709.44 | (33.72) | -4.35% |
| Commercial REL Accounts per Route | 117.23 | 112.22 | 117.23 | 112.22 | - | 0.00% |
| Commercial FEL Accounts per Route | 48.78 | 43.11 | 48.78 | 43.11 | - | 0.00% |
| Commercial REL Tons per Route | 759.80 | 684.63 | 759.80 | 1,066.22 | (11.12) | -1.57% |
| Commercial FEL Tons per Route | 1,364.77 | 1,052.93 | 1,364.77 | 1,069.73 | (6.98) | -0.53% |
| Tonnage | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 |
| Residential - Solid Waste | 1,600 | 1,442 | 1,600 | 1,453 | (14) | -0.98% |
| Residential - Plant Material | 1,376 | 1,556 | 1,376 | 1,574 | (75) | -4.35% |
| Commercial REL Solid Waste | 110 | 98 | 110 | 152 | (2) | -1.57% |
| Commercial FEL Solid Waste | 504 | 391 | 504 | 397 | (2) | -0.53% |
| Commercial Organics | 50 | 43 | 50 | 44 | (2) | -4.43% |
| Subtotal | 3,640 | 3,530 | 3,640 | 3,620 | (95) | -2.54% |
| Agency Tons to Transfer Station | - | - | - | - | - | - |
| Agency Tons to Ox Mtn. | - | - | - | - | - | - |
| DBBS Compactor/JPA Tonnage | | | | | | |
| Solid Waste | - | - | - | - | - | - |
| Recyclables and Organic Materials | 9 | - | 9 | - | - | - |
| Agency Tons | - | - | - | - | - | - |
| Accounts | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 |
| Residential | 2,053 | 2,064 | 2,053 | 2,064 | - | 0.00% |
| Commercial-REL | 17 | 16 | 17 | 16 | - | 0.00% |
| Commercial-FEL | 18 | 16 | 18 | 16 | - | 0.00% |
| Commercial Subtotal | 35 | 32 | 35 | 32 | - | 0.00% |
| Lifts | | | | | | |
| Residential Cans - Solid Waste | 3,581 | 2,529 | 2,581 | 2,529 | - | 0.00% |
| Commercial - REL Cans, Solid Waste | 54 | 47 | 54 | 47 | - | 0.00% |
| Commercial - REL Cans, Organics | - | - | - | - | - | - |
| Commercial - REL Bins, Solid Waste | 10 | 9 | 10 | 9 | - | 0.00% |
| Commercial - FEL Bins, Solid Waste | 35 | 35 | 35 | 35 | - | 0.00% |
| Commercial - FEL Bins, Organics | 6 | 6 | 6 | 6 | - | 0.00% |