



NEW BUSINESS



STAFF REPORT

To: SBWMA Board Members
From: Cliff Feldman, Recycling Programs Manager
Marshall Moran, Finance Manager
Date: July 26, 2012 Board of Directors Meeting
Subject: Review of Cart Migration Data for Member Agencies and Rates vs. Costs Analysis

Recommendation

This staff report is for discussion purposes only and no formal action is requested of the Board of Directors.

Analysis

Cart Migration Analysis

This staff report is a follow up to information provided at the July 28, 2011 Board meeting on residential cart migration affecting residential rates and rate setting. This report presents an update on residential customers changing service levels (i.e., cart migration) from July 2011 through March 2012 (**Attachment A**). March 2012 data is the latest information currently available from Recology. Staff has requested up-to-date data from Recology through June but the data wasn't available in time for inclusion in this staff report.

The actual revenue impact from cart migration for any given Member Agency cannot be determined since we do not know the timing of when the change occurred during the past year (i.e., it is difficult if not impossible to ascertain exactly when all the changes were made since customers can change their service levels at any time). These changes could be for one month or twelve months. In addition, the data includes changes in the number of carts being serviced so the migration impact alone is diluted. The projected revenue shown also does not include any Attachment Q fees such as for cart rental. Please also note that the revenue estimates shown doesn't reflect actual billed revenue so the figures won't tie to the revenue figures shown in Attachment G to the staff report for agenda item 4B.

However, it is important to point out that cart migration generally results in less revenue being generated and needs to be considered when establishing rates for the next rate year (i.e., 2013). As a reminder, the SBWMA reports on the 2013 Recology Compensation Application, the 2013 South Bay Recycling Compensation Application and the 2013 SBWMA Consolidated Rate Report will be presented to the Board in September. Draft reports on the Recology and SBR rate applications will be sent to the Board on September 1 for review with comments due back on September 11. The 2013 SBWMA Consolidated Rate Report will provide the recommended rate adjustments based in part on factors including revenue shortfall/overage projections at current revenue levels and all cost based adjustments to collection services such as disposal expense and Agency fees. Agencies may want to consider collecting additional revenue to offset any potential revenue shortfall from residential and commercial customers in their rate setting adjustment. Further, the revenue requirement figures approved by the Board in the 2013 SBWMA Consolidated Rate Report will be binding on each Member Agency and interest will accrue on any revenue shortfall owed to Recology.

Rates vs. Costs Analysis

Other factors that contribute to a deficit in revenue generation that need to be taken into account when establishing future rates include the extent to which an agency adopts "progressive" rates and the timing of rate

increases. Member Agencies that adopt more progressive rates (i.e., those that offer the smaller cart sizes such as the 20 and 32 gallon carts at the highest “discounts” in relation to the actual cost of service) may exacerbate the loss of revenue associated with cart migration. **Attachment B** provides details on how current residential rates charged by service level compare to actual costs (per approved 2012 Recology compensation application) per service level. In all cases, Member Agency rates for 20-gallon and 32-gallon service levels are substantially below actual costs. Conversely, nearly all Member Agency rates for the 64-gallon and 96-gallon service levels are above actual costs.

One important consideration when establishing residential garbage rates is that the cost to service the four cart sizes is not proportional to the size difference of the carts (as shown in Attachment A, section B), due to factors such as:

1. The cost includes the cost to service garbage (black), recycling (blue), and organics (green) carts. Only the black cart size changes with the cart selection – the other two are constant.
2. The cost to service all carts is approximately the same.
3. Only the garbage disposal expense changes with the different black cart sizes.

Background

The Franchise Agreements for Collection Services with Recology fundamentally improved the offering of services provided to customers including weekly single stream recycling and other services. There is also a new level of responsibility on Member Agencies to establish rates to pay for these services. The Franchise Agreements with Recology stipulate that the Member Agencies have a contractual obligation to set rates to cover Recology’s approved compensation and pass-through costs such as Agency franchise fees and disposal and prior year’s revenue shortfall. It is also important to note, consistent with past practices and typical industry practice, residents and businesses are charged by their garbage service levels with actual garbage rates inclusive of covering the costs of all services (e.g., garbage, recycling and organics) provided to the customer. The past use of a Balancing Account with Allied Waste/Republic Services is not part of the new Agreement with Recology and thus Member Agencies will need to adjust rates annually.

Fiscal Impact

There is no fiscal impact to SBWMA. The fiscal impact, if any, on the Member Agencies will be addressed during each respective Agency’s rate setting process.

Attachments:

Attachment A – Cart Migration Tables
Attachment B – Rates vs. Costs Tables

**Residential Collection Service Levels and Revenue Summary
SOLID WASTE ONLY
Member Agency: SBWMA TOTAL**

Service Levels	July 2011		March 2012		CHANGE March 2012 vs July 2011		Monthly	Annualized
	Number of Containers	Percent of Containers	Number of Containers	Percent of Containers	Number of Containers	Percent of Containers	Revenue Impact	
20 gal	16,219	17.8%	17,922	20.0%	1,703	10.5%	\$ 28,623	\$ 343,473
32 gal	53,182	58.3%	51,899	57.8%	-1,283	-2.4%	\$ (34,292)	\$ (411,505)
64 gal	17,462	19.2%	16,419	18.3%	-1,043	-6.0%	\$ (56,915)	\$ (682,981)
96 gal	4,283	4.7%	3,587	4.0%	-696	-16.3%	\$ (72,046)	\$ (864,557)
TOTAL	91,146	100.0%	89,827	100.0%	-1,319	-1.4%	\$ (134,631)	\$ (1,615,570)
% Change				-1.4%				-4.9%

Note: these revenue figures are derived from cart rates only and exclude all other revenue sources such as Attachment Q Unscheduled services; e.g. backyard service and additional cart rental fees.

**Residential Collection Service Levels and Revenue Summary
SOLID WASTE ONLY
Member Agency: ATHERTON**

Service Levels	July 2011		March 2012		CHANGE March 2012 vs July 2011		2012 Rates	Monthly	Annualized
	Number of Containers	Percent of Containers	Number of Containers	Percent of Containers	Number of Containers	Percent of Containers		Revenue Impact	
20 gal	358	13.8%	437	18.6%	79	22.1%	\$ 27.00	\$ 2,133	\$ 25,596
32 gal	941	36.4%	903	38.3%	-38	-4.0%	\$ 55.00	\$ (2,090)	\$ (25,080)
64 gal	684	26.5%	589	25.0%	-95	-13.9%	\$ 110.00	\$ (10,450)	\$ (125,400)
96 gal	603	23.3%	426	18.1%	-177	-29.4%	\$ 164.00	\$ (29,028)	\$ (348,336)
TOTAL	2,586	100.0%	2,355	100.0%	-231	-8.9%		\$ (39,435)	\$ (473,220)
% Change			-8.9%					-17%	

Note: these revenue figures are derived from cart rates only and exclude all other revenue sources such as Attachment Q Unscheduled services; e.g. backyard service and additional cart rental fees.

Recology is the source for number of containers and the rates charged.

**Residential Collection Service Levels and Revenue Summary
SOLID WASTE ONLY
Member Agency: BELMONT**

Service Levels	July 2011		March 2012		CHANGE March 2012 vs July 2011		2012 Rates	Monthly	Annualized
	Number of Containers	Percent of Containers	Number of Containers	Percent of Containers	Number of Containers	Percent of Containers		Revenue Impact	
20 gal	1,460	21.7%	1,629	24.3%	169	11.6%	\$ 16.93	\$ 2,861	\$ 34,334
32 gal	4,331	64.5%	4,226	63.1%	-105	-2.4%	\$ 28.03	\$ (2,943)	\$ (35,318)
64 gal	800	11.9%	733	11.0%	-67	-8.4%	\$ 61.77	\$ (4,139)	\$ (49,663)
96 gal	128	1.9%	105	1.6%	-23	-18.0%	\$ 99.86	\$ (2,297)	\$ (27,561)
TOTAL	6,719	100.0%	6,693	100.0%	-26	-0.4%		\$ (6,517)	\$ (78,208)
% Change			-0.4%					-3.1%	

Note: these revenue figures are derived from cart rates only and exclude all other revenue sources such as Attachment Q Unscheduled services; e.g. backyard service and additional cart rental fees.

Recology is the source for number of containers and the rates charged.

Residential Collection Service Levels and Revenue Summary
SOLID WASTE ONLY
Member Agency: BURLINGAME

Service Levels	July 2011		March 2012		CHANGE March 2012 vs July 2011		2012 Rates	Monthly	Annualized
	Number of Containers	Percent of Containers	Number of Containers	Percent of Containers	Number of Containers	Percent of Containers		Revenue Impact	
20 gal	1,065	16.1%	1,174	17.9%	109	10.2%	\$ 12.90	\$ 1,406	\$ 16,873
32 gal	4,051	61.3%	3,960	60.5%	-91	-2.2%	\$ 23.85	\$ (2,170)	\$ (26,044)
64 gal	1,179	17.8%	1,129	17.2%	-50	-4.2%	\$ 47.71	\$ (2,386)	\$ (28,626)
96 gal	314	4.8%	286	4.4%	-28	-8.9%	\$ 70.80	\$ (1,982)	\$ (23,789)
TOTAL	6,609	100.0%	6,549	100.0%	-60	-0.9%		\$ (5,132)	\$ (61,586)
% Change				-0.9%				-2.7%	

Note: these revenue figures are derived from cart rates only and exclude all other revenue sources such as Attachment Q Unscheduled services; e.g. backyard service and additional cart rental fees.

Recology is the source for number of containers and the rates charged.

**Residential Collection Service Levels and Revenue Summary
SOLID WASTE ONLY
Member Agency: FOSTER CITY**

Service Levels	July 2011		March 2012		CHANGE March 2012 vs July 2011		2012 Rates	Monthly	Annualized
	Number of Containers	Percent of Containers	Number of Containers	Percent of Containers	Number of Containers	Percent of Containers		Revenue Impact	
20 gal	1,056	15.7%	1219	18.1%	163	15.4%	\$ 11.82	\$ 1,927	\$ 23,120
32 gal	4,652	69.0%	4541	67.3%	-111	-2.4%	\$ 18.92	\$ (2,100)	\$ (25,201)
64 gal	879	13.0%	847	12.6%	-32	-3.6%	\$ 37.84	\$ (1,211)	\$ (14,531)
96 gal	153	2.3%	142	2.1%	-11	-7.2%	\$ 56.76	\$ (624)	\$ (7,492)
TOTAL	6,740	100.0%	6,749	100.0%	9	0.1%		\$ (2,009)	\$ (24,104)
% Change			0.1%					-1.4%	

Note: these revenue figures are derived from cart rates only and exclude all other revenue sources such as Attachment Q Unscheduled services; e.g. backyard service and additional cart rental fees.

Recology is the source for number of containers and the rates charged.

**Residential Collection Service Levels and Revenue Summary
SOLID WASTE ONLY
Member Agency: HILLSBOROUGH**

Service Levels	July 2011		March 2012		CHANGE March 2012 vs July 2011		2012 Rates	Monthly	Annualized
	Number of Containers	Percent of Containers	Number of Containers	Percent of Containers	Number of Containers	Percent of Containers		Revenue Impact	
20 gal	483	13.0%	570	15.5%	87	18.0%	\$ 49.90	\$ 4,341	\$ 52,096
32 gal	1,838	49.6%	1828	49.7%	-10	-0.5%	\$ 60.00	\$ (600)	\$ (7,200)
64 gal	889	24.0%	842	22.9%	-47	-5.3%	\$ 89.90	\$ (4,225)	\$ (50,704)
96 gal	493	13.3%	440	12.0%	-53	-10.8%	\$ 124.90	\$ (6,620)	\$ (79,436)
TOTAL	3,703	100.0%	3,680	100.0%	-23	-0.6%		\$ (7,104)	\$ (85,244)
% Change				-0.6%				-2.6%	

Note: these revenue figures are derived from cart rates only and exclude all other revenue sources such as Attachment Q Unscheduled services; e.g. backyard service and additional cart rental fees.

Recology is the source for number of containers and the rates charged.

Residential Collection Service Levels and Revenue Summary
SOLID WASTE ONLY
Member Agency: MENLO PARK

Service Levels	July 2011		March 2012		CHANGE March 2012 vs July 2011		2012 Rates	Monthly	Annualized
	Number of Containers	Percent of Containers	Number of Containers	Percent of Containers	Number of Containers	Percent of Containers		Revenue Impact	
20 gal	1,845	22.7%	1,908	23.8%	63	3.4%	\$ 13.99	\$ 881	\$ 10,576
32 gal	4,356	53.7%	4,330	54.1%	-26	-0.6%	\$ 23.40	\$ (608)	\$ (7,301)
64 gal	1,518	18.7%	1,420	17.7%	-98	-6.5%	\$ 55.99	\$ (5,487)	\$ (65,844)
96 gal	399	4.9%	346	4.3%	-53	-13.3%	\$ 83.72	\$ (4,437)	\$ (53,246)
TOTAL	8,118	100.0%	8,004	100.0%	-114	-1.4%		\$ (9,651)	\$ (115,815)
% Change			-1.4%					-3.9%	

Note: these revenue figures are derived from cart rates only and exclude all other revenue sources such as Attachment Q Unscheduled services; e.g. backyard service and additional cart rental fees.

Recology is the source for number of containers and the rates charged.

Residential Collection Service Levels and Revenue Summary
SOLID WASTE ONLY
Member Agency: NORTH FAIR OAKS

Service Levels	July 2011		March 2012		CHANGE March 2012 vs July 2011		2012 Rates	Monthly	Annualized
	Number of Containers	Percent of Containers	Number of Containers	Percent of Containers	Number of Containers	Percent of Containers		Revenue Impact	
20 gal	17	0.6%	25	0.9%	8	47.1%	\$ 24.70	\$ 198	\$ 2,371
32 gal	307	10.7%	227	8.4%	-80	-26.1%	\$ 24.70	\$ (1,976)	\$ (23,712)
64 gal	2,538	88.3%	2434	90.1%	-104	-4.1%	\$ 24.70	\$ (2,569)	\$ (30,826)
96 gal	12	0.4%	16	0.6%	4	33.3%	\$ 49.40	\$ 198	\$ 2,371
TOTAL	2,874	100.0%	2,702	100.0%	-172	-6.0%		\$ (4,150)	\$ (49,795)
% Change			-6.0%					-5.8%	

Note: these revenue figures are derived from cart rates only and exclude all other revenue sources such as Attachment Q Unscheduled services; e.g. backyard service and additional cart rental fees.

Recology is the source for number of containers and the rates charged.

Residential Collection Service Levels and Revenue Summary
SOLID WASTE ONLY
Member Agency: Redwood City

Service Levels	July 2011		March 2012		CHANGE March 2012 vs July 2011		2012 Rates	Monthly	Annualized
	Number of Containers	Percent of Containers	Number of Containers	Percent of Containers	Number of Containers	Percent of Containers		Revenue Impact	
20 gal	3,966	22.2%	4,397	25.4%	431	10.9%	\$ 11.04	\$ 4,758	\$ 57,099
32 gal	10,849	60.8%	10,173	58.8%	-676	-6.2%	\$ 26.51	\$ (17,921)	\$ (215,049)
64 gal	2,328	13.0%	2,171	12.5%	-157	-6.7%	\$ 53.02	\$ (8,324)	\$ (99,890)
96 gal	705	4.0%	561	3.2%	-144	-20.4%	\$ 79.52	\$ (11,451)	\$ (137,411)
TOTAL	17,848	100.0%	17,302	100.0%	-546	-3.1%		\$ (32,938)	\$ (395,250)
% Change			-3.1%					-6.4%	

Note: these revenue figures are derived from cart rates only and exclude all other revenue sources such as Attachment Q Unscheduled services; e.g. backyard service and additional cart rental fees.

Recology is the source for number of containers and the rates charged.

**Residential Collection Service Levels and Revenue Summary
SOLID WASTE ONLY
Member Agency: SAN CARLOS**

Service Levels	July 2011		March 2012		CHANGE March 2012 vs July 2011		2012 Rates	Monthly	Annualized
	Number of Containers	Percent of Containers	Number of Containers	Percent of Containers	Number of Containers	Percent of Containers		Revenue Impact	
20 gal	1,716	19.8%	1,895	22.1%	179	10.4%	\$ 17.31	\$ 3,098	\$ 37,182
32 gal	5,446	63.0%	5,320	61.9%	-126	-2.3%	\$ 27.69	\$ (3,489)	\$ (41,867)
64 gal	1,244	14.4%	1,168	13.6%	-76	-6.1%	\$ 57.62	\$ (4,379)	\$ (52,549)
96 gal	244	2.8%	205	2.4%	-39	-16.0%	\$ 88.16	\$ (3,438)	\$ (41,259)
TOTAL	8,650	100.0%	8,588	100.0%	-62	-0.7%		\$ (8,208)	\$ (98,494)
% Change				-0.7%				-3.0%	

Note: these revenue figures are derived from cart rates only and exclude all other revenue sources such as Attachment Q Unscheduled services; e.g. backyard service and additional cart rental fees.

Recology is the source for number of containers and the rates charged.

Residential Collection Service Levels and Revenue Summary
SOLID WASTE ONLY
Member Agency: CITY OF SAN MATEO

Service Levels	July 2011		March 2012		CHANGE March 2012 vs July 2011		2012 Rates	Monthly	Annualized
	Number of Containers	Percent of Containers	Number of Containers	Percent of Containers	Number of Containers	Percent of Containers		Revenue Impact	
20 gal	3,010	14.9%	3255	16.3%	245	8.1%	\$ 12.00	\$ 2,940	\$ 35,280
32 gal	12,034	59.7%	12019	60.1%	-15	-0.1%	\$ 19.19	\$ (288)	\$ (3,454)
64 gal	4,235	21.0%	3951	19.8%	-284	-6.7%	\$ 42.22	\$ (11,990)	\$ (143,886)
96 gal	894	4.4%	774	3.9%	-120	-13.4%	\$ 65.24	\$ (7,829)	\$ (93,946)
TOTAL	20,173	100.0%	19,999	100.0%	-174	-0.9%		\$ (17,167)	\$ (206,006)
% Change			-0.9%					-3.4%	

Note: these revenue figures are derived from cart rates only and exclude all other revenue sources such as Attachment Q Unscheduled services; e.g. backyard service and additional cart rental fees.

Recology is the source for number of containers and the rates charged.

**Residential Collection Service Levels and Revenue Summary
SOLID WASTE ONLY
Member Agency: WEST BAY SANITARY DISTRICT**

Service Levels	July 2011		March 2012		CHANGE March 2012 vs July 2011		2012 Rates	Monthly	Annualized
	Number of Containers	Percent of Containers	Number of Containers	Percent of Containers	Number of Containers	Percent of Containers		Revenue Impact	
20 gal	410	19.1%	474	21.5%	64	15.6%	\$ 21.00	\$ 1,344	\$ 16,128
32 gal	1,222	56.9%	1236	56.0%	14	1.1%	\$ 34.00	\$ 476	\$ 5,712
64 gal	399	18.6%	402	18.2%	3	0.8%	\$ 67.00	\$ 201	\$ 2,412
96 gal	118	5.5%	96	4.3%	-22	-18.6%	\$ 101.00	\$ (2,222)	\$ (26,664)
TOTAL	2,149	100.0%	2,208	100.0%	59	2.7%		\$ (201)	\$ (2,412)
% Change			2.7%					-0.2%	

Note: these revenue figures are derived from cart rates only and exclude all other revenue sources such as Attachment Q Unscheduled services; e.g. backyard service and additional cart rental fees.
Recology is the source for number of containers and the rates charged.

**Residential Collection Service Levels and Revenue Summary
SOLID WASTE ONLY
Member Agency: Unincorporated San Mateo County**

Service Levels	July 2011		March 2012		CHANGE March 2012 vs July 2011		2012 Rates	Monthly	Annualized
	Number of Containers	Percent of Containers	Number of Containers	Percent of Containers	Number of Containers	Percent of Containers		Revenue Impact	
20 gal	833	16.7%	939	18.8%	106	12.7%	\$ 25.80	\$ 2,735	\$ 32,818
32 gal	3,155	63.4%	3136	62.7%	-19	-0.6%	\$ 30.66	\$ (583)	\$ (6,990)
64 gal	769	15.5%	733	14.7%	-36	-4.7%	\$ 54.34	\$ (1,956)	\$ (23,475)
96 gal	220	4.4%	190	3.8%	-30	-13.6%	\$ 77.19	\$ (2,316)	\$ (27,788)
TOTAL	4,977	100.0%	4,998	100.0%	21	0.4%		\$ (2,120)	\$ (25,436)
% Change			0.4%					-1.2%	

Note: these revenue figures are derived from cart rates only and exclude all other revenue sources such as Attachment Q Unscheduled services; e.g. backyard service and additional cart rental fees.

Recology is the source for number of containers and the rates charged.

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
RESIDENTIAL COLLECTION SERVICES -- RATES AND COSTS**

2012 COST ESTIMATES

	Atherton	Belmont	Burlingame	EPA	Foster City	Hillsborough	Menlo Park	N.Fair Oaks	Redwood City	San Carlos	San Mateo	West Bay	Uninc SMC
Mar. 31, 2012 Number of Carts													
20 gallons	437	1,629	1,174	5	1,219	570	1,908	25	4,397	1,895	3,255	474	939
32 gallons	903	4,226	3,960	24	4,541	1,828	4,330	227	10,173	5,320	12,019	1,236	3,136
64 gallons	589	733	1,129	28	847	842	1,420	2,434	2,171	1,168	3,951	402	733
96 gallons	426	105	286	4,122	142	440	346	16	561	205	774	96	190
Total Carts	2,355	6,693	6,549	4,179	6,749	3,680	8,004	2,702	17,302	8,588	19,999	2,208	4,998
A. 2012 Cart Rates / month													
20 gallons	\$ 27.00	\$ 16.93	\$ 12.90		\$ 11.82	\$ 49.90	\$ 13.99	\$ 24.70	\$ 11.04	\$ 17.31	\$ 12.00	\$ 21.00	\$ 25.80
32 gallons	\$ 55.00	\$ 28.03	\$ 23.85		\$ 18.92	\$ 60.00	\$ 23.40	\$ 24.70	\$ 26.51	\$ 27.69	\$ 19.19	\$ 34.00	\$ 30.66
64 gallons	\$ 110.00	\$ 61.77	\$ 47.71		\$ 37.84	\$ 89.90	\$ 55.99	\$ 24.70	\$ 53.02	\$ 57.62	\$ 42.22	\$ 67.00	\$ 54.34
96 gallons	\$ 164.00	\$ 99.86	\$ 70.80	\$ 39.81	\$ 56.76	\$ 124.90	\$ 83.72	\$ 49.40	\$ 79.52	\$ 88.16	\$ 65.24	\$ 101.00	\$ 77.19
B. 2012 Collection & Disposal Cost / month													
20 gallons	\$ 67.23	\$ 39.86	\$ 36.34		\$ 25.81	\$ 54.93	\$ 40.83	\$ 29.44	\$ 38.24	\$ 36.68	\$ 34.12	\$ 38.60	\$ 36.40
32 gallons	\$ 74.65	\$ 42.75	\$ 39.52		\$ 28.04	\$ 58.43	\$ 44.56	\$ 31.87	\$ 41.53	\$ 39.86	\$ 37.09	\$ 42.27	\$ 39.60
64 gallons	\$ 94.41	\$ 50.45	\$ 48.01		\$ 33.96	\$ 67.78	\$ 54.49	\$ 38.37	\$ 50.32	\$ 48.34	\$ 45.00	\$ 52.06	\$ 48.14
96 gallons	\$ 114.17	\$ 58.15	\$ 56.50	\$ 50.47	\$ 39.88	\$ 77.12	\$ 64.42	\$ 44.86	\$ 59.11	\$ 56.82	\$ 52.92	\$ 61.86	\$ 56.68
C. 2012 Rate vs Cost Variance (\$)													
20 gallons	(\$40.23)	(\$22.93)	(\$23.44)		(\$13.99)	(\$5.03)	(\$26.84)	(\$4.74)	(\$27.20)	(\$19.37)	(\$22.12)	(\$17.60)	(\$10.60)
32 gallons	(\$19.65)	(\$14.72)	(\$15.67)		(\$9.12)	\$1.57	(\$21.16)	(\$7.17)	(\$15.02)	(\$12.17)	(\$17.90)	(\$8.27)	(\$8.94)
64 gallons	\$15.59	\$11.32	(\$0.30)		\$3.88	\$22.12	\$1.50	(\$13.67)	\$2.70	\$9.28	(\$2.78)	\$14.94	\$6.20
96 gallons	\$49.83	\$41.71	\$14.30	(\$10.66)	\$16.88	\$47.78	\$19.30	\$4.54	\$20.41	\$31.34	\$12.32	\$39.14	\$20.51
D. 2012 Rate vs Cost Variance (%)													
20 gallons	-60%	-58%	-64%		-54%	-9%	-66%	-16%	-71%	-53%	-65%	-46%	-29%
32 gallons	-26%	-34%	-40%		-33%	3%	-47%	-23%	-36%	-31%	-48%	-20%	-23%
64 gallons	17%	22%	-1%		11%	33%	3%	-36%	5%	19%	-6%	29%	13%
96 gallons	44%	72%	25%	-21%	42%	62%	30%	10%	35%	55%	23%	63%	36%

% rates are above / <below> cost

Cost estimates are based on a cart count in March 2012. The cart count can vary.
Collection cost is fixed for 2012 from Recology.



STAFF UPDATE

To: SBWMA Board Members
From: Kevin McCarthy, Executive Director
Marshall Moran, Finance Manager
Date: July 26, 2012 Board of Directors Meeting
Subject: Update on 2013 Rate Applications and Rate Issues

Recommendation

This is an informational report and no action is necessary.

Analysis

At the June 28, 2012 Board meeting, Staff conveyed that an updated staff report would be included for the July meeting specifically focused on the issues impacting 2013 collection rates. The following provides a summary of the identified major issues for the Compensation Applications for Recology San Mateo County (Recology) and South Bay Recycling (SBR) and other rate related issues:

Recology

1. Service Level Adjustments. Per the Member Agency Franchise Agreements with Recology, the company included in its 2013 Compensation Application the second and **final** service level cost adjustment to account for changes in accounts for residential service, lifts for commercial service, and pulls for roll-off service that have occurred since the first adjustment was made in 2010 to the company's cost proposal submitted in 2008. It is important to note that the 2008 cost proposal which was used as the basis for establishing 2011 rates and the first service level adjustment in 2011 relied on customer service level data provided by Allied Waste/Republic Services. The service level adjustment figures provided by Recology in its Compensation Application are currently being reviewed by staff and Member Agencies. This Application denotes a service level cost adjustment of 1.69% or an increase in contractor's compensation of \$872,982 (**Attachment A**). This compares to the first service level adjustment in 2011 which reduced Recology's compensation by \$534,600.
2. Recology Annual Revenue Reconciliation Report for 2011. Recology submitted a Revenue Reconciliation Application to the SBWMA on March 30, 2012 which compares the approved compensation owed to Recology for 2011 with the actual net compensation retained by Recology after paying for Pass-Through costs for disposal at Shoreway and Agency fees (e.g., Franchise Fees) paid to each Member Agency. Each Agency will have a surplus or shortfall which will be added to or subtracted from the 2013 Revenue Requirement; this surplus or shortfall must be included in the 2013 rates per Franchise Agreement Section 11.03. The report was thoroughly reviewed by staff and outside consultants as part of the Financial audit conducted by HF&H. The report to the Board on the Financial Audit was approved by the Board at the June 28, 2012 meeting. The total shortfall of \$2,986,941 is \$411,336 less than projected by the SBWMA last year of \$3,398,277. Included in the Revenue Reconciliation adjustment is a reduction in

Recology's compensation of \$108,105 for service in 2011 to non-franchised schools erroneously included in their cost proposal. (**Attachment B**).

3. Interest Payment to/from Recology for Shortfall or Surplus in Required 2011 Revenues. The Franchise Agreement(s) with Recology provide for an interest charge at the rate of prime plus one percent (i.e., 4.25%) for the surplus/shortfall on the 2011 Revenue Reconciliation previously described. While the company waived applying interest for the first two months of 2011 to Member Agencies that adopted rates on or before March 1, 2011, the net amount of interest due is \$184,284 for 2011 (**Attachment C**). For Member Agencies that set rates for 2012 to include surplus revenue to cover some or all of the 2011 estimated revenue shortfall, they are likely to run a revenue surplus for 2012; this means such agencies will receive interest payments from Recology as part of the 2014 rate application.
4. Reallocation of Cost to Service Agency Facilities for 2012. The allocation of the 2012 cost to provide service to each Member Agency's facilities will be adjusted retroactively for 2012 based on final statistics compiled by Recology. The initial allocation for 2012 was based on projections in lieu of the actual operating statistics. In September 2011, SBWMA staff recommended and the Board approved using a temporary allocation until the company returned with actual statistics in 2012 as directed by the Board. Recology has revised the allocation for 2012 based on actual operating statistics compiled in May 2012. This revised allocation is included in the Recology 2013 Compensation Application. It does not change Recology's compensation but rather reallocates cost between agencies. (**Attachment D**).
5. Performance Incentive/Disincentive Payments (and Liquidated Damages). The Franchise Agreement(s) with Recology prescribe that payments related to performance incentives/disincentives will be calculated in the company's Annual Report submitted in mid-February and then included in their Compensation Application due on July 1 each year (with the exception of Contamination related disincentive payments which are calculated quarterly and paid directly to SBWMA). Therefore, both incentive payments due to Recology and disincentive payments (with the exception of Contamination related disincentives) due to Member Agencies shall be included in the Annual Compensation Application. The final net incentives/disincentives and liquidated damages for 2011 of \$877,792 were approved by the Board at the June 28, 2012 Board meeting (**Attachment E**).
6. Reallocation of Costs and Revenues Associated with Corrections to Customer Account Data. Since Recology commenced operations in January 2011, a small number of accounts were inaccurately allocated to six Member Agencies based on inaccurate data from the previous contractor, Allied Waste. The affected agencies are: Belmont, Burlingame, Redwood City, San Carlos, City of San Mateo and County of San Mateo. All affected Agencies have been preliminarily apprised of this issue by the SBWMA on July 3, 2012, and the cost adjustment for all agencies was included in Recology's Compensation Application. There is a net decrease to Recology's compensation of \$14,599 for service to non-franchised accounts. The revenue adjustment will be included in next year's 2012 Revenue reconciliation by Recology. Specific questions regarding the actual misallocated accounts should be directed to Recology (**Attachment F**).
7. Recology Agreement to Reduce Administrative Costs. Recology has agreed to reduce its administrative costs between \$200,000 to \$250,000 annually in-part by eliminating the Public Education Manager position.

8. Recology Providing Credit for Vacant Positions in 2011 and 2012. Recology had staff vacancies for a portion of 2011 for the Public Education Manager position and in 2012 for a Diversion Auditor. The company has agreed to provide a credit for the period of time these positions remained vacant.
9. Recology Request for a Change in Capital. Recology is proposing to transfer out three collection vehicles and one support vehicle to another Recology subsidiary and purchase three new collection vehicles for use in the SBWMA service area. The new collection vehicles are better suited to provide service to the 2,800 "new" residential and commercial accounts discovered once Recology began their rollout and start-up operations. This change in capital is projected to result in an annual depreciation expense savings of \$22,624.
10. Recology CBA Adjustment. For 2013, the compensation adjustment to Recology for the CBA contract for the office clerical workers wages reverts to a CPI based adjustment rather than based on the actual contract rate change. Relatedly, last year's Recology's compensation for the mechanics wages was based on the CPI index. Finally, Recology's compensation adjustment for the drivers wages will revert to a CPI adjustment in 2014 as that contract also expires.

South Bay Recycling

1. Cost Reduction for Vacant Position. The Site Manager position was vacant for approximately 49 work days in 2012. Since this position was included in the compensation that was paid to SBR, the SBWMA proposes to deduct this amount from SBR's 2013 compensation at approximately \$20,000.
2. Solar Power Adjustment. 2012 is the first year with solar power which was not in the original cost proposal from SBR. The rate per kwh from solar power and PG&E has been blended to arrive at an average rate adjustment. The full impact of credits back from PG&E for their buying solar power is unknown but this will be tried up next year. Thus, it's unknown at this time what impact this may have on SBR's 2013 compensation.

Other 2013 Rate Issues

1. 2012 Revenue Projection versus Last Year's 2012 Projection. The SBWMA has projected revenue for 2012 based on actual monthly revenue through June and compared it to last year's Revenue Requirement. There is not an overall total summary because we lack data for Redwood City that does its own billing – our data comes from Recology's billing system. The results vary by agency but of course the surplus / shortfall is largely based on the actual rate adjustment passed by each agency versus the rate adjustment recommended in the September 29, 2011 SBWMA report, Total Rate Adjustment – 2012 (**Attachments G and H**). Staff is available to discuss individual Member Agency revenue projection data as the intent of preparing these mid-year projections is to begin this revenue discussion now as opposed to in September.

Background

Commencing with the November 17, 2011 Board meeting, staff has included a monthly update keeping the Board informed on the timing, schedule of events and issues affecting Member Agencies during the 2013 Compensation Application review (performed in 2012) and the Recommended Rate Adjustment process for the upcoming 2013 Rate Year (i.e., establishing rates for January 1-December 31, 2013). Staff's goal has been to provide and update

pertinent information for Member Agencies to effectively plan for and manage communications regarding the next year's compensation application and rate setting process.

At the April 26, 2012 Board meeting Staff presented preliminary information on 2013 rate issues as detailed in the staff report for agenda item 4B.

Attachments:

Attachment A – Recology 2012 Service Level Adjustment Tables

Attachment B – Recology 2011 Revenue Reconciliation

Attachment C – Interest Payment to/from Recology for Shortfall or Surplus in Required 2011 Revenues

Attachment D – Recology Reallocation of Cost to Service Agency Facilities for 2012.

Attachment E – Performance Incentive/Disincentive Payments (and Liquidated Damages)

Attachment F – Reallocation of Costs and Revenues Associated with Corrections to Customer Account Data

Attachment G – 2012 Mid-Year Revenue Projection Tables by Member Agencies

Attachment H – Total Rate Adjustment – 2012 (dated 9/29/11)

ATTACHMENT A

**RECOLOGY
COST ADJUSTMENT DUE TO SERVICE LEVEL CHANGES**

		2012	2011
Service Sector	Basis for Adjustment	Cost Adjustment	Cost Adjustment
Single Family Residential	Change in Number of Accounts	\$291,372	\$153,400
Commercial, Multi-Family and Agency	Change in Number of Bin Lifts	\$890,954	(\$381,611)
Commercial and Multi-Family Residential ¹	Change in Number of Drop-Box and Compactor Pulls		(\$244,889)
Member Agency Facility	Change in Number of Lifts and Pulls	(\$309,345)	(\$61,500)
TOTAL COST ADJUSTMENT DUE TO SERVICE LEVEL CHANGES		\$872,981	(\$534,600)
¹ Commercial Drop Box adjustment included with Commercial Bin adjustment in 2012 by Recology			

ATTACHMENT B

Recology San Mateo County Revenue Reconciliation														
Rate Year 2011, only														
	Atherton	Belmont ¹	Burlingame	E Palo Alto	Foster City	Hillsborough	Menlo Park	Fair Oaks	Redwood City	San Carlos	San Mateo	West Bay	County	SBWMA Total
Gross Revenue Billed	\$ 2,092,735	5,292,502	8,483,736	4,627,012	5,332,705	2,483,083	9,849,081	2,455,961	16,881,761	7,250,696	18,976,297	1,065,900	2,615,163	87,406,633
Less:														
Pass-Through Costs	1,123,615	2,890,278	4,195,627	2,114,342	1,871,240	923,993	4,649,167	757,307	7,312,840	3,281,550	8,483,581	392,275	815,979	38,811,794
Schedule Q (Unscheduled) Services	11,707	38,588	30,358	6,445	10,316	2,245	67,611	5,693	81	33,025	105,748	3,497	2,732	318,046
Net Revenue Billed	957,413	2,363,636	4,257,751	2,506,225	3,451,149	1,556,845	5,132,303	1,692,961	9,568,840	3,936,121	10,386,968	670,128	1,796,452	48,276,793
Contractor's Compensation	1,529,988	2,964,813	4,982,914	2,047,591	3,491,936	2,141,603	5,172,918	1,610,040	9,281,023	4,147,397	11,520,053	781,687	1,711,790	51,383,753
Agency Specific Contract Changes						(27,687)	22,700			(6,928)				(11,915)
Approved Contractor's Compensation	1,529,988	2,964,813	4,982,914	2,047,591	3,491,936	2,113,916	5,195,618	1,610,040	9,281,023	4,140,469	11,520,053	781,687	1,711,790	51,371,838
Due From / <To> Recology														
Surplus/(Shortfall) for Rate Year 2013	\$ (572,575)	(601,177)	(725,163)	458,634	(40,787)	(557,071)	(63,315)	82,921	287,817	(204,348)	(1,133,085)	(111,559)	84,662	(3,095,045)
2011 Public Schools Adjustment	14,718	9,130	15,278	2,530		17,343	12,449	6,186	4,661	25,810				108,105
Adjusted Surplus/(Shortfall) for Rate Year 2013	(557,857)	(592,047)	(709,885)	461,164	(40,787)	(539,728)	(50,866)	89,107	292,478	(178,538)	(1,133,085)	(111,559)	84,662	(2,986,940)
SBWMA PROJECTION (9/29/2011)														
2011 Projected Surplus / Shortfall	(623,712)	44,195	(680,147)	509,995	(178,948)	(637,108)	(82,159)	129,746	(409,095)	(238,189)	(1,171,534)	(121,686)	60,366	(3,398,277)
Variance: Better / <Worse>	65,855	(636,242)	(29,738)	(48,831)	138,161	97,380	31,293	(40,639)	701,573	59,651	38,449	10,127	24,296	411,336
Variance as % of Revenue	3.1%	-12.0%	-0.4%	-1.1%	2.6%	3.9%	0.3%	-1.7%	4.2%	0.8%	0.2%	1.0%	0.9%	0.5%
Note: the SBWMA projection did not include the Schedule Q (Unscheduled) service as no cost estimate was available . This explains most of the varaince for many agencies.														
¹ - Belmont varaince primarily due to a changed in method to calcaulte franchise fees														
² - Redwood City variance due primarily to higher revenue, possibly due to data issues since RWC does own billing														

ATTACHMENT C

Recology San Mateo County					
Interest Calculation on Rate Year 2011 Surplus/(Shortfall)					
Prime Rate		3.25%			
Prime plus one percent (1%)		4.25%			
	Surplus/ (Shortfall)	Rate Year 2011 41%	Rate Year 2011 50%	Rate Year 2012 100%	Total
Atherton	(557,857)		11,854	23,709	35,563
Belmont	(592,047)	10,316		25,162	35,478
Burlingame	(709,885)	12,370		30,170	42,540
East Palo Alto	461,165		(9,800)	(19,600)	(29,399)
Foster City	(40,787)	711		1,733	2,444
Hillsborough	(539,728)	9,405		22,938	32,343
Menlo Park	(50,866)	886		2,162	3,048
North Fair Oaks	89,107		(1,894)	(3,787)	(5,681)
Redwood City	292,478		(6,215)	(12,430)	(18,645)
San Carlos	(178,539)	3,111		7,588	10,699
San Mateo	(1,133,085)		24,078	48,156	72,234
West Bay	(111,559)	1,944	2,371	4,741	9,056
County of San Mateo	84,662		(1,799)	(3,598)	(5,397)
TOTAL	\$ (2,986,941)	\$ 38,743	\$ 18,596	\$ 126,945	\$ 184,284

Per section 11.07.B of the Franchise Agreement(s) with Recology, interest applies to 50% of the balance owed for the current year (2011) and 100% of the balance owed for the next year (2012). However, Recology waived accruing interest for the first two months of 2011 if a Member Agency's rate increase was effective March 1, 2011 or prior and this results in applying interest to 41% of the balance. The 41% calculation is based on removing the first two months of Rate Year 2011 to create a ten month rate year. 50% of a ten month rate year equals 5 months. 5 months out of a full 12 month year is 41% of the year.

ATTACHMENT D

RECOLOGY COST TO PROVIDE SERVICES TO AGENCY FACILITIES in 2012						
	REJECTED		USED FOR 2012		REVISED FOR 2013 RATE REPORT	
	ORIGINAL - 2012		ACCEPTED - 2012		Based on May 2012 data	
AGENCY	2012 Cost Allocation	% Allocation	2012 Cost Allocation	% Allocation	2012 Cost Allocation	Adjustment for Rate Year 2013
Atherton	\$ 12,016	1.2%	\$ 25,341	2.5%	\$ 6,597	\$ (18,744)
Belmont	\$ 17,231	1.7%	\$ 72,978	7.3%	\$ 27,853	\$ (45,125)
Burlingame	\$ 99,164	9.9%	\$ 123,960	12.4%	\$ 118,049	\$ (5,911)
East Palo Alto	\$ 12,670	1.3%	\$ 132,519	13.2%	\$ 17,376	\$ (115,143)
Foster City	\$ 34,699	3.5%	\$ 50,625	5.1%	\$ 41,822	\$ (8,802)
Hillsborough	\$ 12,513	1.3%	\$ 82,970	8.3%	\$ 10,026	\$ (72,944)
Menlo Park	\$ 295,204	29.5%	\$ 63,718	6.4%	\$ 190,917	\$ 127,199
North Fair Oaks	\$ 5,661	0.6%	\$ 617	0.1%	\$ 6,765	\$ 6,147
Redwood City	\$ 281,739	28.2%	\$ 120,656	12.1%	\$ 260,618	\$ 139,962
San Carlos	\$ 71,456	7.1%	\$ 47,826	4.8%	\$ 109,829	\$ 62,003
San Mateo	\$ 157,044	15.7%	\$ 277,862	27.8%	\$ 183,673	\$ (94,190)
West Bay	\$ 293	0.0%	\$ 292	0.0%	\$ 7,179	\$ 6,887
Uninc. County	\$ 683	0.1%	\$ 1,007	0.1%	\$ 19,669	\$ 18,661
TOTAL	\$ 1,000,373	100.0%	\$ 1,000,373	100.0%	\$ 1,000,374	\$ (0)

ATTACHMENT E

REVISED Liquidated Damages and Performance Incentive/Disincentive Payments EXCLUDING January 2011 Per HF&H Audit ¹

Member Agency	<u>Liquidated Damages</u>							<u>Performance Incentives and Disincentives</u>						Combined LD's and I/D's
	Collection Outside Authorized Hours	Failure to Provide New Service Change Within 5 Days	Unacceptable Employee Behavior	Material Spills	Fluid Spills	Deduct LD's Already Paid to MA's ²	Total LD's	SFD Missed P/U Initial Complaints	SFD Missed P/U Events	Average Speed of Answer	90 Second Max Hold Time	Diversion ³	Net Incentives and Disincentives	Total
Atherton	\$1,200	\$200	\$500	\$0	\$0	(\$400)	\$1,900	(\$850)	\$450	\$78	\$1,680	(\$13,256)	(\$11,898)	(\$9,998)
Belmont	\$4,350	\$0	\$3,250	\$0	\$500	(\$900)	\$8,100	(\$3,850)	\$150	\$287	\$6,187	(\$48,804)	(\$46,030)	(\$37,930)
Burlingame	\$6,450	\$600	\$3,500	\$0	\$0	(\$250)	\$10,550	(\$4,900)	\$950	\$651	\$14,049	(\$110,821)	(\$100,071)	(\$89,521)
East Palo Alto	\$1,950	\$0	\$1,250	\$0	\$0	(\$250)	\$3,200	(\$3,750)	\$200	\$337	\$7,274	(\$57,381)	(\$53,320)	(\$50,120)
Foster City	\$3,900	\$0	\$3,750	\$0	\$1,000	(\$750)	\$8,650	(\$5,300)	\$600	\$349	\$7,535	(\$59,432)	(\$56,248)	(\$47,598)
Hillsborough	\$2,100	\$0	\$750	\$0	\$0	\$0	\$2,850	(\$2,350)	\$500	\$98	\$2,109	(\$16,641)	(\$16,284)	(\$13,434)
Menlo Park	\$5,250	\$200	\$4,250	\$0	\$0	(\$500)	\$9,700	(\$4,550)	\$700	\$495	\$10,681	(\$84,256)	(\$76,930)	(\$67,230)
North Fair	\$900	\$0	\$250	\$0	\$0	\$0	\$1,150	(\$2,000)	\$100	\$176	\$3,797	(\$29,954)	(\$27,881)	(\$26,731)
Redwood City	\$8,250	\$0	\$8,000	\$0	\$0	(\$1,250)	\$16,250	(\$13,200)	\$900	\$1,096	\$23,662	(\$186,650)	(\$174,191)	(\$157,941)
San Carlos	\$6,000	\$0	\$4,750	\$0	\$0	(\$2,000)	\$10,750	(\$7,250)	\$900	\$394	\$8,511	(\$67,138)	(\$64,583)	(\$53,833)
San Mateo	\$10,350	\$0	\$8,250	\$0	\$0	(\$1,000)	\$18,600	(\$15,900)	\$1,050	\$1,216	\$26,253	(\$207,092)	(\$194,472)	(\$175,872)
SM County	\$900	\$0	\$1,000	\$0	\$0	\$0	\$1,900	(\$4,000)	\$50	\$136	\$2,927	(\$23,084)	(\$23,971)	(\$22,071)
WBSD	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$1,450)	\$100	\$50	\$1,084	(\$8,550)	(\$8,767)	(\$8,767)
Total	\$51,600	\$1,000	\$39,500	\$0	\$1,500	(\$7,300)	\$86,300	(\$69,350)	\$6,650	\$5,363	\$115,750	(\$913,060)	(\$854,647)	(\$768,347)

Negative number in parenthesis denotes payment due to Recology.

¹ Per Figure 3-12 in the HF&H Collection Services and Facility Operations Auditing Project Report.

² Recology issued checks directly to Member Agencies in April 2012.

³ Per second restatement of Recology 2011 Annual Report received on March 14, 2012.

ATTACHMENT F

REALLOCATION OF RECOLOGY COSTS AND REVENUE FOR CORRECTIONS TO CUSTOMER JURISDICTIONS								
To correct for accounts attributed to incorrect Member Agency service area	Belmont	Burlingame	North Fair Oaks	Redwood City	San Carlos	San Mateo	Unincorp. County	SBWMA TOTAL
Re-Allocation of 2012 Approved Contractor's Compensation								
A 2012 SBWMA-Approved Contractor's Compensation	3,463,913	4,972,374	1,477,907	9,491,876	4,659,846	12,001,387	2,080,132	53,316,253
B North Fair Oaks Acct Adjustment			(11,136)	11,136				-
C Unincorporated County Acct Adjustment	(12,513)	2,843	711	25,472	1,777	13,958	(46,846)	(14,599)
D Total Adjustment to 2012 Contractor's Compensation	(12,513)	2,843	(10,425)	36,608	1,777	13,958	(46,846)	(14,599)
E Adjusted 2012 Contractor's Compensation	3,451,400	4,975,217	1,467,482	9,528,484	4,661,623	12,015,345	2,033,286	53,301,654
2012 Revenue Adjustment								
To correct for accounts attributed to incorrect Member Agency service area								
F North Fair Oaks Acct Adjustment			(25,858)	25,858				-
G Unincorporated County Acct Adjustment				14,815			(14,815)	
H Total Revenue Adjustment	-	-	(25,858)	40,673	-	-	(14,815)	-
I 2012 NET ADJUSTMENT - POSITIVE OR <NEGATIVE>	12,513	(2,843)	(15,433)	4,064	(1,777)	(13,958)	32,031	14,599
(Revenue & Expense)								
Note:								
Revenue in billing system was corrected by Recology 1/1/2012 except as noted above.								
Revenue adjustment is for 1/1/12 - 5/31/12 when it was fixed by Recology and Redwood City in their billing systems.								
Revenue adjustment does not affect the 2013 Recology Compensation Application since it's only contractor's compensation; however, the results will be included in the 2013 Revenue Reconciliation and applied to 2014 rates.								
Only affected agencies are shown in this table.								

**SBWMA
MID-YEAR 2012 REVENUE ANALYSIS**

MEMBER AGENCY: ATHERTON

Revenue Source	2012 Revenue Requirement ¹	2012 Mid-Year Revenue Projection ²	Surplus / <Shortfall> ³	%
Residential		\$ 2,972,236		
Commercial (includes Multi-Family)		\$ 290,212		
Attachment Q - Unscheduled Services for Residential		\$ -		
Attachment Q - Unscheduled Services for Commercial		\$ (149)		
Required Revenue Adjustment	\$ 2,971,590 ⁴	\$ 3,262,298	\$ 290,708	8.9%
Total Rate Impact	\$ 3,657,674 ⁵	\$ 3,262,298	\$ (395,375)	-12.1%

Required Revenue Adjustment compares the current 2012 revenue projection to the Required Revenue Adjustment (line "C") denoted in the 9/29/11 Consolidated Rate Report, Table 2.

Total Rate Impact compares the current 2012 revenue projection to the Total Rate Impact (line "F") which includes the estimated 2011 Revenue Shortfall as denoted in the 9/29/11 Consolidated Rate Report, Table 2.

¹ Total Revenue Requirement from 9/29/11 Consolidated Rate Report, Table 2.

² Current 2012 Mid-Year Revenue Projection is based on actual billed revenue through June 2012.

³ Surplus/Shortfall is calculated based on the revenue billed by Recology from January through June 2012 (six months)

⁴ Required Revenue Adjustment (line "C") denoted in the 9/29/11 Consolidated Rate Report, Table 2.

⁵ Total Rate Impact (line "F") denoted in the 9/29/11 Consolidated Rate Report, Table 2, including estimated 2011 Revenue Surplus / Shortfall which was not required to be included in revenue requirement.

Attachment Q Revenue is excluded because it is not included in Recology's base compensation, except for residential backyard charges and Atherton additional cart rental.

Attachment Q commercial revenue was not excluded in the SBWMA projection for 2012 in error.

**SBWMA
MID-YEAR 2012 REVENUE ANALYSIS**

MEMBER AGENCY: BELMONT

Revenue Source	2012 Revenue Requirement ¹	2012 Mid-Year Revenue Projection ²	Surplus / <Shortfall> ³	%
Residential		\$ 2,435,635		
Commercial (includes Multi-Family)		\$ 3,367,451		
Attachment Q - Unscheduled Services for Residential		\$ (2,335)		
Attachment Q - Unscheduled Services for Commercial		\$ (55,283)		
Required Revenue Adjustment	\$ 7,298,655 ⁴	\$ 5,745,467	\$ (1,553,188)	-27.0%
Total Rate Impact	\$ 7,242,970 ⁵	\$ 5,745,467	\$ (1,497,503)	-26.1%

Required Revenue Adjustment compares the current 2012 revenue projection to the Required Revenue Adjustment (line "C") denoted in the 9/29/11 Consolidated Rate Report, Table 2.

Total Rate Impact compares the current 2012 revenue projection to the Total Rate Impact (line "F") which includes the estimated 2011 Revenue Shortfall as denoted in the 9/29/11 Consolidated Rate Report, Table 2.

¹ Total Revenue Requirement from 9/29/11 Consolidated Rate Report, Table 2.

² Current 2012 Mid-Year Revenue Projection is based on actual billed revenue through June 2012.

³ Surplus/Shortfall is calculated based on the revenue billed by Recology from January through June 2012 (six months)

⁴ Required Revenue Adjustment (line "C") denoted in the 9/29/11 Consolidated Rate Report, Table 2.

⁵ Total Rate Impact (line "F") denoted in the 9/29/11 Consolidated Rate Report, Table 2, including estimated 2011 Revenue Surplus / Shortfall which was not required to be included in revenue requirement.

Attachment Q Revenue is excluded because it is not included in Recology's base compensation, except for residential backyard charges and Atherton additional cart rental.

Attachment Q commercial revenue was not excluded in the SBWMA projection for 2012 in error.

SBWMA MID-YEAR 2012 REVENUE ANALYSIS				
MEMBER AGENCY: BURLINGAME				
<u>Revenue Source</u>	2012 Revenue Requirement ¹	2012 Mid-Year Revenue Projection ²	Surplus / <Shortfall> ³	%
Residential		\$ 2,200,644		
Commercial (includes Multi-Family)		\$ 8,139,435		
Attachment Q - Unscheduled Services for Residential		\$ (3,702)		
Attachment Q - Unscheduled Services for Commercial		\$ (66,827)		
Required Revenue Adjustment	\$ 9,027,558 ⁴	\$ 10,269,549	\$ 1,241,991	12.1%
Total Rate Impact	\$ 9,826,050 ⁵	\$ 10,269,549	\$ 443,499	4.3%
<p>Required Revenue Adjustment compares the current 2012 revenue projection to the Required Revenue Adjustment (line "C") denoted in the 9/29/11 Consolidated Rate Report, Table 2.</p> <p>Total Rate Impact compares the current 2012 revenue projection to the Total Rate Impact (line "F") which includes the estimated 2011 Revenue Shortfall as denoted in the 9/29/11 Consolidated Rate Report, Table 2.</p> <p>¹ Total Revenue Requirement from 9/29/11 Consolidated Rate Report, Table 2.</p> <p>² Current 2012 Mid-Year Revenue Projection is based on actual billed revenue through June 2012.</p> <p>³ Surplus/Shortfall is calculated based on the revenue billed by Recology from January through June 2012 (six months)</p> <p>⁴ Required Revenue Adjustment (line "C") denoted in the 9/29/11 Consolidated Rate Report, Table 2.</p> <p>⁵ Total Rate Impact (line "F") denoted in the 9/29/11 Consolidated Rate Report, Table 2, including estimated 2011 Revenue Surplus / Shortfall which was not required to be included in revenue requirement.</p> <p>Attachment Q Revenue is excluded because it is not included in Recology's base compensation, except for residential backyard charges and Atherton additional cart rental. Attachment Q commercial revenue was not excluded in the SBWMA projection for 2012 in error.</p>				

SBWMA				
MID-YEAR 2012 REVENUE ANALYSIS				
MEMBER AGENCY: EAST PALO ALTO				
Revenue Source	2012 Revenue Requirement ¹	2012 Mid-Year Revenue Projection ²	Surplus / <Shortfall> ³	%
Residential		\$ 2,147,327		
Commercial (includes Multi-Family)		\$ 2,524,169		
Attachment Q - Unscheduled Services for Residential		\$ (1,692)		
Attachment Q - Unscheduled Services for Commercial		\$ (18,703)		
Required Revenue Adjustment	\$ 4,763,887 ⁴	\$ 4,651,102	\$ (112,785)	-2.4%
Total Rate Impact	\$ 4,763,887 ⁵	\$ 4,651,102	\$ (112,785)	-2.4%

Required Revenue Adjustment compares the current 2012 revenue projection to the Required Revenue Adjustment (line "C") denoted in the 9/29/11 Consolidated Rate Report, Table 2.

Total Rate Impact compares the current 2012 revenue projection to the Total Rate Impact (line "F") which includes the estimated 2011 Revenue Shortfall as denoted in the 9/29/11 Consolidated Rate Report, Table 2.

¹ Total Revenue Requirement from 9/29/11 Consolidated Rate Report, Table 2.

² Current 2012 Mid-Year Revenue Projection is based on actual billed revenue through June 2012.

³ Surplus/Shortfall is calculated based on the revenue billed by Recology from January through June 2012 (six months)

⁴ Required Revenue Adjustment (line "C") denoted in the 9/29/11 Consolidated Rate Report, Table 2.

⁵ Total Rate Impact (line "F") denoted in the 9/29/11 Consolidated Rate Report, Table 2, including estimated 2011 Revenue Surplus / Shortfall which was not required to be included in revenue requirement.

Attachment Q Revenue is excluded because it is not included in Recology's base compensation, except for residential backyard charges and Atherton additional cart rental.
Attachment Q commercial revenue was not excluded in the SBWMA projection for 2012 in error.

SBWMA				
MID-YEAR 2012 REVENUE ANALYSIS				
MEMBER AGENCY: FOSTER CITY				
Revenue Source	2012 Revenue Requirement ¹	2012 Mid-Year Revenue Projection ²	Surplus / <Shortfall> ³	%
Residential		\$ 1,693,241		
Commercial (includes Multi-Family)		\$ 3,836,163		
Attachment Q - Unscheduled Services for Residential		\$ (871)		
Attachment Q - Unscheduled Services for Commercial		\$ (16,911)		
Required Revenue Adjustment	\$ 5,425,508 ⁴	\$ 5,511,622	\$ 86,114	1.6%
Total Rate Impact	\$ 5,613,404 ⁵	\$ 5,511,622	\$ (101,782)	-1.8%

Required Revenue Adjustment compares the current 2012 revenue projection to the Required Revenue Adjustment (line "C") denoted in the 9/29/11 Consolidated Rate Report, Table 2.

Total Rate Impact compares the current 2012 revenue projection to the Total Rate Impact (line "F") which includes the estimated 2011 Revenue Shortfall as denoted in the 9/29/11 Consolidated Rate Report, Table 2.

¹ Total Revenue Requirement from 9/29/11 Consolidated Rate Report, Table 2.

² Current 2012 Mid-Year Revenue Projection is based on actual billed revenue through June 2012.

³ Surplus/Shortfall is calculated based on the revenue billed by Recology from January through June 2012 (six months)

⁴ Required Revenue Adjustment (line "C") denoted in the 9/29/11 Consolidated Rate Report, Table 2.

⁵ Total Rate Impact (line "F") denoted in the 9/29/11 Consolidated Rate Report, Table 2, including estimated 2011 Revenue Surplus / Shortfall which was not required to be included in revenue requirement.

Attachment Q Revenue is excluded because it is not included in Recology's base compensation, except for residential backyard charges and Atherton additional cart rental.
Attachment Q commercial revenue was not excluded in the SBWMA projection for 2012 in error.

SBWMA				
MID-YEAR 2012 REVENUE ANALYSIS				
MEMBER AGENCY: HILLSBOROUGH				
Revenue Source	2012 Revenue Requirement ¹	2012 Mid-Year Revenue Projection ²	Surplus / <Shortfall> ³	%
Residential		\$ 3,341,493		
Commercial (includes Multi-Family)		\$ 133,351		
Attachment Q - Unscheduled Services for Residential		\$ (1,848)		
Attachment Q - Unscheduled Services for Commercial		\$ -		
Required Revenue Adjustment	\$ 3,137,780 ⁴	\$ 3,472,995	\$ 335,216	9.7%
Total Rate Impact	\$ 3,838,598 ⁵	\$ 3,472,995	\$ (365,603)	-10.5%

Required Revenue Adjustment compares the current 2012 revenue projection to the Required Revenue Adjustment (line "C") denoted in the 9/29/11 Consolidated Rate Report, Table 2.

Total Rate Impact compares the current 2012 revenue projection to the Total Rate Impact (line "F") which includes the estimated 2011 Revenue Shortfall as denoted in the 9/29/11 Consolidated Rate Report, Table 2.

¹ Total Revenue Requirement from 9/29/11 Consolidated Rate Report, Table 2.

² Current 2012 Mid-Year Revenue Projection is based on actual billed revenue through June 2012.

³ Surplus/Shortfall is calculated based on the revenue billed by Recology from January through June 2012 (six months)

⁴ Required Revenue Adjustment (line "C") denoted in the 9/29/11 Consolidated Rate Report, Table 2.

⁵ Total Rate Impact (line "F") denoted in the 9/29/11 Consolidated Rate Report, Table 2, including estimated 2011 Revenue Surplus / Shortfall which was not required to be included in revenue requirement.

Attachment Q Revenue is excluded because it is not included in Recology's base compensation, except for residential backyard charges and Atherton additional cart rental.
Attachment Q commercial revenue was not excluded in the SBWMA projection for 2012 in error.

SBWMA				
MID-YEAR 2012 REVENUE ANALYSIS				
MEMBER AGENCY: MENLO PARK				
Revenue Source	2012 Revenue Requirement ¹	2012 Mid-Year Revenue Projection ²	Surplus / <Shortfall> ³	%
Residential		\$ 2,906,535		
Commercial (includes Multi-Family)		\$ 7,613,635		
Attachment Q - Unscheduled Services for Residential		\$ (14,094)		
Attachment Q - Unscheduled Services for Commercial		\$ (69,722)		
Required Revenue Adjustment	\$ 11,179,010 ⁴	\$ 10,436,354	\$ (742,657)	-7.1%
Total Rate Impact	\$ 11,271,850 ⁵	\$ 10,436,354	\$ (835,497)	-8.0%
<p>Required Revenue Adjustment compares the current 2012 revenue projection to the Required Revenue Adjustment (line "C") denoted in the 9/29/11 Consolidated Rate Report, Table 2.</p> <p>Total Rate Impact compares the current 2012 revenue projection to the Total Rate Impact (line "F") which includes the estimated 2011 Revenue Shortfall as denoted in the 9/29/11 Consolidated Rate Report, Table 2.</p> <p>¹ Total Revenue Requirement from 9/29/11 Consolidated Rate Report, Table 2.</p> <p>² Current 2012 Mid-Year Revenue Projection is based on actual billed revenue through June 2012.</p> <p>³ Surplus/Shortfall is calculated based on the revenue billed by Recology from January through June 2012 (six months)</p> <p>⁴ Required Revenue Adjustment (line "C") denoted in the 9/29/11 Consolidated Rate Report, Table 2.</p> <p>⁵ Total Rate Impact (line "F") denoted in the 9/29/11 Consolidated Rate Report, Table 2, including estimated 2011 Revenue Surplus / Shortfall which was not required to be included in revenue requirement.</p> <p>Attachment Q Revenue is excluded because it is not included in Recology's base compensation, except for residential backyard charges and Atherton additional cart rental. Attachment Q commercial revenue was not excluded in the SBWMA projection for 2012 in error.</p>				

SBWMA				
MID-YEAR 2012 REVENUE ANALYSIS				
MEMBER AGENCY: NORTH FAIR OAKS				
Revenue Source	2012 Revenue Requirement ¹	2012 Mid-Year Revenue Projection ²	Surplus / <Shortfall> ³	%
Residential		\$ 956,615		
Commercial (includes Multi-Family)		\$ 1,494,548		
Attachment Q - Unscheduled Services for Residential		\$ (3,557)		
Attachment Q - Unscheduled Services for Commercial		\$ (15,452)		
Required Revenue Adjustment	\$ 2,229,107 ⁴	\$ 2,432,153	\$ 203,046	8.3%
Total Rate Impact	\$ 2,092,874 ⁵	\$ 2,432,153	\$ 339,279	13.9%

Required Revenue Adjustment compares the current 2012 revenue projection to the Required Revenue Adjustment (line "C") denoted in the 9/29/11 Consolidated Rate Report, Table 2.

Total Rate Impact compares the current 2012 revenue projection to the Total Rate Impact (line "F") which includes the estimated 2011 Revenue Shortfall as denoted in the 9/29/11 Consolidated Rate Report, Table 2.

¹ Total Revenue Requirement from 9/29/11 Consolidated Rate Report, Table 2.

² Current 2012 Mid-Year Revenue Projection is based on actual billed revenue through June 2012.

³ Surplus/Shortfall is calculated based on the revenue billed by Recology from January through June 2012 (six months)

⁴ Required Revenue Adjustment (line "C") denoted in the 9/29/11 Consolidated Rate Report, Table 2.

⁵ Total Rate Impact (line "F") denoted in the 9/29/11 Consolidated Rate Report, Table 2, including estimated 2011 Revenue Surplus / Shortfall which was not required to be included in revenue requirement.

Attachment Q Revenue is excluded because it is not included in Recology's base compensation, except for residential backyard charges and Atherton additional cart rental.
Attachment Q commercial revenue was not excluded in the SBWMA projection for 2012 in error.

SBWMA				
MID-YEAR 2012 REVENUE ANALYSIS				
MEMBER AGENCY: REDWOOD CITY				
<u>Revenue Source</u>	2012 Revenue Requirement ¹	2012 Mid-Year Revenue Projection ²	Surplus / <Shortfall> ³	%
data not available - Recology does not bill.				

SBWMA MID-YEAR 2012 REVENUE ANALYSIS				
MEMBER AGENCY: SAN CARLOS				
Revenue Source	2012 Revenue Requirement ¹	2012 Mid-Year Revenue Projection ²	Surplus / <Shortfall> ³	%
Residential		\$ 3,131,022		
Commercial (includes Multi-Family)		\$ 4,305,508		
Attachment Q - Unscheduled Services for Residential		\$ (3,841)		
Attachment Q - Unscheduled Services for Commercial		\$ (52,191)		
Required Revenue Adjustment	\$ 7,541,791 ⁴	\$ 7,380,497	\$ (161,294)	-2.2%
Total Rate Impact	\$ 7,803,799 ⁵	\$ 7,380,497	\$ (423,302)	-5.7%

Required Revenue Adjustment compares the current 2012 revenue projection to the Required Revenue Adjustment (line "C") denoted in the 9/29/11 Consolidated Rate Report, Table 2.

Total Rate Impact compares the current 2012 revenue projection to the Total Rate Impact (line "F") which includes the estimated 2011 Revenue Shortfall as denoted in the 9/29/11 Consolidated Rate Report, Table 2.

¹ Total Revenue Requirement from 9/29/11 Consolidated Rate Report, Table 2.

² Current 2012 Mid-Year Revenue Projection is based on actual billed revenue through June 2012.

³ Surplus/Shortfall is calculated based on the revenue billed by Recology from January through June 2012 (six months)

⁴ Required Revenue Adjustment (line "C") denoted in the 9/29/11 Consolidated Rate Report, Table 2.

⁵ Total Rate Impact (line "F") denoted in the 9/29/11 Consolidated Rate Report, Table 2, including estimated 2011 Revenue Surplus / Shortfall which was not required to be included in revenue requirement.

Attachment Q Revenue is excluded because it is not included in Recology's base compensation, except for residential backyard charges and Atherton additional cart rental.
Attachment Q commercial revenue was not excluded in the SBWMA projection for 2012 in error.

SBWMA				
MID-YEAR 2012 REVENUE ANALYSIS				
MEMBER AGENCY: CITY OF SAN MATEO				
Revenue Source	2012 Revenue Requirement ¹	2012 Mid-Year Revenue Projection ²	Surplus / <Shortfall> ³	%
Residential		\$ 5,923,930		
Commercial (includes Multi-Family)		\$ 14,626,015		
Attachment Q - Unscheduled Services for Residential		\$ (9,705)		
Attachment Q - Unscheduled Services for Commercial		\$ (216,283)		
Required Revenue Adjustment	\$ 20,407,291 ⁴	\$ 20,323,956	\$ (83,335)	-0.4%
Total Rate Impact	\$ 21,737,334 ⁵	\$ 20,323,956	\$ (1,413,377)	-7.0%
<p>Required Revenue Adjustment compares the current 2012 revenue projection to the Required Revenue Adjustment (line "C") denoted in the 9/29/11 Consolidated Rate Report, Table 2.</p> <p>Total Rate Impact compares the current 2012 revenue projection to the Total Rate Impact (line "F") which includes the estimated 2011 Revenue Shortfall as denoted in the 9/29/11 Consolidated Rate Report, Table 2.</p> <p>¹ Total Revenue Requirement from 9/29/11 Consolidated Rate Report, Table 2.</p> <p>² Current 2012 Mid-Year Revenue Projection is based on actual billed revenue through June 2012.</p> <p>³ Surplus/Shortfall is calculated based on the revenue billed by Recology from January through June 2012 (six months)</p> <p>⁴ Required Revenue Adjustment (line "C") denoted in the 9/29/11 Consolidated Rate Report, Table 2.</p> <p>⁵ Total Rate Impact (line "F") denoted in the 9/29/11 Consolidated Rate Report, Table 2, including estimated 2011 Revenue Surplus / Shortfall which was not required to be included in revenue requirement.</p> <p>Attachment Q Revenue is excluded because it is not included in Recology's base compensation, except for residential backyard charges and Atherton additional cart rental. Attachment Q commercial revenue was not excluded in the SBWMA projection for 2012 in error.</p>				

SBWMA				
MID-YEAR 2012 REVENUE ANALYSIS				
MEMBER AGENCY: COUNTY OF SAN MATEO				
<u>Revenue Source</u>	2012 Revenue Requirement ¹	2012 Mid-Year Revenue Projection ²	Surplus / <Shortfall> ³	%
Residential		\$ 2,103,440		
Commercial (includes Multi-Family)		\$ 741,809		
Attachment Q - Unscheduled Services for Residential		\$ (5,972)		
Attachment Q - Unscheduled Services for Commercial		\$ (844)		
Required Revenue Adjustment	\$ 2,972,595 ⁴	\$ 2,838,434	\$ (134,160)	-4.7%
Total Rate Impact	\$ 2,909,210 ⁵	\$ 2,838,434	\$ (70,776)	-2.5%
<p>Required Revenue Adjustment compares the current 2012 revenue projection to the Required Revenue Adjustment (line "C") denoted in the 9/29/11 Consolidated Rate Report, Table 2.</p> <p>Total Rate Impact compares the current 2012 revenue projection to the Total Rate Impact (line "F") which includes the estimated 2011 Revenue Shortfall as denoted in the 9/29/11 Consolidated Rate Report, Table 2.</p> <p>¹ Total Revenue Requirement from 9/29/11 Consolidated Rate Report, Table 2.</p> <p>² Current 2012 Mid-Year Revenue Projection is based on actual billed revenue through June 2012.</p> <p>³ Surplus/Shortfall is calculated based on the revenue billed by Recology from January through June 2012 (six months)</p> <p>⁴ Required Revenue Adjustment (line "C") denoted in the 9/29/11 Consolidated Rate Report, Table 2.</p> <p>⁵ Total Rate Impact (line "F") denoted in the 9/29/11 Consolidated Rate Report, Table 2, including estimated 2011 Revenue Surplus / Shortfall which was not required to be included in revenue requirement.</p> <p>Attachment Q Revenue is excluded because it is not included in Recology's base compensation, except for residential backyard charges and Atherton additional cart rental. Attachment Q commercial revenue was not excluded in the SBWMA projection for 2012 in error.</p>				

**SBWMA
MID-YEAR 2012 REVENUE ANALYSIS**

MEMBER AGENCY: WEST BAY

<u>Revenue Source</u>	<u>2012 Revenue Requirement</u> ¹	<u>2012 Mid-Year Revenue Projection</u> ²	<u>Surplus / <Shortfall></u> ³	<u>%</u>
Residential		\$ 1,088,047		
Commercial (includes Multi-Family)		\$ 294,889		
Attachment Q - Unscheduled Services for Residential		\$ (5,610)		
Attachment Q - Unscheduled Services for Commercial		\$ (2,110)		
Required Revenue Adjustment	\$ 1,166,747 ⁴	\$ 1,375,217	\$ 208,470	15.2%
Total Rate Impact	\$ 1,295,733 ⁵	\$ 1,375,217	\$ 79,484	5.8%

Required Revenue Adjustment compares the current 2012 revenue projection to the Required Revenue Adjustment (line "C") denoted in the 9/29/11 Consolidated Rate Report, Table 2.

Total Rate Impact compares the current 2012 revenue projection to the Total Rate Impact (line "F") which includes the estimated 2011 Revenue Shortfall as denoted in the 9/29/11 Consolidated Rate Report, Table 2.

¹ Total Revenue Requirement from 9/29/11 Consolidated Rate Report, Table 2.

² Current 2012 Mid-Year Revenue Projection is based on actual billed revenue through June 2012.

³ Surplus/Shortfall is calculated based on the revenue billed by Recology from January through June 2012 (six months)

⁴ Required Revenue Adjustment (line "C") denoted in the 9/29/11 Consolidated Rate Report, Table 2.

⁵ Total Rate Impact (line "F") denoted in the 9/29/11 Consolidated Rate Report, Table 2, including estimated 2011 Revenue Surplus / Shortfall which was not required to be included in revenue requirement.

Attachment Q Revenue is excluded because it is not included in Recology's base compensation, except for residential backyard charges and Atherton additional cart rental.

Attachment Q commercial revenue was not excluded in the SBWMA projection for 2012 in error.

ATTACHMENT H

SBWMA								
TOTAL COLLECTION RATE IMPACT BY MEMBER AGENCY - 2012								
(Includes Allied 2010 Balancing Account)								
	2012 Rate Year							
	2012 Total	Atherton	Belmont	Burlingame	East Palo Alto	Foster City	Hillsborough	Menlo Park
2012 Collection Revenue @ 2011 Rates	\$ 87,425,024	\$ 2,439,707	\$ 5,250,933	\$ 8,570,031	\$ 4,593,991	\$ 5,274,808	\$ 2,519,401	\$ 9,824,869
Less Estimated Revenue for Allied Balancing Account in 2011 Rates	\$ (1,170,436)	\$ -	\$ -	\$ (394,221)	\$ -	\$ -	\$ -	\$ -
2012 Net Collection Revenue	\$ 86,254,588	\$ 2,439,707	\$ 5,250,933	\$ 8,175,809	\$ 4,593,991	\$ 5,274,808	\$ 2,519,401	\$ 9,824,869
Total Contractor's Compensation - 9/22/2011	\$ 53,316,386	\$ 1,375,804	\$ 3,408,173	\$ 4,947,591	\$ 2,112,040	\$ 3,314,602	\$ 1,894,549	\$ 5,572,422
Change to Agency Facility Services	\$ -	\$ 13,325	\$ 55,747	\$ 24,796	\$ 119,849	\$ 15,926	\$ 70,457	\$ (231,486)
Total Contractor's Compensation - Adjusted	\$ 53,316,386	\$ 1,389,129	\$ 3,463,921	\$ 4,972,386	\$ 2,231,889	\$ 3,330,527	\$ 1,965,006	\$ 5,340,936
Other Pass-Through Costs								
Disposal & Processing Fees	\$ 25,484,802	\$ 966,819	\$ 1,190,587	\$ 2,880,613	\$ 1,356,588	\$ 1,702,751	\$ 769,536	\$ 2,845,806
Agency Franchise Fees	\$ 12,509,958	\$ 260,925	\$ 1,412,871	\$ 1,038,405	\$ 725,902	\$ 385,054	\$ 250,401	\$ 2,161,267
Agency Specific Contract Changes	\$ (15,291)						\$ (31,562)	\$ 23,002
Total Other Pass-Through Costs	\$37,979,469	\$1,227,744	\$2,603,459	\$3,919,019	\$2,082,490	\$2,087,804	\$988,376	\$5,030,076
RSMC REVENUE REQUIREMENT	\$91,295,855	\$2,616,874	\$6,067,379	\$8,891,405	\$4,314,379	\$5,418,332	\$2,953,381	\$10,371,012
Current Year Surplus/(Shortfall)	(\$3,870,831)	(\$177,167)	(\$816,447)	(\$321,374)	\$279,612	(\$143,524)	(\$433,981)	(\$546,142)
Interest Expense to / from RSMC on Bal Acct (future Yrs)	\$0							
A. 2012 RATE YEAR REVENUE REQUIREMENT								
A.1 Subtotal Year Surplus/(Shortfall)	(\$5,041,267)	(\$177,167)	(\$816,447)	(\$715,596)	\$279,612	(\$143,524)	(\$433,981)	(\$546,142)
A.2 Agency Fees on A.1	(\$754,737)	(\$17,717)	(\$212,276)	(\$124,514)	\$16,497	(\$7,176)	(\$43,398)	(\$70,999)
A.3 Rate Adjustment Percentage (See Rate Variance Analysis for detail.)	6.6%	8.0%		9.8%	-6.4%	2.9%	18.9%	6.3%
B. ALLIED 2010 BALANCING ACCOUNT	(Paid back over one year after final balance approved in 2011)							
B.1 Allied Balancing Account	(\$10,617,000)	(\$337,000)	(\$1,019,000)	(\$682,000)	(\$976,000)	(\$502,000)	(\$341,000)	(\$737,000)
B.2 Less Agency Funds	\$5,335,524		\$0		\$509,995	\$502,000	\$200,000	
B.3 Less Estimated Revenue in 2011 Rates (2 years)	\$2,773,832	\$ -	\$ -	\$ 670,361	\$ -	\$ -	\$ -	
B.4 Net Unfunded Allied Balance	(\$2,507,643)	(\$337,000)	(\$1,019,000)	(\$11,639)	(\$466,005)	\$0	(\$141,000)	(\$737,000)
B.5 Rate Adjustment Percentage	2.9%	13.8%	19.4%	0.1%	10.1%	0.0%	5.6%	7.5%
C. 2012 REQUIRED REVENUE ADJUSTMENT (A+B)								
C.1 Cumulative Revenue Requirement	\$94,558,235	\$2,971,590	\$7,298,655	\$9,027,558	\$4,763,887	\$5,425,508	\$3,137,780	\$11,179,010
C.2 SubTotal Year Surplus/(Shortfall)	(\$8,303,647)	(\$531,884)	(\$2,047,723)	(\$851,748)	(\$169,896)	(\$150,700)	(\$618,379)	(\$1,354,141)
C.3 Rate Adjustment Percentage	9.5%	21.8%		9.9%	3.7%	2.9%	24.5%	13.8%
D. 2011 ESTIMATED REVENUE RECONCILIATION								
D.1 Subtotal Year Surplus/(Shortfall)	(\$3,908,272)	(\$623,712)	\$44,195	(\$680,147)		(\$178,948)	(\$637,108)	(\$82,159)
D.2 Agency Fees on B.1	(\$488,530)	(\$62,371)	\$11,491	(\$118,346)	\$0	(\$8,947)	(\$63,711)	(\$10,681)
D.3 Rate Adjustment Percentage (See Rate Variance Analysis for detail) *2011 actual revenue reconciliation covered in 2013 rates	5.0%	28.1%		9.3%	0.0%	3.6%	27.8%	0.9%
E. REVENUE SHORTFALL								
E.1 Can Migration Impact	\$0							
E.2 Rate Adjustment Percentage	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
F. TOTAL RATE IMPACT (C+D+E)								
F.1 TOTAL REVENUE IMPACT	\$98,955,036	\$3,657,674	\$7,242,970	\$9,826,050	\$4,763,887	\$5,613,404	\$3,838,598	\$11,271,850
F.2 Total Year Surplus/(Shortfall)	(\$12,700,448)	(\$1,217,967)	(\$1,992,038)	(\$1,650,240)	(\$169,896)	(\$338,596)	(\$1,319,197)	(\$1,446,981)
F.3 Cumulative Rate Adjustment Percentage	14.5%	49.9%		19.3%	3.7%	6.4%	52.4%	14.7%

SBWMA TOTAL COLLECTION RATE IMPACT BY MEMBER AGENCY - 2012 (Includes Allied 2010 Balancing Account)						
	2012 Rate Year					
	North Fair Oaks	Redwood City	San Carlos	San Mateo	West Bay	Unincorporated County - Total
2012 Collection Revenue @ 2011 Rates	\$ 2,480,309	\$ 16,066,119	\$ 7,217,752	\$ 19,492,294	\$ 1,103,248	\$ 2,591,563
Less Estimated Revenue for Allied Balancing Account in 2011 Rates	\$ -	\$ -	\$ (55,000)	\$ (721,215)	\$ -	\$ -
2012 Net Collection Revenue	\$ 2,480,309	\$ 16,066,119	\$ 7,162,752	\$ 18,771,080	\$ 1,103,248	\$ 2,591,563
Total Contractor's Compensation - 9/22/2011	\$ 1,482,955	\$ 9,652,984	\$ 4,683,489	\$ 11,880,599	\$ 911,367	\$ 2,079,813
Change to Agency Facility Services	\$ (5,044)	\$ (161,083)	\$ (23,630)	\$ 120,818	\$ (1)	\$ 324
Total Contractor's Compensation	\$ 1,477,912	\$ 9,491,901	\$ 4,659,859	\$ 12,001,417	\$ 911,365	\$ 2,080,137
Other Pass-Through Costs						
Disposal & Processing Fees	\$ 646,481	\$ 4,707,280	\$ 1,937,774	\$ 5,399,265	\$ 356,716	\$ 724,586
Agency Franchise Fees	\$ 130,962	\$ 2,193,025	\$ 916,431	\$ 2,811,613	\$ 73,373	\$ 149,727
Agency Specific Contract Changes			\$ (6,731)			
Total Other Pass-Through Costs	\$777,443	\$6,900,305	\$2,847,474	\$8,210,878	\$430,089	\$874,313
RSMC REVENUE REQUIREMENT	\$2,255,355	\$16,392,206	\$7,507,333	\$20,212,295	\$1,341,454	\$2,954,450
A. 2012 RATE YEAR REVENUE REQUIREMENT						
A.1 Subtotal Year Surplus/(Shortfall)	\$224,955	(\$326,087)	(\$344,581)	(\$1,441,215)	(\$238,206)	(\$362,888)
A.2 Agency Fees on A.1	\$11,248	(\$44,511)	(\$34,458)	(\$194,996)	(\$14,292)	(\$18,144)
A.3 Rate Adjustment Percentage <i>(See Rate Variance Analysis for detail)</i>	-9.5%	2.3%	5.3%	8.4%	22.9%	14.7%
B. ALLIED 2010 BALANCING ACCOUNT	<i>(Paid back over one year after final balance approved in 2011)</i>					n/a
B.1 Allied Balancing Account	\$15,000	(\$2,136,000)	(\$540,000)	(\$3,551,000)	\$189,000	
B.2 Less Agency Funds		\$1,711,589		\$2,411,940		
B.3 Less Estimated Revenue in 2011 Rates (2 years)	\$0	\$424,411	\$540,000	\$1,139,060	\$0	\$0
B.4 Net Unfunded Allied Balance	\$15,000	\$0	\$0	\$0	\$189,000	\$0
B.5 Rate Adjustment Percentage	-0.6%	0.0%	0.0%	0.0%	-17.1%	0.0%
C. 2012 REQUIRED REVENUE ADJUSTMENT (A+B)						
C.1 Cumulative Revenue Requirement	\$2,229,107	\$16,436,717	\$7,541,791	\$20,407,291	\$1,166,747	\$2,972,595
C.2 Total Year Surplus/(Shortfall)	\$251,202	(\$370,598)	(\$379,039)	(\$1,636,211)	(\$63,499)	(\$381,032)
C.3 Rate Adjustment Percentage	-10.1%	2.3%	5.3%	8.4%	5.8%	14.7%
D. 2011 ESTIMATED REVENUE RECONCILIATION						
D.1 Subtotal Year Surplus/(Shortfall)	\$129,746	(\$409,095)	(\$238,189)	(\$1,171,534)	(\$121,686)	\$60,366
D.2 Agency Fees on b.1	\$6,487	(\$55,841)	(\$23,819)	(\$158,509)	(\$7,301)	\$3,018
D.3 Rate Adjustment Percentage <i>(See Rate Variance Analysis for detail)</i> <i>*2011 actual revenue reconciliation covered in 2013 rates</i>	-5.5%	2.9%	3.6%	6.8%	11.7%	-2.4%
E. REVENUE SHORTFALL						
E.1 Can Migration Impact						
E.2 Rate Adjustment Percentage	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
F. TOTAL RATE IMPACT (C+D+E)						
F.1 TOTAL REVENUE IMPACT	\$2,092,874	\$16,901,653	\$7,803,799	\$21,737,334	\$1,295,733	\$2,909,210
F.2 Total Year Surplus/(Shortfall)	\$387,436	(\$835,534)	(\$641,047)	(\$2,966,254)	(\$192,485)	(\$317,648)
F.3 Total Rate Adjustment Percentage	-15.6%	5.2%	8.9%	15.2%	17.4%	12.3%



STAFF REPORT

To: SBWMA Board Members
From: Kevin McCarthy, Executive Director
Cliff Feldman, Recycling Programs Manager
Date: July 26, 2012 Board of Director's Meeting
Subject: Discussion on Potential Amendments to the Uniform Franchise Agreement for Collection Services

Recommendation

This staff report is for discussion purposes only and no formal action is requested of the Board of Directors.

Analysis

Staff and Recology management met on July 17, 2012 to discuss potential changes to the Franchise Agreements for Collection Services with a goal of identifying changes that would accomplish the following:

- Reduce costs which could be Recology collection costs and/or SBWMA program costs
- Streamline or eliminate any contractual provisions that are not needed or provide little or no value to the effected parties (e.g., the customer, Member Agencies, etc.)

Both staff and Recology believe this is an opportune time to review the Member Agencies Franchise Agreements given that we now have 18 months of operating and contract compliance experience with these new contracts.

An outline of potential contractual changes will be shared at the Board meeting along with a suggestion that the Board appoint an adhoc committee to review actual draft contract changes once they are developed. It is expected that final contract amendments would be brought back to the Board for consideration at the November 15, 2012 Board meeting or the January 24, 2013 Board meeting. If the Board recommends adoption of contract amendments, then each Member Agency would need to separately act on adoption of such amendments. There are likely to be some related amendments required to be made to the Operations Agreement with South Bay Recycling.

Background

Recology initiated residential and commercial collection services for garbage, recycling and organics on January 1, 2011 per the provisions of twelve separate franchise agreements with the SBWMA Member Agencies. These agreements were developed and negotiated based on a franchise agreement template referred to as the Uniform Franchise Agreement for Collection Services. Each Agreement was tailored somewhat to reflect specific Member Agency needs.

Fiscal Impact

Once specific contract language is brought to the Board for consideration, any potential Recology collection cost and SBWMA program cost savings will be identified. However, the proposed contract changes will capture already identified costs savings totaling \$200,000-\$250,000 per year in reduced administrative costs for Recology and reduced SBWMA programs costs of \$43,000 per year for conducting two fewer quarterly contamination sampling events and \$50,000 per year for one fewer quarterly residential newsletter.



STAFF REPORT

To: SBWMA Board Members
From: Kevin McCarthy, Executive Director
Date: July 26, 2012 Board of Director's Meeting
Subject: Discussion on SBWMA Engagement on State and Federal Solid Waste and Recycling Policy Development

Recommendation

This staff report is for discussion purposes only and no formal action is requested of the Board of Directors.

Analysis

The SBWMA currently has no formal process in place to solicit Board feedback or engage in any way in the review of State and federal solid waste and recycling legislation and related regulations. The Board has also not approved any dedicated staff time for this type of work. The Board has approved a "Sponsorship and Donations" budget line item that is typically \$8,000 to \$10,000 per year; the SBWMA has historically donated \$1000 per year to Californians Against Waste, California's leading advocacy organization related to solid waste and recycling policies.

Staff was recently asked by two Board Members, Rebecca Fotu from Menlo Park and Laura Galli from Foster City, to provide comments on the CalRecycle draft document dated May 9, 2012 "California's New Goal: 75% Recycling." After reviewing the request with Jim Porter, SBWMA Board Chair, and recognizing that comments were due by July 2nd, staff was directed to provide some high level comments to CalRecycle. Such comments were captured in a letter dated July 2, 2012 which was provided to the Board and is attached to this staff report.

The question for the Board is to what extent does staff dedicate time to actively tracking solid waste and recycling policy developments and engaging as an active participant in such discussions? Active participant meaning not just to monitor and generally stay up-to date on such matters, which staff currently does, but to provide letters of support or letters against specified legislation, review and comment on draft regulations, etc. Active participation would require staff to reduce its workload on other budgeted projects and programs so as to free up time to address policy development activities.

Fiscal Impact

There is no fiscal impact associated with this discussion.

Attachments:

Attachment A – July 2, 2012 letter to Ms. Carroll Mortensen, CalRecycle Director



Simple. Smart. Green.

July 2, 2012

Ms. Carroll Mortensen, Director
CalRecycle
Department of Resources Recycling and Recovery
1001 I Street
P.O. Box 4025
Sacramento, CA 95812-4025

RE: Comments on May 9, 2012 "California's New Goal: 75% Recycling" Document Issued by CalRecycle

Dear Ms. Mortensen:

I would like to take this opportunity to provide comments on the document issued by your agency titled: "California's New Goal: 75% Recycling." On behalf of our twelve Member Agencies here in central and southern San Mateo County, it is our pleasure to have the opportunity to participate in the stakeholder engagement process pursued by CalRecycle with regard to how the new 75% recycling by 2020 goal shall be met and sustained.

While we understand that the document you are currently seeking input on is a jumping off point to facilitate discussion and that the specific programs and policies contained in this plan are very much works in progress and not recommendations or policy perspectives of CalRecycle, we are generally pleased with the overall direction of CalRecycle's stakeholder engagement process and the scope of items contained in this document.

In addition, as conveyed in the introductory opening sections of this document, we are in concurrence and support an approach to measure statewide compliance with the 75% recycling goal in terms of what is actually being recycled in lieu of a more complex and perhaps less accurate methodology based on the old paradigm of "diversion" which includes activities that are truly not "recycling" related such as use of alternative daily cover.

More specifically, we offer the following suggestions or comments:

- Support and agree that additional recycling manufacturing infrastructure is needed in the State, including approaches to streamline permitting required for such efforts.
- We have recently implemented new franchised collection services for a service area of nearly 500,000 residents and are more than happy to share our operational data and lessons learned.
- We have recently completed a \$46 million facility master plan, including a large single stream MRF, and are more than happy to share our design information and operational data.

610 Elm Street, Suite 202 : P: 650-802-3500 :
San Carlos, CA 94070 : F: 650-802-3501 : RethinkWaste.org

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City of Menlo Park • City of Redwood City • City of San Carlos • City of San Mateo • County of San Mateo • West Bay Sanitary District

- Support streamlining planning documents which will reduce costs for our 12 Member Agencies.
- For the past ten years we have prohibited the use of green waste for ADC uses per our franchise agreements. We support a statewide ban on the use of green waste for ADC.
- We support a phased statewide ban on the disposal of organics in sync with the development of new organics processing infrastructure. Such organics infrastructure needs to be developed closer to major population areas to reduce the high costs and environmental impacts of long haul distances to organics processing facilities.
- Support grants to jurisdictions for multi-family complex recycling programs.
- Support establishment of extended producer responsibility (EPR) laws for identified targeted materials. Such EPR approaches need to include elements to support the development of new or enhancement of existing end markets for recovered materials; and supplement, not replace, the existing role of local governments and private companies involved in the management of collection and processing programs.
- We support a statewide ban on cardboard going into the landfill.

We look forward to following this stakeholder engagement process closely and providing additional feedback as appropriate. Thanks for your leadership on this important effort and please feel welcome to reach out to us at any time.

Best Regards,



Kevin McCarthy, Executive Director

cc: Jim Porter, SBWMA Board Chair and San Mateo County Director of Public Works
 Cliff Feldman, SBWMA Recycling Programs Manager
 Monica Devincenzi, SBWMA Public Education and Sustainability Manager

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