



A Public Agency

# COLLECTION AND RECYCLING PROGRAM SUPPORT AND COMPLIANCE

## STAFF REPORT

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To: SBWMA Board Members  
From: Hilary Gans, Sr. Operations & Contracts Manager  
John Mangini, Senior Finance Manager  
Date: September 27, 2018 SBWMA Board of Directors Meeting  
Subject: Resolution Approving Recology Diversion Incentive Payment

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### Recommendation

Staff recommends the Board approve Resolution 2018-30 attached hereto authorizing the following action:  
**Approval of Recology Diversion Incentive Payment.**

### Summary

Each year, as part of Recology's Compensation Application process, the prior year's Diversion Incentive payment is calculated based on a year-over-year increase in recycled tons. As a cost saving measure, the Agency discontinued the Quarterly Contamination Monitoring program in 2017, so, this year's calculation uses a prior-three-year average contamination level percentage.

### Analysis

As prescribed in the Collection Agreement, the SBWMA hired consultants to conduct Quarterly Contamination Monitoring of Recology's recycling loads at a total annual cost of \$100,000. In 2015, at Board direction, the audit frequency was reduced to semi-annual and then in 2017 it was eliminated. During this year's compensation application process, it was brought to Staff's attention by Recology that the Contamination Monitoring process provided data necessary to complete the Diversion Incentive/Disincentive calculation (e.g., the contamination level is a variable in the annual diversion calculation achieved by Recology).

SBWMA and Recology staff met on July 11<sup>th</sup> to negotiate a methodology for completing the calculation in the absence of the Contamination Monitoring data. There was agreement to use an average of the preceding three-years contamination level (48.17%). Using this method, the Diversion Incentive payment was reduced from an original amount of \$199,149 to \$155,755 (a reduction of \$43,394). This methodology will be used for next year's compensation application which is the last year of the current contract (for details see Table F in Recology's Application Appendix A.1).

### Background

The Diversion Incentive/Disincentive Payment as prescribed in the Franchise Agreement(s) with Recology is incentive to increase recycling year over year. (For reference; the Collection Agreement provides for a Diversion Incentive/Disincentive payment for diversion achieved over base performance (for example, in Recology's 2016 diversion was 47.57% (0.69% above the base diversion rate of 46.87%) generating a 2016 diversion incentive payment of \$175,789 (\$70 incentive rate X 2,511 additional diverted tons). The total annual Recology recycling diversion incentive payments from 2011 to 2017 are shown **Table 1**.

**Table 1. Recology Diversion Incentive Payment History**

<b>Rate Year</b>	<b>Amount</b>	<b>Payment</b>
2011	\$913,060	To Recology
2012	\$489,164	To Recology
2013	\$257,650	To Recology
2014	\$42,217	To Recology
2015	(\$14,215)	From Recology
2016	\$175,789	To Recology
2017	\$155,755	To Recology

**Fiscal Impact**

With Board approval, Recology's total adjusted Incentive/Disincentive payment for 2017 per Table F will be \$78,590, which combines the Diversion Incentive payment (above) with other Disincentive penalties for service issues such as exceeding the 90 second hold time for customer calls.

**Attachments:**

Resolution 2018-30



## RESOLUTION NO. 2018-30

### RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING RESOLUTION APPROVING RECOLOGY INCENTIVE ADJUSTMENT

**WHEREAS**, SBWMA Board approves the Compensation Application for Recology each year, and

**WHEREAS**, the Diversion Performance Incentive/Disincentive payment is calculated using the contamination monitoring data to determine an overall diversion percentage, and

**WHEREAS**, the contamination monitoring program was suspended by the Board in 2017 and the data for the calculation is not available for 2017's calculation, and

**WHEREAS**, staff negotiated with Recology and agreed to use the three-year average percentage to determine a contamination rate so that the Diversion Incentive could be calculated and the Compensation Application could be completed.

**NOW, THEREFORE BE IT RESOLVED** that the South Bayside Waste Management Authority hereby approves a Resolution Approving the Recology Diversion Incentive Payment.

**PASSED AND ADOPTED** by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 27<sup>th</sup> day of September, 2018, by the following vote:

Agency	Yes	No	Abstain	Absent	Agency	Yes	No	Abstain	Absent
Atherton					Menlo Park				
Belmont					Redwood City				
Burlingame					San Carlos				
East Palo Alto					San Mateo				
Foster City					County of San Mateo				
Hillsborough					West Bay Sanitary Dist				

I HEREBY CERTIFY that the foregoing Resolution No. 2018-30 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on September 27, 2018.

ATTEST:

\_\_\_\_\_  
Charlie Bronitsky, Chairperson of SBWMA

\_\_\_\_\_  
Cyndi Urman, Board Secretary

## STAFF REPORT

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To: SBWMA Board Members  
From: Joe La Mariana, Executive Director  
John Mangini, Sr. Finance Manager  
Date: September 27, 2018 Board of Directors Meeting  
Subject: Resolution Approving the SBWMA Final Report Reviewing the 2019 Recology San Mateo County Compensation Application

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### Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2018-31 attached hereto authorizing the following actions:

1. Approve the SBWMA Final Report Reviewing the 2019 Recology San Mateo County (Recology) Compensation Application (**Exhibit A** - Final Report) which delineates the recommended base Total Contractor's Compensation due to Recology for 2019 of \$57,969,175.

This Final Report (**Exhibit A**) addresses Recology's compensation due for 2019 and includes **Table 8** which delineates the Total Revenue Requirement. The Member Agencies are obligated to set rates to generate revenue to match the 2019 Total Revenue Requirement. Any shortfall in net revenue to Recology may result in an interest payment to Recology in the subsequent rate year (e.g., 2017 final surplus or shortfall is determined in 2018 and included in 2019 revenue requirement).

### Summary

The Recology Compensation Application for 2019 has been thoroughly reviewed by SBWMA staff and consultants to ensure that the proscribed process as delineated in the Collection Agreement is being followed, and for mathematical and formulaic accuracy. In addition, Member Agencies and the TAC members have also had a chance to review it. The result is a 1.9% increase in Recology's compensation for 2019.

### Analysis

The SBWMA Draft Report Reviewing the 2019 Recology Compensation Application was issued to the TAC and Board on August 10, 2018 addressing Recology's compensation due for 2019 and the Total Revenue Requirement. The Final Report (**Exhibit A**) is being issued to the Board on September 20, 2018, for the Board's consideration at the September 27, 2018 Board of Director's meeting.

The Final Report was reviewed by the TAC at the September 13<sup>th</sup>, 2018 TAC Meeting. The TAC asked for clarification on how Disposal and Processing Fees are calculated on Table 8. Disposal and Processing Fees are calculated by applying the estimated 2019 Tip Fees (approved by the Board at the June Board Meeting) to the projected disposal and processing tons by Member Agency.

***SBWMA Review of 2019 Recology Compensation Application***

The results of implementing the cost adjustment methodology prescribed in the Member Agency's Franchise Agreements for Solid Waste, Recyclable Materials and Organic Materials Collection Service (Agreements) with Recology to determine the Rate Year Nine (i.e., 2019) compensation results in Total 2019 Contractor's Compensation of \$57,696,175, which is an increase of \$1,062,323 (1.9% increase from prior year) due primarily to the following:

- Annual Cost of Operations increase of 2.6% over prior year, which includes a 31% increase in fuel partially offset by decreased compensation of \$404k (\$447k including contractors profit) for the Zero Waste Specialists for 2018 and 2019. Under the Amended and Restated Agreement, Recology's compensation for the Zero Waste Specialist staff is reduced by \$200k retroactive to rate year 2018.
- A scheduled reduction in Interest Expense that is 26.3% lower than prior year.
- Decreased payment to Recology of diversion based Performance Incentive/Disincentives.

Recology's 2019 compensation is compared to 2018 in Table 1 below.

**Table 1**

Total Contractor's Compensation	Recology Compensation			
	<u>2018 Cost</u>	<u>2019 Cost</u>	<u>Change</u>	<u>%</u>
Base Compensation	\$56,793,053	\$57,890,585	\$ 1,097,532	1.9%
Incentives / Disincentives	\$113,799	\$78,590	\$ (35,208)	30.9%
<b>Total Contractor's Compensation</b>	<b>\$56,906,852</b>	<b>\$57,969,175</b>	<b>\$ 1,062,323</b>	<b>1.9%</b>

The adjustments to compensation for 2019 represent an increase in the total compensation of 1.9% or \$1,062,323 from 2018. The results of the adjustment process are detailed by expense category in Table 3 of the Draft Report.

***Member Agency Questions and Changes from August 10, 2018 SBWMA Draft Report (i.e., Table 8) to September 20, 2018 SBWMA Final Report***

The following changes have been made to Table 8 (Exhibit A):

- Burlingame advised that the Agency Fee Calculation may not be correct. A slight formula correction was made, resulting in a \$20K increase in 2019 Agency Fees across all Member Agencies. The impact of the correction can be found in Table 2 below. The 2018 Agency fees were also corrected, resulting in a \$19K increase across all Member Agencies. The corrections have a tenth of a percentage point impact to Burlingame, East Palo Alto and San Carlos on line (F.3).
- Corrected the surplus/shortfall percentage on line (B.3) which does not impact the Total Rate Adjustment Percentage on line (F.3).
- There were no further questions or comments from Member Agencies.

Table 2

2019 Agency Fee Correction (Table 8)				
<u>Member Agency</u>	<u>Original</u>	<u>Corrected</u>	<u>Variance</u>	
Atherton(net)	\$304,130	\$304,475	\$345	
Belmont (gross)	\$1,760,650	\$1,760,650	\$0	
Burlingame (net)	\$1,807,087	\$1,816,041	\$8,954	
East Palo Alto (1) (net)	\$679,510	\$682,507	\$2,997	
Foster City (net)	\$377,054	\$377,305	\$251	
Hillsborough (net)	\$277,105	\$277,105	\$0	
Menlo Park (Gross)	\$2,088,370	\$2,088,370	\$0	
N. Fair Oaks (net)	\$135,088	\$135,088	\$0	
Redwood City (Gross)	\$2,620,447	\$2,620,447	\$0	
San Carlos (Net)	\$1,137,625	\$1,140,852	\$3,227	
San Mateo (1)(net)	\$3,535,662	\$3,539,893	\$4,230	
West Bay Sanitary (net)	\$92,828	\$92,828	\$0	
SM County (net)	\$158,233	\$158,233	\$0	
<b>Total</b>	<b>\$14,973,790</b>	<b>\$14,993,796</b>	<b>\$20,006</b>	

***Rate Setting and Approval Process***

This SBWMA Final Report and recommendation is to determine the compensation owed to Recology for collection services in 2019. This Report also provides Table 8 (**Exhibit A**) which establishes the final Revenue Requirement that will be used as the basis for recommending the 2019 rate adjustments. The Revenue Requirement includes compensation to Recology for solid waste, recyclables and organic materials collection and Pass-Through costs, which include Agency fees, and disposal and processing costs at the Shoreway Environmental Center as well as prior year surplus/shortfall balances owed to/from the Member Agency and Recology.

Article 11 of the Franchise Agreements states the following:

- Each Member Agency is obligated to set rates as necessary to generate annual gross revenues billed by Recology equal to the approved compensation amount plus all approved pass-through costs.
- If an Agency sets a rate that is below the approved recommendation contained in the Final Report, or if an Agency delays imposing a rate increase effective January 1, 2019, and net revenues billed by Recology in 2019 are less than needed to cover the approved total contractor’s compensation delineated in the Final Report, the Agency will be obligated to pay interest to Recology on the difference.

**Background**

In 2005, the SBWMA and its Member Agencies initiated a five and a half year collection services contractor selection process that resulted in Recology and the Member Agencies executing Franchise Agreements (“Agreements”) for Collection Services. The compensation adjustment methodology provisions in the Member Agency Agreements are contained in Article 11, Attachment K and Attachment N. Article 11 provides an overview of the methodology and describes the process by which aspects of the compensation adjustment process shall be implemented.

Note: In this staff report and all attachments, the term “cost” and “compensation” are intended to have the same meaning. The term “cost” is not intended to mean Recology’s true operating cost which is unknown, but rather what the company is paid to perform the services.

## Fiscal Impact

### *Variance Analysis*

Rate revenue from the total SBWMA Member Agencies is calculated to require a weighted average increase of 4.5% (**Exhibit A**, Table 8, row F.3) for 2019 rates to cover the Total Revenue Requirement for the Recology cost, pass through costs, and the prior year’s revenue reconciliation surplus/shortfall. Tables comparing 2019 costs to 2018 costs and showing the components of the 2019 rate adjustments by Member Agency are included in the Draft Report as Appendix D – Member Agency Variance Analysis of Total Collection Cost and Rate Impact.

### *Total Collection Rate Adjustment*

The total rate adjustment is provided in **Table 8 (Exhibit A)**. This table presents the Total Collection Rate Adjustment from all sources that impact rates by Member Agency, as follows:

- **Section A** - This section provides the estimated 2019 Collection Revenue using 2018 rates (**A.1**), the 2019 Total Recology Compensation (**A.2**) and Pass-Through Expenses (**A.6**) used to determine the 2019 Revenue Requirement (**A.7**), the estimated 2019 Surplus/Shortfall balance with Recology (**A.8**), Agency Fees on shortfalls (**A.9**), and the Rate Adjustment Percentage (**A.10**). *The overall SBWMA rate adjustment is a 5.9.% increase; however, each Member Agency has a different adjustment percentage.*
- **Section B** – This section provides the results of the 2017 Recology Revenue Reconciliation surplus/shortfall that must be added to the 2019 rate adjustment. *The overall SBWMA rate adjustment is a 1.1.% increase; however, each Member Agency has a different adjustment percentage.*
- **Section C** – This section provides the cumulative 2019 Required Rate Adjustment which is the sum of sections A and B. **The overall total SBWMA rate adjustment is a 7.0% increase; however the rate adjustment percentage varies between the Member Agencies.**
- **Section D** – This section provides the “2018 estimated surplus/(shortfall)” balance with Recology (**D.1**), including the adjusted 2016 surplus/shortfall (**D.2**) and the associated Agency Fees on any net estimated shortfall (**D.4**). The 2018 Revenue Reconciliation will be finalized in 2019, similar to how the 2017 Revenue Reconciliation was finalized in 2018.
- **Section E** – This section includes an adjustment for Belmont’s unique agreement with Recology.
- **Section F** – This section provides the “Cumulative Revenue Requirement” of \$109,084,553 (**F.1**)” and the cumulative shortfall of (\$4,688,513) (**F.2**) which includes the result of Sections C, D and E. **The overall SBWMA recommended rate adjustment is on line (F.3). Each Member Agency is obligated to set rates to generate its respective revenue needed as denoted in Section F per the MOU between Recology and SBWMA. Agencies that set rates lower than delineated in Section F and experience a shortfall in revenue are liable for future interest charges from Recology.**



**Attachments:**

***Resolution No. 2018-31***

Exhibit A – SBWMA Final Report Reviewing the 2019 Recology San Mateo County Compensation Application

- **Appendices** – [Appendices A through D to the Final Report Reviewing the 2019 Recology Compensation Application are available online only at www.rethinkwaste.org](http://www.rethinkwaste.org)

Exhibit B – Member Agency Refunds from Recology for Surpluses and Payments to Recology for Shortfalls



# RESOLUTION NO. 2018-31

## RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING THE SBWMA FINAL REPORT REVIEWING THE 2017 RECOLOGY SAN MATEO COUNTY COMPENSATION APPLICATION

**WHEREAS**, On February 28, 2013, the South Bayside Waste Management Authority (SBWMA) Board of Directors approved modifications to the schedule prescribed in the Member Agencies Franchise Agreements for Collection of Recyclable Materials, Organic Materials and Solid Waste with Recology San Mateo County (Recology) specifying that the SBWMA Board of Directors' was required to submit comments, questions and concerns on the Draft Report to the SBWMA by August 30 each year; and,

**WHEREAS**, The SBWMA prepared and issued to the SBWMA Board of Director's on August 10, 2018 the SBWMA Draft Report Reviewing the 2019 Recology Compensation Application (Report); and,

**WHEREAS**, The Draft Report issued by the SBWMA on August 10, 2018 was updated based on feedback from Member Agencies and the SBWMA subsequently issued the Final Report (**Exhibit A**) to the Board of Directors on September 20, 2018; and,

**WHEREAS**, The Final Report recommends a 1.9 % increase in the total contractor's compensation when compared to the 2018 compensation approved by the SBWMA Board of Director's on September 28, 2017 per Resolution No. 2016-32. The total 2019 Recology contractor's compensation is \$57,696,175.

**NOW, THEREFORE BE IT RESOLVED** that the South Bayside Waste Management Authority hereby approves:

1. The SBWMA Final Report Reviewing the 2019 Recology San Mateo County Compensation Application.

**PASSED AND ADOPTED** by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 27th day of September, 2018, by the following vote:

Agency	Yes	No	Abstain	Absent	Agency	Yes	No	Abstain	Absent
Atherton					Menlo Park				
Belmont					Redwood City				
Burlingame					San Carlos				
East Palo Alto					San Mateo				
Foster City					County of San Mateo				
Hillsborough					West Bay Sanitary Dist.				

I HEREBY CERTIFY that the foregoing Resolution No. 2018-31 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on September 27, 2018.

ATTEST:

\_\_\_\_\_  
Cyndi Urman, Board Secretary

\_\_\_\_\_  
Bob Grassilli, Chairperson of SBWMA



# SBWMA FINAL REPORT REVIEWING THE 2019 RECOLOGY SAN MATEO COUNTY COMPENSATION APPLICATION

September 13, 2018

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## APPENDICES

- APPENDIX A** – **Recology** 2019 Compensation Application Issued on July 20, 2018 Reflecting Redline Changes from the Version Submitted on June 15 (Part I)
- APPENDIX B** – SBWMA Questions and Comments on Recology 2019 Compensation Application Issued June 29, 2018 (with Recology’s Responses Submitted on July 20, 2018)
- APPENDIX C** – Member Agency Questions and Comments on Recology 2019 Compensation Application (with Recology’s Responses)
- APPENDIX D** – Member Agency Variance Analysis of Total Collection Cost and Rate Impact

## **SECTION 1 EXECUTIVE SUMMARY**

### **1.A Summary**

The South Bayside Waste Management Authority (SBWMA/RethinkWaste) is required to review the Recology San Mateo County (Recology) 2019 Compensation Application (Application) for completeness, accuracy and consistency as prescribed in the Franchise Agreements between the SBWMA Member Agencies and Recology. The Application is to document the results of Recology following the prescribed compensation adjustment process detailed in Article 11, and Attachments K and N of the Member Agency Franchise Agreements. Specifically, this process includes applying the various indices to the approved 2018 compensation to arrive at the 2019 compensation, allocating the 2019 compensation to the Member Agencies and adding the prior year's revenue reconciliation balances.

This **Final** Report provides the results of SBWMA's review of Recology's 2019 Application and the critical analysis by the SBWMA of all components that make-up the total revenue requirement for Member Agencies to set solid waste rates. The total revenue requirement is the total cost of service including Recology compensation, disposal and processing costs, Member Agency fees, and prior years surplus/shortfalls owed to/from Recology.

Also provided is a variance summary of the Total Revenue Requirement from 2018 to 2019 by Member Agency, which includes Recology compensation and pass-through costs (see Table 7 and **Appendix D**). In addition, the SBWMA provides the total rate impact for each Member Agency (see **Table 8 on pages 15 and 16**) and recommended rate adjustment for 2019, which consolidates all the projected revenue and cost components associated with the solid waste rate setting process by Member Agency.

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

The 2019 Recology Compensation Application was submitted to the SBWMA and Member Agencies on June 15, 2018. On June 29, 2018 the SBWMA submitted questions and comments to Recology. No questions were submitted by Member Agencies (**Appendix C**). On July 20, 2018 Recology submitted a revised 2019 Compensation Application and responses to the SBWMA and Member Agency's questions and comments. **Appendix A** provides Part 1 of Recology's revised July 20 (redlined) version of its 2019 Compensation Application.

**Appendix B** provides the SBWMA's questions and comments to Parts 1 and 2 of Recology's Compensation Application, and Recology's response submitted on July 20. The SBWMA provided all Member Agencies their detailed revenue, disposal and processing cost projections for 2019 on July 13th.

**Table 1** on the next page shows the complete schedule to review and comment on Recology's Compensation Application. This **Final** Report provides the guidance for Member Agencies to adjust 2019 solid waste rates, if necessary.

**Table 1**  
**2018 Schedule to Approve Recology 2019 Compensation**

<b>Due Date (all 2018)</b>	<b>Milestone</b>
<b>June 15</b>	Recology 2019 Compensation Application Submitted to Member Agencies and SBWMA
<b>June 29</b>	Member Agencies and SBWMA Comments Due to Recology
<b>July 20</b>	Revised Recology 2019 Compensation Application Submitted to Member Agencies and SBWMA
<b>August 10</b>	SBWMA Draft Report Reviewing the 2019 Recology Compensation Application Issued to Member Agencies
<b>August 24</b>	Member Agencies Written Comments on SBWMA Draft Report Due to SBWMA
<b>September 13</b>	SBWMA TAC Meeting: Staff Update and Discussion
<b>September 13</b>	SBWMA Final Report Issued to Member Agencies/Board
<b>September 27</b>	SBWMA Board Meeting: Consideration of Final Report

**1.C Summary of Notable Items in the 2019 Recology Compensation Application**

Notable items included in the 2019 Recology Compensation Application include:

- 2017 revenue reconciliation of surplus/shortfall and interest payments due to/from Recology (Table H in Recology Application, Appendix A).
- After a question from SBWMA, Recology reduced their cost by \$447,000 including profit (\$404,456 excluding profit) to Remove Zero Waste Specialist expense (two FTEs and associated costs), as proposed by Recology and agreed upon in the revised Franchise Agreement (Table E in Recology Application, Appendix A).
- Performance Incentive/Disincentive payment to Recology of \$78,590 (Table F in Recology Application, Appendix A).
- Overall 1.9% Total Compensation increase even including a fuel index increase of 31.5% (Table E in Recology Application Appendix A).

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

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

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

Per section 7.12 of the Franchise Agreements, Recology conducted its Annual Route Assessment over a four week period in April/May 2018. The statistics compiled from this Route Assessment are used to allocate costs for 2019. Year to year variances are the result of several factors addressed by Recology in sections 3.2 and 3.3 of its Application (Appendix A).

### 1.E Recommendation

Based on the net results of the cost adjustments calculated in the 2019 Recology Compensation Application, SBWMA is recommending that the Board approve an adjustment to Recology's 2019 compensation as delineated in **Table 2** below. **Table 2** summarizes the adjusted 2019 costs and changes from 2018. The total change in Recology's compensation for 2019 is an increase of \$1,062,323 or 1.9% from 2018.

**Table 2**  
**Summary of Adjusted 2018 Costs to 2019 Costs**

RECOLOGY COMPENSATION SUMMARY	2018 Cost	2019 Cost	\$ Change	% Change
Total Annual Cost of Operations	\$ 50,874,570	\$ 52,197,453	\$ 1,322,883	2.6%
Profit	5,340,424	5,479,291	138,866	2.6%
Operating Ratio	90.5%	90.5%		
<b>Total Operating Costs</b>	<b>\$ 56,214,995</b>	<b>\$ 57,676,744</b>	<b>\$ 1,461,749</b>	<b>2.6%</b>
<b>Contractor Pass-Through Costs</b>				
Interest Expense	\$ 965,560	\$ 605,160	\$ (360,400)	-37.3%
Interest Expense on Implementation Cost	31,707	19,746	(11,961)	-37.7%
Contract Changes to Specific Agencies <sup>1</sup>	(419,208)	(411,065)	8,144	-1.9%
<b>Total Contractor Pass-Through Costs</b>	<b>\$ 578,059</b>	<b>\$ 213,841</b>	<b>\$ (364,218)</b>	<b>-63.0%</b>
<b>BASE CONTRACTOR'S COMPENSATION</b>	<b>\$ 56,793,053</b>	<b>\$ 57,890,585</b>	<b>\$ 1,097,532</b>	<b>1.9%</b>
<b>Other Adjustments</b>				
Performance Incentives / Disincentives	\$ 113,799	\$ 78,590	\$ (35,208)	30.9%
<b>Total Other Adjustments</b>	<b>\$ 113,799</b>	<b>\$ 78,590</b>	<b>\$ (35,208)</b>	<b>30.9%</b>
<b>TOTAL CONTRACTOR'S COMPENSATION</b>	<b>\$ 56,906,852</b>	<b>\$ 57,969,175</b>	<b>\$ 1,062,323</b>	<b>1.9%</b>
<sup>1</sup> Includes Agency specific contract changes (Hillsborough, Menlo Park, San Carlos).				

## **SECTION 2 BACKGROUND**

### **2.A Franchise Agreement: Terms and Contractor Compensation Methodology**

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

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

#### *Cost Adjustment Process*

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

### **2.B Annual Revenue Reconciliation: Rationale and Process**

For rate years 2012 through 2020 there is an annual revenue reconciliation process to determine the net revenue Recology retained versus the amount actually owed to the company. The calculation compares the approximately **\$104** million gross revenue billed, less contractor paid pass-through expenses for Member Agency fees and disposal and processing expense at the Shoreway facility (owned by SBWMA/RethinkWaste), versus the approved contractor's compensation. This revenue reconciliation process results in a surplus or shortfall owed to/from Recology by Member Agency. This surplus or shortfall will be added to or subtracted from the Recology's compensation for the subsequent rate year (in this case for 2019).

The Recology 2017 Revenue Reconciliation Report was submitted to the SBWMA and Member Agencies on March 31, 2018. Staff reviewed this 2017 Revenue Reconciliation Report and contracted an independent firm (i.e., R3 Consultants), to thoroughly review it, which included validating the accuracy of the results by Member Agency. On June 28, 2018 the Board reviewed agenda item 4B which included the audit findings and results (i.e., final 2017 surplus/shortfall and interest) of the revenue reconciliation that will be added to or subtracted from Recology's 2019 compensation. Agencies can also request a refunds of surplus balances or make payments to recology for shortfalls The final 2017 Revenue Reconciliation balances, net of payments, have been included in Recology's 2019 Compensation Application (see Table H of Appendix A).

### **2.C Review of Compensation Application by SBWMA for Accuracy and Completeness and Issuance of Final Report: SBWMA's Diligence Responsibilities**

The Franchise Agreements state that the SBWMA is responsible for annually conducting a review and analysis of Recology's Compensation Application. SBWMA staff conducts a thorough review of the data, calculations, index adjustments, and the cost allocation process. This review is used to prepare the analysis contained in this report including any changes and adjustments to Recology's compensation. Recology is



obligated to promptly provide to the SBWMA any missing information, explanations and agreed changes upon request during the Compensation Application review process. Recology submitted a revised Compensation Application on July 20 based on staff comments. The questions and comments submitted to the company during the initial review period in June are provided in **Appendices B and C**. The major changes to Recology's compensation are as follows:

1. A cost reduction of \$447,000 for Waste Zero Specialists.
2. A reduction in the Diversion Incentive payment of \$43,394.

### **SECTION 3 2019 RECOLOGY SAN MATEO COUNTY COMPENSATION APPLICATION**

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

The 2019 Recology Compensation Application is based on adjusting 2018 cost categories by applying the changes in several indices to arrive at the 2019 compensation by cost category. In the Compensation Application, the term "cost" really refers to "compensation." Please note this does not mean Recology's "true" cost as this is an index based compensation approach and not a "cost plus" approach. The SBWMA moved from a "cost plus" compensation model to a new "fixed price plus index adjustment" compensation methodology with the new Recology contract that started on January 1, 2011 and this change has resulted in substantial savings to the Member Agencies.

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

**Recology Annual Revenue Reconciliation Report for 2017.** Recology submitted a Revenue Reconciliation Report to the SBWMA on March 31, 2018 which compares the approved compensation owed to Recology for 2017 with the actual net funds retained by Recology after paying for pass-through costs for disposal and processing at Shoreway and Agency fees (e.g., Franchise Fees) paid to each Member Agency. The SBWMA thoroughly reviews this Report and it is audited by an independent third party firm (i.e., R3 Consultants). The audit results are then provided to the Board for consideration and approval. Each Member Agency annually generates a surplus or shortfall which is added to or subtracted from the next year's Revenue Requirement. The current systemwide 2017 shortfall balance, including interest, is \$1,105,467 due to Recology, see **Table 8**.

**Performance Incentive/Disincentive Payments (and Liquidated Damages).** Recology reported the 2017 Performance Incentives/Disincentives and Liquidated Damages calculations which was reviewed and approved by the SBWMA. The total annual Recology recycling diversion incentive payment from 2011 to 2017 are as follows:

- 2011 - \$913,060 (diversion incentive payment to Recology)
- 2012 - \$489,164 (diversion incentive payment to Recology)
- 2013 - \$257,650 (diversion incentive payment to Recology)
- 2014 - \$42,217 (diversion incentive payment to Recology)
- 2015 - (\$14,215) (diversion disincentive payment to the Member Agencies)

- 2016 - \$175,789 (diversion incentive payment to Recology)
- 2017 - \$155,789 (diversion incentive payment to Recology) (Table F, Appendix A)

Recology’s 2017 diversion incentive payment is \$155,755. The diversion incentive payment is offset by Performance penalties. The net amount owed to Recology and added to Recology’s 2019 compensation is \$78,590 (Table F in Recology’s Application Appendix A).

**Recurring Items**

Three cities also have unique cost adjustments: Menlo Park has an additional cost for customer billing services (\$25,277) that was done in-house prior to 2011, Hillsborough has a cost reduction for not buying new organics carts at the start of the contract (\$5,332),<sup>1</sup> and San Carlos has a cost reduction for residential food scraps kitchen pails bought by the City prior to the start of the new contract with Recology (\$5,003).

The Town of Hillsborough also negotiated a reduction in the cost of backyard service which is adjusted each year. The 2019 cost reduction is \$426,007.

**3.B Adjustment of 2018 Compensation to 2019**

As prescribed in Article 11, Attachment K and Attachment N of the Franchise Agreements, the adjustment of the 2018 compensation to 2019 compensation is predominantly based on the annual percentage change in select CPI indices applied to various cost categories including all labor cost categories.

**Table 3** on the following page provides the detailed results from making all compensation adjustments from 2018 to 2019. The application of all adjustment factors to the costs approved in Recology’s 2018 Compensation Application results in an overall increase in Recology’s base 2019 compensation totaling \$1,097,532 or 1.9% from 2018. Performance Incentive (and Liquidated Damages) payments decreased by \$35,208. The result is a net increase in total contractor’s compensation of \$1,062,323 or 1.9 % for 2019 from 2018. Please refer to **Table 3** on the next page.

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<sup>1</sup> The 2019 Application includes depreciation for replacement organic carts from 2011 through 2013. This depreciation totals \$20,626, which reduces the Town’s savings (originally calculated at \$25,958) for purchasing used carts. This new depreciation expense commencing in 2015 was approved by the Town contingent on Recology’s compliance with conditions put forth by the Town related to reporting and ownership of the containers upon expiration of the Franchise Agreement.

**Table 3**  
**Results of Adjustments of 2018 Costs to 2019 Costs**

RECOLOGY COMPENSATION DETAIL	2018 Cost	2019 Cost	% of Total Cost	\$ Change	% Change
<b>Annual Cost of Operations</b>					
Direct Labor-Related Costs					
Wages	\$ 17,141,395	\$ 17,587,978	30.3%	\$ 446,583	2.6%
Benefits	6,822,320	7,000,062	12.1%	177,741	2.6%
Payroll Taxes	1,426,164	1,463,320	2.5%	37,156	2.6%
Workers Compensation Insurance	1,497,957	1,532,964	2.6%	35,007	2.3%
<b>Total Direct Labor Related-Costs</b>	<b>\$ 26,887,836</b>	<b>\$ 27,584,323</b>	<b>47.6%</b>	<b>\$ 696,487</b>	<b>2.6%</b>
Direct Fuel Costs	2,061,564	2,709,935	4.7%	648,371	31.5%
Other Direct Costs	2,208,005	2,244,658	3.9%	36,653	1.7%
Depreciation					
- Collection Vehicles	4,016,792	4,016,792	6.9%	-	0.0%
- Containers	1,882,550	1,882,550	3.2%	-	0.0%
<b>Total Depreciation</b>	<b>\$ 5,899,342</b>	<b>\$ 5,899,343</b>	<b>10.2%</b>	<b>\$ (0)</b>	<b>0.0%</b>
Allocated Indirect Costs excluding Depreciation					
General and Administrative	\$ 7,406,610	\$ 7,571,631	13.1%	\$ 165,021	2.2%
Adjustment for Waste Zero Specialists	-	(404,456)	-0.7%	(404,456)	
Operations	1,826,241	1,882,346	3.2%	56,106	3.1%
Vehicle Maintenance	3,175,828	3,263,965	5.6%	88,137	2.8%
Container Maintenance	1,069,518	1,106,083	1.9%	36,565	3.4%
<b>Total Allocated Indirect Costs excluding Depreciation</b>	<b>\$ 13,478,197</b>	<b>\$ 13,419,569</b>	<b>23.1%</b>	<b>\$ (58,628)</b>	<b>-0.4%</b>
Total Allocated Indirect Depreciation Costs	152,451	152,451	0.3%	-	0.0%
Annual Implementation Cost Amortization	187,175	187,175	0.3%	-	0.0%
<b>Total Annual Cost of Operations</b>	<b>\$ 50,874,570</b>	<b>\$ 52,197,454</b>	<b>90.0%</b>	<b>\$ 1,322,884</b>	<b>2.6%</b>
<b>Profit</b>	<b>5,340,424</b>	<b>5,479,291</b>	<b>9.5%</b>	<b>138,866</b>	<b>2.6%</b>
<b>Operating Ratio</b>	<b>90.5%</b>	<b>90.5%</b>			
<b>Total Operating Costs</b>	<b>\$ 56,214,995</b>	<b>\$ 57,676,744</b>	<b>99.5%</b>	<b>\$ 1,461,749</b>	<b>2.6%</b>
<b>Contractor Pass-Through Costs</b>					
Interest Expense	\$ 965,560	\$ 605,160	1.0%	\$ (360,400)	-37.3%
Interest Expense on Implementation Cost	31,707	19,746	0.0%	(11,961)	-37.7%
Contract Changes to Specific Agencies	(419,208)	(411,065)	-0.7%	8,144	-1.9%
<b>Total Contractor Pass-Through Costs</b>	<b>578,059</b>	<b>213,841</b>	<b>0.4%</b>	<b>(364,218)</b>	<b>-63.0%</b>
<b>BASE CONTRACTOR'S COMPENSATION</b>	<b>\$ 56,793,053</b>	<b>\$ 57,890,585</b>	<b>99.9%</b>	<b>\$ 1,097,532</b>	<b>1.9%</b>
<b>Other Adjustments</b>					
Performance Incentives / Disincentives	113,799	78,590	0.1%	(35,208)	30.9%
<b>Total Other Adjustments</b>	<b>113,799</b>	<b>78,590</b>	<b>0.1%</b>	<b>(35,208)</b>	<b>30.9%</b>
<b>TOTAL CONTRACTOR'S COMPENSATION</b>	<b>\$ 56,906,852</b>	<b>\$ 57,969,175</b>	<b>100.0%</b>	<b>\$ 1,062,323</b>	<b>1.9%</b>

**Table 4** below denotes the total cost adjustment to each cost category and the specific index prescribed in the Franchise Agreement(s). It should be pointed out that the highly variable Fuel Index did go up by 31.45% but was largely offset by other factors. This index was a negative 0.26 in 2018 and negative 38.3% in 2017.

**Table 4  
Results of Cost Adjustments**

Cost Category	Cost Adjustment	Index	Explanation
CBA Wages and Benefits (Drivers, Mechanics, Clerical)	2.61%	Index #1	The CBA wage & benefits adjustment is based on the change in a CPI Index.
Payroll Tax	2.61%	n/a	The payroll tax rate is adjusted by changes in Federal or state payroll tax rates. There are no tax rate changes; therefore, the payroll tax expense changes in accordance with change in wages.
Worker's Compensation Insurance	2.34%	Index #2	The Worker's Comp Insurance adjustment is based on the change in a CPI Index.
Depreciation – Collection Vehicles	0.0%	n/a	No adjustment in 2019.
Depreciation - Containers	0.0%	n/a	No adjustment in 2019.
Non-CBA Labor	2.61%	Index #1	The Non-CBA Labor cost (management and supervisors) adjustment is based on the change in a CPI index.
Fuel	31.45%	Index #3	The Fuel expense is adjusted by the change in a fuel index.
Other Indirect Cost	1.66%	Index #4	The Other Operating cost (insurance, general office expense, safety, etc.) is adjusted by 80% of a change in a CPI index.
Application of Index to the Cost Categories	Cost Adjustment	Reference	Specific Index Prescribed in the Franchise Agreement(s)
CBA & non-CBA Wages & Benefits	2.61%	Index #1	U.S. Department of Labor, Bureau of Labor Statistics, Private Industry Employment Cost Index for Service-Producing Industries (seasonally adjusted, total compensation, series no. cis201s0000000000i successor to Ecs12102i ended 2005).
Worker's Compensation Insurance	2.34%	Index #2	U.S. Department of Labor, Bureau of Labor Statistics, Private Industry Employment Cost Index for Private Industry (Not seasonally adjusted, total compensation, series no. CIU20300000000000A).
Fuel	31.45%	Index #3	U.S. Department of Labor, Bureau of Labor Statistics, Producer Price Index - Commodity Index for #2 diesel fuel (not seasonally adjusted, fuels and related products and power, series no. wpu057303).
Other Operating Expense	1.66%	Index #4	U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index – All Urban Consumers, U.S. city average (not seasonally adjusted, all items, base period: 1982-84=100, series no. cuur0000sao).

### 3.C Recommended Adjustment to Recology's Compensation for 2019

Based on the net results of the compensation adjustments previously described and the analysis of the 2019 Recology Compensation Application, SBWMA is recommending that the SBWMA Board approve an adjustment to Recology's 2019 compensation as delineated in **Table 5 – Comparison of 2018 and 2019 Compensation**. The total adjustment to Recology's contractor's compensation is a 1.9% increase.

**Table 5  
Comparison of 2018 and 2019 Compensation**

RECOLOGY COMPENSATION SUMMARY	2018 Cost	2019 Cost	\$ Change	% Change
Total Annual Cost of Operations	\$ 50,874,570	\$ 52,197,453	\$ 1,322,883	2.6%
Profit	5,340,424	5,479,291	138,866	2.6%
Operating Ratio	90.5%	90.5%		
<b>Total Operating Costs</b>	<b>\$ 56,214,995</b>	<b>\$ 57,676,744</b>	<b>\$ 1,461,749</b>	<b>2.6%</b>
<b>Contractor Pass-Through Costs</b>				
Interest Expense	\$ 965,560	\$ 605,160	\$ (360,400)	-37.3%
Interest Expense on Implementation Cost	31,707	19,746	(11,961)	-37.7%
Contract Changes to Specific Agencies <sup>1</sup>	(419,208)	(411,065)	8,144	-1.9%
<b>Total Contractor Pass-Through Costs</b>	<b>\$ 578,059</b>	<b>\$ 213,841</b>	<b>\$ (364,218)</b>	<b>-63.0%</b>
<b>BASE CONTRACTOR'S COMPENSATION</b>	<b>\$ 56,793,053</b>	<b>\$ 57,890,585</b>	<b>\$ 1,097,532</b>	<b>1.9%</b>
<b>Other Adjustments</b>				
Performance Incentives / Disincentives	\$ 113,799	\$ 78,590	\$ (35,208)	30.9%
<b>Total Other Adjustments</b>	<b>\$ 113,799</b>	<b>\$ 78,590</b>	<b>\$ (35,208)</b>	<b>30.9%</b>
<b>TOTAL CONTRACTOR'S COMPENSATION</b>	<b>\$ 56,906,852</b>	<b>\$ 57,969,175</b>	<b>\$ 1,062,323</b>	<b>1.9%</b>
<sup>1</sup> Includes Agency specific contract changes (Hillsborough, Menlo Park, San Carlos).				

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

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

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

The statistics used to allocate costs for 2019 are based on comprehensive operational metrics compiled for each Member Agency by Recology in April/May 2018.

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

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

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

**Table 6 – Member Agency Cost Allocation**

BASE COLLECTION COSTS	2019 Total	2019 Costs												
		Atherton	Belmont	Burlingame	E Palo Alto	Foster City	Hillsborough	Menlo Park	North Fair Oaks	Redwood City	San Carlos	San Mateo	West Bay	Unincorporated County
<b>Annual Cost of Operations</b>														
Direct Labor-Related Costs														
Wages for CBAs	\$17,587,978	\$440,138	\$1,091,679	\$1,849,437	\$709,078	\$1,063,565	\$768,871	\$1,714,574	\$507,224	\$3,114,324	\$1,529,805	\$3,860,621	\$302,938	\$635,723
Benefits for CBAs	\$7,000,062	\$177,451	\$437,034	\$719,318	\$284,902	\$419,627	\$311,687	\$678,879	\$204,249	\$1,244,796	\$611,032	\$1,530,222	\$122,580	\$258,286
Payroll Taxes	\$1,463,320	\$36,620	\$90,828	\$153,873	\$58,995	\$88,489	\$63,970	\$142,653	\$42,201	\$259,112	\$127,280	\$321,204	\$25,204	\$52,892
Workers Compensation Insurance	\$1,532,964	\$38,362	\$95,151	\$161,196	\$61,803	\$92,700	\$67,015	\$149,442	\$44,210	\$271,444	\$133,338	\$336,491	\$26,404	\$55,410
<b>Total Direct Labor Related-Costs</b>	<b>\$27,584,323</b>	<b>\$692,571</b>	<b>\$1,714,691</b>	<b>\$2,883,824</b>	<b>\$1,114,778</b>	<b>\$1,664,381</b>	<b>\$1,211,543</b>	<b>\$2,685,547</b>	<b>\$797,884</b>	<b>\$4,889,675</b>	<b>\$2,401,454</b>	<b>\$6,048,537</b>	<b>\$477,127</b>	<b>\$1,002,312</b>
Direct Fuel Costs	\$2,709,935	\$69,988	\$165,906	\$244,962	\$114,152	\$168,232	\$127,381	\$284,026	\$80,723	\$488,944	\$241,495	\$569,724	\$49,939	\$104,464
Other Direct Costs	\$2,244,658	\$56,019	\$137,437	\$210,112	\$93,750	\$138,583	\$101,120	\$237,701	\$66,243	\$405,138	\$199,310	\$475,119	\$40,072	\$84,055
Depreciation														
- Collection Vehicles	\$4,016,792	\$107,221	\$245,020	\$355,514	\$168,892	\$250,111	\$189,559	\$435,967	\$117,524	\$723,652	\$359,869	\$835,379	\$74,061	\$154,023
- Containers	\$1,882,550	\$58,509	\$121,815	\$162,280	\$81,570	\$113,416	\$60,565	\$181,119	\$57,783	\$340,901	\$167,971	\$418,072	\$36,345	\$82,203
<b>Total Depreciation</b>	<b>\$5,899,342</b>	<b>165,731</b>	<b>366,835</b>	<b>517,794</b>	<b>250,462</b>	<b>363,528</b>	<b>250,124</b>	<b>617,086</b>	<b>175,308</b>	<b>1,064,553</b>	<b>527,840</b>	<b>1,253,451</b>	<b>110,405</b>	<b>236,226</b>
Allocated Indirect Costs														
General and Administrative	\$7,571,631	\$116,468	\$470,039	\$695,442	\$368,060	\$473,322	\$178,517	\$774,846	\$222,425	\$1,408,819	\$717,168	\$1,741,189	\$118,294	\$287,041
Adjustment for Zero Waste Specialists	(\$404,456)	(\$430)	(\$17,524)	(\$53,706)	(\$14,043)	(\$19,206)	(\$235)	(\$44,162)	(\$18,228)	(\$77,449)	(\$45,061)	(\$105,182)	(\$1,252)	(\$7,980)
Operations	\$1,882,346	\$50,448	\$112,355	\$185,092	\$75,593	\$123,184	\$89,307	\$203,999	\$51,619	\$326,704	\$164,912	\$394,266	\$34,326	\$70,542
Vehicle Maintenance	\$3,263,965	\$87,476	\$194,823	\$320,947	\$131,078	\$213,599	\$154,857	\$353,732	\$89,506	\$566,501	\$285,956	\$683,652	\$59,521	\$122,320
Container Maintenance	\$1,106,083	\$26,152	\$68,340	\$101,212	\$50,568	\$68,602	\$28,119	\$119,169	\$31,537	\$201,754	\$99,251	\$253,408	\$17,635	\$40,336
<b>Total Allocated Indirect Costs</b>	<b>\$13,419,569</b>	<b>\$280,113</b>	<b>\$828,034</b>	<b>\$1,248,987</b>	<b>\$611,256</b>	<b>\$859,501</b>	<b>\$450,565</b>	<b>\$1,407,585</b>	<b>\$376,858</b>	<b>\$2,426,328</b>	<b>\$1,222,225</b>	<b>\$2,967,332</b>	<b>\$228,524</b>	<b>\$512,260</b>
Total Allocated Indirect Depreciation Costs	\$152,451	\$4,089	\$9,051	\$15,230	\$6,243	\$9,869	\$7,209	\$16,530	\$4,151	\$26,475	\$13,274	\$31,864	\$2,765	\$5,701
Annual Implementation Cost Amortization	\$187,175	\$5,330	\$11,170	\$17,182	\$8,269	\$10,863	\$9,711	\$19,391	\$5,539	\$33,716	\$16,212	\$38,291	\$3,709	\$7,792
<b>Total Annual Cost of Operations <sup>1</sup></b>	<b>\$52,197,453</b>	<b>1,273,840</b>	<b>3,233,124</b>	<b>5,138,091</b>	<b>2,198,909</b>	<b>3,214,957</b>	<b>2,157,654</b>	<b>5,267,865</b>	<b>1,506,705</b>	<b>9,334,830</b>	<b>4,621,810</b>	<b>11,384,318</b>	<b>912,540</b>	<b>1,952,810</b>
<b>Profit</b>	<b>\$5,479,291</b>	<b>\$133,718</b>	<b>\$339,389</b>	<b>\$539,358</b>	<b>\$230,825</b>	<b>\$337,482</b>	<b>\$226,494</b>	<b>\$552,980</b>	<b>\$158,162</b>	<b>\$979,899</b>	<b>\$485,162</b>	<b>\$1,195,039</b>	<b>\$95,791</b>	<b>\$204,991</b>
Operating Ratio	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%	90.5%
<b>Total Operating Cost</b>	<b>\$57,676,744</b>	<b>\$1,407,558</b>	<b>\$3,572,513</b>	<b>\$5,677,448</b>	<b>\$2,429,733</b>	<b>\$3,552,439</b>	<b>\$2,384,149</b>	<b>\$5,820,845</b>	<b>\$1,664,868</b>	<b>\$10,314,729</b>	<b>\$5,106,972</b>	<b>\$12,579,357</b>	<b>\$1,008,331</b>	<b>\$2,157,802</b>
<b>Contractor Pass-Through Costs</b>														
Interest Expense	\$605,160	\$15,541	\$37,309	\$55,611	\$25,402	\$37,406	\$23,188	\$64,666	\$18,016	\$109,966	\$54,358	\$130,600	\$10,531	\$22,565
Interest Expense on Implementation Cost	\$19,746	\$500	\$1,160	\$1,965	\$866	\$1,146	\$897	\$2,066	\$586	\$3,611	\$1,704	\$4,141	\$356	\$748
Contract Changes to Specific Agencies	(\$411,065)	\$0	\$0	\$0	\$0	\$0	(\$431,339)	\$25,277	\$0	(\$5,003)	\$0	\$0	\$0	
<b>BASE COMPENSATION</b>	<b>\$57,890,585</b>	<b>\$1,423,599</b>	<b>\$3,610,982</b>	<b>\$5,735,025</b>	<b>\$2,456,002</b>	<b>\$3,590,991</b>	<b>\$1,976,895</b>	<b>\$5,912,853</b>	<b>\$1,683,469</b>	<b>\$10,428,306</b>	<b>\$5,158,031</b>	<b>\$12,714,099</b>	<b>\$1,019,218</b>	<b>\$2,181,115</b>
Incentives and Disincentives	\$78,590	\$901	\$3,275	\$10,978	\$5,286	\$4,497	\$1,017	\$7,112	\$2,794	\$17,218	\$5,280	\$17,947	\$1,762	\$522
<b>Total Contractor Adjustments</b>	<b>\$78,590</b>	<b>\$901</b>	<b>\$3,275</b>	<b>\$10,978</b>	<b>\$5,286</b>	<b>\$4,497</b>	<b>\$1,017</b>	<b>\$7,112</b>	<b>\$2,794</b>	<b>\$17,218</b>	<b>\$5,280</b>	<b>\$17,947</b>	<b>\$1,762</b>	<b>\$522</b>
<b>TOTAL CONTRACTOR'S COMPENSATION 2019</b>	<b>\$57,969,175</b>	<b>\$1,424,499</b>	<b>\$3,614,257</b>	<b>\$5,746,003</b>	<b>\$2,461,288</b>	<b>\$3,595,489</b>	<b>\$1,977,912</b>	<b>\$5,919,965</b>	<b>\$1,686,263</b>	<b>\$10,445,524</b>	<b>\$5,163,310</b>	<b>\$12,732,046</b>	<b>\$1,020,981</b>	<b>\$2,181,637</b>
<b>TOTAL CONTRACTOR'S COMPENSATION 2018</b>	<b>\$56,906,852</b>	<b>\$1,356,594</b>	<b>\$3,607,764</b>	<b>\$5,727,633</b>	<b>\$2,327,694</b>	<b>\$3,443,040</b>	<b>\$1,945,283</b>	<b>\$5,720,090</b>	<b>\$1,698,894</b>	<b>\$10,197,274</b>	<b>\$5,171,300</b>	<b>\$12,556,375</b>	<b>\$975,092</b>	<b>\$2,179,819</b>
Change in Contractor's Compensation	\$1,062,323	\$67,905	\$6,493	\$18,370	\$133,594	\$152,449	\$32,629	\$199,875	(\$12,631)	\$248,250	(\$7,990)	\$175,671	\$45,889	\$1,818
Percentage Change in Compensation	1.9%	5.0%	0.2%	0.3%	5.7%	4.4%	1.7%	3.5%	-0.7%	2.4%	-0.2%	1.4%	4.7%	0.1%

<sup>1</sup> Costs do not reflect any Agency directed changes in service.

## **SECTION 4 2019 MEMBER AGENCY REVENUE REQUIREMENT OBLIGATIONS**

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

The compensation to Recology for 2019 collection service is only one of several components that make up the total collection cost (i.e revenue requirement) reflected in the Member Agency's solid waste collection rates. In addition to the Recology compensation for collection service, there are pass-through costs (discussed below) that are also included in the Member Agency's Revenue Requirement (see **Table 8 – Total Collection Rate Adjustment**).

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

The pass-through costs are the following:

1. Disposal and processing expense – Disposal and processing expenses are based on projected tonnage and estimated 2019 tip fees at the Shoreway Environmental Center. Tonnage assumptions were provided to Member Agencies on July 20 for review.
2. Franchise fee – Franchise and other Member Agency fees and programs. Fee assumptions used for 2019 were provided by Member Agencies on July 20.
3. Agency specific changes – Agency specific changes made in 2011 to the Franchise Agreements are noted and applied to each Member Agency. These changes were: Recology billing service for Menlo Park, credit for Hillsborough purchase of organics carts and reduced cost for back yard service, and a credit for San Carlos for City-purchased kitchen pails.

### **4.C Cost Variance from 2018 to 2019**

The variance in Total Revenue Requirement from 2018 to 2019 is shown in **Table 7** by cost category and the rate impact of each change. The 2019 total collection cost which includes the Recology compensation and other pass-through costs shows an average SBWMA rate increase of 5.4%. This major causes of this rate increase are:

1. The Total Contractor's compensation due to Recology increased \$1,062,323 from 2018 with a rate impact of a 1.0% increase.
2. Disposal and Processing Fees at Shoreway increased 12.8% with a rate impact of 4.0%. This was primarily caused by a 12.8% effective tip fee increase due to collapsing global commodity prices caused primarily from the market disruption in China.

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

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



COLLECTION RATE VARIANCE ANALYSIS estimated 9/13/2018		SBWMA TOTAL				
		2019 Variance				
		2018 Estimated	2019 Estimated	2019 vs. 2018 Change	2019 vs. 2018 %	% Rate Impact
<b>Estimated Revenue (Before Rate Increase)</b>			\$104,396,040			
<b>Projected Collection Revenue (After Rate Increase)</b>		\$104,371,040				
<b>2018 Base Revenue Surplus / &lt;Shortfall&gt;</b>				(\$203,900)		0.2%
<b>Total Contractor's Compensation</b>						
	Base Compensation	\$57,212,261	\$58,301,649	\$1,089,388	1.9%	1.0%
	Agency Specific Contract Changes	(\$419,208)	(\$411,065)	\$8,144	-1.9%	0.0%
	Incentives / Disincentives	\$113,799	\$78,590	(\$35,208)	30.9%	0.0%
<b>Total Contractor's Compensation</b>		\$56,906,852	\$57,969,175	\$1,062,323	1.9%	1.0%
<b>Other Pass-Through Costs</b>						
	Disposal & Processing Fees	\$32,875,602	\$37,083,146	\$4,207,543	12.8%	4.0%
	Agency Franchise & Other Fees	\$14,817,486	\$14,993,796	\$176,310	1.2%	0.2%
<b>Subtotal Other Pass-Through Costs</b>		\$47,693,088	\$52,076,941	\$4,383,853	9.2%	4.2%
<b>TOTAL REVENUE REQUIREMENT</b>		\$104,599,940	\$110,046,116	\$5,446,177	5.2%	5.2%
<b>2018 Estimated Surplus / &lt;Shortfall&gt;</b>		(\$228,900)				
<b>2019 Estimated Surplus / &lt;Shortfall&gt;</b>			(\$5,650,075)			
<b>Required Revenue Adjustment</b>			5.4%			5.4%

All numbers above are current estimates except 2018 Contractor's (Recology) Compensation which is final and 2019 Contractor's Compensation which is subject to Board Approval.

#### 4.D Total Recommended Rate Adjustment

The SBWMA is responsible for compiling all the components that make up the recommended rate adjustment for 2019 and are summarized in **Table 8**. The amounts shown in Table 8 reflect estimated balances at December 31, 2019 before any 2019 Member Agency solid waste rate adjustments are applied. The purpose of this table is to assist Member Agencies with determining their rate adjustment(s) for 2019. The Total Rate Adjustment Percentage (line **F.3**) is derived from comparing the 2019 base revenue at 2018 rates on line **A.1** to the total revenue impact (line **F.1**) which in total results in a shortfall balance (line **F.2**) and the recommended rate adjustment (line **F.3**). All prior year's surplus/shortfall balances are net of payments to/from Member Agencies and Recology. The following provides an explanation of the sections in **Table 8**.

- **Section A** – This section provides the estimated 2019 Collection Revenue using 2018 rates (**A.1**), the 2019 Total Recology Compensation (**A.2**) and Pass-Through Expenses (**A.6**) used to determine the 2019 Revenue Requirement (**A.7**), the estimated 2019 Surplus/Shortfall balance with Recology (**A.8**), Agency Fees on shortfalls (**A.9**), and the Rate Adjustment Percentage (**A.10**). *The overall SBWMA rate adjustment is a 5.9% increase; however, each Member Agency has a different adjustment percentage.*
- **Section B** – This section provides the results of the 2017 Recology Revenue Reconciliation surplus/shortfall, including 2015 close out, that must be added to the 2019 rate adjustment. *The overall SBWMA rate adjustment is a 1.1% increase; however, each Member Agency has a different rate adjustment percentage.*
- **Section C** – This section provides the 2019 Required Rate Adjustment which is the sum of sections A and B. *The overall SBWMA rate adjustment is positive 7.0%; however the rate adjustment percentage varies between the Member Agencies.*
- **Section D** – This section provides the “2018 Estimated Surplus/Shortfall” balance with Recology (**D.1**), the final 2016 surplus/shortfall (**D.2**) and the associated Agency Fees on any net estimated shortfall (**D.4**).
- **Section E** – This section includes an adjustment for Belmont’s unique agreement with Recology.
- **Section F** – This section provides the “Cumulative Revenue Requirement” of **\$109,084,553 (F.1)** and the cumulative shortfall of **\$4,688,513 (F.2)** which includes the results of Sections C, D and E.
- **The overall SBWMA recommended rate adjustment is on line (F.3). Each Member Agency is obligated to set rates to generate its respective revenue needed as denoted in Section F per the MOU between Recology and SBWMA. Agencies that set rates lower than delineated in Section F and experience a shortfall in revenue in 2019 are liable for future interest charges from Recology.**

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

<b>SBWMA</b>									
<b>TOTAL COLLECTION RATE ADJUSTMENT BY MEMBER AGENCY</b>									
<i>as of 09/20/2018</i>		<b>2019 Rate Year</b>							
	<b>Total</b>	<b>Atherton</b>	<b>Belmont</b>	<b>Burlingame</b>	<b>East Palo Alto</b>	<b>Foster City</b>	<b>Hillsborough</b>	<b>Menlo Park</b>	
<b>A. 2019 RATE YEAR</b>									
<b>2019 Collection Revenue @ 2018 Rates</b>	\$ 104,396,040	\$ 2,932,808	\$ 6,696,778	\$ 10,950,361	\$ 5,002,199	\$ 5,776,820	\$ 3,030,638	\$ 12,126,880	
	\$ -								
<b>A.1 2019 Collection Revenue @ 2018 Rates</b>	<b>\$104,396,040</b>	<b>\$2,932,808</b>	<b>\$6,696,778</b>	<b>\$10,950,361</b>	<b>\$5,002,199</b>	<b>\$5,776,820</b>	<b>\$3,030,638</b>	<b>\$12,126,880</b>	
<b>A.2 Total Recology Compensation</b>	\$57,969,175	\$1,424,499	\$3,614,257	\$5,746,003	\$2,461,288	\$3,595,489	\$1,977,912	\$5,919,965	
<b>A.3 Pass-Through Costs</b>									
<b>A.4 Disposal &amp; Processing Fees</b>	\$37,083,146	\$1,351,080	\$1,790,353	\$4,215,214	\$2,070,666	\$2,102,173	\$1,046,776	\$4,421,624	
<b>A.5 Agency Franchise Fees</b>	\$14,993,796	\$304,475	\$1,760,650	\$1,816,041	\$682,507	\$377,305	\$277,105	\$2,088,370	
<b>A.6 Total Pass-Through Costs</b>	\$52,076,941	\$1,655,556	\$3,551,003	\$6,031,256	\$2,753,174	\$2,479,479	\$1,323,881	\$6,509,995	
<b>A.7 2019 Revenue Requirement</b>	<b>\$110,046,116</b>	<b>\$3,080,055</b>	<b>\$7,165,260</b>	<b>\$11,777,258</b>	<b>\$5,214,462</b>	<b>\$6,074,967</b>	<b>\$3,301,792</b>	<b>\$12,429,960</b>	
<b>A.8 2019 Surplus/(Shortfall) estimated</b>	<b>(\$5,650,076)</b>	<b>(\$147,247)</b>	<b>(\$468,482)</b>	<b>(\$826,898)</b>	<b>(\$212,263)</b>	<b>(\$298,147)</b>	<b>(\$271,154)</b>	<b>(\$303,080)</b>	
<b>A.9 Agency Fees on A.8 Shortfall</b>	<b>(\$519,622)</b>	<b>(\$14,725)</b>		<b>(\$115,766)</b>	<b>(\$20,267)</b>	<b>(\$14,907)</b>	<b>(\$27,115)</b>	<b>(\$41,219)</b>	
<b>A.10 Rate Adjustment Percentage (Associated with 2019 estimated Surplus/Shortfall)</b>	5.9%	5.5%		8.6%	4.6%	5.4%	9.8%	2.8%	
<i>See Appendix D - Rate Variance Analysis for detail.</i>									
<b>B. 2017 Final Surplus/(Shortfall)</b>									
<b>B.1 Surplus/(Shortfall) 2017 FINAL (incl. Interest)</b>	<b>(\$1,105,467)</b>	\$177,245	<b>(\$1,654,671)</b>		<b>(\$101,548)</b>	\$41,260	\$480,114	<b>(\$97,201)</b>	2.2%
<b>B.2 Agency Fees on B.1 Shortfall</b>	<b>(\$58,494)</b>				<b>(\$9,696)</b>			<b>(\$13,219)</b>	
<b>B.3 Rate Adjustment Percentage (Associated with 2017 Final Surplus/Shortfall)</b>	1.1%	-6.0%			2.2%	-0.7%	-15.8%	0.9%	
<b>C. 2019 REQUIRED REVENUE ADJUSTMENT</b>									
<b>C.1 Cumulative Revenue Requirement (A.7-A.9-B.1-B.2)</b>	<b>\$111,729,700</b>	<b>\$2,917,535</b>	<b>\$8,819,931</b>	<b>\$11,893,024</b>	<b>\$5,345,972</b>	<b>\$6,048,614</b>	<b>\$2,848,794</b>	<b>\$12,581,599</b>	
<b>C.2 Subtotal Surplus/(Shortfall) (A.1 - C.1)</b>	<b>(\$7,333,660)</b>	<b>\$15,273</b>	<b>(\$2,123,153)</b>	<b>(\$942,663)</b>	<b>(\$343,773)</b>	<b>(\$271,794)</b>	<b>\$181,845</b>	<b>(\$454,720)</b>	
<b>C.3 Rate Adjustment Percentage (C.2 / A.1)</b>	7.0%	-0.5%		8.6%	6.9%	4.7%	-6.0%	3.7%	
<b>D. 2018 Estimated Surplus/(Shortfall)</b>									
<b>D.1 Surplus/(Shortfall), 2018 estimated</b>	<b>(\$228,900)</b>	\$71,315	<b>(\$263,452)</b>	<b>(\$330,080)</b>	\$171,029	\$92,534	<b>(\$119,220)</b>	\$447,182	
<b>D.2 Surplus/(Shortfall) 2016 FINAL (incl. Interest)</b>	<b>(\$164,920)</b>		<b>(\$722,423)</b>		<b>(\$117,933)</b>	\$19,279	\$591,910	<b>(\$362,495)</b>	
<b>D.3 Net Estimated 2018 Surplus/Shortfall</b>	<b>(\$393,820)</b>	\$71,315	<b>(\$985,875)</b>	<b>(\$330,080)</b>	\$53,096	\$111,813	\$472,690	\$84,687	
<b>D.4 Agency Fees on D.3 Estimated Shortfall</b>	<b>(\$70,062)</b>			<b>(\$46,211)</b>					
<b>D.5 Rate Adjustment Percentage (Associated with 2018 Estimated Surplus/Shortfall)</b>	0.4%	-2.4%	14.7%	3.4%	-1.1%	-1.9%	-15.6%	-0.7%	
<b>E. Adjustments</b>									
<b>E.1 Miscellaneous Adjustment/Payment</b>	<b>(\$3,109,028)</b>		<b>(\$3,109,028)</b>						
<b>F. TOTAL RATE IMPACT</b>									
<b>F.1 Cumulative Revenue Requirement (C.1-D.3+E.1)</b>	<b>\$109,084,553</b>	<b>\$2,846,220</b>	<b>\$6,696,778</b>	<b>\$12,269,315</b>	<b>\$5,292,876</b>	<b>\$5,936,801</b>	<b>\$2,376,104</b>	<b>\$12,496,912</b>	
<b>F.2 Total Surplus/(Shortfall) (A.1 - F.1)</b>	<b>(\$4,688,513)</b>	<b>\$86,588</b>	<b>\$0</b>	<b>(\$1,318,955)</b>	<b>(\$290,677)</b>	<b>(\$159,981)</b>	<b>\$654,534</b>	<b>(\$370,032)</b>	
<b>F.3 Total Rate Adjustment Percentage (F.2 / A.1)</b>	4.5%	-3.0%	0.0%	12.0%	5.8%	2.8%	-21.6%	3.1%	

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

<b>SBWMA</b>						
<b>TOTAL COLLECTION RATE ADJUSTMENT BY MEMBER AGENCY</b>						
as of 09/20/2018			<b>2019 Rate Year</b>			
	North Fair Oaks	Redwood City	San Carlos	San Mateo	West Bay	Unincorporated County - Total
<b>A. 2019 RATE YEAR</b>						
<b>2019 Collection Revenue @ 2018 Rates</b> Additional Agency Funds	\$ 2,796,813	\$ 18,872,161	\$ 8,442,323	\$ 22,848,741	\$ 1,620,927	\$ 3,298,590
<b>A.1 2019 Collection Revenue @ 2018 Rates</b>	\$2,796,813	\$18,872,161	\$8,442,323	\$22,848,741	\$1,620,927	\$3,298,590
<b>A.2 Total Recology Compensation</b>	\$1,686,263	\$10,445,524	\$5,163,310	\$12,732,046	\$1,020,981	\$2,181,637
<b>A.3 Pass-Through Costs</b>						
<b>A.4 Disposal &amp; Processing Fees</b>	\$1,065,594	\$7,043,582	\$2,622,168	\$7,750,318	\$537,474	\$1,066,123
<b>A.5 Agency Franchise Fees</b>	\$135,088	\$2,620,447	\$1,140,852	\$3,539,893	\$92,828	\$158,233
<b>A.6 Total Pass-Through Costs</b>	\$1,200,682	\$9,664,029	\$3,763,020	\$11,290,210	\$630,303	\$1,224,356
<b>A.7 2019 Revenue Requirement</b>	\$2,886,945	\$20,109,553	\$8,926,331	\$24,022,257	\$1,651,283	\$3,405,993
<b>A.8 2019 Surplus/(Shortfall) estimated</b>	(\$90,132)	(\$1,237,392)	(\$484,007)	(\$1,173,516)	(\$30,356)	(\$107,403)
<b>A.9 Agency Fees on A.8 Shortfall</b>	(\$4,507)	(\$168,904)	(\$58,081)	(\$46,941)	(\$1,821)	(\$5,370)
<b>A.10 Rate Adjustment Percentage</b> (Associated with 2018 estimated Surplus/Shortfall)	3.4%	7.5%	6.4%	5.3%	2.0%	3.4%
<i>See Appendix D - Rate Variance Analysis for detail.</i>						
<b>B. 2017 Final Surplus/(Shortfall)</b>						
<b>B.1 Surplus/(Shortfall) 2017 FINAL (incl. Interest)</b>	(\$9,174)	(\$221,233)	\$11,948	(\$123,050)	\$54,284	\$336,559
<b>B.2 Agency Fees on B.1 Shortfall</b>	(\$459)	(\$30,198)		(\$4,922)		
<b>B.3 Rate Adjustment Percentage</b> (Associated with 2017 Final Surplus/Shortfall)	0.3%	1.3%	-0.1%	0.6%	-3.3%	-10.2%
<b>C. 2019 REQUIRED REVENUE ADJUSTMENT</b>						
<b>C.1 Cumulative Revenue Requirement (A.7-A.9-B.1-B.2)</b>	\$2,901,084	\$20,529,888	\$8,972,464	\$24,197,169	\$1,598,821	\$3,074,804
<b>C.2 Subtotal Surplus/(Shortfall) (A.1 - C.1)</b>	(\$104,271)	(\$1,657,727)	(\$530,140)	(\$1,348,428)	\$22,107	\$223,786
<b>C.3 Rate Adjustment Percentage (C.2 / A.1)</b>	3.7%	8.8%	6.3%	5.9%	-1.4%	-6.8%
<b>D. 2018 Estimated Surplus/(Shortfall)</b>						
<b>D.1 Surplus/(Shortfall), 2018 estimated</b>	\$19,187	(\$185,244)	(\$146,859)	(\$76,197)	\$75,988	\$14,918
<b>D.2 Surplus/(Shortfall) 2016 FINAL (incl. Interest)</b>	\$76,139	\$88,282	\$476,458	(\$165,971)	(\$14,679)	(\$33,487)
<b>D.3 Net Estimated 2018 Surplus/Shortfall</b>	\$95,326	(\$96,962)	\$329,599	(\$242,168)	\$61,309	(\$18,569)
<b>D.4 Agency Fees on D.3 Estimated Shortfall</b>		(\$13,235)		(\$9,687)		(\$928)
<b>D.5 Rate Adjustment Percentage</b> (Associated with 2018 Estimated Surplus/Shortfall)	-3.4%	0.6%	-3.9%	1.1%	-3.8%	0.6%
<b>E. Adjustments</b>						
<b>E.1 Miscellaneous Adjustment/Payment</b>						
<b>F. TOTAL RATE IMPACT</b>						
<b>F.1 Cumulative Revenue Requirement (C.1-D.3+E.1)</b>	\$2,805,759	\$20,640,085	\$8,642,865	\$24,449,024	\$1,537,512	\$3,094,301
<b>F.2 Total Surplus/(Shortfall) (A1 - F1)</b>	(\$8,945)	(\$1,767,924)	(\$200,541)	(\$1,600,284)	\$83,415	\$204,289
<b>F.3 Total Rate Adjustment Percentage (F.2 / A.1)</b>	0.3%	9.4%	2.4%	7.0%	-5.1%	-6.2%

## **SECTION 5 CONCLUSION**

The SBWMA's review of the 2019 Recology Compensation Application results in the recommendation to increase the 2019 compensation to Recology (i.e., Total Contractor's Compensation) by 1.9% (i.e., \$1,062,323) from the approved 2018 compensation, as provided in **Tables 2, 3, 5, 6, 7 and 8** of this **Final Report**, and Tables A, B and E in Recology's Application, Appendix A.1.

The Member Agency snapshot report can be found in the Recology Application as Appendix 3. The snapshot report includes six tables for each Member Agency including: 1) a three year summary of major statistics used to allocate costs; 2) detailed comparison of Recology costs for 2019 vs. 2018; 3) detailed cost comparison of 2019 vs. 2018 by Recology service sectors; and, 4) three tables showing the actual cost allocation process by service sector and the seventeen lines of business.

Member Agency	Refunds from Recology to Member Agencies						Payments from Member Agencies to Recology						
	Rate Year						Rate Year						
	2014	2015	2016	2017	2018	Total	2013	2014	2015	2016	2017	2018	Total
Atherton	(\$895,936)	(\$279,189)	(\$340,737)			(\$1,515,862)							
Belmont													
Burlingame	(\$1,223,751)					(\$1,223,751)			\$5,222	\$177,230	\$127,920		\$310,372
East Palo Alto													
Foster City													
Hillsborough													
Menlo Park							\$160,011	\$176,439	\$23,550				\$199,989
North Fair Oaks													
Redwood City	(\$1,294,907)					(\$1,294,907)							
San Carlos													
San Mateo													
West Bay Sanitary District	(\$32,545)	(\$35,586)				(\$68,131)							
County Unincorporated													
Total	(\$3,447,139)	(\$314,775)	(\$340,737)	\$0	\$0	(\$4,102,651)	\$160,011	\$176,439	\$28,772	\$177,230	\$127,920	\$0	\$333,922