



A Public Agency

# SHOREWAY OPERATIONS AND CONTRACT MANAGEMENT

## STAFF REPORT

To: SBWMA Board Members  
 From: John Mangini, Senior Finance Manager  
 Hilary Gans, Sr. Operations & Contracts Manager  
 Date: September 27, 2018 SBWMA Board of Directors Meeting  
 Subject: Resolution Approving 2019 South Bay Recycling Compensation Application

### Recommendation

Staff recommends the Board approve of Resolution 2017-32 attached hereto authorizing the following action:

- Approval of 2019 South Bay Recycling (SBR) Compensation Application. **Exhibit A** contains the SBWMA Final Report - Review of 2019 South Bay Recycling Compensation Application for Board consideration.

### Summary

The SBWMA has reviewed the SBR 2019 Compensation Application and SBR has modified the application as necessary to address comments and concerns. Staff has verified that the Compensation Application is complete and meets the requirements of the Facility Operations Agreement. The Total Compensation for SBR in 2019 is recommended to be \$19,382,160 which is \$525,858 (2.8%) higher than in 2018.

### Analysis

Total Compensation for SBR in 2018 is recommended to be \$19,382,160 which is \$525,858 (2.8%) higher than in 2018. Notable variances include: 1) an increase in non-CBA Labor (VRS) of 5.4% effecting the MRF service element, 2) a scheduled reduction in Interest Expense that is 37.9% lower than prior year and 3) a 31.5% increase in the fuel index. **Table 1** provides a summary of the specific dollar amounts of the major elements impacting the increase from SBR's 2018 compensation.

2018 Costs & Fees vs. 2019 Costs & Fees					
SOUTH BAY RECYCLING	2018		Adjustment	2019	
	Total Cost	Fee/Ton		Total Cost	Fee/Ton
<b>Operating Cost</b>			<b>%</b>		
Transfer Station	\$ 4,710,260	\$ 13.17	2.9%	\$ 4,844,789	\$ 13.54
Recyclable Materials Processing, net of Residue	\$ 6,599,377	\$ 89.15	3.3%	\$ 6,817,455	\$ 92.10
Transportation (cost/ton-mile)	\$ 6,625,111	\$ 1.09	3.2%	\$ 6,834,758	\$ 1.13
Transport (cost/ton)	-	\$ 18.52	3.2%	-	\$ 19.11
<b>Total Operating Cost</b>	\$ 17,934,748		3.1%	\$ 18,497,002	
<b>Contractor Pass-Through Costs</b>					
Total Interest	\$ 96,827		-37.9%	\$ 60,158	
Buyback Payments	\$ 825,000		0.0%	\$ 825,000	
<b>Total Contractor Pass-Through Cost</b>	\$ 921,827		-4.0%	\$ 885,158	
<b>Total Compensation</b>	\$ 18,856,575		2.8%	\$ 19,382,160	



(Note: the total costs shown in the above table are for illustration purposes and that the actual payment to SBR is based on the approved payment per ton times the **actual** number of tons received at the Shoreway facility).

### **Background**

Each year, the SBR Compensation Application is brought forward to the TAC and Board simultaneously with the Recology San Mateo County (RSMC) report (this application was reviewed at the 9/13/18 TAC meeting and there were no questions).

On July 5, 2018 SBR submitted a 2019 Compensation Application to the SBWMA, as required under the Shoreway Operations Agreement (Article 7.12 prescribes the process by which this application is reviewed and the company's compensation is approved). The SBWMA staff reviewed the SBR 2019 Compensation Application for completeness, accuracy and consistency and issued a SBWMA Draft Report Review of 2019 South Bay Recycling Compensation Application on August 15<sup>th</sup>. The SBWMA staff requested that Member Agencies provide input on the Daft Report by August 24<sup>th</sup>. No comments were received Member Agencies and no changes were made to the Compensation Application.

### ***Rate Setting and Approval Process***

It is important to note that the approved compensation for SBR will be part of the 2019 Shoreway tip fees to be charged at the Shoreway facility. (The Shoreway tip fees are based on all the SBWMA operating costs that include SBR's compensation, off-site disposal and processing expense, fees paid to San Carlos, and SBWMA program budget, less commodity revenue). SBWMA operating cost, based on Shoreway tipping fees, are included as a pass-through expense in the calculation of each Member Agency's total Collection Revenue Requirement (*shown as "Disposal and Processing Fees" the SBWMA Report Reviewing the 2019 Recology San Mateo County Compensation Application*) for setting solid waste collection rates.

### **Fiscal Impact**

The SBR 2019 Compensation Application indicates that the company's Total Compensation will increase by - \$525,858 or 2.8% over prior year (compared to last year's adjustment of 1.9%). Details of SBR compensation can be found in Exhibit A: SBWMA Report - Review of 2019 South Bay Recycling Compensation Application.

Attachments:

**Resolution 2018-32**

**Exhibit A – SBWMA Final Report Reviewing the 2019 South Bay Recycling Compensation Application**



**RESOLUTION NO. 2018-32**  
**RESOLUTION OF THE SOUTH BAYSIDE WASTE**  
**MANAGEMENT AUTHORITY BOARD OF DIRECTORS**  
**APPROVING 2019 SOUTH BAY RECYCLING COMPENSATION APPLICATION**

**WHEREAS**, The South Bayside Waste Management Authority (SBWMA) prepared and issued to the SBWMA Board of Director's on September 27, 2018 the SBWMA Final Report on Review of 2019 South Bay Recycling (SBR) Compensation Application (Report); and

**WHEREAS**, SBWMA staff requested Board Member and Member Agency review of a Draft Report (concurrent with review of the Draft Report on 2019 RSMC Compensation Application) and requested comments, questions and concerns to be submitted by August 24, 2018; and

**WHEREAS**, SBWMA revised the Draft Report based on any comments received from Board Members and Member Agencies and additional information provided by SBR and issued the Final Report (**Exhibit A**) to the Board of Directors; and

**WHEREAS**, the Final Report recommends adjustments to SBR's compensation from its 2018 base costs to 2019.

**NOW, THEREFORE BE IT RESOLVED** that the South Bayside Waste Management Authority hereby approves the SBWMA Final Report on Review of 2019 South Bay Recycling 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 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. 2018-32 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on September 27, 2018.

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

ATTEST:

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



SBWMA FINAL  
REPORT REVIEWING THE  
2019 SOUTH BAY RECYCLING  
COMPENSATION APPLICATION

September 13, 2018

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## SECTION 1. OVERVIEW

### A. Shoreway Operations Agreement Terms

South Bay Recycling, LLC (SBR) was selected as the facility operator in 2009 and is paid on a fee per ton basis for three services: processing materials at the Transfer Station (TS), processing materials at the Materials Recovery Facility (MRF) and transporting materials to the disposal and processing facilities. The Shoreway Operations Agreement ("Agreement") with SBR prescribes that the SBWMA is responsible for conducting the annual review and analysis of SBR's compensation application which sets the fees each year. The application is reviewed for completeness, accuracy and that the prescribed compensation adjustment methodology is followed to arrive at the recommended 2019 fees per ton contained in this report.

### B. Calculation of Total Collection Revenue Requirement

The approved 2019 compensation for SBR will be bundled with all other SBWMA operating budget expenses (e.g., disposal expense, franchise fees paid to the City of San Carlos, debt service, SBWMA program budget, etc.) to set the 2019 Shoreway Tip Fees. The 2019 Shoreway Tip Fees are the basis for setting the Shoreway Disposal and Processing expense that becomes part of the total Revenue Requirement for each Member Agency upon which solid waste rates are set for 2019. These costs can be found in the 2019 SBWMA Draft Report Reviewing the Recology Rate Application (Table 3), and are the result of the Shoreway tipping fees charged on the solid waste and organics tons delivered to Shoreway. The Flow Diagram of SBWMA Budget and Collection Rate Setting Process, **Table 1** below, describes this process and relationship.

Table 1

**FLOW DIAGRAM OF SBWMA BUDGET  
&  
COLLECTION RATE SETTING PROCESS**

**SBWMA Agency Budget**  
(Shoreway Operations, Programs & Admin.)

- SBR Operations Expense**  
(MRF, TS, Trans Exp)
- +
- Offsite Disposal & Processing**  
Garbage, Organics, C&D)
- +
- SBWMA Program & Administration**  
(Oversight, Outreach, Admin.)
- +
- Capital Expenditures**  
(Shoreway Maint & Enhancement)
- +
- City of San Carlos Fee**  
(5% Gross Tip Fee Revenues)
- +
- Other Expenses**  
(Bond P&I Payment, Pass-through)
- +
- Commodity Revenues**
- +

\* **Franchise Tip Fee Revenue** =

*Note: non-Franchise budget not shown*



**Member Agency Rate Setting**

- Disposal and Processing Expense**
- +
- Recology Collection Services**  
(Commercial and Residential)
- +
- Member Agency Franchise Fees**  
(MA's Set Franchise Fees)
- =
- Total Collection System  
Revenue Requirement**  
(Member Agency's Set Rates)

- \* *Tip Fees Revenue Goals*
- *Meet Bond Covenant Tests*
  - *Meet Board Reserve Balances*
  - Rate Stabilization Reserve*
  - Emergency Reserve*
  - Undesignated Reserve (Capital Projects)*



**C. Description of SBR Fees and Cost Components**

The process for adjusting SBR's compensation is detailed in the Operations Agreement in Article 7.03 and Attachment 13-A of the Agreement. All costs are adjusted based on various US Department of Labor indices (except depreciation which is not adjusted).

The fees for the three services are each comprised of distinct cost components:

- A. Labor Costs
- B. Fuel and Power Costs
- C. Depreciation Cost
- D. Other Operating and Maintenance Costs

The above cost components have the following subcomponents:

- A. Labor Costs
  - Wages for CBA labor (*index*)
  - Benefits for CBA labor (*index*)
  - Workers' compensation insurance (CBA labor) (*index*)
  - Payroll taxes (CBA labor) (*non-index*)
  - Outside contracted workers from third-party sources (VRS) (*index*)
- B. Fuel and Power Costs
  - Electricity (*based on actuals/non-index*)
  - Fuel (*index*)
- C. Depreciation Cost (*no adjustment*)
- D. Other Operating and Maintenance Costs (*index*)
  - Wages and benefits for non-CBA employees
  - Wages and benefits for CBA clerical
  - Repair and maintenance expenses
  - Equipment rental expenses
  - Other vehicle-related expenses (e.g. licensing, taxes)
  - Insurance, safety and claims
  - Other general & administrative expense

**D. Compensation Adjustment Process**

The compensation adjustment methodology is the basis for SBR's Rate Application submittal and the SBWMA staff's subsequent review. The compensation adjustment process uses the approved 2018 SBR fees as the basis for the adjustment to the new 2019 fees. As detailed in the Agreement, the adjustment process for the 2019 fees is illustrated in **Table 2** below.

Table 2

SBR ANNUAL COST ADJUSTMENT PROCESS			
BASE COST - 2018		ADJUSTMENT	2019 CONTRACTORS COMPENSATION
CBA: TS/MRF, Mechanics, Drivers, & Clerical (wages and benefits)	+	Index	= Base plus Adjustment
Other Cost	+	Index	= Base plus Adjustment
Power	+	Blend of actual PG&E rate & ISH Solar rate	= Base plus Adjustment
Depreciation	+	No Change	= Last Year's Depreciation
<b>Profit</b>	+	Based on operating ratio in Proposal	= Base plus Adjustment
<b>Pass-Through Cost</b>			
Interest	+	Interest is fixed on sliding scale	= Annual Interest Expense per Interest Schedule
Other	+	Actual cost reimbursed to Buyback customers	= Actual Cost
<b>Total 2018 Compensation</b>	+	<b>Total Adjustments</b>	= <b>Total 2019 Compensation</b>

**E. Commodity Revenue Sharing**

A portion of SBR's compensation comes from the sale of commodities through the "Commodity Revenue Share" program where the commodity revenues from the recyclable materials processed at the Shoreway MRF are split between SBWMA and SBR above the Revenue Guarantee of \$5,555,409. The Revenue Share available to SBR is an incentive to maximize recovery and obtain the best commodity sale prices. The current Commodity Revenue Share above the Guarantee is 25% to SBR and 75% to the SBWMA. While SBR is eligible for a Revenue Share of 25%, due to the current depressed commodity prices, it is unlikely that this will be paid out as commodity revenue is not expected to exceed the minimum guarantee in 2019.

Note: the actual value of the revenue share is not shown in this report, since it is based on the actual tonnage and commodity revenue for the full-year of 2019. Hence, an estimate is used in the SBWMA Annual Budget and calendar year projections which is currently zero.

## SECTION 2. SBR 2019 COMPENSATION APPLICATION

### A. Analysis of SBR 2019 Compensation Application

SBWMA staff conducted the review of the Compensation Application submitted by SBR and worked closely with the company to ensure that questions and concerns were answered. Their application was modified as necessary to address any changes. Staff has verified that the SBR Compensation Application is complete and meets the requirements of the Operations Agreement. As shown in Table 3 below, Total Compensation for SBR in 2019 is estimated to be \$19,382,160 which is \$525,585 (2.8%) higher than in 2018.

Table 3

2018 Costs & Fees vs. 2019 Costs & Fees					
SOUTH BAY RECYCLING	2018		Adjustment	2019	
	Total Cost	Fee/Ton	%	Total Cost	Fee/Ton
Operating Cost					
Transfer Station	\$ 4,710,260	\$ 13.17	2.9%	\$ 4,844,789	\$ 13.54
Recyclable Materials Processing, net of Residue	\$ 6,599,377	\$ 89.15	3.3%	\$ 6,817,455	\$ 92.10
Transportation (cost/ton-mile)	\$ 6,625,111	\$ 1.09	3.2%	\$ 6,834,758	\$ 1.13
Transport (cost/ton)	-	\$ 18.52	3.2%	-	\$ 19.11
<b>Total Operating Cost</b>	<b>\$ 17,934,748</b>		<b>3.1%</b>	<b>\$ 18,497,002</b>	
<b>Contractor Pass-Through Costs</b>					
Total Interest	\$ 96,827		-37.9%	\$ 60,158	
Buyback Payments	\$ 825,000		0.0%	\$ 825,000	
<b>Total Contractor Pass-Through Cost</b>	<b>\$ 921,827</b>		<b>-4.0%</b>	<b>\$ 885,158</b>	
<b>Total Compensation</b>	<b>\$ 18,856,575</b>		<b>2.8%</b>	<b>\$ 19,382,160</b>	

### B. Description of 2019 Compensation Adjustments

Costs in the SBR Compensation Application are adjusted primarily based on changes in indexes. The specific results of the index based cost adjustments for 2019 are presented in Table 4 on the following page.

Cost categories are adjusted based on the following criteria:

- *Labor & Benefits Cost* – adjusted by CPI index (U.S. Department of Labor, Bureau of Labor Statistics, Private Industry Employment Cost Index for Service-Producing Industries (seasonally adjusted, total compensation, series # cis201s000000000i).
- *Power Cost* - adjusted based on the actual change in the blended power rates (PG&E and Solar)
- *Fuel Cost* - adjusted by a fuel index. (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# wpu057303).
- *Other Operating Costs* - various indices such as CPI (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# cuur0000sa).

- *Depreciation Cost* - not adjusted
- *Interest Expense* - based on fixed schedule

Pass-Through Costs

Pass-through costs are not subject to profit but are reimbursed to SBR at actual cost. The pass-through costs in the Facility Operations Agreement (Article 7.09) are as follows:

- Payments to Buyback customers for purchase of recyclables based primarily on state CRV rates. (Actual buyback payments to public customers are reimbursed monthly).
- Interest expense on allowed capital per a fixed schedule for the ten-year life of the contract on a sliding scale.

**Table 4**

Results of Cost Adjustments			
Cost Component	Adjustment	Basis	Description
<b>Labor - (all CBAs)</b>			
Wages & Benefits	2.61%	Index	CBA wages compensation adjustment based on index change.
Worker's Comp Insurance	2.34%	Index	Workers compensation adjustment based on index change.
Payroll Tax	2.61%	Wages & tax rate change	The payroll tax rate changes with any changes in federal or state payroll tax rates.
<b>VRS Labor (non-CBA)</b>	5.54%	Non-Index	Non-CBA (VRS) compensation adjustment based on VRS contract changes with County.
<b>Power</b>	2.76%	PG&E & Solar Rates	Power is adjusted by the blend of actual PG&E electricity rates and the Solar Power rate.
<b>Fuel</b>	31.5%	Index	Fuel expense is adjusted by the actual change in the fuel index.
<b>Depreciation</b>	0.0%	n/a	There is no adjustment to depreciation.
<b>Other O&amp;M</b>	1.66%	Index	Other O&M expense includes non-CBA personnel, maintenance parts, insurance, general office expense, safety, etc. Other O&M expense is adjusted by 80% of an index.

**SECTION 3. SBR FEE PER TON ADJUSTMENTS FOR 2019**

After review of the SBR Compensation Adjustment Application, staff recommends the following Fees (shown in **Table 3**, prior page) be paid to SBR on a per-ton basis for 2019:

- o Transfer Station Processing Fee. The 2019 Transfer Station fee is \$13.54 per ton.
- o MRF Processing Fee. The 2018 MRF Processing fee is \$97.06 per ton (note the Contractor pays for MRF residue transportation and disposal which is deducted from MRF Processing Fee resulting in an *Estimated Net MRF Processing Fee of \$92.10*).
- o Transportation Fee. There are multiple transportation fees for each material type and destinations (i.e., solid waste, inerts, construction and demolition, and organics). The average 2019 Transportation Fee is \$1.13 per ton mile which is 3.2% increase over prior year (the transportation rate detail for each material

type and destination are presented in the **Appendix A** – SBR Compensation Adjustment Application Worksheets).

APPENDIX A  
SBR COMPENSATION  
ADJUSTMENT APPLICATION  
WORKSHEETS

**SOUTH BAY RECYCLING, LLC**

**Compensation Adjustment Application for Rate Year 2019**

**A. Summary of Fees and Estimated Cost**

SUMMARY	Year 8		Year 9
	2018	2019	% Increase
<b>Annual % Change</b>			
TS	1.95%	2.86%	
MRF	2.96%	3.30%	
Transport	1.86%	3.16%	
<b>Fee per Ton</b>			
Transfer Station	\$ 13.17	\$ 13.54	2.9%
MRF (net residue)	\$ 89.15	\$ 92.10	3.3%
Blended Transportation ( / ton-mile)	\$ 1.09	\$ 1.13	3.2%
<b>Total Cost Estimate by LOB</b>			
Transfer Station	\$ 4,710,260	\$ 4,844,789	2.9%
MRF (net residue)	\$ 6,599,377	\$ 6,817,455	3.3%
Transportation	\$ 6,625,111	\$ 6,834,758	3.2%
<b>Total Operating Cost</b>	<b>\$ 17,934,748</b>	<b>\$ 18,497,002</b>	<b>3.1%</b>
<b>Pass-Through Costs</b>			
Total Interest	\$ 96,827	\$ 60,158	-37.9%
Buyback Payment (estimate)	\$ 825,000	\$ 825,000	
<b>Total Pass-Through Cost</b>	<b>\$ 921,827</b>	<b>\$ 885,158</b>	<b>-4.0%</b>
<b>Total Estimated Compensation</b>	<b>\$ 18,856,575</b>	<b>\$ 19,382,160</b>	<b>2.8%</b>

Detail Transportation Fees	Year 8		Year 9
	2018	2019	% Increase
<b>Fee/Ton-Mile</b>			
MSW to OX Mtn.	\$ 1.236	\$ 1.274	3.1%
Inert to OX Mtn.	\$ 1.267	\$ 1.307	3.1%
C&D to Zanker Road	\$ 0.915	\$ 0.947	3.4%
Plant Materials to Newby	\$ 0.739	\$ 0.764	3.4%
Plant Materials to Grover	\$ 0.447	\$ 0.466	4.2%
Organics to Newby	\$ 0.907	\$ 0.937	3.4%
Organics to Grover	\$ 0.500	\$ 0.521	4.2%
Plant Materials to Zanker	\$ 0.739	\$ 0.764	3.4%

**SOUTH BAY RECYCLING, LLC**

**Compensation Adjustment Application for Rate Year 2019**

**B. Cost Detail Transfer Station and MRF**

<b>TRANSFER STATION</b>	tons	Year 8		Year 9	
Base Tonnage	<b>357,725</b>	%	2018	%	2019
		Adjustment	Cost / Ton	Adjustment	Cost / Ton
Direct Labor - CBA					
Wages		2.3%	\$ 5.12	2.6%	\$ 5.25
Benefits		1.8%	\$ 2.58	2.6%	\$ 2.65
W/C		1.8%	\$ 0.69	2.3%	\$ 0.71
PR Tax		2.3%	\$ 0.45	2.6%	\$ 0.46
<b>Total CBA Labor Cost</b>		<b>2.1%</b>	<b>\$ 8.84</b>	<b>2.6%</b>	<b>\$ 9.06</b>
Power		2.9%	\$ 0.81	2.8%	\$ 0.83
Depreciation		0.0%	\$ 0.29	0.0%	\$ 0.29
Other O&M		1.4%	\$ 1.79	1.7%	\$ 1.82
Clerical CBA Wages & Benefits		2.3%	\$ 0.39	2.6%	\$ 0.40
<b>Total Operating</b>		<b>2.0%</b>	<b>\$ 12.31</b>	<b>2.9%</b>	<b>\$ 12.67</b>
Profit		2.0%	\$ 0.85	2.9%	\$ 0.88
Profit %			6.9%		6.9%
<b>Total Transfer Station Fee</b>		<b>2.0%</b>	<b>\$ 13.17</b>	<b>2.9%</b>	<b>\$ 13.54</b>

<b>MATERIALS RECOVERY FACILITY (MRF)</b>	tons	Year 8		Year 9	
Base Tonnage	<b>74,022</b>	%	2018	%	2019
		Adjustment	Cost / Ton	Adjustment	Cost / Ton
Direct Labor - CBA					
Wages		2.3%	\$ 19.25	2.6%	\$ 19.76
Benefits		2.3%	\$ 10.20	2.6%	\$ 10.47
W/C		1.8%	\$ 2.73	2.3%	\$ 2.80
PR Tax		2.3%	\$ 1.85	2.6%	\$ 1.90
<b>Total CBA Labor Cost</b>		<b>2.2%</b>	<b>\$ 34.04</b>	<b>2.6%</b>	<b>\$ 34.91</b>
Non-CBA Wages		5.7%	\$ 22.77	5.5%	\$ 24.03
Power		2.9%	\$ 4.73	2.8%	\$ 4.86
Fuel		-0.3%	\$ 0.42	31.5%	\$ 0.55
Depreciation		0.0%	\$ 1.91	0.0%	\$ 1.91
Other O&M		1.4%	\$ 17.04	1.7%	\$ 17.32
Clerical CBA Wages & Benefits		2.3%	\$ 1.89	2.6%	\$ 1.94
<b>Total Operating</b>		<b>3.0%</b>	<b>\$ 82.79</b>	<b>3.3%</b>	<b>\$ 85.53</b>
Profit		3.0%	\$ 6.36	3.3%	\$ 6.57
Profit %			7.7%		7.7%
<b>Total MRF Fee</b>		<b>3.0%</b>	<b>\$ 89.15</b>	<b>3.3%</b>	<b>\$ 92.10</b>



**SOUTH BAY RECYCLING, LLC**

**Compensation Adjustment Application for Rate Year 2019**

**C. Compensation Adjustment - Transfer Station**

	Year 8		Year 9	
	2018 Cost / Ton		2019 Cost / Ton	
<b>SUMMARY OF ANNUAL FEE ADJUSTMENTS</b>				
Direct Labor - CBA				<b>Increase %</b>
Wages	\$ 5.12	\$ 5.25		2.61%
Benefits	\$ 2.58	\$ 2.65		2.61%
W/C	\$ 0.69	\$ 0.71		2.34%
PR Tax	\$ 0.45	\$ 0.46		2.61%
<b>Total CBA Labor Cost</b>	<b>\$ 8.84</b>	<b>\$ 9.06</b>		2.58%
Power	\$ 0.81	\$ 0.83		2.76%
Fuel	\$ 0.19	\$ 0.26		31.46%
Depreciation	\$ 0.29	\$ 0.29		0.00%
Other O&M	\$ 1.79	\$ 1.82		1.66%
Clerical CBA Wages & Benefits	\$ 0.39	\$ 0.40		2.61%
<b>Total Operating</b>	<b>\$ 12.31</b>	<b>\$ 12.67</b>		2.86%
Profit	\$ 0.85	\$ 0.88		2.86%
Profit %	6.9%	6.9%		0.00%
<b>Total TS Fee</b>	<b>\$ 13.17</b>	<b>\$ 13.54</b>		<b>2.86%</b>
% Increase	<b>1.95%</b>	<b>2.86%</b>		

<b>DETAIL OF ANNUAL FEE ADJUSTMENTS</b>				
<b>Labor Cost Component Adjustment Factors</b>				
Wages for Direct Labor				
Updated direct labor cost per ton	\$ 5.12	\$ 5.25		
Adjustment Factor for Wages Direct Labor	1.023	1.026		
% Increase	2.28%	2.61%		
<b>Benefits for Direct Labor</b>				
Updated annual benefit cost per ton	\$ 2.58	\$ 2.65		
Adjustment Factor for Benefits	1.018	1.026		
% Increase	1.75%	2.61%		

**SOUTH BAY RECYCLING, LLC**

**Compensation Adjustment Application for Rate Year 2019**

**C. Compensation Adjustment - Transfer Station**

	Year 8		Year 9	
	2018 Cost / Ton		2019 Cost / Ton	
<b><u>Workers Compensation Insurance for Direct Labor</u></b>				
Updated annual benefit cost per ton	\$	0.69	\$	0.71
Adjustment Factor		1.018		1.023
% Increase				2.34%
<b><u>Payroll Taxes for Direct Labor</u></b>				
Updated Payroll Tax cost per Ton	\$	0.45	\$	0.46
Adjustment Factor for payroll taxes shall equal the change in Federal Social Security & Medicare Tax Rates		8.70%		8.70%
Adjustment Factor		7.65%		7.65%
Adjustment Factor		1.000		1.000
% Increase				2.61%
<b><u>Power Cost Component Adjustment Factors</u></b>				
Power Adjustment				
Updated Power cost per ton	\$	0.81	\$	0.83
Adjustment Factor		1.029		1.028
% Increase				2.76%
<b><u>Fuel Adjustment</u></b>				
Updated Fuel cost per ton	\$	0.19	\$	0.26
Adjustment Factor		0.997		1.315
% Increase				31.46%
<b><u>Depreciation</u></b>				
Updated Depreciation cost per ton	\$	0.29	\$	0.29
Adjustment Factor (No adjustment after Year 1)		1.000		1.000
% Increase				0.00%
<b><u>Other Operating &amp; Maintenance</u></b>				
Updated Other cost per ton	\$	1.79	\$	1.82
Adjustment Factor @ 80% of Index		1.014		1.017
% Increase				1.66%

**SOUTH BAY RECYCLING, LLC**

**Compensation Adjustment Application for Rate Year 2019**

**D. Compensation Adjustment - Materials Recovery Facility (MRF)**

	Year 8		Year 9		
	2018		2019		
	Cost / Ton		Cost / Ton		
<b>SUMMARY OF ANNUAL FEE ADJUSTMENTS</b>					
Direct Labor - CBA				<b>Increase</b>	
Wages	\$	19.25	\$	19.76	2.61%
Benefits	\$	10.20	\$	10.47	2.61%
Workers Comp	\$	2.73	\$	2.80	2.34%
PR Tax	\$	1.85	\$	1.90	2.61%
<b>Total CBA Labor Cost</b>	<b>\$</b>	<b>34.04</b>	<b>\$</b>	<b>34.91</b>	2.58%
Third Party Wages & Benefits (VRS)	\$	22.77	\$	24.03	5.54%
Power	\$	4.73	\$	4.86	2.76%
Fuel	\$	0.42	\$	0.55	31.46%
Depreciation	\$	1.91	\$	1.91	0.00%
Other O&M	\$	17.04	\$	17.32	1.66%
Clerical CBA Wages & Benefits	\$	1.89	\$	1.94	2.61%
<b>Total Operating</b>	<b>\$</b>	<b>82.79</b>	<b>\$</b>	<b>85.53</b>	3.30%
Profit	\$	6.36	\$	6.57	3.30%
Profit %		7.7%		7.7%	0.00%
<b>Total MRF Fee (excluding residue)</b>	<b>\$</b>	<b>89.15</b>	<b>\$</b>	<b>92.10</b>	3.30%
<i>% Increase</i>		2.96%		3.30%	
<b>MRF Residue Paid by SBR</b>					
MRF Residue Tons		6,800		6,800	
Disposal Tip Fee @ Ox Mtn.	\$	41.84	\$	42.31	1.12%
Disposal Fees	\$	3.84	\$	3.89	1.12%
Transfer & Haul	\$	1.04	\$	1.07	3.08%
<b>Total MRF Residue Fee</b>	<b>\$</b>	<b>4.88</b>	<b>\$</b>	<b>4.96</b>	1.54%
<b>Total MRF Fee with Residue</b>	<b>\$</b>	<b>94.04</b>	<b>\$</b>	<b>97.06</b>	3.21%

<b>DETAIL OF ANNUAL FEE ADJUSTMENTS</b>				
<b>Labor Cost Component Adjustment Factors</b>				
Updated annual labor for direct labor	\$	19.25	\$	19.76
Adjustment Factor		1.023		1.026
% Increase		2.28%		2.61%
<b>Benefits for Direct Labor</b>				
Updated annual benefit cost per ton	\$	10.20	\$	10.47
Adjustment Factor		1.023		1.026
% Increase		2.28%		2.61%

**SOUTH BAY RECYCLING, LLC**

**Compensation Adjustment Application for Rate Year 2019**

**D. Compensation Adjustment - Materials Recovery Facility (MRF)**

	Year 8		Year 9	
	2018		2019	
	Cost / Ton		Cost / Ton	
<b>Workers Compensation Insurance for Direct Labor</b>				
Updated annual benefit Costs	\$ 2.73		\$ 2.80	
Adjustment Factor	1.018		1.023	
% Increase			2.34%	
<b>Payroll Taxes for Direct Labor</b>				
Updated Payroll Tax cost per ton	\$ 1.85		\$ 1.90	
Total Payroll Tax Rate %	9.6%		9.6%	
Federal Social Security & Medicare tax rates	9.61%		9.61%	
Adjustment Factor	1.000		1.000	
% Increase			0.00%	
<b>Labor &amp; Benefits Component Adjustment Factor - non-CBA labor (VRS)</b>				
Updated annual costs	\$ 22.77		\$ 24.03	
% Increase			5.5%	
<b>Fuel and Power Cost Component Adjustment Factors</b>				
<u>Power Adjustment</u>				
Updated Power cost per ton	\$ 4.73		\$ 4.86	
Adjustment Factor	1.029		1.028	
% Increase			2.76%	
<u>Fuel Adjustment</u>				
Updated Fuel Costs	\$ 0.42		\$ 0.55	
Adjustment Factor	0.997		1.315	
% Increase			31.46%	
<u>Depreciation</u>				
Updated Depr cost per ton	\$ 1.91		\$ 1.91	
Adjustment Factor (No adjustment after Year 1)	1.000		1.000	
% Increase			0.00%	
<b>Other Operating &amp; Maintenance</b>				
Updated Other cost per ton	\$ 17.04		\$ 17.32	
Adjustment Factor @ 80% of Index	1.014		1.017	
% Change in underlying index	1.72%		2.07%	
% Increase			1.66%	
<b>MRF Load Contamination</b>				
	\$ 33.54		\$ 34.64	
Plant Materials & Organics Contamination	\$ 9.39		\$ 9.70	

**SOUTH BAY RECYCLING, LLC**

**Compensation Adjustment Application for Rate Year 2019**

**E. Compensation Adjustment - Transportation**

	Year 8		Year 9	
	2018	2019		
	Per Ton/Mile	Adjustment Factor	Per Ton-Mile	
<b>SUMMARY OF ANNUAL FEE ADJUSTMENTS</b>				
Solid Waste Transport Fee - Ox Mtn.	\$ 1.24	3.08%	\$ 1.27	
Inert Transport Fee - Ox Mtn.	\$ 1.27	3.12%	\$ 1.31	
C&D Transport Fee - Zanker	\$ 0.92	3.43%	\$ 0.95	
Plant Matls Trans Fee - Newby	\$ 0.74	3.45%	\$ 0.76	
Plant Matls Trans Fee - Grover	\$ 0.45	4.21%	\$ 0.47	
Organic Matl Trans Fee - Newby	\$ 0.91	3.39%	\$ 0.94	
Organic Matl Trans Fee - Grover	\$ 0.50	4.21%	\$ 0.52	
Biomass Trans Fee - Biofuel	\$ 0.60	3.80%	\$ 0.62	
Plant Matls Trans Fee - Zanker	\$ 0.74	3.45%	\$ 0.76	
<b>Blended Total Fee</b>	<b>\$ 1.09</b>	<b>3.16%</b>	<b>\$ 1.13</b>	
<b>Total Cost Increase %</b>	<b>1.9%</b>		<b>3.2%</b>	

<b>DETAIL OF ANNUAL FEE ADJUSTMENTS</b>			
<b>Direct Labor Component for All Transport Fees</b>			
Wages for CBA Labor	\$ 1,705,491	1.026	\$ 1,749,924
Benefits for CBA Labor	\$ 728,144	1.026	\$ 747,114
WC Insurance	\$ 181,216	1.023	\$ 185,451
Payroll Taxes	\$ 144,289	1.000	\$ 148,048
<b>Total Cost Estimate (SW to Ox)</b>	<b>\$ 2,759,140</b>	<b>1.0259</b>	<b>\$ 2,830,537</b>
Cost/Ton	\$ 10.58		\$ 10.85
Adjusted Labor for MSW Transport Fee (cost/ton-mile)	\$ 0.814	1.026	\$ 0.835
<b>Solid Waste Transport Fee (OX)</b>			
Labor component	\$ 0.8137	1.026	\$ 0.8348
Fuel	\$ 0.0326	1.315	\$ 0.0429
Depreciation	\$ 0.0851	1.000	\$ 0.0851
Other O&M Component	\$ 0.1801	1.017	\$ 0.1831
Clerical CBA wages & benefits	\$ 0.0267	1.026	\$ 0.0274
<b>Total Operating Cost</b>	<b>\$ 1.1384</b>		<b>\$ 1.1734</b>
Profit per Operating Ratio	\$ 0.0976		\$ 0.1006
<b>Total SW Transportation Fee</b>	<b>\$ 1.23601</b>	<b>3.1%</b>	<b>\$ 1.27402</b>

**SOUTH BAY RECYCLING, LLC**

**Compensation Adjustment Application for Rate Year 2019**

**E. Compensation Adjustment - Transportation**

	Year 8		Year 9	
	2018	Adjustment Factor	2019	
	Per Ton/Mile		Per Ton-Mile	
<b>Inert Transport Fee - OX Mtn.</b>				
Labor component	\$ 0.776	1.026	\$	0.796
Fuel	\$ 0.036	1.315	\$	0.047
Depreciation	\$ 0.085	1.000	\$	0.085
Other O&M Component	\$ 0.226	1.017	\$	0.230
Clerical CBA wages & benefits	\$ 0.034	1.026	\$	0.035
<b>Total Operating Cost</b>	<b>\$ 1.157</b>		<b>\$</b>	<b>1.193</b>
Profit per Operating Ratio	\$ 0.110		\$	0.114
<b>Total Inert Transportation Fee</b>	<b>\$ 1.267</b>	<b>3.1%</b>	<b>\$</b>	<b>1.307</b>
<b>C&amp;D Transport Fee - Zanker Road</b>				
Labor component	\$ 0.6105	1.026	\$	0.6263
Fuel	\$ 0.0331	1.315	\$	0.0435
Depreciation	\$ 0.0530	1.000	\$	0.0530
Other O&M Component	\$ 0.1234	1.017	\$	0.1254
Clerical CBA wages & benefits	\$ 0.0183	1.026	\$	0.0188
<b>Total Operating Cost</b>	<b>\$ 0.8383</b>		<b>\$</b>	<b>0.8670</b>
Profit per Operating Ratio	\$ 0.0769		\$	0.0795
<b>Total C&amp;D Transportation Fee</b>	<b>\$ 0.91517</b>	<b>3.4%</b>	<b>\$</b>	<b>0.94654</b>
<b>Plant Materials Transport Fee - Newby Is</b>				
Labor component	\$ 0.4801	1.026	\$	0.4925
Fuel	\$ 0.0277	1.315	\$	0.0363
Depreciation	\$ 0.0442	1.000	\$	0.0442
Other O&M Component	\$ 0.1100	1.017	\$	0.1118
Clerical CBA wages & benefits	\$ 0.0163	1.026	\$	0.0168
<b>Total Operating Cost</b>	<b>\$ 0.6783</b>		<b>\$</b>	<b>0.7016</b>
Profit per Operating Ratio	\$ 0.0606		\$	0.0627
<b>Total Plant Material Transportation Fee</b>	<b>\$ 0.73885</b>	<b>3.4%</b>	<b>\$</b>	<b>0.76431</b>
<b>Plant Materials Transport Fee - Grover</b>				
Labor component	\$ 0.2851	1.026	\$	0.2924
Fuel	\$ 0.0276	1.315	\$	0.0363
Depreciation	\$ 0.0286	1.000	\$	0.0286
Other O&M Component	\$ 0.0603	1.017	\$	0.0613
Clerical CBA wages & benefits	\$ 0.0090	1.026	\$	0.0092
<b>Total Operating Cost</b>	<b>\$ 0.4106</b>		<b>\$</b>	<b>0.4278</b>
Profit per Operating Ratio	\$ 0.0367		\$	0.0382
<b>Total Plant Material Transportation Fee</b>	<b>\$ 0.44722</b>	<b>4.2%</b>	<b>\$</b>	<b>0.46606</b>

**SOUTH BAY RECYCLING, LLC**

**Compensation Adjustment Application for Rate Year 2019**

**E. Compensation Adjustment - Transportation**

	Year 8		Year 9	
	2018	Adjustment Factor	2019	
	Per Ton/Mile		Per Ton-Mile	
<b>Organic Material Transport Fee - Newby Is</b>				
Labor component	\$ 0.6001	1.026	\$	0.6156
Fuel	\$ 0.0303	1.315	\$	0.0399
Depreciation	\$ 0.0442	1.000	\$	0.0442
Other O&M Component	\$ 0.1191	1.017	\$	0.1211
Clerical CBA wages & benefits	\$ 0.0177	1.026	\$	0.0182
<b>Total Operating Cost</b>	<b>\$ 0.8115</b>		<b>\$</b>	<b>0.8390</b>
Profit per Operating Ratio	\$ 0.0952		\$	0.0984
<b>Total Organic Material Transportation Fee</b>	<b>\$ 0.90666</b>	<b>3.4%</b>	<b>\$</b>	<b>0.93739</b>
<b>Organic Material Transport Fee - Grover</b>				
Labor component	\$ 0.3107	1.026	\$	0.3187
Fuel	\$ 0.0301	1.315	\$	0.0396
Depreciation	\$ 0.0313	1.000	\$	0.0313
Other O&M Component	\$ 0.0657	1.017	\$	0.0668
Clerical CBA wages & benefits	\$ 0.0098	1.026	\$	0.0100
<b>Total Operating Cost</b>	<b>\$ 0.4475</b>		<b>\$</b>	<b>0.4663</b>
Profit per Operating Ratio	\$ 0.0525		\$	0.0547
<b>Total Organic Material Transportation Fee</b>	<b>\$ 0.49995</b>	<b>4.2%</b>	<b>\$</b>	<b>0.52101</b>

**SOUTH BAY RECYCLING, LLC**

**Compensation Adjustment Application for Rate Year 2019**

**F. Indexes**

	<b>Year 8 2018</b>	<b>Year 9 2019</b>
<b><u>Workers Compensation</u></b>		
Use- Factor	1.018	1.023
Increase %		<b>2.34%</b>
<b><u>Direct Labor</u></b>		
Use- Factor	1.023	1.026
Increase %		<b>2.61%</b>
<b><u>Fuel</u></b>		
Use- Factor	0.997	1.315
Increase %		<b>31.46%</b>
<b><u>Other O&amp;M</u></b>		
Use- Factor	1.017	1.021
Increase %		<b>2.07%</b>
<b><u>Depreciation</u></b>		
Use- Factor	1.000	1.000



**SOUTH BAY RECYCLING, LLC**  
**Compensation Adjustment Application for Rate Year 2019**  
**G. Department of Labor Index Detail**

*Index: U.S. Department of Labor, Bureau of Labor Statistics, Private Industry Employment Cost Index for Total All workers (not seasonally adjusted, total benefits, series no. (CIU2030000000000i).*

**Workers Compensation**

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Average Index	123.45	125.08	127.30	130.28
% Change	2.45%	1.32%	1.78%	<b>2.34%</b>
Q1	124.50	126.00	128.40	<b>131.60</b>
Q2	124.40	126.50	<b>129.30</b>	
Q3	124.80	127.00	<b>130.00</b>	
Q4	125.10	127.30	<b>130.20</b>	

**Direct Labor**

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Index 1ST QTR	122.63	124.78	127.63	130.95
% Change	2.38%	1.75%	2.28%	<b>2.61%</b>
Q1	123.80	125.90	128.80	<b>132.50</b>
Q2	123.70	126.60	<b>129.60</b>	
Q3	124.50	127.30	<b>130.50</b>	
Q4	125.00	127.80	<b>131.20</b>	

*Index: 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).*

**Fuel**

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Avg Index Apr	256.49	158.41	158.00	207.70
% Change	-18.5%	-38.2%	-0.26%	<b>31.46%</b>
Jan	182.60	119.50	160.70	<b>231.00</b>
Feb	189.90	114.00	163.30	<b>226.40</b>
Mar	194.20	118.60	161.60	<b>225.40</b>
Apr	183.30	123.20	164.60	<b>230.70</b>
May	202.60	144.40	<b>173.60</b>	
Jun	198.70	155.40	<b>171.50</b>	
Jul	194.00	157.60	<b>179.60</b>	
Aug	189.20	149.80	<b>188.90</b>	
Sep	169.40	163.10	<b>204.20</b>	
Oct	173.50	159.70	<b>213.50</b>	
Nov	167.40	157.00	<b>223.70</b>	
Dec	130.80	158.80	<b>223.90</b>	

**SOUTH BAY RECYCLING, LLC**  
**Compensation Adjustment Application for Rate Year 2019**  
**G. Department of Labor Index Detail**

*Index: 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. (cuur0000sa0).*

**Other O&M**

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Avg Index April	236.66	237.87	241.95	246.97
% Change	1.1%	0.5%	1.72%	<b>2.07%</b>
Jan	233.71	236.92	242.84	<b>247.87</b>
Feb	234.72	237.11	243.60	<b>248.99</b>
Mar	236.12	238.13	243.80	<b>249.55</b>
Apr	236.60	239.26	244.52	<b>250.55</b>
May	237.81	240.23	<b>244.73</b>	
Jun	238.64	241.02	<b>244.96</b>	
Jul	238.65	240.63	<b>244.79</b>	
Aug	238.32	240.85	<b>245.52</b>	
Sep	237.95	241.43	<b>246.82</b>	
Oct	237.84	241.73	<b>246.66</b>	
Nov	237.34	241.35	<b>246.67</b>	
Dec	236.53	241.43	<b>246.52</b>	

**SOUTH BAY RECYCLING, LLC**  
**Compensation Adjustment Application for**  
**H. Electric Power and Solar Cost**

	Actual Use <b>Apr-17</b>	Actual Use <b>Apr-18</b>
<b>PG&amp;E</b>		
Year		
Total Bill	\$ 26,119	\$ 23,149
KWH	144,966	109,004
Rate / KWH	\$ 0.180	\$ 0.212
% increase from Prior Yr.	2.76%	2.54%
Adjustment Factor	1.028	1.0254

	<b>Apr-17</b>	<b>Apr-18</b>
<b>ISH (Solar)</b>		
Year		
Total Bill	\$ 19,889	\$ 21,742
KWH	90,298	95,834
Rate / KWH	\$ 0.220	\$ 0.227
% increase vs. Prior Yr.	3.00%	3.0%
Adjustment Factor	1.030	1.030

	<b>Apr-17</b>	<b>Apr-18</b>
<b>Blended Total</b>		
Year		
Total Bill	\$ 46,008	\$ 44,891
KWH	235,264	204,838
Rate / KWH	\$ 0.196	\$ 0.219
% increase vs. Prior Yr.	2.86%	<b>2.76%</b>
Adjustment Factor	1.0286	1.0276

**SOUTH BAY RECYCLING, LLC**

**Compensation Adjustment Application for Rate Year 2019**

**I. Debt Service Schedule**

Year one interest rate adjustment per Operations Agreement Article 8.03

Assumed interest rate per SBR 2009 proposal:	5.00%
Ten-year U.S. Treasury note interest rate in March, 2008:	3.50%
Ten-year U.S. Treasury note interest rate in effect on July 1, 2010:	3.50%
Adjustment factor:	100.00%
Fixed interest rate for entire period of Ops Agreement:	5.00%

Interest Rate %	Financed Purchase - BASE 2009 COST			Adjusted for Capital indexed price change			
	Principal Payment	Interest	Total	Adj. Factor	Financed Purchase - Year One to Year Ten		
		5.00%			Depreciation	Interest	Total
1	\$ 505,441	\$ 308,120	\$ 813,561	1.0000	\$ 505,441	\$ 308,120	\$ 813,561
2	\$ 531,300	\$ 282,260	\$ 813,560	1.0000	\$ 531,300	\$ 282,260	\$ 813,560
3	\$ 558,483	\$ 255,077	\$ 813,560	1.0000	\$ 558,483	\$ 255,077	\$ 813,560
4	\$ 587,055	\$ 226,505	\$ 813,560	1.0000	\$ 587,055	\$ 226,505	\$ 813,560
5	\$ 617,091	\$ 196,470	\$ 813,561	1.0000	\$ 617,091	\$ 196,470	\$ 813,561
6	\$ 648,662	\$ 164,898	\$ 813,560	1.0000	\$ 648,662	\$ 164,898	\$ 813,560
7	\$ 681,849	\$ 131,712	\$ 813,561	1.0000	\$ 681,849	\$ 131,712	\$ 813,561
8	\$ 716,734	\$ 96,827	\$ 813,561	1.0000	\$ 716,734	\$ 96,827	\$ 813,561
9	\$ 753,403	\$ 60,158	\$ 813,561	1.0000	\$ 753,403	\$ 60,158	\$ 813,561
10	\$ 791,948	\$ 21,612	\$ 813,560	1.0000	\$ 791,948	\$ 21,612	\$ 813,560
<b>TOTAL COST</b>	<b>\$ 6,391,966</b>	<b>\$ 1,743,639</b>	<b>\$ 8,135,605</b>		<b>\$ 6,391,966</b>	<b>\$ 1,743,639</b>	<b>\$ 8,135,605</b>

# Years	10	10
Average Interest / Year	\$174,364	\$174,364

## STAFF REPORT

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To: SBWMA Board Members  
From: Hilary Gans, Senior Contracts & Operations Manager  
Date: September 27, 2018 Board of Directors Meeting  
Subject: Resolution Approving Additional SBR Sort Labor Reimbursement

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### Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2018-33 attached hereto authorizing the following action: **Resolution Approving the Cost of Additional Fiber Sort Labor to be Split with SBR for a Period of Three Months (October 1 – December 31, 2018).**

### Summary

SBR requested reimbursement for additional sort labor that the company had been paying for since the fiber market collapse in January 2018. At the March and June meetings, the Board discussed the need for additional sort labor in order to keep fiber from being rejected from overseas mills and the decision was made to split the additional sort labor cost with SBR through the end of the fiscal year. The Board requested that staff bring this item back for consideration every three-months for reauthorization.

### Background

#### ***Short-term use of Additional MRF Sort Labor***

SBR has been utilizing additional sort labor to improve the MRF fiber grades to a marketable quality. At the March meeting, the Board considered a request from SBR for reimbursement for additional MRF sort labor to improve the fiber quality from the MRF and the Board agreed to split this cost with SBR. The use of additional sort labor has been viewed by all parties as a short-term solution to ensure that Shoreway fiber commodities continued to find markets. It is hoped that China will reverse its mixed paper ban and loosen the importation standards. All trade association news has indicated that China's ban is unlikely change in 2018/19. It is with this assessment in mind that SBR and SBWMA have been developing a longer-term mechanical sort options for the Board's consideration that are presented in the staff report. Since March the cost of sort labor has been split between the SBWMA and SBR (see March report *5B-SBR Sort Labor Reimbursement*).

### Analysis

Under normal MRF operations, the SBWMA reimburses SBR for 24 sorters at the MRF. To meet the new fiber market conditions, SBR requested six additional VRS sorters at an anticipated cost of \$47,902 per month. The actual number of sorters hired by SBR to meet market standards has been less than originally anticipated at an average monthly cost of \$12,806. (see **Table 1** on the following page that shows the SBWMA Additional Sort Labor Cost). It is anticipated that the expense for the months of October November and December will be similar to the 6-month average.

<b>Table 1. SBWMA Additional Sort Labor Cost</b>			
<b>Month</b>	<b>Nelson</b>	<b>VRS</b>	<b>Total</b>
Jan	\$17,281		\$17,281
Feb	\$10,393		\$10,393
Mar	\$12,547		\$12,547
Apr	\$9,321		\$9,321
May	\$8,297	\$2,094	\$10,391
Jun	\$7,258	\$6,530	\$13,788
Jul	\$9,527	\$6,283	\$15,810
Aug	\$8,108	\$4,805	\$12,913
	<b>Avg</b>		<b>\$12,806</b>

### Fiscal Impacts

The FY18/19 Budget includes an additional estimate of \$560,000 (\$47K month) to cover additional sort labor costs in the upcoming year. The actual costs have been running significantly lower than originally anticipated.



## RESOLUTION NO. 2018-33

### RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING ADDITIONAL SBR SORT LABOR REIMBURSEMENT

WHEREAS, SBR has requested reimbursement for additional MRF sort labor,

WHEREAS, additional sort labor is the only short-term means for the agency to meet new commodity standards,

WHEREAS, meeting new commodity standards is necessary to ensure that recyclables have a market outlet and are not landfilled.

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves a Resolution Approving SBR Sort Labor Reimbursement and authorizes staff to split (pay one-half) the additional sort labor incurred by SBR for three months (October 1 – December 31, 2018) and return to the Board in September for future direction.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California, 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. 2018-33 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