

# Recology San Mateo County's 2019 Compensation Adjustment Application

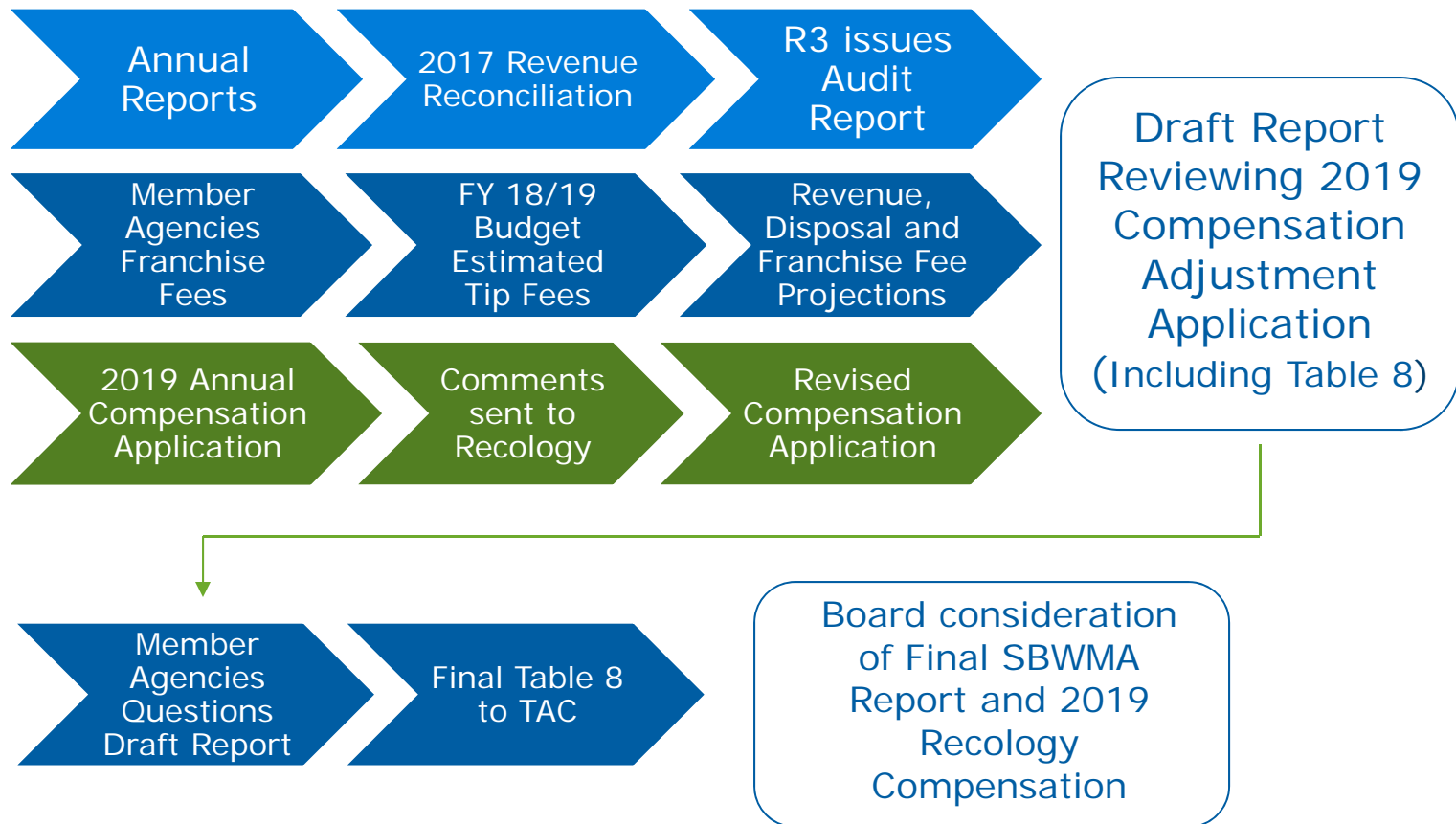
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**A Public Agency**

Board of Directors Meeting  
September 27, 2018

# Process Followed in Completing SBWMA Final Report



# Recology Compensation Adjustment Application

Table 1

Total Contractor's Compensation	Recology Compensation			
	2018 Cost	2019 Cost	Change	%
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>

## Contractor's compensation increase is primarily due to:

- **Cost of Ops** = +2.6% vs. LY
- **ZWS**= >\$404K (per Amended/Restated Agreement)
- **Interest Expense:** Scheduled reduction= >37% vs. LY
- **Recology's Performance Incentive/Disincentives-** lower than planned.

# Recology Compensation Summary

Table 3

RECOLOGY COMPENSATION SUMMARY	2018 Cost	2019 Cost	\$ Change	% Change
<b>Annual Cost of Operations</b>				
Total Direct Labor Related-Costs	\$ 26,887,836	\$ 27,584,323	\$ 696,487	2.6%
Direct Fuel Costs	2,061,564	2,709,935	648,371	31.5%
Adjustment for Waste Zero Specialists	-	(404,456)	(404,456)	
All Other Costs	21,925,170	22,307,651	382,481	1.7%
<b>Total Annual Cost of Operations</b>	<b>\$ 50,874,570</b>	<b>\$ 52,197,454</b>	<b>\$ 1,322,884</b>	<b>2.6%</b>
Profit	5,340,424	5,479,291	138,866	2.6%
<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	(419,208)	(411,065)	8,144	1.9%
<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 CONTRACTOR'S COMPENSATION</b>	<b>\$ 56,906,852</b>	<b>\$ 57,969,175</b>	<b>\$ 1,062,323</b>	<b>1.9%</b>

# Recology Cost Allocation to Member Agencies

General Cost Category	Specific Cost Category	Operational Statistic
Costs of Operation		
	Wages for Direct Labor	Annual Route Labor Hours
	Benefits for Direct Labor	Annual Route Labor Hours
	Payroll Taxes	Annual Route Labor Hours
	Worker's Compensation Expense	Annual Route Labor Hours
	Direct Fuel Costs	Annual Route Hours
	Other Direct Costs	Annual Route Hours
	Route Vehicles	Annual Route Hours
	Collection Containers	Containers in Service
	Other	Annual Route Hours
Allocated Indirect Costs Excluding Depreciation and Interest		
	General and Administrative	Number of Customer Accounts
	Vehicle Maintenance	Annual Route Hours
	Container Maintenance	Number of Containers in Service
	Operations	Annual Route Hours
Implementation	Implementation	Annual Route Hours
Allocated Indirect Depreciation	Allocated Indirect Depreciation	Annual Route Hours

# Collection Rate Variance

COLLECTION RATE VARIANCE ANALYSIS estimated 9/20/2018	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>	\$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.					

# Total Collection Rate Adjustment – Table 8

<b>SBWMA</b>	
<b>TOTAL COLLECTION RATE ADJUSTMENT</b>	
<i>as of 09/20/2018</i>	
	<b>Total</b>
<b>A. 2019 RATE YEAR</b>	
<b>2019 Collection Revenue @ 2018 Rates</b>	<b>\$104,396,040</b>
<b>A.1 2019 Collection Revenue @ 2018 Rates</b>	<b>\$104,396,040</b>
<b>A.2 Total Recology Compensation</b>	\$57,969,175
<b>A.3 Pass-Through Costs</b>	
<b>A.4 Disposal &amp; Processing Fees</b>	\$37,083,146
<b>A.5 Agency Franchise Fees</b>	\$14,993,796
<b>A.6 Total Pass-Through Costs</b>	\$52,076,941
<b>A.7 2019 Revenue Requirement</b>	<b>\$110,046,116</b>
<b>A.8 2019 Surplus/(Shortfall) estimated</b>	<b>(\$5,650,076)</b>
<b>A.9 Agency Fees on A.8 Shortfall</b>	<b>(\$519,622)</b>
<b>A.10 Rate Adjustment Percentage</b>	<b>5.9%</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>F.2 Total Surplus/(Shortfall) (A.1 - F.1)</b>	<b>(\$4,688,513)</b>
<b>F.3 Total Rate Adjustment Percentage (F.2 / A.1)</b>	<b>4.5%</b>

# Table 8 by Member Agency (1)

SBWMA							
TOTAL COLLECTION RATE ADJUSTMENT							
<i>as of 09/20/2018</i>							
2019 Rate Year							
	Atherton	Belmont	Burlingame	East Palo Alto	Foster City	Hillsborough	Menlo Park
<b>A. 2019 RATE YEAR</b>							
2019 Collection Revenue @ 2018 Rates	\$ 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>\$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>	\$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>	\$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>	\$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>	\$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>\$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>(\$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>(\$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</b>	<b>5.5%</b>		<b>8.6%</b>	<b>4.6%</b>	<b>5.4%</b>	<b>9.8%</b>	<b>2.8%</b>
<b>F. TOTAL RATE IMPACT</b>							
<b>F.1 Cumulative Revenue Requirement (C.1-D.3+E.1)</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>\$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>	<b>-3.0%</b>	<b>0.0%</b>	<b>12.0%</b>	<b>5.8%</b>	<b>2.8%</b>	<b>-21.6%</b>	<b>3.1%</b>



## Table 8 by Member Agency (2)

SBWMA						
TOTAL COLLECTION RATE ADJUSTMENT						
as of 09/20/2018						
	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>	\$ 2,796,813	\$ 18,872,161	\$ 8,442,323	\$ 22,848,741	\$ 1,620,927	\$ 3,298,590
Additional Agency Funds						
<b>A.1 2019 Collection Revenue @ 2018 Rates</b>	<b>\$2,796,813</b>	<b>\$18,872,161</b>	<b>\$8,442,323</b>	<b>\$22,848,741</b>	<b>\$1,620,927</b>	<b>\$3,298,590</b>
<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>	<b>\$2,886,945</b>	<b>\$20,109,553</b>	<b>\$8,926,331</b>	<b>\$24,022,257</b>	<b>\$1,651,283</b>	<b>\$3,405,993</b>
<b>A.8 2019 Surplus/(Shortfall) estimated</b>	<b>(\$90,132)</b>	<b>(\$1,237,392)</b>	<b>(\$484,007)</b>	<b>(\$1,173,516)</b>	<b>(\$30,356)</b>	<b>(\$107,403)</b>
<b>A.9 Agency Fees on A.8 Shortfall</b>	<b>(\$4,507)</b>	<b>(\$168,904)</b>	<b>(\$58,081)</b>	<b>(\$46,941)</b>	<b>(\$1,821)</b>	<b>(\$5,370)</b>
<b>A.10 Rate Adjustment Percentage</b>	3.4%	7.5%	6.4%	5.3%	2.0%	3.4%
<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>	<b>(\$8,945)</b>	<b>(\$1,767,924)</b>	<b>(\$200,541)</b>	<b>(\$1,600,284)</b>	<b>\$83,415</b>	<b>\$204,289</b>
<b>F.3 Total Rate Adjustment Percentage (F.2 / A.1)</b>	0.3%	9.4%	2.4%	7.0%	-5.1%	-6.2%



# South Bay Recycling's 2019 Compensation Adjustment Application

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**A Public Agency**

Board of Directors Meeting  
September 27, 2018

# SBR Compensation Adjustment Application

Table 3

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>					
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 ( <i>cost/ton-mile</i> )	\$ 6,625,111	\$ 1.09	3.2%	\$ 6,834,758	\$ 1.13
<i>Transport (cost/ton)</i>	-	\$ 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	

## Contractor's compensation increase is primarily due to:

- Index-based increases for labor, operating expenses, fuel per contract