

RecycleSmart Franchise Rate Setting Process

Board of Directors Meeting
10/26/2023

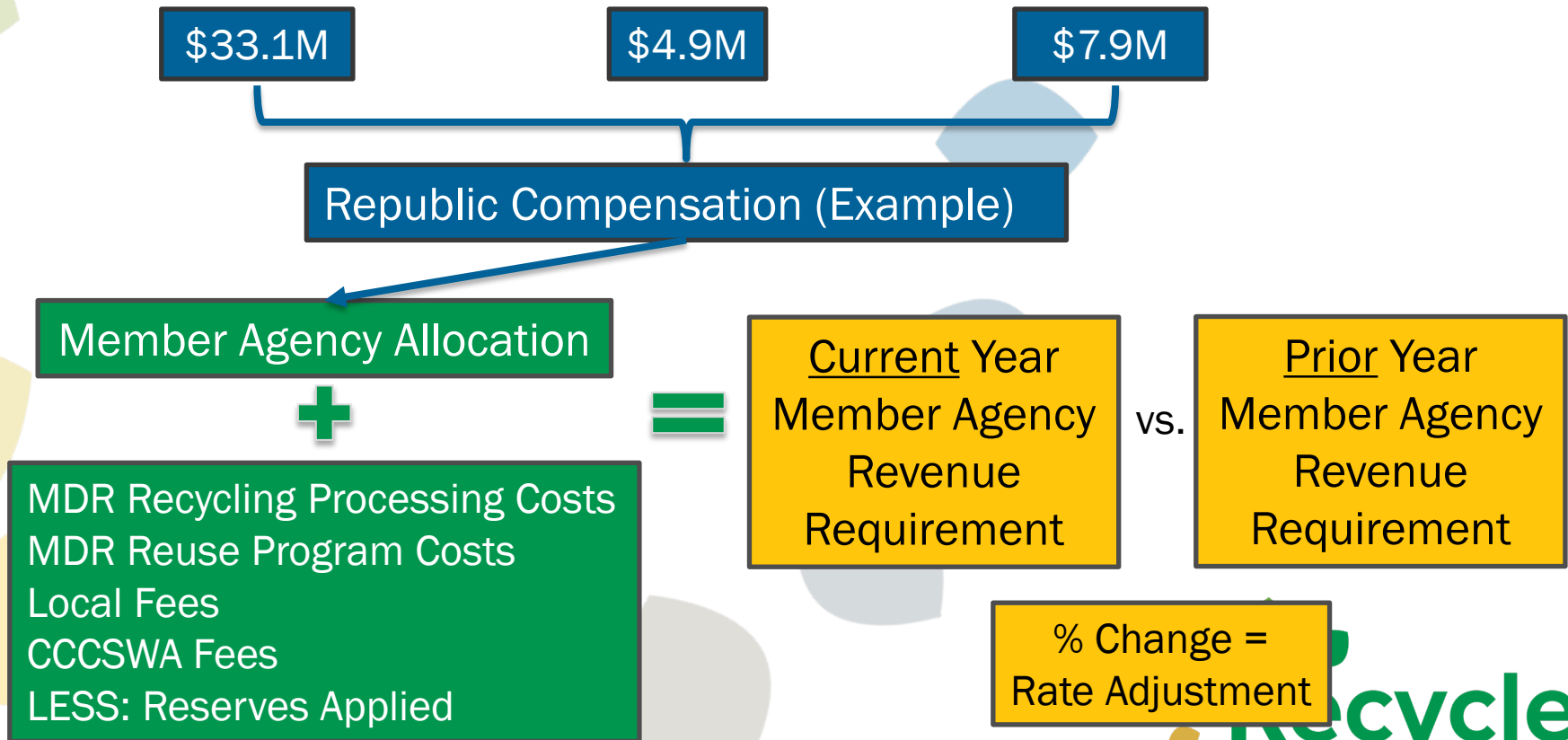


Process Schedule Overview

- Jul – Special Rate Applications Due
- Aug – Standard Rate Application Due
- Sep – Presentation of Initial Rate Application
- Oct – Member Agency Rate Meetings
- Dec – Preliminary Approval of Max Rates
- Jan – Final Approval of Max Rates
- Mar – Max Rates Become Effective

Rate Adjustment Math Overview

Operating Costs + Profit + Pass-Through Costs



Operating Cost Adjustments

Cost Category	Adjusted by...	Includes	Example Value (000s)	% of Total
Labor	<u>Actuals</u> from Bargaining Agreement	Wages, benefits, worker's comp, etc.	\$13,819	22%
Vehicle	<u>Index</u> : Motor Vehicle Maintenance & Repair	Parts, supplies, licensing, tires, etc.	\$1,581	3%
Fuel	<u>Index</u> : CNG Fuel	CNG fuel for trucks	\$519	1%
Material Handling	<u>Actual</u> tonnage x Contract defined \$/ton	Mixed organics composting; Food pre-processing	\$5,757	9%
Other Operating	<u>Index</u> : CPI	Insurance, radios, uniforms, etc.	\$515	1%
Direct Depreciation	<u>Fixed</u>	Trucks & Containers	\$4,088	7%
Allocated Overhead	<u>Index</u> : CPI	Admin, shop, etc.	\$6,555	11%
Overhead Depreciation	<u>Fixed</u>	Admin and shop equipment/start-up	\$276	0.4%

Profit Calculation

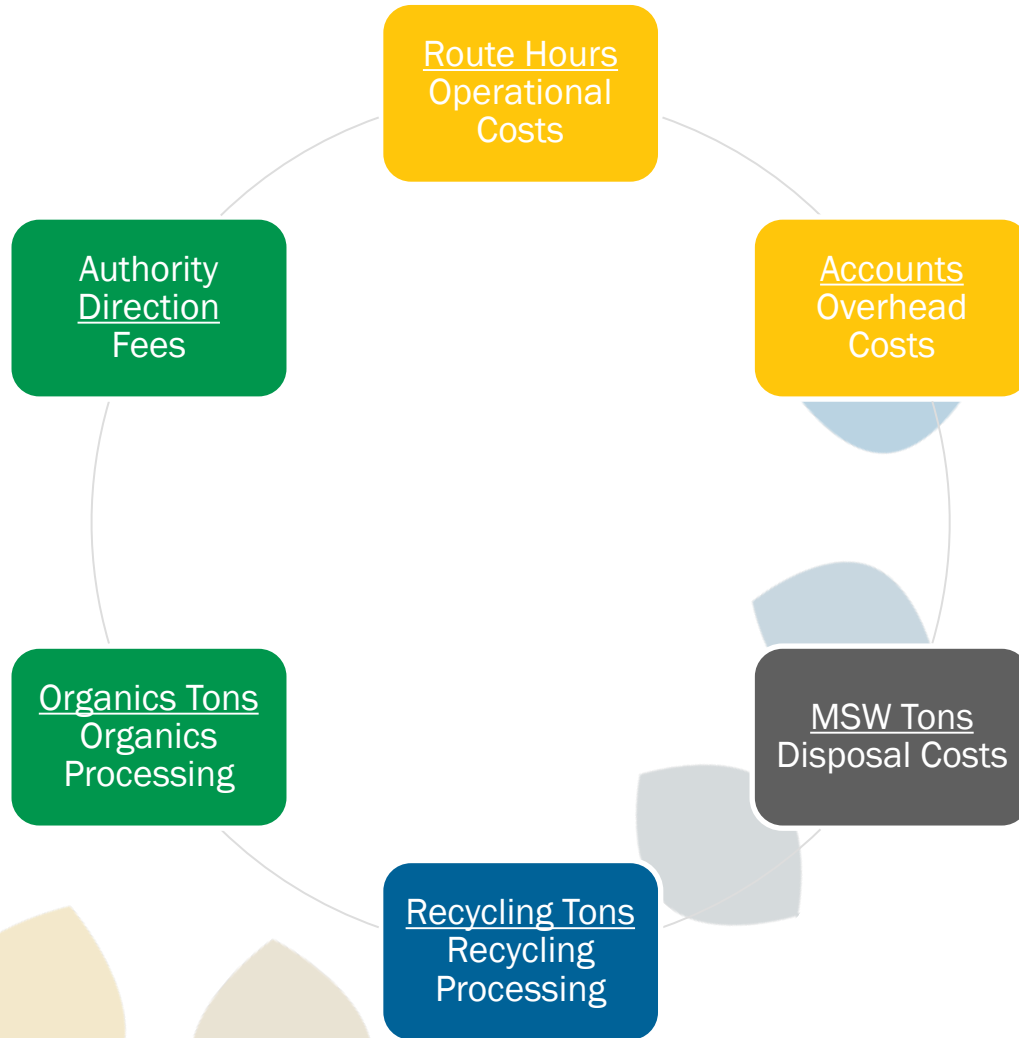
Operating Costs...	\$33,013,740
Divided by Operating Ratio...	87%
Less Operating Costs...	\$33,013,740
Results in Profit of...	\$4,933,088

$$(\$33,013,740/0.87)-\$33,013,740 = \$4,933,088$$

Pass-Through Cost Adjustments

Cost Category	Adjusted by...	Includes	Example Value (000s)	% of Total
MSW Transfer & Disposal	<u>Actual</u> tonnage x Contract defined \$/ton	Transfer, Transportation, and Disposal of Landfilled MSW	\$6,327	10%
Mixed Organics Transport Costs	<u>Actual</u> tonnage x Contract defined \$/ton	Cost of transportation from Martinez TS to Compost Facility	\$317	0.5%
Anaerobic Digestion Costs	<u>Actual</u> tonnage x EBMUD \$/ton	Cost of anaerobic digestion processing of Food Waste	\$113	0.2%
Interest Expenses	<u>Fixed</u>	Interest expenses on capital and start-up costs	\$1,118	2%

Allocation to Member Agencies



Calculating % Impact to Each Member Agency

Example Components	Example \$ Values	% of Rate
Allocation of Republic Compensation (19%)	8,831,126	77%
MDR Recycling Processing Costs	517,585	4%
MDR Reuse/Clean-up Program	263,955	2%
Member Agency Fees	1,729,964	15%
CCCSWA Admin Fee	351,650	3%
CCCSWA Diversion Programs	229,280	2%
<u>Use of Reserves</u>	<u>-410,000</u>	<u>-4%</u>
Total Revenue Requirement	\$ 11,513,560	
Prior Year Revenue Requirement	11,210,365	
% Change in Rate Adjustment Factor	2.70%	

Key Drivers of Rate Impacts

Labor @ 22% of Total
Adjusts by CBA



Material Handling @ 24% of Total
Adjusts based on Actuals



Other Compensation Mechanisms

- Cost-Based Rate Adjustment (RY3, 6, 9)
 - Allows ratepayers to benefit from any operational savings achieved by contractor
 - Caps contractor compensation at proposal + agreed-upon indices
- Special Rate Requests
 - Catastrophic Events
 - Change in Law
 - Authority-Directed Change in Scope

QUESTIONS?

