RESOLUTION NO. 2011-35

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BRISBANE CALLING A SPECIAL MUNICIPAL ELECTION TO BE CONSOLIDATED WITH THE GENERAL ELECTION ON NOVEMBER 8, 2011, FOR SUBMISSION TO THE VOTERS OF A PROPOSED ORDINANCE TO INCREASE THE BUSINESS LICENSE TAX ON CERTAIN RECYCLING ESTABLISHMENTS

WHEREAS, the City has established a business license tax, as set forth in Chapter 5.20 of the Brisbane Municipal Code; and

WHEREAS, Section 5.20.100 of the Brisbane Municipal Code imposes a tax upon persons carrying on the business of operating a refuse transfer station; and

WHEREAS, the City Council desires to increase the tax on certain recycling establishments in order to provide additional revenue for general municipal expenses; and

WHEREAS, the City's business license tax is a general tax and any increase thereof is subject to approval a majority of the voters voting upon the proposed increase at a regularly-scheduled election at which members of the Brisbane City Council are being elected; and

WHEREAS, November 8, 2011, is the next regularly-scheduled election at which members of the Brisbane City Council will be elected,

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Brisbane, California, as follows:

SECTION 1: ELECTION CALLED

The City Council of the City of Brisbane hereby calls a special municipal election, to be consolidated with the general election on Tuesday, November 8, 2011, at which there shall be submitted for approval by the voters of the City of Brisbane a proposed ordinance amending Section 5.20.100 of the Brisbane Municipal Code to increase the business license tax charged to certain recycling establishments.

JUL 25 2011
MARK CHURCH, Chief Elections Officer
By DEPUTY CLERK

Exh. 31

SECTION 2: FULL TEXT OF PROPOSED ORDINANCE

The complete text of the proposed ordinance shall read as follows:

"AN ORDINANCE OF THE CITY OF BRISBANE AMENDING SECTION 5.20.100 OF THE BRISBANE MUNICIPAL CODE TO INCREASE THE BUSINESS LICENSE TAX CHARGED TO CERTAIN RECYCLING ESTABLISHMENTS

The People of the City of Brisbane, California, hereby ordain as follows:

§1: Section 5.20.100 in Chapter 5.20 of the Brisbane Municipal Code is amended in its entirety to read as follows:

5.20.100 Recycling establishments

(a) **Definition of recycling establishment.** As used in this Section 5.20.100, the term "recycling establishment" means an establishment engaged in the business of collecting, sorting, cleansing, treating, processing, or reconstituting waste or other discarded materials for the purpose of reuse in altered form. Notwithstanding the foregoing, for the purposes of this Section 5.20.100 the term "recycling establishment" shall not include any of the following:

(1) A "scavenger," as defined in Section 8.24.010.F of this Code, having a contract with the City to collect garbage, rubbish and waste matter pursuant to Chapter 8.24 of this Code.

(2) An "authorized recycling agent," as defined in Section 8.32.020.A of this Code, having a contract with the City to collect recyclable materials pursuant to Chapter 8.32 of this Code.

(3) An "applicant," as defined in Section 15.75.010 of this Code, engaged in the performance of a "covered project," as defined and governed by Chapter 15.75 of this Code pertaining to construction and demolition debris.

(4) An establishment primarily engaged in the recycling of soil, including the incidental recycling of rock, stone, concrete or rebar.

(b) **Business license fee.** Every recycling establishment in the City, as defined in Paragraph (a) of this Section, that recycles 100,000 tons or more of material during any single calendar year shall pay a business license fee of up to three million dollars ($3,000,000) per year, subject to adjustment in accordance with Paragraph (c) of this Section. The business license fee imposed by this Section shall become effective in an amount to be selected by the City Council up to the authorized ceiling amount on such date as may be established by resolution of the City Council. From and after such effective date, the business license fee shall be paid in two equal installments, due not later than January 1st and July 1st of each year.

(c) **Annual adjustment**. For the calendar year beginning on January 1, 2013 and on January 1st of each calendar year thereafter (the "Adjustment Date"), the business license fee payable under Paragraph (b) of this Section may be increased to any amount within the authorized ceiling of three million dollars ($3,000,000) per year. On any Adjustment Date after the business license fee has been set at the authorized ceiling of three million dollars ($3,000,000) per year, the business license fee payable under Paragraph (b) of this Section shall be whichever of the following amounts is the greater: (i) the fee charged for the immediately preceding year plus three percent (3%) of such fee; or (ii) $3,000,000 plus an amount obtained by multiplying $3,000,000 by a fraction, the numerator of which shall be the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics, for Urban Wage Earners and Clerical Workers, All Items, for the San Francisco-Oakland Statistical Area ("CPI") published nearest to the Adjustment Date, the and denominator of which shall be the CPI published nearest to the date the business license fee was set at $3,000,000 per year. The City Council may, by resolution, adopt a business license fee for any calendar year in an amount below the maximum fee that could be charged under the 3% or CPI adjustment provided herein.

§2: If any section, subsection, sentence, clause or phrase of this Ordinance is for any reason held by a court of competent jurisdiction to be invalid or unconstitutional, such decision shall not affect the validity of the remaining portions of this Ordinance.

SECTION 3: TEXT OF BALLOT MEASURE

The proposed ordinance for increase to the business license tax charged to certain recycling establishments shall be presented for approval by the voters as the following ballot measure:

> Shall the business license tax for certain recycling establishments that recycle 100,000 tons or more of material during any single calendar year be increased to up to $3,000,000 per year, subject to annual increase of either 3% or the percentage increase in the Consumer Price Index, whichever is greater, after the amount reaches $3,000,000 per year?

SECTION 4: REQUIRED VOTER APPROVAL AND EFFECTIVE DATE

If a majority of the voters voting upon the ballot measure vote in its favor, the proposed ordinance shall become a valid and binding ordinance of the City of Brisbane. The ordinance shall be considered as adopted on the date that the vote is declared by the City

Council and shall go into effect on that date or such other date as may be specified by the City Council.

SECTION 5: CONDUCT OF ELECTION

The election on said ballot measure shall be consolidated with the general municipal election to be held on November 8, 2011, and shall be conducted in accordance with the provisions of Resolution No. 2011-16 adopted by the City Council on June 20, 2011.

Cyril G. Bologoff

Cyril G. Bologoff, Mayor

I hereby certify that the foregoing Resolution No. 2011-32 was duly and regularly adopted at the regular meeting of the Brisbane City Council on July 5, 2011 by the following vote:

AYES: Councilmembers Conway, Lentz, Richardson, and Mayor Bologoff
NOES: None
ABSTAIN: None
ABSENT: Councilmember Waldo

Sheri Marie Spediacci

Sheri Marie Spediacci, City Clerk

RESOLUTION NO. 2012-36

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BRISBANE ESTABLISHING THE BUSINESS LICENSE FEE FOR RECYCLING ESTABLISHMENTS PURSUANT TO SECTION 5.20.100 OF THE BRISBANE MUNICIPAL CODE

WHEREAS, Section 5.20.100 of the Brisbane Municipal Code imposes a business license fee on "recycling establishments," which are defined as establishments engaged in the business of collecting, sorting, cleansing, treating, processing, or reconstituting waste or other discarded materials for the purpose of reuse in altered form; and

WHEREAS, the business license fee for recycling establishments in the City that recycle 100,000 tons or more of material during any single calendar year, as set forth in Section 5.20.100, is up to $3,000,000 per year, to become effective on the date and in such manner as established by resolution of the City Council; and

WHEREAS, the City Council desires to establish graduated annual business license fee for recycle establishments, based upon the volume of business conducted by the establishment in the City during any single calendar year,

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Brisbane as follows:

1. The annual business fee for recycle establishments recycling more than 100,000 tons of material but less than 500,000 tons of material in the City during any single calendar year, shall be the sum of Two Million One Hundred Thousand Dollars ($2,100,000). Such amount shall be payable as follows:

(a) A payment of $2,100,000 shall be made on June 30, 2013.

(b) A payment of $1,050,000 shall be made on December 31, 2013 and each December 31st thereafter during the term of this Resolution, and a payment of $1,050,000 shall be made on June 30, 2014 and each June 30th thereafter during the term of this Resolution.

(c) Commencing with the payment due on June 30, 2014, and each June 30th thereafter during the term of this Resolution, the amount of the fee payable under Paragraph (b) of this Section shall be adjusted by the percentage increase, if any, in the Consumer Price Index ("CPI") published by the United States Department of Labor, Bureau of Labor Statistics, for Urban Wage Earners and Clerical Workers, All Items, published nearest to June 30th as compared with the CPI published nearest to June 30th of the immediately preceding year.

2. The annual business license fee for recycle establishments recycling more than 500,000 tons of material in the City during any single calendar year shall be Three Million Dollars ($3,000,000), payable in two installments of One Million Five Hundred

Exh. 32

Thousand Dollars ($1,500,000) each, due on each June 30th and December 31st during the term of this Resolution. Such amount shall be subject to annual adjustments in accordance with Section 5.20.100(c) of the Brisbane Municipal Code.

3. This Resolution shall automatically expire at the end of the City's fiscal year on June 30, 2016 at which time the City Council will review its appropriatness.

Cliff, Lentz, Mayor

I hereby certify that the foregoing Resolution No. 2012-36 was duly and regularly adopted at the regular meeting of the Brisbane City Council on October 15, 2012, by the following vote:

AYES: Councilmembers Conway, Miller, O'Connell, Richardson, and Mayor Lentz
NOES: None
ABSTAIN: None
ABSENT: None

Sheri Marie Spediacci

Sheri Marie Spediacci, City Clerk

San Francisco Rate Application

COST OF LIVING ADJUSTMENT (COLA) MECHANISM

Prepared by:

Armanino LLC

On behalf of:

Recology Sunset Scavenger, Recology Golden Gate and Recology San Francisco

March 14, 2013

Exhibit XX

armanino

Exh. 33

I. Introduction

This report summarizes the Cost of Living Adjustment (COLA) mechanism that is included in the Companies' rate application for the Rate Year July 1, 2013 through June 30, 2014. The COLA Mechanism would be applied to all subsequent rate years until new rates are set as a result of a rate proceeding. The Companies have filed a rate application using their projected costs for the rate year ending June 30, 2014. The COLA would be applied to future rate years in order to produce additional revenue sufficient to account for inflationary increases in the Companies' costs. Without the COLA, the Companies would likely need to submit notice of a new rate application by the end of rate year 2014.

The COLA proposed by the Companies is based on the COLA approved by the Director of the Department of Public Works ("the Director") in 2001 and incorporated into the rates for the period 2002 – 2006 and carried over, with a modification to include a fuel index, for the rate period 2007 – 2011. The only modifications to the COLA structure suggested by the Companies and included in this rate submission are: (1) revising the methodology for calculating the labor component of the mechanism to better reflect current contractual requirements and (2) the addition of a separate Health & Welfare (H&W) component. These modifications, along with updated expenses included in the rate application, require an adjustment of the COLA component weighting. Table 1 provides the calculated COLA weight rate for each of the components. For illustrative purposes only, a weighted COLA was calculated for rate years 2013 and 2014.

II. The COLA Methodology Used in Previous Rate Submissions

In the 2001 Director's Report, the Director followed the Department of Public Works (DPW) Staff's recommendation and approved a Cost of Living Adjustment (COLA) proposed by the Companies using a three component weighting system (first three bulleted components noted below). That COLA modified rates so as to recover cost increases resulting from inflation over the five-year rate period 2002-2006. In the subsequent rate submission, the COLA mechanism was modified to include both fuel and capital cost indexes. That COLA modified rates to cover cost increases over the five-year rate period 2007 – 2011.

The COLA mechanism approved during the last rate proceeding includes the following components:

- A fixed labor cost inflation rate reflecting the Companies fixed labor contracts.
- A variable cost inflation rate based on the Consumer Price Index for Urban/San Francisco ("CPI-U/SF")
- A variable materials cost inflation rate based on the Producer Price Index for Industrial Commodities ("PPI").
- A California Diesel Fuel Index
- Capital cost - zero inflation

The weights assigned to these components were designed to reflect the proportions associated with the types of cost incurred by the Companies, and therefore to reflect the expected increases the Companies were to incur due to inflation.

Exh. 33

III.Modifications of the COLA

The Companies propose two modifications to the COLA mechanism: first, changing the labor component to setting labor rates as outlined in the current labor agreements and secondly segregating health & welfare costs into a separate component. The H&W costs were previously included in the fixed labor component.

III.1 the Labor Cost Modification

In the previous two Rate Orders, the labor component of the mechanism was based on a fixed labor cost inflation rate consistent with the labor agreements in effect at the time. Under the new labor agreements, labor rates are now adjusted based on an annual labor specific COLA adjustment as required by the agreements. This labor specific COLA adjustment can range between 3% - 6% annually. For presentation purposes, Table 1 includes a 3% labor COLA adjustment.

III.2 the Health & Welfare Modification

The Companies propose to use a five-year historical weighted average of cost increases, as calculated by the Companies third–party insurance actuaries as the H&W COLA index, to be applied based on the appropriate weighting factor.

Health & Welfare (H&W) costs have always been a component of labor related costs and included in the fixed labor component of the mechanism. In the last two multi-year rate proceedings, it was acknowledged that health care costs would increase at a substantially faster pace than general inflation. The rate orders for both 2001 and 2006 included specific estimates of inflationary increases for health care costs in excess of the COLA adjustment. Since the Companies are proposing a single year rate, it is appropriate to include a separate COLA mechanism to allow an adjustment more reflective of expected future changes in health care costs.

With the passing of the Affordable Care Act (ACA) continued volatility in these costs can be expected. The H&W component is intended to ensure that neither the Companies nor the ratepayers unintentionally benefit from any future impact the Act may have on local H&W costs.

Therefore, the Companies propose the following changes to the COLA mechanism:

- Adjust the labor component to reflect the current labor agreements COLA methodology resulting in a labor index of between 3% - 6%

- Add an H&W component using a five-year historical weighted average of the change in costs as the index and as calculated by the Companies insurance carrier.

VI.3 Calculation of Weights

The COLA is a composite inflation factor that is calculated as the weighted average of the specific inflation indices. As the weights reflect the Companies' projected costs as they are included in the rate application, the COLA will correctly adjust the rates for inflation in costs. The COLA weights have been calculated based on the estimated costs of the rate year July 1, 2013 – June 30, 2014. Once approved, the component weights will not change for the duration of the period until a new rate is approved.

VIII. Conclusion

The Companies believe the City should adopt the proposed modifications to the COLA mechanism. Adjusting the labor component to match the contractually required COLA index required by the current contracts ensures the largest components of Company costs are accurately adjusted. Additionally, as outlined, the current mechanism does not adequately account for the inflationary increases and potential impacts of the ACA on health care costs. Breaking the component out and tying the index to a five-year weighted average will allow the Company to better keep pace with actual H&W costs. Applying the COLA will allow the Companies to recover inflationary increases during interim periods before new rates are set.

Recology Sunset Scavenger/ Recology Golden Gate
Historical COLA Increases
Table 1. COLA Mechanism with H & W with Fixed Labor Inflation Factor at 3%

	1	2	3
1 Year Ending June 30	2012	2013	2014
2 Fixed Labor Inflation Factors (a)		3.00%	3.00%
3 Fixed Labor COLA Rate Weight		57.41%	57.45%
4 Weighted Fixed COLA Increase (line 2 x line 3)		1.72%	1.72%
5 Variable Labor COLA Rate (b)			
6 SF-CPI (U) Index February 2012	236.880		
7 SF-CPI (U) Index February prior to Rate Year		242.002	247.235
8 Annual Percent Change From March- February		2.16%	2.16%
9 Variable COLA Rate Weight		6.01%	6.34%
10 Weighted Variable COLA Increase (line 8 x line 9)		0.13%	0.14%
11 Variable H &W Rate (c)			
12 Mercer Analysis		6.60%	6.60%
13 Variable COLA Rate Weight		10.87%	11.75%
14 Weighted Variable COLA Increase (line 12 x line 13)		0.72%	0.78%
15 Variable Materials PPI Rate (d)			
16 PPI Index February 2012	194.700		
17 PPI Index February prior to Rate Year		201.339	208.203
18 Annual Percent Change From March- February		3.41%	3.41%
19 Variable PPI Rate Weight		12.29%	12.28%
20 Weighted Variable PPI Increase (line 18 x line 19)		0.42%	0.42%
21 Diesel Fuel Forecasted Rate (e)			
22 EIA Diesel Fuel Price February 2012	4.128	4.242	4.242
23 Annual Percent Change From March- February		2.76%	2.76%
24 Fuel Rate Weight		3.92%	3.80%
25 Weighted Forecasted Fuel Increase (line 23 x line 24)		0.11%	0.10%
26 Capital Cost Inflation Factor			
27 Capital cost assumed to be constant			
28 Annual Percent Change From March- February		0.00%	0.00%
29 Cost of Capital Weight		9.51%	8.39%
30 Weighted Forecasted Fuel Increase (line 28 x line 29)		0.00%	0.00%
31 COLA Increase (Lines 4+10+14+20+25+30)		3.10%	3.16%

Notes:

(a) 3% has been used base on current collective bargaining agreements which provide for a range between 3% and 5% for 2014 and 3% to 6% for 2015 and 2016 based on CPI for the Bay Area.

(b) TheBureau of Labor Statistics (BLS) Index San Francisco-Oakland-San Jose Consumer Price index - All Urban Consumers, All items, 1982-84=100, Series ID: CUURA422SA0 will be provided for in each year. The use of the April index number assumes that the rate increase is in effect July 1. The example above uses the twelve months ending February.

(c) The Vairable H & W index was developed by MERCER. MECER received historical rate data that included fully insured medical and dental renewal rate increase as well as the self insured medical fully equivalent rate increases for the years 2008-2012. The rates related to medical and dental plans the cover Recology's active San Francisco population.

(d) The BLS Index Producer Price Index-Industrial Commodities les Fuels, Base: 1982 Series ID: WPU03T15M05 will be provided for in each year. The use of the April index number assumes that the rate increase is in effect July 1. The example above uses twelve months ending February.

(e) The U.S. Energy Information Administration, Petroleum & Other Liquids, Weekly California No 2 Diesel Retail Prices will be provided for in each year. The use of the April index number assumes that the rate increase is in effect July 1. The example above uses twelve months ending February.

San Francisco Companies

COLA Weight Workpapers

March 14, 2012

Recology Sunset Scavenger/Recology Golden Gate
Summary COLA Weights

Percentage Weights for Combined Companies

	Weights RY 2013			Weights RY 2014		
	Unadjusted	Adjustment	Adjusted	Unadjustec	Adjustmen	Adjusted
1 Fixed COLA Adjustment Factor (Fixed Labor)	57.41%		57.41%	57.45%		57.45%
2 Variable COLA Adjustment Factor (Variable Labor)	6.01%		6.01%	6.34%		6.34%
3 Health and Welfare	10.87%		10.87%	11.75%		11.75%
4 Variable PPI (Materials)	12.29%		12.29%	12.28%		12.28%
5 Fuel	3.92%		3.92%	3.80%		3.80%
6 Total	90.50%	0.0%	90.50%	91.62%	0.0%	91.62%
7 Capital Costs	9.51%		9.51%	8.39%		8.39%
8 Total Capital	9.51%	0.0%	9.51%	8.39%	0.0%	8.39%
9 Total Percentage COLA	100.01%		100.01%	100.01%		100.01%

Recology Sunset Scavenger/Recology Golden Gate

Percentage Weighted Allocated Expenses Summary

RSF COLA Rate Weight

	Fixed Labor	Variable Labor	H & W	Other Material	New Capital	Fuel	Existing Capital
RY 2013	45.32%	11.05%	9.72%	20.15%	0.00%	3.88%	9.88%
RY 2014	46.61%	11.50%	10.80%	20.54%	0.00%	3.82%	6.73%

RSS and RGG Combined - COLA Rate Weight

	Fixed Labor	Variable Labor	H & W	Other Material	New Capital	Fuel	Existing Capital
RY 2013	57.41%	6.01%	10.87%	12.29%	0.00%	3.92%	9.51%
RY 2014	57.45%	6.34%	11.75%	12.28%	0.00%	3.80%	8.39%

Calculate the COLA Rate Weight for RSF, SSC/GGD Combined

Recology San Francisco

	Fixed Labor	Variable Labor	H & W	Other Material	Fuel	Existing Capital	Total
RY 2013	45.32%	11.05%	9.72%	20.15%	3.88%	9.88%	100.00%
RY 2014	46.61%	11.50%	10.80%	20.54%	3.82%	6.73%	100.00%

RSF Processing & Disposal Costs	Total From spreadsheet	Fixed Labor	Variable Labor	H & W	Other Material	Fuel	Existing Capital	Total
RY 2013	103,427,797	46,878,048	11,426,918	10,052,304	20,845,755	4,015,244	10,209,529	103,427,797
RY 2014	104,844,576	48,866,935	12,059,860	11,322,985	21,533,802	4,000,009	7,060,983	104,844,576

RSS and RGG Alloc disposal costs	SSC I/C disp & proc costs	Fixed Labor	Variable Labor	H & W	Other Material	Fuel	Existing Capital	Total
RY 2013	85,274,247	38,646,289	9,422,804	8,288,657	17,182,761	3,308,641	8,425,096	85,274,247
RY 2014	91,548,823	42,670,906	10,528,115	9,887,273	18,804,128	3,497,165	6,161,236	91,548,823

RSS & RGG Costs		Fixed Labor	Variable Labor	H & W	Other Material	Fuel	Existing Capital	Total
RY 2013								
Expenses		91,977,468	4,254,324	16,434,238	10,773,495	5,609,118	13,210,924	142,259,566
Allocated I/C disp & proc costs		38,646,289	9,422,804	8,288,657	17,182,761	3,308,641	8,425,096	85,274,247
Total		130,623,757	13,677,128	24,722,894	27,956,255	8,917,759	21,636,019	227,533,813
COLA Rate Weight		57.41%	6.01%	10.87%	12.29%	3.92%	9.51%	100.00%
RY 2014								
Expenses		97,508,791	4,949,219	18,775,653	11,149,191	5,763,366	14,302,527	152,448,748
Allocated I/C disp & proc costs		42,670,906	10,528,115	9,887,273	18,804,128	3,497,165	6,161,236	91,548,823
Total		140,179,697	15,477,334	28,662,926	29,953,320	9,260,531	20,463,763	243,997,570
COLA Rate Weight		57.45%	6.34%	11.75%	12.28%	3.80%	8.39%	100.00%

Recology Sunset Scavenger/Recology Golden Gate

Allocated expenses using schedule D and allocation factors (Allocators RSS RGG)

Total Operating Expenses

	RY 2013								
Item Description	Projected Expense	Fixed Labor	Variable Labor	H&W	Other Material	New Capital	Fuel	Existing Capital	Sum Check
Inflation Percent									
Payroll	58,041,734	58,041,734		-					
Payroll Taxes	4,539,054	4,539,054		-					
Pension	14,531,250	14,531,250		-					
Health Insurance	16,434,238	-		16,434,238					
Workers Compensation	5,830,596	5,830,596		-					
Total Payroll & Related	$ 99,376,872	$82,942,634	$ -	$ 16,434,238	$ -	$ -	$ -	$ -	$ -
Bad Debt	488,330	-	-	-	488,330	-	-	-	-
Bridge Tolls	-	-	-	-	-	-	-	-	-
Building & Facility Repair	205,516	-	102,758	-	102,758	-	-	-	-
Contract Services	696,108	-	696,108	-	-	-	-	-	-
Corporate Accounting Services	1,700,822	1,700,822	-	-	-	-	-	-	-
Corporate Management	1,277,346	1,277,346	-	-	-	-	-	-	-
Depreciation	286,209	-	-	-	-	-	-	286,209	-
Environmental Compliance	380,873	380,873	-	-	-	-	-	-	-
Freight	67,382	33,691	-	-	33,691	-	-	-	-
Fuel	5,609,118	-	-	-	-	-	5,609,118	-	-
Human Resources	500,732	500,732	-	-	-	-	-	-	-
I/C Disposal	36,855,613	-	-	-	-	-	-	-	(36,855,613)
I/C Processing	48,418,634	-	-	-	-	-	-	-	(48,418,634)
IT Services	1,885,188	1,885,188	-	-	-	-	-	-	-
Lease	12,924,714	-	-	-	-	-	-	12,924,714	-
Liability Insurance	3,082,327	3,082,327	-	-	-	-	-	-	-
Licenses & Permits	1,643,724	-	-	-	1,643,724	-	-	-	-
O/S Billing Services	308,583	-	154,291		154,291	-	-	-	-
O/S Disposal	19,548	-	9,774	-	9,774	-	-	-	-
O/S Equipment Rental	56,066	-	-	-	56,066	-	-	-	-
Office	349,065	-	-	-	349,065	-	-	-	-
Parts	1,867,473	-	-	-	1,867,473	-	-	-	-
Postage	305,727	-	-	-	305,727	-	-	-	-
Professional Services	881,648	-	881,648	-	-	-	-	-	-
Property Rental	1,235,914	-	-	-	1,235,914	-	-	-	-
Repairs & Maintenance	1,127,541	-	563,771	-	563,771	-	-	-	-
Security & Janitorial	375,904	-	375,904	-	-	-	-	-	-
Supplies	1,306,468	-	-	-	1,306,468	-	-	-	-
Sustainability	173,854	173,854	-	-	-	-	-	-	-
Taxes	1,244,788	-	622,394	-	622,394	-	-	-	-
Telephone	351,602	-	-	-	351,602	-	-	-	-
Tires & Tubes	470,862	-	-	-	470,862	-	-	-	-
Utilities	363,908	-	-	-	363,908	-	-	-	-
T&G Fuel Allocation	-	-	-		-	-	-	-	-
T&G Maintenance Allocation	(54,532)	-	(27,266)		(27,266)	-	-	-	-
New Project Costs	-	-	-		-	-	-	-	-
Other Expenses	1,749,885	-	874,942	-	874,942	-	-	-	-
Total Operating Expenses	227,533,813	91,977,468	4,254,324	16,434,238	10,773,495	-	5,609,118	13,210,924	(85,274,247)
Total from SS_O	227,533,813								
less I/C disp, proc recycling alloc	(85,274,247)								
line 63 minus recycling alloc	142,259,566								

	RY 2014								
Item Description	Projected Expense	Fixed Labor	Variable Labor	H&W	Other Material	New Capital	Fuel	Existing Capital	Sum Check
Inflation Percent									
Payroll	63,912,402	63,912,402		-					
Payroll Taxes	4,998,159	4,998,159		-					
Pension	12,886,750	12,886,750		-					
Health Insurance	18,775,653	-		18,775,653					
Workers Compensation	6,247,068	6,247,068		-					
Total Payroll & Related	$ 106,820,031	$ 88,044,378	$ -	$ 18,775,653	$ -	$ -	$ -	$ -	$ -
Bad Debt	488,330	-	-	-	488,330	-	-	-	-
Bridge Tolls	-	-	-	-	-	-	-	-	-
Building & Facility Repair	210,037	-	105,019	-	105,019	-	-	-	-
Contract Services	711,423	-	711,423	-	-	-	-	-	-
Corporate Accounting Services	1,758,650	1,758,650	-	-	-	-	-	-	-
Corporate Management	1,320,775	1,320,775	-	-	-	-	-	-	-
Depreciation	305,464	-	-	-	-	-	-	305,464	-
Environmental Compliance	393,822	393,822	-	-	-	-	-	-	-
Freight	68,865	34,432	-	-	34,432	-	-	-	-
Fuel	5,763,366	-	-	-	-	-	5,763,366	-	-
Human Resources	517,757	517,757	-	-	-	-	-	-	-
I/C Disposal	39,298,185	-	-	-	-	-	-	-	(39,298,185)
I/C Processing	52,250,638	-	-	-	-	-	-	-	(52,250,638)
IT Services	1,949,285	1,949,285	-	-	-	-	-	-	-
Lease	13,997,063	-	-	-	-	-	-	13,997,063	-
Liability Insurance	3,309,925	3,309,925	-	-	-	-	-	-	-
Licenses & Permits	1,686,444	-	-	-	1,686,444	-	-	-	-
O/S Billing Services	315,371	-	157,686		157,686	-	-	-	-
O/S Disposal	19,978	-	9,989	-	9,989	-	-	-	-
O/S Equipment Rental	57,300	-	-	-	57,300	-	-	-	-
Office	356,745	-	-	-	356,745	-	-	-	-
Parts	1,908,557	-	-	-	1,908,557	-	-	-	-
Postage	312,453	-	-	-	312,453	-	-	-	-
Professional Services	1,384,378	-	1,384,378	-	-	-	-	-	-
Property Rental	1,241,701	-	-	-	1,241,701	-	-	-	-
Repairs & Maintenance	1,252,547	-	626,274	-	626,274	-	-	-	-
Security & Janitorial	384,174	-	384,174	-	-	-	-	-	-
Supplies	1,381,511	-	-	-	1,381,511	-	-	-	-
Sustainability	179,765	179,765	-	-	-	-	-	-	-
Taxes	1,379,449	-	689,724	-	689,724	-	-	-	-
Telephone	359,337	-	-	-	359,337	-	-	-	-
Tires & Tubes	481,221	-	-	-	481,221	-	-	-	-
Utilities	371,914	-	-	-	371,914	-	-	-	-
T&G Fuel Allocation	-	-	-		-	-	-	-	-
T&G Maintenance Allocation	(55,732)	-	(27,866)		(27,866)	-	-	-	-
New Project Costs	-	-	-		-	-	-	-	-
Other Expenses	1,816,840	-	908,420.08	-	908,420.08	-	-	-	-
Total Operating Expenses	243,997,570	97,508,791	4,949,219	18,775,653	11,149,191	-	5,763,366	14,302,527	(91,548,823)
Total from SS_O	243,997,570								
less I/C disp, proc recycling alloc	(91,548,823)								
line 63 minus recycling alloc	152,448,748								

Recology Sunset Scavenger/Recology Golden Gate

RSF Sch D

Allocated expenses using schedule D and allocation factors (Allocators_RSF)

Total Operating Expenses

Item Description	RY 2013 Projected Expense	Fixed Labor	Variable Labor	H & W	Other Material	New Capital	Fuel	Existing Capital	Sum Check
Inflation Percent									
Payroll	33,435,847	33,435,847	-	-	-	-	-	-	-
Payroll Taxes	2,741,168	2,741,168	-	-	-	-	-	-	-
Pension	5,571,843	5,571,843	-	-	-	-	-	-	-
Health Insurance	10,052,304	-	-	10,052,304	-	-	-	-	-
Workers Compensation	2,420,526	2,420,526	-	-	-	-	-	-	-
Total Payroll & Related	$ 54,221,688	$44,169,384	$ -	$10,052,304	$ -	$ -	$ -	$ -	$ -
Bad Debt	16,666	-	-	-	16,666	-	-	-	-
Bridge Tolls	794,616	-	-	-	794,616	-	-	-	-
Building & Facility Repair	644,435	-	322,217	-	322,217	-	-	-	-
Contract Services	423,005	-	423,005	-	-	-	-	-	-
Corporate Accounting Services	185,022	185,022	-	-	-	-	-	-	-
Corporate Management	133,774	133,774	-	-	-	-	-	-	-
Depreciation	1,188,294	-	-	-	-	-	-	1,188,294	-
Environmental Compliance	41,029	41,029	-	-	-	-	-	-	-
Freight	1,098,901	549,451	-	-	549,451	-	-	-	-
Fuel	4,015,244	-	-	-	-	-	4,015,244	-	-
Human Resources	341,713	341,713	-	-	-	-	-	-	-
I/C Processing & Disposal	8,162,110	-	4,081,055	-	4,081,055	-	-	-	-
IT Services	565,291	565,291	-	-	-	-	-	-	-
Lease	9,021,235	-	-	-	-	-	-	9,021,235	-
Liability Insurance	874,701	874,701	-	-	-	-	-	-	-
Licenses & Permits	2,401,412	-	-	-	2,401,412	-	-	-	-
O/S Disposal	5,558,936	-	2,779,468	-	2,779,468	-	-	-	-
O/S Equipment Rental	360,025	-	-	-	360,025	-	-	-	-
O/S Processing	80,600	-	40,300	-	40,300	-	-	-	-
Office	304,140	-	-	-	304,140	-	-	-	-
Parts	1,264,051	-	-	-	1,264,051	-	-	-	-
Postage	1,660	-	-	-	1,660	-	-	-	-
Professional Services	1,780,274	-	1,780,274	-	-	-	-	-	-
Property Rental	3,561,547	-	-	-	3,561,547	-	-	-	-
Repairs & Maintenance	438,906	-	219,453	-	219,453	-	-	-	-
Security & Janitorial	860,210	-	860,210	-	-	-	-	-	-
Supplies	1,534,450	-	-	-	1,534,450	-	-	-	-
Sustainability	17,684	17,684	-	-	-	-	-	-	-
Taxes	1,454,735	-	727,368	-	727,368	-	-	-	-
Telephone	176,501	-	-	-	176,501	-	-	-	-
Tires & Tubes	162,401	-	-	-	162,401	-	-	-	-
Utilities	1,355,407	-	-	-	1,355,407	-	-	-	-
Other	387,136	-	193,568	-	193,568	-	-	-	-
Total Operating Expenses	$ 103,427,797	$ 46,878,048	$ 11,426,918	$ 10,052,304	$ 20,845,755	$ -	$ 4,015,244	$ 10,209,529	$ -
	$ 103,427,797	103,427,797							
	$ -								
	$ 103,427,797								
	100.00%	45.32%	11.05%	9.72%	20.15%	0.00%	3.88%	9.87%	0.00%

Item Description	RY 20014 Projected Expense	Fixed Labor	Variable Labor	H & W	Other Material	New Capital	Fuel	Existing Capital	Sum Check
Inflation Percent									
Payroll	35,311,098	35,311,098	-	-	-	-	-	-	-
Payroll Taxes	2,894,906	2,894,906	-	-	-	-	-	-	-
Pension	5,217,897	5,217,897	-	-	-	-	-	-	-
Health Insurance	11,322,985	-	-	11,322,985	-	-	-	-	-
Workers Compensation	2,594,068	2,594,068	-	-	-	-	-	-	-
Total Payroll & Related	$ 57,340,954	$46,017,969	$ -	$11,322,985	$ -	$ -	$ -	$ -	$ -
Bad Debt	17,033	-	-	-	17,033	-	-	-	-
Bridge Tolls	805,280	-	-	-	805,280	-	-	-	-
Building & Facility Repair	710,572	-	355,286	-	355,286	-	-	-	-
Contract Services	312,493	-	312,493	-	-	-	-	-	-
Corporate Accounting Services	191,312	191,312	-	-	-	-	-	-	-
Corporate Management	138,322	138,322	-	-	-	-	-	-	-
Depreciation	1,165,533	-	-	-	-	-	-	1,165,533	-
Environmental Compliance	42,424	42,424	-	-	-	-	-	-	-
Freight	1,169,554	584,777	-	-	584,777	-	-	-	-
Fuel	4,000,009	-	-	-	-	-	4,000,009	-	-
Human Resources	353,331	353,331	-	-	-	-	-	-	-
I/C Processing & Disposal	8,320,557	-	4,160,278	-	4,160,278	-	-	-	-
IT Services	584,511	584,511	-	-	-	-	-	-	-
Lease	5,895,450	-	-	-	-	-	-	5,895,450	-
Liability Insurance	936,004	936,004	-	-	-	-	-	-	-
Licenses & Permits	2,408,043	-	-	-	2,408,043	-	-	-	-
O/S Disposal	5,499,580	-	2,749,790	-	2,749,790	-	-	-	-
O/S Equipment Rental	367,946	-	-	-	367,946	-	-	-	-
O/S Processing	877,890	-	438,945	-	438,945	-	-	-	-
Office	310,831	-	-	-	310,831	-	-	-	-
Parts	1,291,860	-	-	-	1,291,860	-	-	-	-
Postage	1,696	-	-	-	1,696	-	-	-	-
Professional Services	1,958,781	-	1,958,781	-	-	-	-	-	-
Property Rental	3,627,292	-	-	-	3,627,292	-	-	-	-
Repairs & Maintenance	448,562	-	224,281	-	224,281	-	-	-	-
Security & Janitorial	879,134	-	879,134	-	-	-	-	-	-
Supplies	1,568,208	-	-	-	1,568,208	-	-	-	-
Sustainability	18,285	18,285	-	-	-	-	-	-	-
Taxes	1,566,091	-	783,046	-	783,046	-	-	-	-
Telephone	180,384	-	-	-	180,384	-	-	-	-
Tires & Tubes	165,974	-	-	-	165,974	-	-	-	-
Utilities	1,295,026	-	-	-	1,295,026	-	-	-	-
Other	395,653	-	197,826	-	197,826	-	-	-	-
Total Operating Expenses	$ 104,844,576	$ 48,866,935	$ 12,059,860	$ 11,322,985	$ 21,533,802	$ -	$ 4,000,009	$ 7,060,983	-
	104,844,576	104,844,576							
	$ -								
	$ 104,844,576								
	100.00%	46.61%	11.50%	10.80%	20.54%	0.00%	3.82%	6.73%	0.00%

Recology Sunset Scavenger/Recology Golden Gate

Allocators RSS and RGG

Total Operating Expenses

Item Description	Fixed labor (Fixed COLA)	Variable labor (Var COLA)	H&W	Other (Var PPI)	Fuel	Capital no weight
Inflation Percent						
Payroll	1					
Payroll Taxes	1					
Pension	1					
Health Insurance			1			
Workers Compensation	1					
Total Payroll & Related						
Bad Debt				1		
Bridge Tolls				1		
Building & Facility Repair		0.5		0.5		
Contract Services		1				
Corporate Accounting Services	1					
Corporate Management	1					
Depreciation				0		1
Environmental Compliance	1					
Freight	0.5			0.5		
Fuel					1	
Human Resources	1					
I/C Disposal						
I/C Processing						
IT Services	1					
Lease						1
Liability Insurance	1					
Licenses & Permits				1		
O/S Billing Services		0.5		0.5		
O/S Disposal		0.5		0.5		
O/S Equipment Rental				1		
Office				1		
Parts				1		
Postage				1		
Professional Services		1				
Property Rental				1		
Repairs & Maintenance		0.5		0.5		
Security & Janitorial		1				
Supplies				1		
Sustainability	1					
Taxes		0.5		0.5		
Telephone				1		
Tires & Tubes				1		
Utilities				1		
T&G Fuel Allocation	0.5	0		0.5	1	
T&G Maintenance Allocation	0	0.5		0.5		
Other Expenses		0.5		0.5		

Recology Sunset Scavenger/Recology Golden Gate
RSFC
Allocators - CAPITAL SEPARATE
Total Operating Expenses

Item Description	Fixed labor (Fixed COLA)	Variable labor (Var COLA)	H & W	Other (Var PPI)	Fuel	Capital no weight
Inflation Percent						
Payroll	1					
Payroll Taxes	1					
Pension	1					
Health Insurance			1			
Workers Compensation	1					
Total Payroll & Related	1					
Bad Debt				1		
Bridge Tolls				1		
Building & Facility Repair		0.5		0.5		
Contract Services		1				
Corporate Accounting Services	1					
Corporate Management	1					
Depreciation				0		1
Environmental Compliance	1					
Freight	0.5			0.5		
Fuel					1	
Human Resources	1					
I/C Processing & Disposal		0.5		0.5		
IT Services	1					
Lease				0		1
Liability Insurance	1					
Licenses & Permits				1		
O/S Disposal		0.5		0.5		
O/S Equipment Rental				1		
O/S Processing		0.5		0.5		
Office				1		
Parts				1		
Postage				1		
Professional Services		1				
Property Rental				1		
Repairs & Maintenance		0.5		0.5		
Security & Janitorial		1				
Supplies				1		
Sustainability	1					
Taxes		0.5		0.5		
Telephone				1		
Tires & Tubes				1		
Utilities				1		
Other		0.5		0.5		

San Francisco Rate Application

FIXED VERSUS VARIABLE COST ANALYSIS

armanino

Exh. 34

San Francisco Rate Application

FIXED VERSUS VARIABLE COST ANALYSIS

Prepared by:

Armanino LLC

On behalf of:

Recology Sunset Scavenger, Recology Golden Gate and Recology San Francisco

April 10, 2013

Exhibit XX

armanino

I. Introduction

Recology Sunset Scavenger and Recology Golden Gate (the Companies) engaged Armanino LLP to examine the Companies' cost structure to determine, in our professional opinion, which costs, and in which proportions, should be categorized as fixed costs or variable costs. The attached analysis reflects the results of that examination and employs standard cost accounting principles.

It is our understanding that the Companies have included a base charge in their proposed rate application, representing fixed costs of the refuse system. Based on our analysis, a significant portion of the cost structure of the Companies is fixed and could therefore be reasonably reflected in a base charge.

II. Fixed versus Variable Cost

The costs of services provided in the waste industry, as in most industries, are made up of both fixed and variable costs. Fixed costs are those costs not generally impacted by incremental changes in service levels. Variable costs are those that vary directly with incremental changes in service levels. The characterization of each individual cost line item as fixed or variable requires some judgment as most costs will vary with large services changes and most will remain constant with small incremental changes.

We used Schedule D expenses as presented in the 2013 rate application as the basis for our analysis. Table II includes the allocation percentages between fixed and variable. It should be noted that several expense line items have an allocation split between fixed and variable. This was done to acknowledge that many costs, although predominately fixed in nature, will have some component that can vary from year to year. These allocation splits are based on our understanding of the companies and experience working with other collection companies throughout the greater bay area. Specific explanations of these split allocations are as follows:

- Payroll & Related (90% fixed / 10% variable). A majority of payroll related costs for drivers & helpers, repairmen and all the general and administrative staff will not change due to incremental changes in service volumes and hence are considered primarily fixed for rate setting purposes. A variable component of approximately 10% of payroll costs has been included as payroll does have some direct correlation to service changes, especially with respect to overtime.

- O/S Billing Services (90% fixed / 10% variable). The cost associated with customer billing does not change with incremental changes in service volumes and is considered fixed. A variable component of approximately 10% has been included to account for any unexpected billing requirements.

- Truck Maintenance (90% fixed / 10% variable). A majority of parts, repairs and maintenance, tires and supplies costs are incurred in a planned truck maintenance management system and will not change due to incremental changes in service volumes. A variable component of 10% of these costs has been included to account for unexpected repairs, unusual tire wear and related issues that can occur throughout the year.

- Postage (90% fixed / 10% variable). The postage split allocation is similar to O/S billing in that the cost is tied to collection service and will not change due to changes in service. A 10% variable component was included for special mailings.

- Telephone (90% fixed / 10% variable). Consistent with O/S billing and postage, telephone costs will not vary materially throughout the year and are considered fixed for rate setting purposes. A variable component of 10% has been included as telephone usage would have some small impact with service level changes.

Expense line items that have been allocated a majority of the cost to variable include disposal fees and recycling and composting processing. 20% of these costs have been allocated to fixed to account for the fixed components of these fees including building and equipment infrastructure, administrative and special programs that would not be tied to changes in tonnages. Diesel costs were allocated at 100% variable as fuel costs will vary directly with in use truck hours.

The remaining costs, primarily general and administrative costs that were not specifically identified as split costs, have been allocated 100% fixed as these costs will not vary materially given incremental changes in customer service levels.

Table I use the allocation percentages from Table II and applies those percentages to the applicable expense line items to allocate actual Schedule D expenses between fixed and variable. Based on the allocators as represented, approximately 63% of costs associated with collection services are fixed and 37% variable.

III. Conclusion

Many costs associated with collection service will not vary materially when customers make small incremental changes in service levels. This specifically holds true for general and administrative costs and the costs of the actual collection efforts. The exceptions to this are fuel, disposal and processing charges which will vary predicated on customer usage decisions and the fluctuation in vehicle operations. Table I provides an initial presentation of the allocation of collection costs between fixed and variable components. Using the methodology as employed, a minimum of 63% of total collection costs are considered fixed in nature. Introducing a fixed component to the rate structure is a first step towards developing a rate structure that maintains a sustainable revenue stream as the City moves toward their zero waste goals.

Recology Sunset Scavenger / Recology Golden Gate
Schedule D Expenses
Table I - Fixed Cost versus Variable Cost Calculation

Item Description	Total Costs RY 2012	Fixed Costs RY 2012	Variable Costs RY 2012
Payroll	$ 55,712,272	$ 50,141,045	$ 5,571,227
Payroll Taxes	4,356,882	3,921,194	435,688
Pension	20,004,212	18,003,790	2,000,421
Health Insurance	15,126,328	13,613,695	1,512,633
Workers Compensation	4,690,671	4,221,604	469,067
Total Payroll & Related	**99,890,364**	**89,901,328**	**9,989,036**
Bad Debt	524,330	-	524,330
Bridge Tolls	-	-	-
Building & Facility Repair	143,540	143,540	-
Contract Services	724,595	724,595	-
Corporate Accounting Services	1,644,895	1,644,895	-
Corporate Management	1,235,344	1,235,344	-
Depreciation	231,977	231,977	-
Environmental Compliance	368,349	368,349	-
Fuel	5,630,207	-	5,630,207
Hauling Charge	66,061	66,061	-
Human Resources	484,267	484,267	-
I/C Disposal Expenses	36,388,014	7,277,603	29,110,411
Recycling Processing	47,827,001	9,565,400	38,261,601
IT Services	1,823,200	1,823,200	-
Lease expenses	11,783,598	11,783,598	-
Liability Insurance	2,790,951	2,790,951	-
Licenses & Permits	1,621,437	1,621,437	-
O/S Billing Services	302,532	272,279	30,253
O/S Disposal Charges	19,165	19,165	-
O/S Equipment Rental	54,967	54,967	-
Office Expense	342,221	342,221	-
Parts	1,625,248	1,462,723	162,525
Postage	299,732	269,759	29,973
Professional Services	679,089	679,089	-
Property Rental	1,235,383	1,235,383	-
Repairs & Maintenance	1,124,517	1,012,065	112,452
Security & Janitorial	368,533	368,533	-
Supplies	1,159,220	1,043,298	115,922
Sustainability	168,138	168,138	-
Taxes	1,220,380	1,220,380	-
Telephone	344,708	310,237	34,471
Tires & Tubes	477,624	429,862	47,762
Utilities	349,778	349,778	-
T&G Fuel Allocation	-	-	-
T&G Maintenance Allocation	(53,463)	(53,463)	-
New Project Costs		-	-
Other Expenses	1,678,971	1,678,971	-
Total Operating Expenses	**224,574,873**	**140,525,930**	**84,048,943**
Total Cost Allocation Percent		62.57%	37.43%

Recology Sunset Scavenger / Recology Golden Gate
Table II - Fixed and Variable Allocation

Item Description	Fixed	Variable
Payroll	90%	10%
Payroll Taxes	90%	10%
Pension	90%	10%
Health Insurance	90%	10%
Workers Compensation	90%	10%
Total Payroll & Related		
Bad Debt		100%
Bridge Tolls		100%
Building & Facility Repair	100%	
Contract Services	100%	
Corporate Accounting Services	100%	
Corporate Management	100%	
Depreciation	100%	
Environmental Compliance	100%	
Fuel		100%
Freight (Hauling) Charge	100%	
Human Resources	100%	
I/C Disposal Expenses	20%	80%
Recycling Processing	20%	80%
IT Services	100%	
Lease expenses	100%	
Liability Insurance	100%	
Licenses & Permits	100%	
O/S Billing Services	90%	10%
O/S Disposal Charges	100%	
O/S Equipment Rental	100%	
Office Expense	100%	
Parts	90%	10%
Postage	90%	10%
Professional Services	100%	
Property Rental	100%	
Repairs & Maintenance	90%	10%
Security & Janitorial	100%	
Supplies	90%	10%
Sustainability	100%	
Taxes	100%	
Telephone	90%	10%
Tires & Tubes	90%	10%
Utilities	100%	
T&G Fuel Allocation		100%
T&G Maintenance Allocation	100%	
New Project Costs	100%	
Other Expenses	100%	

Rate Survey

As of January 31, 2013

armanino

Exh. 35

armanino

Introduction
Armanino LLP (Armanino) completes a periodic comprehensive survey of residential, multi-family and commercial solid waste rates throughout Northern California. The survey was last completed in Spring 2012. Recology San Francisco (the Company), has requested Armanino update the survey with a subset of more than 35 cities around the greater San Francisco bay area. As requested, the survey updated collection rates for 32 gallon residential service and 96 gallon and 2 yard (2YD) bin service for apartments. The commercial 2YD bin rate was used when no apartment specific rate was available for that size because, in most communities, apartments are charged commercial rates. Rates as reported are effective in January 2013.

All data collected for the updated survey is presented in **Table I - 32 g Residential, Table II - 2Yd Apartment, and Table III - 96 g Apartment**. We have also calculated and presented the average and median rates as well as a quartile analysis.

Results of Survey

Residential 32 Gallon Rate Analysis
As noted in **Table I**, residential rates ranged from \$14.64 to \$50.67, with an average rate of \$29.11 and a median rate \$28.83. San Francisco has a residential rate of \$27.91 ranking in the third quartile of the cities surveyed. All but one city offers a three bin (Black, Green and Blue) service as part of their set rate, and 27 out of 38 cities surveyed accept curbside food scraps as part the composting pickup service.

2 Yard Apartment Rate Analysis
Table II presents the results of the revised survey for 2 YD bin service. Only two cities, Fremont and San Bruno, were noted as having separate rates for apartments at the 24+ unit level used for comparison, which would require a 2YD bin. Two cities, Pleasanton and Sacramento, do not offer 2YD bin service to apartments. For the 2YD rates, Armanino found that rates ranged from \$117.44 to \$672.86, with the average rate of \$341.52 and median of \$303.98. San Francisco's rate of \$352.34 ranks in the second quartile. The reported rates do not address recycling and/or composting service. San Francisco provides those services without additional charge.

96 Gallon Apartment Rate Analysis
Table III presents the results for a subset of 21 cities that offer 96 gallon bin service for apartments. For the 96 gallon rates, Armanino found that rates ranged from \$36.30 to \$183.74 including composting, with the average rate of \$103.16 and median of \$89.92. San Francisco's rate of \$83.72 ranks in the third highest quartile. Two cities, Mill Valley and Corte Madera, offered 1YD rates as the minimum apartment size, and therefore comparable 96 gallon rates were not presented, but we believed it was worthwhile to demonstrate that composting including food scraps were included in the standard rate.

Largest 10 Cities
Table IV compares the top 10 cities by population to provide a better understand of how San Francisco compares to its relative peers with respect to residential and 2YD apartment rates. As the second largest city, San Francisco's residential rate is below the average, while the 2YD rate is the third highest, behind Fremont and Berkeley. Comparisons may not include all the same services provided in San Francisco (i.e. bulky item collection, unlimited recycling and composting).

Non-weekly Service
Additionally, Armanino was requested to research cities providing less than weekly services. Armanino identified 11 localities offering non-weekly service for trash, recycling, composting or some combination of the three. Most retained weekly garbage service and moved toward biweekly recycling and/or composting. See **Table V - Non-weekly Service** for specific details.

The information included in this survey and the accompanying Tables are as represented by the cities and/or companies providing collection services as of January 2013. Rates, standard bin sizes and services provided can change at any time. Armanino expects to complete our annual comprehensive rate survey again in spring 2013.

Table I - 32g Residential Rates

City	Rate	3 bins	Food composting
Piedmont	50.67	Yes	Yes
El Cerrito	39.99	yes	Yes
Mill Valley	38.53	Yes	Yes
Hayward	38.37	Yes	Yes
Albany	38.04	Yes	Yes
Los Altos Hills	37.41	Yes	Yes
San Jose	34.30	Yes	No
Unincorporated Franchised Area (Burlingame to Menlo Park)	33.45	Yes	Yes
Alameda	33.02	Yes	Yes
Belmont	32.02	Yes	Yes
Sacramento	31.99	Yes	No
Palo Alto	31.64	Yes	Yes
Sunnyvale	31.64	Yes	No
Corte Madera	31.57	Yes	Yes
Pleasanton	30.59	Yes	Yes
Richmond	30.51	Yes	Yes
Los Altos	29.20	Yes	Yes
San Rafael	29.01	Yes	Yes
Berkeley	28.93	Yes	Yes
Millbrae	28.73	Yes	No
Oakland	28.63	Yes	Yes
Fremont	28.17	Yes	Yes
San Francisco	**27.91**	**Yes**	Yes
San Carlos	27.69	Yes	Yes
South San Francisco	26.62	Yes	No
Redwood City	26.51	Yes	Yes
Colma	25.22	Yes	No
Milpitas	25.01	Yes	No
San Bruno	24.34	Yes	Yes
Daly City	24.33	Yes	No
Burlingame	23.85	Yes	Yes
Santa Clara	23.75	Yes	No
Los Gatos	22.34	Yes	No
San Mateo	20.85	Yes	Yes
Mountain View	20.70	Yes	No
Walnut Creek	18.80	Yes	Yes
Emeryville	17.27	Yes	Yes
Petaluma	14.64	Yes	Yes

Key Metrics	High	Low
Upper Quartile	50.67	31.99
Second Quartile	31.99	28.73
Third Quartile	28.73	24.33
Bottom Quartile	24.33	14.64
Median	28.83	
Average	29.11	

Table II - 2 YD Apartment Rates

City	Rate
Belmont	672.86
Mill Valley	626.44
San Bruno	584.16
Colma	579.05
Daly City	579.05
El Cerrito	516.47
Fremont	468.30
Albany	454.78
San Mateo	454.09
Berkeley	453.28
Piedmont	418.05
Unincorporated Franchised Area (Burlingame to Menlo Park)	410.77
Petaluma	383.14
San Francisco	**352.34**
Palo Alto	344.30
Richmond	330.59
San Rafael	323.26
Hayward	306.90
Burlingame	301.05
Corte Madera	283.72
Millbrae	264.03
Emeryville	262.22
South San Francisco	254.63
Alameda	251.56
Redwood City	247.84
San Carlos	247.81
Oakland	245.89
Santa Clara	242.39
Sunnyvale	241.79
Los Altos	229.15
Mountain View	186.90
Walnut Creek	184.94
Los Gatos	173.45
Milpitas	151.29
San Jose	150.64
Los Altos Hills	117.44
Pleasanton	N/A
Sacramento	N/A

Key Metrics	High	Low
Upper Quartile	672.86	418.05
Second Quartile	418.05	283.72
Third Quartile	283.72	229.15
Bottom Quartile	229.15	117.44
Median	303.98	
Average	341.52	

Table III - 96g Apartment Rates

City	MSW & Recycling Combined Rate	Composting rate (if not included in MSW/Recycling rate)	Total	Food composting	Composting notes
Belmont	108.08	75.66	183.74	Yes	
El Cerrito	119.97	48.80	168.77	Yes	64 gal is largest composting bin available
Berkeley	86.72	69.38	156.10	Yes	Composting offered to multi-family complexes with 10+ units.
San Carlos	88.40	66.32	154.72	Yes	
Unincorporated Franchised Area (Burlingame to Menlo Park)	84.21	63.16	147.37	Yes	
San Mateo	71.91	57.95	129.86	Yes	
Burlingame	70.80	53.10	123.90	Yes	
Alameda	80.14	21.45	101.59	Yes	
Albany	93.45		93.45	Yes	
San Jose	89.92		89.92		Composting not offered
Los Altos	87.60		87.60	Yes	
Millbrae	86.18		86.18		
South San Francisco	84.91		84.91		
San Francisco	**83.72**		**83.72**	Yes	
Daly City	76.74		76.74		
Colma	72.51		72.51		
Sunnyvale	45.64		45.64		
Sacramento	26.62	10.35	36.97		
Pleasanton	36.30		36.30		Composting not offered
Mill Valley	N/A		N/A	Yes	*See Note 1*
Corte Madera	N/A		N/A	Yes	*See Note 1*

Note 1--Composting included in minimum apartment rate (1YD)

Key Metrics	High	Low
Upper Quartile	183.74	123.9
Second Quartile	123.9	86.18
Third Quartile	86.18	45.64
Bottom Quartile	45.64	36.30
Median	89.92	
Average	103.16	

Table IV - Largest 10 Cities

City	Population	32-35 gal Rate	3 bins	Food composting included	2 YD Rate
Hayward	144,186	$ 38.37	Yes	Yes	$ 306.90
San Jose	945,942	$ 34.30	Yes	No	$ 150.64
Sacramento	466,488	$ 31.99	Yes	No	N/A
Sunnyvale	140,081	$ 31.64	Yes	No	$ 241.79
Richmond	103,701	$ 30.51	Yes	Yes	$ 330.59
Berkeley	112,580	$ 28.93	Yes	Yes	$ 453.28
Oakland	390,724	$ 28.63	Yes	Yes	$ 245.89
Fremont	214,089	$ 28.17	Yes	Yes	$ 468.30
San Francisco	**805,235**	**$ 27.91**	**Yes**	**Yes**	**$ 352.34**
Santa Clara	116,468	$ 23.75	Yes	No	$ 242.39
Highest		$ 38.37			$ 468.30
Lowest		$ 23.75			$ 150.64
Average		$ 30.42			$ 310.24

Table V - Nonweekly Service

City	State	Trash	Recycling	Composting	Special conditions
Citrus Heights	CA	Wk	Bi	Bi	
Rancho Cordova	CA	Wk	Bi*	Bi*	* Alternating
Sacramento	CA	Wk	Bi	Unk	
Bloomington	IN	Wk	Bi	Bi	
Hamilton	MA	Bi*	Bi*	Bi*	* Option for weekly fee
Hopkins	MN	Wk	Bi	N/A	
Portland	OR	Bi	Wk	Wk	
Cecil Township	PA	Wk	Mo	Unk	
Olympia	WA	Bi*	Bi*	Bi	* Alternating
Seattle	WA	Wk	Bi	Wk	
Tacoma	WA	Bi	Bi	Bi*	* Alternating

Legend: Wk = weekly; Bi = biweekly; Mo = monthly; Unk = not reported

Recology Sunset Scavenger/Recology Golden Gate

Rate Application, Schedule G.3

Health Insurance & Postretirement Expenses

	Actual		Projection	Rate Application
Health Insurance	RY 2011	RY 2012	RY 2013	RY 2014
Monthly Rate	1,632	1,739	1,912	2,031
No. of Months/Year	12	12	12	12
Annual Rate	19,579	20,863	22,944	24,377
Actual Headcount	581	577	594	623
Health Insurance	**11,374,697**	**12,038,214**	**13,632,275**	**15,186,672**
Reinsurance Fees				
Annual Rate	-	-	-	110
No. of Enrollment (Dependent & Employee)				1,921
Self Insured Prescription	-	-	-	211,310
Annual Rate	-	-	-	110
No. of Enrollment (Dependent & Employee)				273
Fully Insured Prescription with Health Net	-	-	-	30,030
Reinsurance Fees	-	-	-	**241,340**
Postretirement Medical	RY 2011	RY 2012	RY 2013	RY 2014
Rule 84	3,696,610	949,976	-	-
RSP (See below)	1,855,910	2,138,138	2,801,963	3,347,641
Postretirement Medical	**5,552,520**	**3,088,114**	**2,801,963**	**3,347,641**
Health Insurance & Postretirement	**16,927,217**	**15,126,328**	**16,434,238**	**18,775,653**
Local 350 Union Retirement Security Plan (RSP)				
Regular RSP				
Increase Effective Month			Jul-12	Jul-13
Increase %				*11.00%*
Regular Monthly Rate			441.93	490.54
Supplemental RSP				
Increase Effective Month			Oct-12	Jul-13
Increase %			*10.0%*	*10.0%*
Supplemental Monthly Rate			44.19	49.05
Rate Year	RY 2011	RY 2012	RY 2013	RY 2014
Total Monthly Rate	355	399	475	540
No. of Months/Year	12	12	12	12
Annual Rate	4,263	4,783	5,701	6,475
Actual Union Headcount	480	480	492	517
Postretirement	2,048,133	2,294,343	2,801,963	3,347,641
Phase in adjustment	(192,223)	(156,205)		
	1,855,910	**2,138,138**	**2,801,963**	**3,347,641**

Exh. 36

03/14/2013

Updated 03/04/2013

Health Insurance
Base Costs
Sunset & Golden Gate

			Participants		Monthly Charges		Current Monthly Rate		*Weighted Average Inflation Rate*		Projected Monthly Rate			
Benefit Type	Plan	Type	Number	*% of Total*	Amount	*% of Total*	Rate	*% of Average*	*CY 2013*	*CY 2014*	CY 2013	CY 2014	RY 2013	RY 2014
Medical	Aetna EPO	One	31	*5.4%*	22,893	*2%*	738	*45%*						
		Two	60	*10%*	84,807	*9%*	1,413	*87%*						
		Family	179	*31%*	367,561	*39%*	2,053	*126%*						
	Aetna EPO Total		270	*47%*	475,262	*50%*	1,760	*108%*						
	Aetna PPO	One	2	*0%*	1,380	*0%*	690	*42%*						
		Two	10	*2%*	13,194	*1%*	1,319	*81%*						
		Family	15	*3%*	28,756	*3%*	1,917	*118%*						
	Aetna PPO Total		27	*5%*	43,330	*5%*	1,605	*98%*						
	Health Net - HMO	One	9	*2%*	6,515	*1%*	724	*44%*						
		Two	15	*3%*	21,685	*2%*	1,446	*89%*						
		Family	57	*10%*	119,483	*13%*	2,096	*129%*						
	Health Net - HMO Total		81	*14%*	147,684	*16%*	1,823	*112%*						
	Kaiser - N. Cal	One	32	*6%*	18,323	*2%*	573	*35%*						
		Two	31	*5%*	35,609	*4%*	1,149	*70%*						
		Family	136	*24%*	220,996	*23%*	1,625	*100%*						
	Kaiser - N. Cal Total		199	*34%*	274,928	*29%*	1,382	*85%*						
Medical Total			**577**	***100%***	**941,204**	***100%***	**1,631**	***100%***	*6.2%*	*6.6%*	1,733	1,847	1,682	1,790
Dental	Delta Care	One	4	*1%*	89	*0%*	22	*13%*						
		Two	3	*1%*	110	*0%*	37	*21%*						
		Family	16	*3%*	864	*1%*	54	*31%*						
	Delta Total		23	*4%*	1,063	*1%*	46	*26%*						
	Delta Preferred	One	75	*13%*	6,645	*7%*	89	*50%*						
		Two	134	*23%*	19,322	*19%*	144	*82%*						
		Family	345	*60%*	74,508	*73%*	216	*123%*						
	Delta Preferred Total		554	*96%*	100,475	*99%*	449	*255%*						
Dental Total			**577**	***100%***	**101,538**	***100%***	176	***100%***	*5.9%*	*6.6%*	186	199	181	193
Other	EAP		577		1,275		2							
	Healthy Roads		100		492		5							
	Life (basic & dep)		577		20,919		36							
	LTD/STD		575		5,409		9							
Other Total			**577**		**28,095**		**49**		*0.0%*	*0.0%*	49	49	49	49
Total H&W							**1,856**						**1,912**	**2,031**

5/ 1/

Distribution of Participants by Plan Type

Benefit Type	One	Two	Family	Total
Medical	74	116	387	577

2/

3/

Recology Inc
San Francisco Rate Application
Health and Welfare Costs - Current and 2012 Base

	Sunset Scavenger	Recology SF
Medical Plans -		
Current monthly cost	8/ 941,204	554,283
Current number of participants	577	399
Current monthly cost per participant	4/ 1,631	6/ 1,389
Projected increase	8/ 6.2%	6.2%
Estimated monthly cost as of January 1, 2013	4/ 1,733	6/ 1,476
Dental Plans -		
Current monthly cost	9/ 101,538	61,146
Current number of participants	577	399
Current monthly cost per participant	4/ 176	6/ 153
Projected increase	9/ 5.9%	5.9%
Estimated monthly cost as of January 1, 2013	4/ 186	6/ 162
Other H & W Benefits -		
Current monthly cost	9/ 28,095	9/ 17,733
Current number of participants	577	366
Current monthly cost per participant	4/ 49	6/ 48
Projected increase	0.0%	0.0%
Estimated monthly cost as of January 1, 2013	4/ 49	6/ 48
Total calculated cost per participant January 1, 2013	4/ 1,968	1,687

4/

Recology Inc
San Francisco Rate Application
Health and Welfare Costs - Sunset Scavenger and Golden Gate

	CY 2012	CY 2013	CY 2014
Medical Plans -			
Medical inflation factor *		6.2%	10/ 6.6%
Estimated monthly medical cost	3/ 1,631	3/ 1,733	1,847
Dental Plans -			
Dental inflation factor **		5.9%	10/ 6.6%
Estimated monthly dental cost	3/ 176	3/ 186	199
Other H & W Benefits -			
Other benefits inflation factor ***		0.0%	0.0%
Estimated monthly other benefit cost	3/ 49	49	49
Combined monthly cost per participant	1,856	3/ 1,968	2,095
Weighted average inflation rate		6.0%	6.4%

5/

Recology Inc
San Francisco Rate Application
Health and Welfare Costs - Sunset Scavenger and Golden Gate

	Rate Year 2013 *	Rate Year 2014 **
Estimated monthly medical cost for each rate year	1,682	1,790
Estimated monthly dental cost for each rate year	181	193
Estimated monthly other benefits cost for each rate year	49	49
Combined monthly cost for each rate year	**1,912**	**2,031**

2/

* Represents 50% of CY 2012 and 50% of CY 2013 from 4/
** Represents 50% of CY 2013 and 50% of CY 204 from 4/

Recology Inc
San Francisco Rate Application
Health and Welfare Costs - Recology SF

	CY 2012	CY 2013	CY 2014
Medical Plans -			
Medical inflation factor *		6.2%	6.6%
Estimated monthly medical cost	1,389	1,476	1,573
Dental Plans -			
Dental inflation factor **		5.9%	6.6%
Estimated monthly dental cost	153	162	173
Other H & W Benefits -			
Other benefits inflation factor ***		0.0%	0.0%
Estimated monthly other benefit cost	48	48	48
Combined monthly cost per participant	1,591	1,687	1,795
Weighted average inflation rate		6.0%	6.4%

7/

Recology Inc
San Francisco Rate Application
Health and Welfare Costs - Recology SF

	Rate Year* 2013	Rate Year** 2014
Estimated monthly medical cost for each rate year	1,433	1,525
Estimated monthly dental cost for each rate year	158	168
Estimated monthly other benefits cost for each rate year	48	48
Combined monthly cost per participant at July 1, 20xx	1,639	1,741

* Represents 50% of CY 12 / 50% of CY 13 from 6/

** Represents 50% of CY 13 / 50% of CY 14 from 6/

8/

Recology Inc
San Francisco H&W Costs
2012/2013

Medical Plan	Code	Type	D 1001	E 1051	F 1084	(A) Number of Participants		(B) Current Rates		(C) Projected Rates	(A)x(B)x6 July - Dec 2012	(A)x(C)x6 Jan - June 2013	Current monthly costs: D×B 1001 Costs	Current monthly costs: E×B 1051 Costs	Current monthly costs: F×B 1064 Costs	Projected Costs: D×G 1001 Costs	Projected Costs: E×G 1051 Costs	Projected Costs: F×G 1064 Costs
Aetna PPO	248	One	0	1	6	7	13/	689.37	14/	748.41	28,953.54	31,349.22	0.00	689.37	4,138.22	0.00	746.41	4,478.46
Aetna PPO	248	Two	2	7	4	13		1,319.15		1,428.30	102,893.70	111,407.40	2,838.30	9,234.05	5,276.60	2,858.60	9,998.10	5,713.20
Aetna PPO	248	Family	9	5	2	16		1,916.85		2,075.45	184,017.60	199,243.20	17,251.65	9,584.26	3,833.70	18,679.05	10,377.25	4,150.90
Aetna PPO	280	One	1	0	2	3	13/	690.66	14/	747.80	12,431.88	13,460.40	690.66	0.00	1,381.32	747.80	0.00	1,495.60
Aetna PPO	280	Two	0	1	2	3		1,321.62		1,430.98	23,789.16	25,757.64	0.00	1,321.62	2,643.24	0.00	1,430.90	2,881.98
Aetna PPO	260	Family	1	0	1	2		1,920.42		2,079.32	23,045.04	24,951.84	1,920.42	0.00	1,920.42	2,079.32	0.00	2,079.32
Aetna EPO	285	One	2	3	3	8	13/	739.21	14/	800.37	35,482.08	38,417.76	1,470.42	2,217.63	2,217.63	1,600.74	2,401.11	2,401.11
Aetna EPO	285	Two	8	12	2	22		1,414.55		1,531.59	186,720.80	202,189.88	11,316.40	16,974.60	2,829.10	12,252.72	18,379.08	3,063.18
Aetna EPO	285	Family	9	17	9	35		2,055.43		2,225.50	431,640.30	467,355.00	18,498.87	34,942.31	18,488.87	20,029.50	37,833.50	20,029.50
Aetna EPO	289	One	7	19	7	33	13/	738.36	14/	799.46	146,195.28	158,293.08	5,168.52	14,028.84	5,168.52	6,596.22	15,109.74	5,596.22
Aetna EPO	289	Two	10	30	14	54		1,412.91		1,529.82	457,782.84	495,861.68	14,129.10	42,387.30	19,780.74	15,298.20	45,894.60	21,417.48
Aetna EPO	289	Family	53	100	25	178		2,053.07		2,222.95	2,192,678.76	2,374,110.60	108,812.71	205,307.00	51,326.75	117,816.35	222,295.00	55,573.75
Health Net - HMO	303	One	1	2	5	8	26/	728.92	25/	771.36	34,988.16	37,025.28	728.92	1,457.84	3,844.60	771.38	1,542.72	3,856.80
Health Net - HMO	303	Two	1	9	18	28		1,450.45		1,535.33	226,270.20	239,511.48	1,450.45	13,054.05	23,207.20	1,535.33	13,817.97	24,565.28
Health Net - HMO	303	Family	19	26	45	90		2,099.12		2,221.89	1,133,524.80	1,199,820.60	39,883.28	54,577.12	94,460.40	42,215.91	57,789.14	99,985.05
Health Net - HMO	318	One	4	2	2	8	28/	721.45	25/	749.00	34,829.80	35,952.00	2,885.80	1,442.90	1,442.90	2,996.00	1,498.00	1,498.00
Health Net - HMO	316	Two	5	0	2	7		1,438.09		1,491.18	60,315.78	62,829.58	7,180.45	0.00	2,872.18	7,455.90	0.00	2,982.36
Health Net - HMO	316	Family	5	3	8	16		2,078.29		2,157.98	199,515.84	207,166.08	10,391.45	6,234.87	16,628.32	10,709.90	6,473.94	17,263.84
Health Net - HMO	393	Two	0	0	2	2	28/	1,450.46	25/	1,535.33	17,405.40	18,423.96	0.00	0.00	2,900.90	0.00	0.00	3,070.68
Health Net - HMO	393	Family	2	2	2	6		2,099.12		2,221.89	75,568.32	79,988.04	4,198.24	4,198.21	4,198.24	4,443.78	4,443.78	4,443.78
Health Net - HMO	396	Two	0	0	1	1		1,438.09		1,491.18	8,616.54	8,947.08	0.00	0.00	1,438.09	0.00	0.00	1,491.18
Kaiser - N. Cal	403	One	7	16	80	103	15/	575.24	29/	601.87	355,498.32	371,955.66	4,020.68	9,203.84	46,019.20	4,213.09	9,629.92	48,149.60
Kaiser - N. Cal	403	Two	8	22	37	65		1,150.48		1,203.74	448,687.20	469,458.60	6,902.88	25,310.56	42,587.76	7,222.44	26,482.28	44,538.38
Kaiser - N. Cal	403	Family	42	79	112	233		1,627.90		1,703.30	2,275,804.20	2,381,213.40	68,371.80	128,604.10	182,324.80	71,538.60	134,560.70	190,769.60
Kaiser - N. Cal	418	One	4	5	1	10	15/	565.85	19/	569.57	33,951.00	34,174.20	2,263.40	2,829.25	565.85	2,278.28	2,847.85	569.57
Kaiser - N. Cal	418	Two	2	1	3	6		1,131.71		1,139.15	40,741.66	41,009.40	2,263.42	1,131.71	3,395.13	2,278.30	1,139.15	3,417.46
Kaiser - N. Cal	418	Family	5	10	6	21		1,601.37		1,611.90	201,772.62	203,089.40	8,008.85	18,013.70	9,608.22	8,059.50	18,119.00	9,671.40
		Total	205	372	399	976		48,361.05		51,252.59	8,972,920.32	9,532,552.44	340,458.67	600,745.15	554,202.90	382,754.89	640,870.22	585,133.63

6.2% ↑ 3/

941,204 3/

3/

9/

Recology Inc
San Francisco H&W Costs
2012/2013

Dental Plan	Code	Type	1001	1051	1064	(A) Number of Participants	(B) Current Rates	(C) Projected Rates	(A)x(B)x6 July - Dec 2012	(A)x(C)x6 Jan - June 2013	Current costs 1001 Costs	Current costs 1051 Costs	Current costs 1064 Costs	Projected Costs 1001 Costs	Projected Costs 1051 Costs	Projected Costs 1064 Costs
Delta Care	713 / 714 / 715	One	0	4	13	17	17/ 22.21	23/ 22.88	2,265.42	2,333.78	0.00	88.84	280.73	0.00	91.52	297.44
Delta Care	713 / 714 / 715	Two	1	2	10	13	36.82	37.72	2,856.36	2,942.16	36.62	73.24	366.20	37.72	75.44	377.20
Delta Care	713 / 714 / 715	Family	8	10	17	33	54.01	55.83	10,693.98	11,014.74	324.06	540.10	918.17	333.78	558.30	945.71
Delta Preferred	717	One	11	10	7	28	13/ 87.91	14/ 93.17	14,768.88	15,652.56	967.01	879.10	615.37	1,024.87	931.70	652.19
Delta Preferred	717	Two	15	18	15	48	142.92	151.47	41,160.98	43,623.36	2,143.80	2,572.56	2,143.80	2,272.05	2,726.46	2,272.05
Delta Preferred	717	Family	19	26	18	63	213.67	226.45	80,767.26	85,598.10	4,059.73	5,555.42	3,846.06	4,302.55	5,887.70	4,078.10
Delta Preferred	817	One	18	38	87	141	13/ 88.86	14/ 94.17	75,175.56	79,667.82	1,421.76	3,378.68	7,730.82	1,506.72	3,578.46	8,192.79
Delta Preferred	817	Two	25	76	69	170	144.81	153.28	147,502.20	156,325.20	3,815.25	10,990.36	9,978.09	3,831.50	11,847.76	10,574.94
Delta Preferred	817	Family	112	188	183	483	216.31	229.25	600,909.18	836,856.50	24,226.72	40,666.28	35,258.53	25,870.00	43,089.00	37,367.75
		Total	205	372	399	978	1,252.14	1,324.59	976,099.80	1,034,014.20	36,794.95	64,742.58	61,145.77	38,985.19 A	68,594.34 A	64,758.17 3/

Other Benefits	1001	1051	1064	Number of Participants	Current Rates	Projected Rates	July - Dec 2012	Jan - June 2013	1001 Costs	1051 Costs	1064 Costs	1001 Costs	1051 Costs	1064 Costs
EAP	205	372	366	943	2.21	2.21	12,504.18	12,504.18	453.05	822.12	808.86	453.05	822.12	808.88
Life (basic & dep)	205	372	366	943	36.25	36.25	205,130.48	205,130.48	7,432.26	13,486.84	13,269.31	7,432.28	13,486.84	13,269.31
LTD/STD	205	370	366	941	9.41	9.41	53,114.15	53,114.15	1,928.62	3,480.74	3,443.11	1,928.52	3,480.74	3,443.11
Healthy Roads	46	54	43	143	4.92	4.92	4,219.58	4,219.56	226.22	265.57	211.47	226.22	285.57	211.47
Total	661	1160	1141	2970	52.79	52.79	274,968.37	274,988.37	10,040.05	18,055.26	17,732.75	10,040.05	18,055.26	17,732.75 3/
							15.43	15.43						
Grand Total							10,223,988.49	10,841,535.01	387,293.67	883,542.99	833,161.42	411,780.13	727,519.82	667,822.55

5.9% ↑ 3/

28,095 3/

Σ(A) = 101,538 3/

S:\Corporate\Corporate Finance\Adam\SF Rates\H&W\H and W- AT v5_Weighted_Average_Enrollment_HC v4

3/17/2013 8:05 AM

10/

Anil Prakash

Four Embarcadero Center, Suite 400
San Francisco, CA 94111-4156
+1 415 743 5814
anil.prakash@mercer.com
www.mercer.com

MERCER

Adam Tabak
Corporate Controller
Recology Inc.
50 California St, 24th Floor
San Francisco
CA 94111-9796

March 8, 2013

Subject: Five Year Historical Weighted Average Trend

Dear Adam

This letter references Mercer's estimate of Recology's five-year historical weighted average trend for the active San Francisco employee population. Based on the calculation methodology detailed below, we estimate that this trend is **6.6%** for the combined medical and dental costs.

6/

Methodology

We received historical rate data that included fully insured medical and dental renewal rate increases as well as the self insured medical fully insured equivalent rate increases for the years 2008-2012. These rates relate to the medical and dental plans that cover Recology's active San Francisco population. The rates were provided by Recology's former broker AonHewitt and have not been independently validated by Mercer.

The annual rate increases are listed below:

	5 Year Weighted Ave	2012	2011	2010	2009	2008
Aetna PPO	**6.55%**	7.4%	10.3%	0.0%	5.0%	10.0%
Aetna EPO	**6.52%**	7.4%	10.3%	0.0%	4.7%	10.0%
Kaiser CA	**7.52%**	4.5%	16.3%	0.2%	12.2%	0.0%
Health Net	**7.48%**	6.8%	11.7%	2.3%	10.5%	3.7%
Delta Dental	**3.32%**	0.2%	6.7%	3.9%	0.0%	10.6%
DeltaCare DHMO	**3.45%**	5.5%	3.0%	2.5%	2.5%	0.0%
Magellan - EAP	**0.00%**	0.0%	0.0%	0.0%	0.0%	0.0%

We have calculated the five-year weighted average trend adjustments by plan using 5:4:3:2:1 weighting. This means that the most recent year's trend is given a weighting of 5, the previous

MERCER

year is given a weighting of 4 and so on with the earliest year getting a weighting of 1. This methodology gives higher credibility to more recent years' experience, as these years are likely to be more representative of current market conditions and Recology's current demographics and claims experience.

After calculating the weighted average trend by plan, a combined rate is produced by weighting each rate by the projected 2013 claims cost for each plan. This produces a combined medical and dental rate of 6.6%.

Observations

These trends have been specifically developed based on the specific five-year historical trend, as requested by Recology to estimate the inflationary health care cost increases in rate years 2014, 2015 and 2016. For an employee population of this size Mercer does not typically use historical trend experience when projecting future costs. For groups with fewer than 10,000 employees trend figures can be volatile and do not typically observe a predictable pattern. For this reason we would tend to use a more general trend rate based on market experience and conditions when projecting future costs.

We have performed a similar analysis to the above based on Mercer's guideline trend assumptions for the same five-year period issued by Mercer's Actuarial and Financial Group. This analysis produces a combined medical/dental trend rate of 8.7%.

All estimates are based upon the information available at a point in time, and are subject to unforeseen and random events. Therefore, any projection must be interpreted as having a likely range of variability from the estimate. Any estimate or projection may not be used or relied upon by any other party or for any other purpose than for which it was issued by Mercer. Mercer is not responsible for the consequences of any unauthorized use.

Sincerely,

Anil Prakash

Anil Prakash FIA, FSA, MAAA
Senior Associate

11

Anil Prakash

Four Embarcadero Center, Suite 400
San Francisco, CA 94111-4156
+1 415 743 8878
anil.prakash@mercer.com
www.mercer.com

MERCER

Adam Tabak
Corporate Controller
Recology Inc.
50 California St, 24th Floor
San Francisco
CA 94111-9796

March 8, 2013

Subject: Rate Development Methodology

Dear Adam

This letter references the development of Recology's 2012 and 2013 self insured medical and dental rates by Mercer. The methodology used to develop these rates is outlined below.

Methodology

Mercer uses underwriting techniques, based on actuarial guidelines, to project the future plans costs for the self-funded plans.

The key factor in projecting future results is the prior experience of a group, especially when the group consists of a large population. The process of forecasting past claims experience into the future takes into account plan designs, member demographics, trends and group credibility. These processes are widely accepted within the insurance market as the standard to establishing budget and premium levels that are appropriate to cover future risks.

As a starting point to developing the 2012 and 2013 calendar year funding rates, Mercer collected monthly paid claims and enrollment for Recology's medical, pharmacy and dental self-funded plans from Aetna and Delta Dental.

The average cost per enrolled employee was then calculated by dividing the total claims paid (adjusted for stop loss recoveries and any prior plan design changes) by the average number of enrolled employees in each plan on a 2 month lagged basis.

Once the average claims costs per employee were calculated, claims costs were projected to the future plan year period by application of trend factors. The trend factors used in the projections are within the acceptable trend ranges published by Mercer's Actuarial and Financial Group.

12

MERCER

These guidelines are published for active medical and dental populations, by benefit plan and product. They fall within the framework established by the Actuarial Standards Board, which has responsibility for the development of actuarial standards of practice used by all professional organizations.

The primary components of trend include the following:

- Inflation in unit prices for the same services
- Changes in utilization of the same services
- Out-of-pocket leveraging
- New technology/services (increases or decreases depending on the mix and cost of services)
- Cost shifting from public payors (Medicare and Medicaid) to private plan payors
- Population aging

After application of trend, no claims margin was added to the projection.

The last step is the addition of the administrative and stop loss fees to the projected costs. The combination of the administrative fees and trended claims costs allows us to establish funding levels that are appropriate to cover future risks. Once the required funding increases for medical and dental coverage are calculated, these increases are applied evenly to the rates of the respective plans.

It is important to remember that these projections are only estimates. As with all estimates, they are based upon the information available at the point in time and are subject to unforeseen and random events. They must be interpreted as having a likely range of variability from the point estimate.

Sincerely,

Anil Prakash

Anil Prakash FIA, FSA, MAAA
Senior Associate

13/

2012 Rates for Actives Only

- Rates developed using active experience only
- 0% claims margin
- Underwriting was prepared in aggregate, with any rates changes from 2012 budget being applied uniformly across plans of the same type
- All other assumptions and methods remain same as presented for the 2013 budget renewal (or 2012 actual where applicable)

Medical, Prescription Drug, and Vision:

Medical, Prescription Drug, and Vision	Enrolled Employees (June 2012)	2012 Rates
PPO Regular		
Employee Only	7	$690.66
Employee + One Dependent	10	$1,321.62
Employee + Family	15	$1,920.42
Total	32	$562,285
PEPY		$17,571
PPO Enhanced		
Employee Only	8	$689.37
Employee + One Dependent	13	$1,319.15
Employee + Family	16	$1,916.85
Total	37	$640,002
PEPY		$17,297
EPO Regular		
Employee Only	22	$739.21
Employee + One Dependent	51	$1,414.55
Employee + Family	95	$2,055.43
Total	168	$3,404,046
PEPY		$20,262
EPO Enhanced		
Employee Only	36	$738.35
Employee + One Dependent	51	$1,412.91
Employee + Family	179	$2,053.07
Total	266	$5,593,667
PEPY		$21,029
Passive PPO Regular		
Employee Only	3	$690.66
Employee + One Dependent	9	$1,321.62
Employee + Family	14	$1,920.42
Total	26	$490,229
PEPY		$18,855
Passive PPO Regular - Crestline/Panaca		
Employee Only	4	$400.05
Employee + One Dependent	0	$765.61
Employee + Family	0	$1,112.36
Total	4	$19,202
PEPY		$4,801
Passive PPO Regular - Grover/Stockton		
Employee Only	7	$458.84
Employee + One Dependent	6	$984.96
Employee + Family	7	$1,499.41
Total	20	$233,970
PEPY		$11,699

Medical, Prescription Drug, and Vision	Enrolled Employees (June 2012)	2012 Total
GRAND TOTAL		
Employee Only	87	
Employee + One Dependent	140	
Employee + Family	326	
Total	553	$10,943,402
PEPY		$19,789

Dental:

Dental	Enrolled Employees (June 2012)	2012 Rates
Delta Dental PPO 1500		
Employee Only	9	$47.22
Employee + One Dependent	9	$129.66
Employee + Family	12	$129.66
Total	30	$37,774
PEPY		$1,259
Delta Dental PPO 3000		
Employee Only	94	$87.91
Employee + One Dependent	134	$142.92
Employee + Family	201	$213.67
Total	429	$844,350
PEPY		$1,968
Delta Dental PPO 4000		
Employee Only	110	$88.86
Employee + One Dependent	169	$144.61
Employee + Family	461	$216.31
Total	740	$1,607,191
PEPY		$2,172

Dental	Enrolled Employees (June 2012)	2012 Total
GRAND TOTAL		
Employee Only	213	
Employee + One Dependent	312	
Employee + Family	674	
Total	1,199	$2,489,315
PEPY		$2,076

All estimates are based upon the information available at a point in time, and are subject to unforeseen and random events. Therefore, any projection must be interpreted as having a likely range of variability from the estimate. Any estimate or projection may not be used or relied upon by any other party or for any other purpose than for which it was issued by Mercer. Mercer is not responsible for the consequences of any unauthorized use.

2013 Rates for Actives Only

- Rates developed using active experience only
- 0% claims margin
- Underwriting was prepared in aggregate, with the change from 2012 being applied uniformly across plans of the same type
- All other assumptions and methods remain same as presented for the 2013 budget renewal

Medical, Prescription Drug, and Vision:

Medical, Prescription Drug, and Vision	Enrolled Employees (June 2012)	2013 Rates	
PPO Regular			
Employee Only	7	$747.80	8/1
Employee + One Dependent	10	$1,430.98	
Employee + Family	15	$2,079.32	
Total	32	$608,810	
PEPY		$19,025	
PPO Enhanced			
Employee Only	8	$746.41	8/1
Employee + One Dependent	13	$1,428.30	
Employee + Family	16	$2,075.45	
Total	37	$692,957	
PEPY		$18,729	
EPO Regular			
Employee Only	22	$800.37	9/1
Employee + One Dependent	51	$1,531.59	
Employee + Family	95	$2,226.50	
Total	168	$3,685,701	
PEPY		$21,939	
EPO Enhanced			
Employee Only	36	$799.46	8/1
Employee + One Dependent	51	$1,529.82	
Employee + Family	179	$2,222.95	
Total	266	$6,056,513	
PEPY		$22,769	
Passive PPO Regular			
Employee Only	3	$747.80	
Employee + One Dependent	9	$1,430.98	
Employee + Family	14	$2,079.32	
Total	26	$530,792	
PEPY		$20,415	
Passive PPO Regular - Crestline/Panaca			
Employee Only	4	$433.16	
Employee + One Dependent	0	$828.85	
Employee + Family	0	$1,204.38	
Total	4	$20,791	
PEPY		$5,198	
Passive PPO Regular - Grover/Stockton			
Employee Only	7	$496.80	
Employee + One Dependent	6	$1,044.80	
Employee + Family	7	$1,623.47	
Total	20	$253,328	
PEPY		$12,666	

Medical, Prescription Drug, and Vision	Enrolled Employees (June 2012)	2013 Total
GRAND TOTAL		
Employee Only	87	
Employee + One Dependent	140	
Employee + Family	326	
Total	553	$11,848,893
PEPY		$21,427

Dental:

Dental	Enrolled Employees (June 2012)	2013 Rates	
Delta Dental PPO 1500			
Employee Only	9	$50.05	
Employee + One Dependent	9	$137.41	
Employee + Family	12	$137.41	
Total	30	$40,033	
PEPY		$1,334	
Delta Dental PPO 3000			
Employee Only	94	$93.17	9/1
Employee + One Dependent	134	$151.47	
Employee + Family	201	$226.45	
Total	429	$894,857	
PEPY		$2,086	
Delta Dental PPO 4000			
Employee Only	110	$94.17	9/1
Employee + One Dependent	189	$153.26	
Employee + Family	481	$229.25	
Total	740	$1,703,327	
PEPY		$2,302	

Dental	Enrolled Employees (June 2012)	2013 Total
GRAND TOTAL		
Employee Only	213	
Employee + One Dependent	312	
Employee + Family	674	
Total	1,199	$2,638,216
PEPY		$2,200

15/

AON Hewitt

September 28, 2011

Magdalena Gilberstadt
Kaiser Foundation Health Plan, Inc.
425 Market Street, Suite 925
San Francisco, CA 94105

Subject: Recology Inc.—Kaiser Renewal Effective January 1, 2012

Dear Magda,

Please accept this letter as confirmation that Recology Inc. will be renewing its medical coverage for the current population with Kaiser for the period of January 1, 2012 through December 31, 2012.

Kaiser Northern California Standard Plan Non-Union Plan 416	1/1/2012 Premium - PEPM
Employee Only	$565.85
Employee + One Dependent	$1,131.71
Employee + Family	$1,601.37
Commissions	Net of commissions

B/

Kaiser Northern California $250 Deductible Plan Non-Union Plan 417	1/1/2012 Premium - PEPM
Employee Only	$505.99
Employee + One Dependent	$1,011.99
Employee + Family	$1,431.96
Commissions	Net of commissions

Kaiser Northern California Enhanced Plan Union Plan 403, 468	1/1/2012 Premium - PEPM
Employee Only	$575.24
Employee + One Dependent	$1,150.48
Employee + Family	$1,627.92
Commissions	Net of commissions

B/

16/

Kaiser Southern California Standard Plan Non-Union Plan 515	1/1/2012 Premium - PEPM
Employee Only	$418.01
Employee + One Dependent	$836.02
Employee + Family	$1,182.97
Commissions	Net of commissions

2012 Plan Changes: No plan design changes and no mandatory plan changes.

Please review the above rates, sign the letter and return back to Aon Hewitt by September 30, 2011.

Your signature below indicates that you have reviewed the above information and commission schedules presented in this letter and agree to their accuracy.

Thank you for your assistance. Should you have any questions, please do not hesitate to contact me at 415-486-7510.

Sincerely,

Mechelle Medcalf Nelson

Mechelle Medcalf Nelson
Vice President

cc: Larissa Koroleva, Aon Hewitt
Jennifer Sweinberg, Aon Hewitt
Kristina Cox, Recology Inc.
Karen Fukuda, Recology Inc.
Jennifer Avrin, Recology Inc.

Name: Magdalena Gilberstadt

Signature: magdalena gilberstatt

Date: 9-30-2011

17/

AON Hewitt

September 28, 2011

Lois Cannon
Delta Dental of California
11155 International Drive MS A2S
Rancho Cordova, CA 95670

Subject: Recology Inc.—Delta Dental Renewal Effective January 1, 2012

Dear Lois,

Please accept this letter as confirmation that Recology Inc. will be renewing its dental coverage for the current population with Delta Dental for the period of January 1, 2012 through December 31, 2012.

Delta Dental Self-Funded Plans Administration Fee	1/1/2012 ASO Fee
Administration Fee – Dental PPO (Union and Non-Union Plans)	$7.74 PEPM
Commissions	Net of commissions

DHMO (Union and Non-Union)	1/1/2012 Premium – PEPM
Employee Only	$22.21
Employee + One Dependent	$36.62
Employee + Family	$54.01
Commissions	Net of commissions

9/

2012 Plan Changes—Delta Dental PPO Plan:

1. <u>California Non-Union:</u> Implement a frequency limitation of every 3 years on Panorex or panoramic films to mirror full mouth X-rays.
2. <u>All Plans:</u> No other plan changes; No State mandatory plan changes

18/

Please review the above administration fees, premium rates, plan changes, sign the letter and return back to Aon Hewitt by September 30, 2011.

Your signature below indicates that you have reviewed the above information and commission schedules presented in this letter and agree to their accuracy.

Thank you for your assistance. Should you have any questions, please do not hesitate to contact me at 415-486-7510.

Sincerely,

Mechelle Medcalf Nelson

Mechelle Medcalf Nelson
Vice President

cc: Larissa Koroleva, Aon Hewitt
Jennifer Sweinberg, Aon Hewitt
Kristina Cox, Recology Inc.
Karen Fukuda, Recology Inc.
Jennifer Avrin, Recology Inc.

Name: Lois Cannon

Signature: Lois Cannon

Date: 9/29/11

19

CONFIRMATION OF COVERAGE PLACEMENT

CARRIER/SERVICE PROVIDER NAME: Kaiser Permanente CA

Client / Legal name:	Recology Inc.
Definition of eligible employees:	All regular employees
Client / Insured Address:	50 California Street, 24th Floor, San Francisco, CA 94111-9796

This document will confirm placement of the following coverage(s):

☐ Basic Life	☒ Medical / HMO	☐ Dental / Prepaid
☐ Basic AD&D	☐ Medical / PPO	☐ Dental / PPO
☐ Supplemental Life	☐ Medical / POS	☐ Dental / PMI
☐ Supplemental AD&D	☐ Medical / Indemnity	☐ Vision
☐ Short Term Disability	☐ Voluntary Benefits	☐ Stop Loss (Agg. / Ind.)
☐ Long Term Disability	☐ Business Travel Accident	☐ Other -

Coverage will be effective on: 01/01/2013
For a period of: 12 months

POLICY # (renewal only): 35868 & 107186

Rates / fees (including any subsequent period caps or guarantees) for the above-referenced coverage(s) are:

Kaiser Northern California Regular HMO #35868-0000

	Employee	Employee+One	Family
Rate	$569.57 ✓	$1,139.15 ✓	$1,611.90 ✓

8/

Plan design changes:
- Add office visit copay to $15 ✓
- Add outpatient surgery copay of $100
- Add inpatient hospital copay of $100
- Increase emergency room copay to $100
- Increase chiropractic copay to $15
- Autism benefit per CA state mandate
- Non-Grandfathered status, mandated benefits apply (expansion of Women's Preventive Services)

Kaiser $250 Deductible #35868-0009

	Employee	Employee+One	Family
Rate	$530.31 ✓	$1,060.62 ✓	$1,500.78 ✓

Plan design changes:
- Autism benefit per CA state mandate
- Non-Grandfathered status, mandated benefits apply (expansion of Women's Preventive Services)

20/

Kaiser Northern California Enhanced HMO #35868-0005 &0008

	Employee	Employee+One	Family
Rate	$601.87	$1,203.74	$1,703.30

8/

Plan design changes:

- Autism benefit per CA state mandate
- Grandfathered status, mandated benefits do not apply (do not implement expansion of Women's Preventive Services)

Kaiser Southern California Regular HMO #107186-0000

	Employee	Employee+One	Family
Rate	$417.21	$834.42	$1,180.71

Plan design changes:

- Add office visit copay to $15
- Add outpatient surgery copay of $100
- Add inpatient hospital copay of $100
- Increase emergency room copay to $100
- Increase chiropractic copay to $15
- Autism benefit per CA state mandate
- Non-Grandfathered status, mandated benefits apply (expansion of Women's Preventive Services)

Kaiser Senior Advantage #35868-0007

	Individual Medicare	2 Party Medicare	2 Party Med/ NonMed	2 Party Med/ 1 NonMed	1 Party Med/ 2 NonMed
Rate	$433.02	$866.04	~~$1,037.48~~	~~$1,367.74~~	~~$1,639.18~~
			$1,034.89	$1,365.60	$1,534.45

Plan design changes:

- Autism benefit per CA state mandate
- Grandfathered status, mandated benefits do not apply (do not implement expansion of Women's Preventive Services)

Commissions: None

Conditions of Coverage

1. Group-specific requirements: None

2. Rates assume a 12-month policy period of 1/1/2013 through 12/31/2013 unless otherwise specified above.
Rating Assumptions:
The rates and benefits in this proposal include the Federal Health Care Reform requirements for dependent coverage to age 26 and the elimination of lifetime maximums, including durable medical equipment (DME) annual maximums for contracts with renewal dates of October 1, 2010 or later. KP reserves the right to modify the rates and benefits if we receive further clarification of Federal Health Care Reform requirements, or to incorporate other applicable Federal Health Care Reform requirements. In addition, Kaiser Permanente reserves the right to make any change in these rates and benefits due to changes in State or Federal legislation or regulatory action.

KP reserves the right to rerate if actual enrollment results in a +/-10% change in the rates from what was assumed at the time of this quote. Examples of changes that may impact rates include, but are not limited to, the following:

a. A change in the demographic factor.

b. A change in the average family size or subscriber distribution.
c. A change in the number of subscribers enrolled in KP.
d. A change in the number of plans offered alongside KP.
e. A change in the benefit design of a plan offered alongside KP.
f. A change in the employer contribution formula.

KP reserves the right to change the rates in the event the employer funds, or offers to fund, all or part of an individual or familydeductible, copayment or coinsurance which is applicable under the KP plan unless specifically noted in the Group-Specific Requirements above.

3. Participation and contribution requirements:
   a. Proposed rates and benefits assume 75% of overall eligible group employees enroll in a company-sponsored plan excluding those waiving for alternative group coverage.
   b. Proposal assumes employer pays at least 50% of the employee only cost and is non-discriminatory.

4. Quote assumes KP is offered alongside another health care plan KP must be offered on conditions that are no less favorable than those for other health care plans. Examples include, but are not limited to, the following:
   a. KP is offered to all eligible employees.
   b. KP has access to the employer and to the employees on the same basis as all other health care plans offered.
   c. The employer's contribution formula does not put KP in a disadvantaged position. Acceptable formulas include, but are not limited to, fixed employer dollar or percentage contribution.
   d. Basic and optional benefits such as DME, prescription drugs, and Infertility are comparable among all health care plans offered, however, KP will allow preventive services as defined by Health and Human Services (HHS) to vary if specifically approved by underwriting.
   e. KP is not offered alongside plans with pre-existing condition provisions, health condition exceptions or lifetime coverage limits.
   f. If early retirees are covered, the employer offers all health care plans to early retirees on the same basis.
   g. Eligibility rules such as dependent age limits and waiting periods for new hires are the same for all health care plans.
   h. No other plan is allowed preferential treatment that adversely affects KP.
   i. The number of employee subscribers enrolled in KP must be the greater of 5 or 5% of the total number of employees enrolled in all health plans in regions where KP is offered.
   j. Kaiser Permanente must NOT be offered along side an age-rated health care plan.

5. Product-specific participation requirements: Additional Kaiser Permanente Medicare Senior Advantage (KPSA), Medicare Plus or Medicare Cost Requirements:
   a. Members must have Medicare Parts A and B to enroll in Medicare Senior Advantage (KPSA), Medicare Plus or Medicare Cost and be eligible for Medicare rates. Members with only Part B may also enroll but their rates will be subject to a surcharge.
   b. Medicare eligible members must reside in the approved Medicare Senior Advantage (KPSA), Medicare Plus or Medicare Cost service areas to receive benefits for the group Medicare Senior Advantage (KPSA), Medicare Plus or Medicare Cost offering.
   c. Preliminary Medicare Senior Advantage (KPSA), Medicare Plus or Medicare Cost rates and benefits are subject to change.
   d. Medicare Senior Advantage (KPSA), Medicare Plus or Medicare Cost products may not be available for sale in all KP regions.

Additional Out-of-Area Product Requirements:
   a. All employees offered KP Out-of-Area products must reside and work outside the KP service area.

6. Proposal requires eligibility for KP plan based on the following:
   a. Employer - the employer cannot be considered a small group according to state law.
   b. Actives:
   · The employer must have an employer/employee relationship to those offered a KP Plan.
   · An eligible employee is defined as an active, permanent employee who is on the employer's payroll, and working a minimum of 20 hours per week. Temporary and Independent contractors (i.e., 1099

employees) are not eligible unless noted otherwise in this Rate Assumptions and Requirements document.
· The employee must live or work in the service area specific to the product they enroll in.
· 100% of eligible employees must be covered by Worker's Compensation, where mandated by law.
c. New enrollees: The probationary period for new employees is non-discriminatory and reflects no more than a 90-day waiting period unless noted otherwise in this Rate Assumptions and Requirements document.
d. COBRA
· It is the responsibility of the employer group to enroll eligible members into the KP COBRA plan in compliance with federal law.
· It is the employer's responsibility to comply with appropriate COBRA statutes.
· KP will generally include COBRA members as part of the group bill. If individual billing has been arranged, KP will assume responsibility for collecting premiums from COBRA members, only acting as a collection agent on behalf of the group, not as a fiduciary for the group. In addition, KP retains the authority to terminate a direct-billed member for non-payment.
e. Retirees
· Eligible early retirees must enroll in a health plan at the time of retirement and may later elect to enroll in a KP plan at open enrollment as long as they have maintained continuous enrollment in a health plan since the time of retirement.
· Early retirees under the age of 65 must be reported to KP and set up as a separate employee class or subgroup.
· Medicare eligible retirees cannot enroll in the active plan.
· Applicants for a Medicare Senior Advantage (KPSA), Medicare Plus or Medicare Cost plan must meet all the Medicare eligibility requirements, including those stated in this Rate Assumptions and Requirements document.
f. Dependents
· If an "in-area" employee has dependents that live outside the service area, the employee and dependents must be enrolled in the same product.

7. Compliance: KP reserves the right to make any change in the employer group's benefits and/or rates due to changes in State or Federal legislation or regulatory action.

8. Broker Payment: Brokers may be paid commissions and other financial incentives by Kaiser Permanente.

As an authorized representative, I accept this confirmation of coverage. By signing below, I acknowledge agreement with the rates and benefits described above and that subsequent contract(s) shall conform to this document unless otherwise agreed to in writing.

Authorized Representative:	Kali Sklove
Legal Name of Insurer/ Service Provider	Kaiser Permanente CA
Signature:	Kali S
Date:	9/13/12

This form must be signed and returned to Mercer prior to the effective date of coverage.

23/

CONFIRMATION OF COVERAGE PLACEMENT

CARRIER/SERVICE PROVIDER NAME: Delta Dental of California

Client / Legal name:	Recology Inc.
Definition of eligible employees:	All employees – Regular and Enhanced
Client / Insured Address:	50 California Street, 24th Floor, San Francisco, CA 94111-9796

This document will confirm placement of the following coverage(s):

☐ Basic Life	☐ Medical / HMO	☒ Dental / Prepaid
☐ Basic AD&D	☐ Medical / PPO	☒ Dental / PPO
☐ Supplemental Life	☐ Medical / POS	☐ Dental / HMO
☐ Supplemental AD&D	☐ Medical / Indemnity	☐ Vision
☐ Short Term Disability	☐ Voluntary Benefits	☐ Stop Loss (Agg. / Ind.)
☐ Long Term Disability	☐ Business Travel Accident	☐ Other – Commuter Benefit

Coverage will be effective on: 01/01/2013
For a period of: 24 Months

Policy #s: 00348 Delta Dental PPO
01424 Delta Care HMO

Rates / fees (including any subsequent period caps or guarantees) for the above-referenced coverage(s) are:

Dental PPO ASO Fee: $8.00 per employee per month

Delta Care Dental HMO:

Tier	Rates
Employee	$22.88
Employee+1	$37.72
Employee+2 or more	$55.63

9/1

Plan Changes: None

Plan Design: Reference Current EOCs

Commissions: None

24

Adam Tabak

From: Lois Cannon [LCannon@delta.org]
Sent: Friday, August 24, 2012 3:53 PM
To: Dowling, Erin
Cc: Fleming, Shannon; RichmanTapia, Lisa R; Miller, Serafina
Subject: FW: Recology: Delta Dental Confirmation of Coverage
Attachments: Recology Delta Dental COC 2013.pdf

Erin:
This is to confirm the attached Mercer confirmation regarding our mutual client Recology is correct.

Please let me know of any questions.

Lois Cannon | **Account Manager - Sales/Account Services** | lcannon@delta.org
office 916-861-2338| **cell phone** 916-761-5928 | **fax** 916-858-0327
Delta Dental of California | 11155 International Drive, MS A2S | Rancho Cordova, CA 95670
We keep you smiling® | deltadentalins.com

Check out our new dental wellness program for enrollees, the SmileWaySM Wellness Program at:
www.mysmileway.com

From: Dowling, Erin [mailto:erin.dowling@mercer.com]
Sent: Wednesday, August 22, 2012 11:00 AM
To: Lois Cannon
Cc: Fleming, Shannon; RichmanTapia, Lisa R; Miller, Serafina
Subject: Recology: Delta Dental Confirmation of Coverage

Hi Lois,

Attached please find the Mercer confirmation of coverage which outlines the Recology renewal rates and conditions for 2013. Please review and if acceptable, please sign and return to us at your earliest convenience. If you have any questions or concerns, please let us know.

Thank you for your help with this renewal.

Best,
Erin

Erin Dowling, Associate
Mercer | Four Embarcadero Center, Suite 400, San Francisco, CA 94111, USA
+1 415 823 6605 | Fax +1 415 743 8950 | erin.dowling@mercer.com
www.mercer.com | Mercer (US) Inc.
Services provided by Mercer Health & Benefits LLC
Mercer Health & Benefits LLC - California License # 0E75483

Adam Tabak

From: Miller, Serafina [Serafina.Miller@mercer.com]
Sent: Tuesday, February 26, 2013 2:46 PM
To: Kristina Cox
Cc: RichmanTapla, Lisa R; Fleming, Shannon; Kadurugamuwa, Udani; Prakash, Anil
Subject: Health Net Prescription Coverage Premium Equivalents

Hi Kristina,

Per our discussion, the prescription drug coverage portion of the Health Net HMO Regular and Enhanced plans are self-funded and administered by Medco/ESI. The self-funded premium equivalents are a function of applicable administrative fees and claims experience of the plans. The 2013 premium equivalent rates are as follows:

Carrier	Plan	Medical	2013 Claims Rx	Vision	Medical	2013 Admin Rx	Vision	2013 Total
Health Net	**HMO Regular (Group 61327)**							
	Employee Only	N/A	$77.58	N/A	N/A	$1.79	N/A	**$79.37**
	Employee + One Dependent	N/A	$148.46	N/A	N/A	$3.42	N/A	**$151.88**
	Employee + Family	N/A	$215.76	N/A	N/A	$4.98	N/A	**$220.74**
Health Net	**HMO Enhanced (Group 65018)**							
	Employee Only	N/A	$84.14	N/A	N/A	$1.79	N/A	**$85.93**
	Employee + One Dependent	N/A	$161.00	N/A	N/A	$3.42	N/A	**$164.42**
	Employee + Family	N/A	$233.99	N/A	N/A	$4.98	N/A	**$238.97**

A

Please let us know if you have any questions or need anything additional.

Regards,

Serafina

Serafina Miller, GBA, Senior Associate
Mercer | Four Embarcadero Center, Suite 400, San Francisco, CA 94111, USA
phone +1 415 743 8868 | fax +1 415 743 8950
serafina.miller@mercer.com

Assistant: Sara Padron | +1 415 743 8762
sara.padron@mercer.com

www.mercer.com | Mercer (US) Inc.

2013 Health Net Rates

Union		27/	A		
Plans 303393	One	685.43 +	85.93	=	771.36
	Two	1370.91 +	164.42	=	1535.33
	Fam	1982.92 +	238.97	=	2221.89
Non-Union		26/			
	One	669.63 +	79.37	=	749.00
Plans 316,396	Two	1339.30 +	151.88	=	1491.18
	Fam	1937.24 +	220.74	=	2157.98

25

26/

CONFIRMATION OF COVERAGE PLACEMENT

CARRIER/SERVICE PROVIDER NAME: Health Net

Client / Legal name:	Recology Inc.
Definition of eligible employees:	All employees
Client / Insured Address:	50 California Street, 24th Floor, San Francisco, CA 94111-9796

This document will confirm placement of the following coverage(s):

☐ Basic Life	☒ Medical / HMO	☐ Dental / Prepaid
☐ Basic AD&D	☐ Medical / PPO	☐ Dental / PPO
☐ Supplemental Life	☐ Medical / POS	☐ Dental / PMI
☐ Supplemental AD&D	☐ Medical / Indemnity	☒ Vision
☐ Short Term Disability	☐ Voluntary Benefits	☐ Stop Loss (Agg. / Ind.)
☐ Long Term Disability	☐ Business Travel Accident	☐ Other - Commuter Benefit

Coverage will be effective on: 01/01/2013
For a period of: 12 months

POLICY # (renewal only): 61327 & 65018

Rates / fees (including any subsequent period caps or guarantees) for the above-referenced coverage(s) are:

Health Net Regular HMO #61327 (Non-Grandfathered Plan)

	Employee	Employee+One	Family
Rate	$669.63	$1,339.30	$1,937.24

Non-Union

25/

Plan design changes:

- Increase office visit copay to $15
- Increase outpatient surgery copay to $100
- Increase inpatient copay to $100 (applies to any hospital stay)
- Increase emergency room copay to $100
- Increase chiropractic visit copay to $15
- Women's Preventive Services 100% coverage will expand to include new services (includes annual well-woman visits, screening for gestational diabetes, HPV DNA testing for women 30 years and older, sexually-transmitted infection counseling, HIV screening and counseling, FDA-approved contraception methods and contraceptive counseling, breastfeeding support, supplies, and counseling, and screening and Counseling for Interpersonal & Domestic Violence)
- Enhanced Autism Speech Therapy - plan now covers Behavioral Health Treatment for Autism Spectrum Disorders when the services are medically necessary

Med COB Rates

61327N	308.32	616.64
65018M	301.82	603.64

27/

Health Net Enhanced HMO #65018 (Grandfathered Plan)

	Employee	Employee+One	Family
Rate	$685.43	$1,370.91	$1,982.92

Union

25/

Plan design changes: None

Commissions: Graded Commission Schedule 10%

Conditions of Coverage:

1) Renewal action is based upon a specific subscriber count as stated in the renewal offer released. Health Net reserves the right to adjust rate if the enrolled EE count changes by 10% or more at any time during the renewal period.
2) Renewal assumes continuation of current carrier options, benefit options and current contribution levels.
3) 3) Any decrease in contribution is subject to Health Net approval. Employer contribution changes may impact the renewal rating.
4) The addition or deletion of any other health plan is not considered in the renewal rating.
5) Renewal assumes continuation of all products. If Rx is carved out, Health Net reserves the right to adjust the Medical rates appropriately.
6) The right to review the adequacy of the stated renewal action and adjust or rescind rates as needed if the addition or deletion of a health plan impacts Health Net enrollment by 10% or more.
7) Acceptance of the renewal by the policyholder constitutes agreement of the conditions of the renewal stated herein.
8) Health Net reserves the right to adjust the rates to compensate for any changes in government legislation or mandates affecting the plan offering.
9) The renewal assumes that benefit levels for injectables will remain consistent among all 2013 plan offerings. If that is not the case, Health Net reserves the right to adjust this renewal and/or proposed benefit levels.

As an authorized representative, I accept this confirmation of coverage. By signing below, I acknowledge agreement with the rates and benefits described above and that subsequent contract(s) shall conform to this document unless otherwise agreed to in writing.

Authorized Representative: Kevin King

Legal Name of Insurer/ Service Provider: Health Net

Signature: [signature]

Date: 10/9/2012

This form must be signed and returned to Mercer prior to the effective date of coverage.

28/

Adam Tabak

Subject: RE: 2012 Rate Confirmation

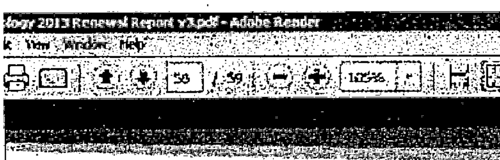
29/

2012 HealthNet Rates

Union Plans 303,393	One	A 642.99	+ A 85.93	= 728.92 8/
	Two	1286.03	+ 164.42	= 1450.45
	Fam	1860.15	+ 238.97	= 2099.12
Non-Union Plan 316,396	One	642.08	+ 31/ 79.37	= 721.45 8/
	Two	1284.21	+ 151.88	= 1436.09
	Fam	1857.55	+ 220.74	= 2078.29

From: Kristina Cox
Sent: Tuesday, February 26, 2013 12:19 PM
To: Adam Tabak
Subject: RE: 2012 Rate Confirmation

Hi Adam –



HealthNet Enhanced Rx Only Plan Experience
January 1, 2011 through June 30, 2012

Medco Rx with Health Net Enhanced Plan	EE Only $83.04	Ee + 1 $158.90	Ee + Family $230.93	Total	Rx Claims	Total Actual Costs	Total Expected Costs	Actual Costs vs Expected Costs
January-2011	8	31	96	135	$26,144	$26,144	$27,760	106.2%
February-2011	8	30	98	136	$22,087	$22,087	$28,062	127.1%
March-2011	9	28	100	137	$28,422	$28,422	$28,290	99.5%
April-2011	9	28	101	138	$23,182	$23,182	$28,520	123.0%
May-2011	9	28	100	137	$25,684	$25,684	$28,290	110.1%
June-2011	9	28	100	137	$25,610	$25,610	$28,290	110.5%
July-2011	9	28	101	138	$24,145	$24,145	$28,520	118.1%
August-2011	9	28	99	136	$26,836	$26,836	$28,059	104.6%
September-2011	8	30	98	136	$15,081	$15,081	$28,062	186.1%
October-2011	8	31	97	136	$24,591	$24,591	$27,990	113.8%
November-2011	8	30	97	135	$26,968	$26,968	$27,832	103.2%
December-2011	8	30	95	133	$21,727	$21,727	$27,370	126.0%
2012	$85.93	$164.42	$238.97					
January-2012	8	29	95	132	$22,966	$22,966	$27,211	118.5%
February-2012	8	29	95	132	$22,696	$22,696	$27,211	119.9%
March-2012	8	29	96	133	$22,350	$22,350	$27,442	122.8%
April-2012	8	29	96	133	$22,966	$22,966	$27,442	119.5%
May-2012	8	28	96	132	$23,730	$23,730	$27,283	115.0%
June-2012	8	28	96	132	$21,434	$21,434	$27,283	127.3%
Total 2012	8	29	96	66	$136,142	$136,142	$163,871	
2011 Policy Year Compared to Recent Rolling 12 Month Period - Aggregate Total								
2011 Plan Year				1,634	$290,477	$290,477	$337,044	86.2%
Rolling 12 Months				1,623	$281,836	$281,836	$334,796	84.2%
% Change				-0.7%	-3.0%	-3.0%	-0.7%	-2.3%
2011 Policy Year Compared to Recent Rolling 12 Month Period - Per Covered Employee Per Month								
2011 Plan Year						$177.77	$206.27	86.2%
Rolling 12 Months						$173.65	$206.28	84.2%
% Change						-2.3%	0.0%	-2.3%

A 7

Union Rates

55

Thanks!
Kristina

29/

AON Hewitt

September 30, 2011

Kevin King
Health Net
180 Grand Avenue, 6th Floor
Oakland, CA 94612

Subject: Recology Inc.—Health Net Renewal Effective January 1, 2012

Dear Kevin,

Please accept this letter as confirmation that Recology Inc. will be renewing its medical coverage for the current population with Health Net for the period of January 1, 2012 through December 31, 2012.

Recology will terminate the Health Net Seniority Plus plan, effective January 1, 2012. Please confirm how to correctly terminate the one member enrolled in this program so that she may be enrolled in the Health Net Medicare Supplement program (below) effective January 1, 2012.

Health Net HMO (Union)	1/1/2012 Premium - PEPM
Employee Only	$642.99
Employee + One Dependent	$1,286.03
Employee + Family	$1,860.15
Commissions	6% Downgrade

28/

Health Net HMO (Non-Union)	1/1/2012 Premium - PEPM
Employee Only	$642.08
Employee + One Dependent	$1,284.21
Employee + Family	$1,857.55
Commissions	6% Downgrade

Health Net HMO (Union) – Retirees Over 65	1/1/2012 Premium - PEPM
Retiree Only	$281.81
Retiree + One Dependent	$563.62
Commissions	6% Downgrade

2012 Plan Changes: No plan design changes and no mandatory plan changes.

301

Aon Hewitt

Please review the above rates, sign the letter and return back to Aon Hewitt by October 3, 2011.

Your signature below indicates that you have reviewed the above information and commission schedules presented in this letter and agree to their accuracy.

Thank you for your assistance. Should you have any questions, please do not hesitate to contact me at 415-486-7510.

Sincerely,

Mechelle Medcalf Nelson

Mechelle Medcalf Nelson
Vice President

cc: Larissa Koroleva, Aon Hewitt
Jennifer Sweinberg, Aon Hewitt
Kristina Cox, Recology Inc.
Karen Fukuda, Recology Inc.
Jennifer Avrin, Recology Inc.

Name: Kevin King

Signature: Kevin King

Date: 10/3/2011

HealthNet Regular Rx Only Plan Experience
January 1, 2011 through June 30, 2012

Non-Union

Medco Rx with Health Net Regular Plan Factors	EE Only $83.04	Ee + 1 $153.90	Ee + Family $230.93	Total	Rx Claims Incl Rebates	Total Actual Costs	Total Expected Costs	Actual Costs vs. Expected Costs
January-2011	23	23	56	102	$17,798	$17,798	$18,382	96.8%
February-2011	23	25	56	104	$17,736	$17,736	$18,690	94.9%
March-2011	23	25	55	103	$17,301	$17,301	$18,459	93.7%
April-2011	22	25	55	102	$14,658	$14,658	$18,376	79.8%
May-2011	22	25	55	102	$15,695	$15,695	$18,376	85.4%
June-2011	22	25	55	102	$13,547	$13,547	$18,376	73.7%
July-2011	22	25	55	102	$12,715	$12,715	$18,376	69.2%
August-2011	23	25	55	103	$12,759	$12,759	$18,459	69.1%
September-2011	23	25	56	104	$7,995	$7,995	$18,690	42.8%
October-2011	24	25	56	105	$13,320	$13,320	$18,773	71.0%
November-2011	24	24	56	104	$13,018	$13,018	$18,619	69.9%
December-2011	~~24~~	~~24~~	~~56~~ 28/	104	$16,338	$16,338	$18,619	87.8%
2012	**$79.37**	**$151.88**	**$220.74**					
January-2012	23	23	53	99	$14,393	$14,393	$17,689	81.4%
February-2012	23	23	53	99	$11,999	$11,999	$17,689	67.8%
March-2012	23	23	53	99	$12,925	$12,925	$17,689	73.1%
April-2012	23	23	53	99	$10,908	$10,908	$17,689	61.7%
May-2012	22	22	53	97	$15,233	$15,233	$17,452	87.3%
June-2012	22	22	53	97	$9,961	$9,961	$17,452	57.1%
Total 2012	**23**	**23**	**53**	**49**	**$75,419**	**$75,419**	**$105,660**	**0.713792351**
2011 Policy Year Comparied to Recent Rolling 12 Month Period - Aggregate Total								
2011 Plan Year				1,237	$172,880	$172,880	$222,190	77.8%
Rolling 12 Months				1,225	$159,362	$159,362	$219,727	72.5%
% Change				-1.0%	-7.8%	-7.8%	-1.1%	-6.8%
2011 Policy Year Compared to Recent Rolling 12 Month Period - Per Covered Employee Per Month								
2011 Plan Year						$139.76	$179.62	77.8%
Rolling 12 Months						$130.09	$179.37	72.5%
% Change						-6.9%	-0.1%	-6.8%

COLLECTIVE BARGAINING AGREEMENT

2012–2016

BETWEEN

RECOLOGY SUNSET & RECOLOGY GOLDEN GATE

AND

SANITARY TRUCK DRIVERS AND HELPERS UNION
LOCAL 350, IBT

Exh. 37

TABLE OF CONTENTS

COLLECTIVE BARGAINING AGREEMENT

THIS AGREEMENT is made and entered into by and between SANITARY TRUCK DRIVERS AND HELPERS UNION, LOCAL 350, an affiliate of International Brotherhood of Teamsters, hereinafter referred to as the "UNION," and RECOLOGY GOLDEN GATE DISPOSAL & RECYCLING COMPANY, RECOLOGY SUNSET SCAVENGER COMPANY, hereinafter referred to as the "EMPLOYERS."

WITNESSETH

It is the intent and purpose of the parties hereto that this Agreement promote and improve the industrial and economic status of the parties, provide orderly collective bargaining relations between the Employers and the Union, and secure a prompt and fair disposition of grievances so as to eliminate interruption of work and interference with the efficient operation of the Employers' business.

SECTION 1. RECOGNITION

The Employers recognize the Union as the sole collective bargaining representative for all employees of the Employers working in the classifications hereinafter set forth, except and excluding the directors, office clericals, guards, and supervisors as defined in the National Labor Relations Act.

The Employers shall not subcontract any bargaining unit work currently being performed by bargaining unit employees.

SECTION 2. NON-DISCRIMINATION

The Employers agree with respect to all hiring and employment decisions that there will be no discrimination or favoritism of any kind based on race, creed, color, sex, sexual orientation, religion, age or national origin or on the basis of physical or mental disability or medical condition as defined under the Americans With Disabilities Act and the California Fair Employment and Housing Act, or the FMLA, so long as the affected person is fully capable of performing all essential job duties.

SECTION 3. UNION SECURITY

(a) It shall be a condition of employment that all employees covered by this Agreement shall apply for Union membership on or after the thirtieth (30th) day following the beginning of their employment or the effective date of this Agreement, whichever is later, and as a condition of continued employment, shall maintain their membership in the Union in good standing. "Union membership" and "membership in good standing" shall mean for purposes of this provision the payment or tender of payment by the employee of the initiation fee and monthly dues uniformly applied by the Union pursuant to its Bylaws. In the event an employee shall not comply with his/her obligation under this provision, the Union shall so notify the individual, providing such information as is required by the National Labor Relations Act in such circumstances, and copy the Employers. Thereafter, if the employee fails to remove his/her delinquency within such period of time as the Union allows, but not less than ten (10) days, the Union shall so notify the Employers and the Employer shall terminate the employee forthwith.

(b) The Employers recognize the right of the Local Union to designate a job steward from the Employers' seniority lists. The authority of the job steward so designated by the Local Union shall be limited to, and shall not exceed, the following duties and activities: the steward, upon receipt of prior approval from the Employers, shall be allowed a reasonable time to investigate, present and process grievances on Company property without loss of time or pay during his regular working hours, and, where mutually agreed to by the Employers and the Union, off the property and at times other than during his regular working schedule without loss of time or pay. Time spent handling grievances during steward's regular working hours shall be considered working hours in computing daily or weekly earnings.

(c) The steward shall, whenever possible, investigate, present and process grievances after the completion of his daily duties. All employees, including the steward shall report to the proper Employer representative with any concerns regarding unsafe working conditions, including, but not limited to, hazardous material, defective equipment or dangerous access. No shop steward or employee may change a customer container, location of pickup, frequency of pickups, level of service without express authorization from Employer. All employees must report, promptly, any changes in service provided to customer. In the event the handling of grievances and the daily duties of the steward require more than a regular working day, the steward shall receive no extra compensation.

(d) This Agreement shall be binding upon all the parties hereto and their successors. In the event the operations of the Employers which are covered by this Agreement, or any part of said operations, are sold, transferred or assigned, the Employers shall require the purchaser, transferee or assignee to adopt and become a signatory to this Agreement for the duration of its term. At such time as the purchaser, transferee or assignee adopts and signs this Agreement, the Employers' obligations to the Union and to the employees shall cease and the Employers shall have no continuing liability hereunder.

(e) The Employers shall give notice in writing of the existence of this Agreement to any purchaser, transferee or assignee, with a copy to the Union, not later than the effective date of the sale, transfer or assignment.

SECTION 4. EMPLOYERS' RESPONSIBILITY

It is recognized that in addition to other functions and responsibilities, the Employers have and will retain the right and responsibility to direct the operations of the Employers and in this connection to determine the assignment of all work to employees; the scheduling of routes and the methods, processes, and means of operation, to select, hire, promote, demote, and transfer employees, including the right to make and apply rules and regulations for discipline, efficiency, and safety, providing, however, that exercise of such rights shall not conflict with the following provisions of this Agreement.

SECTION 5. JOB CLASSIFICATION AND WAGE RATES

(a) All occupations to which employees within the respective bargaining units are or may be assigned are classified into categories listed below. It is understood that the determination and operation of the job classification is the function and responsibility of the Employers and placement of employees in any of the following classifications shall be subject to the requirements of the Employers. Job descriptions for each of the classifications which are covered by this Agreement and which are utilized by the Employers are set forth in Section 23 of this Agreement.

(b) Each employee will be assigned to a classification, the duties of which he/she is competent to perform and which generally reflects his normal work. The fact that a job classification is listed herein does not necessarily mean that it must be utilized by the Employers.

(c) Any employee assigned by his Employers to perform work for any other company shall, for the duration of such assignment, remain subject to the terms and conditions of this Agreement.

(d) Any dispute involving job classifications shall be settled in accordance with the procedures set forth in Section 16 hereof.

<u>WAGE RATES:</u>

	1/1/12	7/1/13 COLA 3.0%–5.0%*	1/1/14 COLA 3.0%–5.0%*	1/1/15 COLA 3.0%–6.0%*	1/1/16 COLA 3.0%–6.0%*
Helper/Driver	39.01	COLA 40.18	COLA 41.39	COLA 42.63	COLA 43.91
Recycling Collector	39.01	Adjust to Fan 3 Wage w COLA 42.23	COLA 43.50	COLA 44.80	COLA 46.15
Commercial Driver	41.00	COLA 42.23	COLA 43.50	COLA 44.80	COLA 46.15
Route Leadperson Fantastic 3	41.00	COLA 42.23	COLA 43.50	COLA 44.80	COLA 46.15
Shop Foreperson	44.10	COLA 45.42	COLA 46.79	COLA 48.18	COLA 49.63
Assistant Shop Foreperson	42.64	COLA 43.92	COLA 45.24	COLA 46.59	COLA 47.99
Mechanic/Truck Welder	42.00	COLA 43.26	COLA 44.56	COLA 45.89	COLA 47.27

	1/1/12	7/1/13 COLA 3.0%–5.0%*	1/1/14 COLA 3.0%–5.0%*	1/1/15 COLA 3.0%–6.0%*	1/1/16 COLA 3.0%–6.0%*
Shop Person	39.36	COLA 40.54	COLA 41.76	COLA 43.01	COLA 44.30

*The dollar amounts shown for 7/1/13, 1/1/14, 1/1/15, and 1/1/16 are minimums, which assume a COLA increase of 3% each year.

The percentage increase above of three to five percent for the 7/1/13 and 1/1/14 adjustments and three to six percent for the 1/1/15 and 1/1/16 adjustments shall be referred to hereinafter as "floor/ceiling". Employer agrees that increases in wages shall be based on the BLS Consumer Price Index (BLS CPU-U) All Urban Consumers for San Francisco-Oakland San Jose area (1982-84=100) (hereinafter "Index") subject to the following conditions:

Employers shall determine the increase in the Index as follows:

For the increase effective July 1, 2013, the Employers shall apply the Index based on the period October 2011 to October 2012, subject to the Floor/Ceiling. For example, if the Index based on October 2011/October 2012 is 1.2%, the increase applicable July 1, 2013 shall be 3.0%. January 1, 2014, the Employers shall apply the Index based on the period October 2012 to October 2013, subject to the 2014 Floor/Ceiling. The increase in each year commencing January 1 thereafter shall be based on the same October to October test, as follows: 2015 shall be based on October 2013/October 2014, and 2016 shall be based on October 2014/October 2015 subject to the floor/ceiling applicable for that year.

The percentage increases above shall be based on the wage rate then in effect. For example, if the wage rate for Helper/Drivers in 2014 is $41.39/hour, and the Index for 2015 as determined above is 3.3%, the Helper/Driver hourly rate effective January 1, 2015 shall be $42.75. These increases shall be cumulative, and permanent.

Any Employee who is required to maintain a Class A drivers license for the purpose of performing work, shall receive the same wages as the Transfer Drivers in the Recology SF "Long Haul" CBA.

Employees in the Cart Department shall be paid at the Helper/Driver rate of pay; if the employee drives, he/she shall be paid at the Fan 3 rate of pay for all time spent driving/on the road.

When the need exists for a second person on a front loader route, the Company will pay the second person at the Commercial Driver wage rate. Second persons on rear loaders will be paid under the Helper Driver scale. All Drivers will be paid the Fan 3 rate of pay with the following exceptions: Recycling Drivers who will be paid under the Recycling Collector scale above until 7/1/13 at which time they will be paid according to the Fan 3 scale.)

The above rate for the Shop Foreperson of $44.10 was calculated at 5% above the $42.00 Mechanic Truck Welder rate. Beginning with the July 1, 2013 increase, the rates for the Shop

Foreperson set out above were calculated by applying the applicable COLA formulas to the $44.10 rate.

(e) New Hire Addendum

All employees who have completed six full months of employment as of January 1, 2012 will receive 100% of the hourly wage and benefits for their classification from that date forward. All employees hired after January 1, 2012 shall be hired under the following wage percentages which take precedence over any conflicting wage in the Collective Bargaining Agreement.

1. **Wages** - New hires shall work under the applicable percentage in the employee's classification.

During 1st 12 months of employment	80% of hourly wage
During 2nd 12 months of employment	85% of hourly wage
During 3rd 12 months of employment	90% of hourly wage
After completion of 36 months	100% of hourly wage

(f) Mechanic Certifications

A.S.E. Certified mechanics will receive a base hourly wage increase based on the level or levels of certification they obtain and maintain. This certification is available to the Shop Foreperson and Assistant Shop Foreperson, and Mechanics.

- 1st Level: Diesel Engine Certification — 5%
- 2nd Level: Certified Master Technician T3, T4, T5, T6 & T8 — 5%

The Shop Persons who perform the work of a Lube Preventive Maintenance Person will receive a maximum base hourly wage increase of 3% if they pass the T8 test.

SECTION 6. GUARANTEED HOURS AND REASSIGNMENT

(a) All regular employees shall be guaranteed eight (8) hours per day and forty (40) straight time hours of pay per week; provided such employees make themselves fully available for work; provided further, however, that such guarantees shall not apply to employees with less than one hundred twenty (120) calendar days of continuous service to the Employers.

(b) Upon completion of an employee's assigned route in less than eight (8) hours, the employee must report to the garage before going home. Any employee who is reassigned to perform any additional work (except missed pickups) shall be paid time and one-half for all such additional work.

(c) Any employee who, at the specific direction of the dispatcher, is assigned and performs work in a higher job classification shall receive the wage rate shown in Section 5 (above) for such higher classification for each day on which such work is assigned and performed.

(d) No Helper/Driver shall be required or allowed to perform said duties unless he is specifically directed to do so by the company official in charge of Route Leadperson. Any Helper/Driver who is directed to perform said duties shall be paid Route Leadperson wages for the actual time spent performing said duties.

SECTION 7. HOURS OF WORK

(a) Straight Time Hours

Forty (40) hours of work shall constitute the maximum straight time work week, provided that this section shall not be construed as limiting the number of hours of work any employee may perform at overtime wage rates.

(b) Overtime

All work performed in excess of eight (8) hours in any work day shall be paid for at the overtime rate of one and one-half (1-1/2) time the straight time rate. All work performed after twelve (12) hours in one day shall be paid at the double time (2X) rate of pay.

(c) Saturday and Sunday Work

All work performed on Saturday shall be paid for at the overtime rate of one and one-half (1-1/2) times the straight time rate, and any employees performing Saturday work shall be paid for not less than eight (8) hours.

All work performed on Sunday shall be paid for at the overtime rate of two (2) times the straight time rate and any employee performing Sunday work shall be paid for not less than eight (8) hours.

(d) The regular work week shall be Monday through Friday, inclusive.

(e) All shifts on Fridays that are required to perform Saturday work shall be scheduled after 6:00 p.m. and at the rate of Saturday rate of pay.

All shifts on Saturdays that are required to perform Sunday work shall be scheduled after 6:00 p.m. and at the rate of Sunday rate of pay.

All shifts on Sundays that are required to perform Monday work shall be scheduled after 6:00 p.m. and at the rate of Monday rate of pay.

(f) It is agreed that the Employers have the right to require employees to work overtime as needed and that employees may be held over after completion of their regular routes or shifts as needed. Call-out overtime (e.g. Saturday and Sunday overtime) shall be offered in descending order of their seniority to employees who are qualified to perform the work required on the particular route. If the most senior qualified employee declines the offer, the overtime shall be offered to the next most senior qualified employee and so forth until the roster is exhausted; the least senior qualified employee shall be required to accept the call-out overtime assignment. In case of an emergency, the Employers shall have the right to depart from the foregoing seniority procedure and the employee designated to work the call-out overtime shall be required to perform the work. No employee will be allowed to work a double shift in violation of DOT policy.

(g) The Employers shall maintain seniority rosters of qualified employees and shall rotate overtime on a fair basis.

SECTION 8. PAID HOLIDAYS

(a) The following shall be paid holidays under the terms of this Agreement and all eligible regular employees shall receive eight (8) hours straight time pay for each of such holiday in addition to pay received for work performed during the course of such holidays.

New Year's Day	Employee's Birthday
Martin Luther King's Birthday	Labor Day
President's Day	Columbus Day
Cinco de Mayo	Veteran's Day
Memorial Day	Thanksgiving Day
July 4th	Christmas Day

(b) The total pay for a holiday received by regular employees shall be eight (8) hours straight time holiday pay plus an additional eight (8) hours pay at the overtime rate of 2 times the straight time rate of pay for any holiday actually worked: provided such employees work the regularly scheduled work day immediately preceding the holiday and the regularly scheduled work day following the holiday. If the employee works the holiday but does not work both the regularly scheduled work day immediately preceding the holiday and the regularly scheduled work day following the holiday, they will receive eight (8) hours straight time holiday pay plus an additional eight (8) hours pay at the straight time rate. The employee shall be excused from the requirement of working the day before and/or the day after if, upon either such day, the employee is absent on a leave of absence approved in writing by the Operations Manager, or his substitute, excused by evidence of a doctor's note, on vacation, on another holiday, or on account of any work related illness or injury sustained on the job or off the job. In any event, the employee must present verification of illness or injury satisfactory to the Employers. Payments for holidays shall be in strict conformity with this subparagraph (b), and all past practices by which employees of either Employer have in the past received payments which vary from the provisions of this subparagraph (b) are hereby abolished.

(c) With respect to all employees other than regulars, any employee who reports for work and is put to work more than ten (10) days in a calendar month shall be entitled to any paid holiday which occurs during that month.

(d) If an employee's birthday falls on a regular working day for that employee, the employee will be allowed to stay home as long as the Employer can cover the work with its existing complement of employees. Any employee who desires to take his birthday off shall so notify the dispatcher five (5) days prior to his birthday. In the event that more than one employee desires to take the same day off as his birthday and the dispatcher is unable to allow all such employees to take the day off, the employee(s) granted the day off shall be selected on the basis of Company seniority; and if the remaining employees still desire to take a day off in lieu of their birthday, the dispatcher and each such other employee will select a mutually acceptable alternative date. In that event, the alternate date shall be deemed to be the employee's birthday for purposes of payment. If the employee takes his birthday off; he shall be paid a total of 8 hours at the overtime rate of 2 times the straight time rate. If an employee works on his birthday (except that in the case where an alternative date is selected as set forth above, the alternate date shall be considered to be the birthday), he shall be paid in accordance with paragraph (b) of this Section. It is understood between the parties that all regular employees are entitled to eight (8) hours pay for each holiday whether the holiday is worked or not, provided they are still generally eligible for benefits.

(e) If any of the above-mentioned holidays falls on Sunday, the following Monday shall be observed as a holiday; if any of the above-mentioned holidays falls on Saturday, the preceding Friday shall be observed as a holiday. When a holiday falls during an employee's vacation period, the employee shall be paid an additional day's pay.

(f) Notwithstanding the foregoing, there shall be no pyramiding of pay for holiday work.

(g) All holiday work must be assigned by seniority.

(h) All employees assigned to the City Can Routes shall perform their job on the holidays in that department as required.

SECTION 9. VACATIONS

(a) All regular employees shall be entitled to a paid vacation following each year of continuous employment to be taken at a time agreeable to their Employers. They shall be entitled to paid vacations as follows: one (1) week after one (1) year of continuous employment; two (2) weeks after two (2) years of continuous employment; three (3) weeks after four (4) years of continuous employment; four (4) weeks after seven (7) years of continuous employment; five (5) weeks after twelve (12) years of continuous employment; six (6) weeks after twenty (20) years of continuous employment; seven (7) weeks after twenty-five (25) years of continuous employments; and eight (8) weeks after thirty (30) years of continuous employment. Time off as a result of an industrial injury shall be credited as time worked for purposes of this section.

(b) All vacations shall be subject to the qualifying requirements of the Company.

(c) Employees shall be required during December of each year to sign up for their vacation dates for the coming year in accordance with the following procedures:

(i) During the first week of December the Employers shall notify all employees that the vacation sign-up will occur during the last two (2) weeks in December, Employees may sign up for vacation through a written proxy. The employee's vacation will be recorded at the time he/she would normally sign per seniority. In the event that any weeks) are unavailable, the employee will be allowed to sign in person per part (iv).

(ii) During the last two weeks in December, the Employers will assign a date for each employee to meet with the Dispatcher for the purpose of signing up for the employee's vacation preferences. The date for meeting with the Dispatcher shall be assigned on the basis of departmental seniority, with the employee in the department having the most Company seniority being given the opportunity to sign up first, and so forth;

(iii) Any employee who fails to show up on the date assigned will be allowed to sign up for a later date, but will not be entitled to bump other employees who signed up timely. In such event, the Employers shall attempt to accommodate the employee's first choice of vacation dates, but the Employers retain the sole discretion to require the employee to choose from other available dates.

(iv) The Employers guarantee that if an employee is sick or otherwise off work at the time he is supposed to sign up for his vacation, the Employers will allow the employee to sign up at the time such employee returns to work

(v) An employee who has already signed up may change his prior choice of vacation dates, but only after consulting with his Employer and reaching a mutually satisfactory agreement. The Employers, insofar as is practicable, will grant employees vacation on the dates selected by the employees.

It is also agreed that employees will have the option to work part of their vacations rather than take time off. This option is available for any weeks in excess of three (3) weeks that the employee has earned. If an employee desires to exercise said option, he must communicate his desire during the sign-up in December of the year preceding the vacation year. Once the employee has decided to cash out excess vacation, said vacation checks shall be issued during the month of February.

(vi) In the administration of the provisions of these vacation scheduling procedures, there shall be absolutely no bumping of employees already signed up, regardless of seniority, unless agreed to by the employees involved in the individual change being requested.

VACATION SCHEDULE

GOLDEN GATE DISPOSAL & RECYCLING COMPANY EMPLOYEES
GARBAGE ROUTE

January to middle of June - 10 per week
Middle of June to middle of September - 10 per week
Middle of September to end of the year - 10 per week

DEBRIS BOX DEPARTMENT

January to middle of June - 3 per week
Middle of June to middle of September - 4 per week
Middle of September to end of the year - 3 per week

FRONT LOADERS

3 per week all year

SHOP DEPARTMENT

Mechanic/Truck Welder - 3 per week
Shop Person - 2 per week

SUNSET SCAVENGER COMPANY
GARBAGE ROUTE

January to June 15th - 20 per week
June 15th to September 15th - 20 per week
September 15th to the end of the year - 20 per week

DEBRIS BOX DEPARTMENT

January to June 15th - 3 per week
June 15th to September 15th - 4 per week
September 15th to the end of the year - 3 per week

FRONT LOADERS

3 per week all year

SHOP DEPARTMENT

Mechanic/Truck Welder- 4 per week
Shop Person - 2 per week

CART DEPARTMENT

2 per week

(vii) In the event there is a conflict between a mechanic's vacation and his night shift obligations, the mechanic will try to arrange a voluntary switch with another mechanic. In the event that the switch cannot be done on a voluntary basis, the lowest mechanic on the Seniority List will be required to switch.

(d) If upon termination, an employee has completed less than a full year of continuous service from his last anniversary, the employee shall be paid pro rata his accumulated vacation based on the number of months worked since his last anniversary.

(e) No employee shall be allowed to take more than four (4) consecutive weeks of vacation, except that an employee who furnishes proof that he is going to go out of the country for his vacation and that he needs additional time off may request more than four (4) weeks. The additional time shall be granted upon satisfactory proof.

(f) Vacation pay shall be computed and paid at the classification in which the employee worked the most hours in the preceding calendar year. This shall not apply where an employee has successfully "bid into" a new classification. In that instance, vacation pay shall be paid at the classification rate which the employee bid into.

(g) All employees who retire pursuant to the Employers' pension plan during any month of the year shall be entitled to receive their full vacation pay in the event that such employee did not take their vacation-time allowance off during the same year.

(h) No Employee shall be charged vacation (during any absence) day except when approved by the individual employee. This paragraph does not change the requirements/qualifications for vacation scheduling, use, and approval.

(i) The Company commits to make sufficient slots available at Vacation Sign Up to allow all employees to sign up for all their vacation during the calendar year.

SECTION 10. SICK LEAVE

(a) Each regular employee shall be entitled to take up to twelve (12) days paid sick leave per year. As used herein, the term year means a period from January 1 to January 1 during the life of this Agreement.

(b) An employee shall be entitled to receive pay for a sick day commencing with the first day of each illness; provided, however, that he must furnish satisfactory medical verification of each said illness if requested. Any employee absent due to illness for only one day will not be requested to provide a medical certificate to be paid.

(c) On the first payday following January 1, of each year each employee shall receive a day's pay for each unused day of sick leave. Said pay shall be at the wage rate which was in effect during the period in which the unused sick leave was accrued.

(d) There shall be no accumulation of sick leave from year to year.

(e) No Employee shall be charged a sick day (during any absence) except when approved by the individual employee. This paragraph does not change the requirements regarding the use of sick days.

SECTION 11. MAINTENANCE OF BENEFITS

(a) If an employee is off work due to illness or injury on state disability, any benefit, except health and welfare insurance, due him or her under the Collective Bargaining Agreement shall be paid for a maximum of six (6) months. The contract provides disability insurance which begins after the employee has been disabled for one hundred eighty (180) days. Health and welfare benefits shall continue for a maximum of twelve (12) months. Any employee being paid under workers compensation laws are not subject to these limitations. Benefits to employees being paid under workers compensation laws shall terminate at the conclusion of the workers compensation proceeding. No employee shall suffer a reduction of his or her hourly wage by the implementation of this Collective Bargaining Agreement.

(b) Health and Welfare. Effective on the first of the month following ratification of this Agreement, employees who work eighty (80) or more hours per month will receive the Recology Health, Life and Long-Term Disability Package. The Employers may modify said package from time to time, upon notice to the Union, but guarantees that the level of benefits included in the package will not be reduced during the term of the Agreement unless required by law. Further, during the term of this contract there will be no monthly employee premium contribution for the employee to participate in the Aetna EPO Plan, Aetna PPO Plan, Kaiser HMO Plan or HealthNet HMO.

(i) Effective July 1, 1997, the Kaiser HMO Plan and HealthNet will be changed so there will be no co-pay for doctor visits.

(ii) Effective January 1, 2007, the annual maximum for dental benefits in the dental indemnity plan will increase from $3,500 to $4,000.

(iii) Effective January 1, 2005, with the exception of Aetna, the maximum number of chiropractor visits in Kaiser will be forty (40) per year and HealthNet will be fifty (50) per year.

(iv) Effective January 1, 2007, the eyeglass frame allowance for the Aetna vision plan will be increased from $100 to $200.

a) Allowances in the other health plans are as follows:

(1) Kaiser eyewear allowance: $200.

(2) HealthNet eyeglass frame allowance: $100.

(v) Effective January 1, 2002, the lifetime orthodontic maximum in the dental indemnity plan will be increased from $2,000 to $2,500.

(vi) This agreement supersedes the San Francisco Healthcare Accountability Ordinance and the San Francisco Healthcare Security Ordinance and the Union hereby waives any additional rights or benefits employees covered by this agreement may have under these laws if either or both were legally applicable or subject to waiver.

(c) Supplemental Payment. The Employers shall pay $75.00 per week to each employee who is off work on account of illness or injury; provided, however, that there shall be no payment for the first two (2) weeks of absence.

(d) Retiree Health Plan. Effective January 2007 (December hours/January Contributions) the Employers shall participate in the Teamsters Benefit Trust (TBT) by contributing to the Retirement Security Plan ("RSP"), a retiree health plan, on behalf of each employee who has passed their probationary period and who works eighty (80) hours or more per month. The Employers shall submit the RSP monthly contribution rate as determined by the TBT Board of Trustees on behalf of all active members subject to this Agreement and shall pay a supplemental RSP monthly contribution as determined by the TBT Board of Trustees for purposes of making the RSP comparable to active employee coverage for Rule of 84 Retirements as described in paragraph (k) up to the retiree's 65th birthday. Said supplemental RSP premium shall not exceed 10% of the standard RSP GOLD premium through 12/31/15 and shall not exceed 12% of the standard RSP GOLD premium thereafter. The Employers shall maintain both the standard and supplemental components of the RSP benefit for the duration of this Agreement.

For purposes of their participation in the RSP the Employers hereby adopt the TBT Agreement and Declaration of Trust and agree to accept the TBT Subscriber's agreement providing for participation in the RSP.

(e) Pension Plan. The Employers shall continue to maintain a pension plan for all eligible employees. The designation of the plan for employees hired prior to January 1, 1989 and employed by Golden Gate Disposal Company is the RECOLOGY INC. DEFINED BENEFIT PENSION PLAN. The designation of the plan for employees hired prior to January 1, 1989 and employed by Sunset Scavenger Company was the ENVIROCAL, INC.—RETIREMENT PLAN. The ENVIROCAL, INC. RETIREMENT PLAN was merged with and into the RECOLOGY INC. DEFINED BENEFIT PENSION PLAN and remains a separate benefit structure under that plan. Employees hired by either Company on and after January 1, 1989 shall be participants in the RECOLOGY DEFINED BENEFIT PENSION PLAN, and not in the other plans mentioned above. The current trustee of the pension plan is Prudential Bank and Trust Company, FSB, and the Employers may change trustees at any time.

The earnings upon which pension benefits under each plans shall be determined, shall be those earnings defined in each plan.

(f) For eligible employees who retire under the terms of the pension plan on or after January 1, 2000, the multiplier in the RECOLOGY—DEFINED BENEFIT PENSION PLAN shall be 1.6% and the multiplier in the ENVIROCAL benefit structure under the RECOLOGY INC. DEFINED BENEFIT PENSION PLAN shall be 1.75%. These multipliers for eligible employees will be used for all years of Benefit Service. Effective January 1, 2001, employees who are participants in the RECOLOGY DEFINED BENEFIT PENSION PLAN who are represented by Teamsters Local No. 350 and who accrue the RECOLOGY benefit will have their retirement benefits calculated using a maximum Benefit Service of 40 years, and their maximum benefit will be $4,166.67 per month. Plan Compensation does not include any compensation earned after 40 years of Benefit Service. Participants who accrue the ENVIROCAL benefit will continue to have their retirement benefits calculated using a maximum Benefit Service of 40 years, their maximum benefit will be $4,166.67 per month, and Plan Compensation does not include any compensation earned after 40 years of Benefit Service.

(g) Starting with the Pension Plan Year beginning 10/01/2012, and for the term of any successor agreement(s), Recology Inc. will increase its annual contribution to the Recology Defined Benefit Pension Plan so that (by generally accepted actuarial standards) the plan is projected to be funded at 90% no later than September 30, 2016. "90% funded" for this purpose shall be measured by taking the market value of plan assets and dividing by the actuarially determined accumulated benefit obligation (ABO) on the Company's pension plan disclosure at the end of the prior plan year. In order to obtain this 90% funded status, the Employers agree to make an average annual contribution of $18 million until the 90% funded status is reached. In addition to the annual average contribution of $18 million an additional average contribution of $7 million will be made each plan year (for a total average contribution of $25 million per plan year over the term of this Agreement), or such lower amount to bring the funded status up to 90%, but the total contribution for the plan year shall not exceed the maximum deductible under the Internal Revenue Code. "Average" for purposes of the Employers' funding obligation is not intended to (1) change the Employers' overall funding obligation but to recognize that the Employers may contribute more than $25 million in one year and less than $25 million in another; or (2) allow the Employers to backload this funding obligation on the later years of this agreement. As long as the Plan is at the 90% funded level as described above, no contributions in excess of ERISA minimum contributions will be required by this Agreement.

(h) In addition to the 90% funding obligation described in the preceding paragraph, effective October 1, 2015 the funded percentage of the Recology Defined Benefit Plan shall be no less than 80% as defined by the Adjusted Funding Target Attainment Percentage as that term is defined by the Pension Protection Act of 2006. At the conclusion of each plan year, the Employers shall allow an independent actuary to review information and data actuarially necessary to determine the Plan's funded status. Such review shall be performed by Milliman USA (or such other qualified actuary designated by the Union).

(i) The Union may designate one individual to be appointed by the Recology Board of Directors to the Recology Pension Committee. Such individual must be competent in pension matters, be willing to carry out the fiduciary duties under ERISA, and be approved and appointed by the Recology Board of Directors.

(j) The parties acknowledge that, (a) although this Agreement applies to Recology subsidiaries Golden Gate Disposal and Sunset Scavenger, the funding obligations described in this paragraph (g) are assumed by parent corporation Recology, Inc., and (b) these funding obligations are intended to reach the targeted funded percentages listed for purposes of the

Recology Defined Benefit Plan in its entirety, not simply the Golden Gate Disposal and Sunset Scavenger benefit structures within that Plan.

(k) Rule of 84 Retirement. Effective January 1, 1998, when an Employee reaches the age of fifty-four (54), and the Employee's age when combined with the total years of contributory service exceeds eighty-four (84), the Employee shall meet the age and contributory service requirements to retire with one hundred percent (100%) of the pension benefits. Employees who choose to exercise this early retirement option after September 2012, shall not be eligible to participate in the Employer's health plan but shall instead be eligible to participate in the Teamsters Benefit Trust's RSP and Supplemental Retirement Security Plan, referenced above, according to the eligibility requirements of that plan (with the exception of those former Envirocal Noteholders, who are entitled to coverage under the Employer's plan by separate contractual undertaking).

It is understood between the Parties that employees who choose to retire prior to October 2012 as Rule of 84 Retirees shall continue to participate both in the Employer's health plan up to age 65 and TBT's RSP plan.

SECTION 12. FUNERAL LEAVE

Each employee shall be entitled to receive up to eight (8) days' paid funeral leave (or nine (9) days if the employee is required to travel outside of the State of California) on each occasion of the death of a grandparent, grandchild, mother, father, grand-parent-in-law, mother-in-law, father-in-law, sister, brother, spouse or child. The Employers agree that once the employee satisfies his Employer, with proof of death, the funeral leave will automatically be paid without delay.

SECTION 13. UNIFORMS AND EQUIPMENT

(a) Packing Can: It is understood that most rubbish collection employees employed by Golden Gate Disposal Company do not utilize packing cans. Should the need arise on any route, Golden Gate Disposal Company agrees to supply an appropriate packing

Sunset Scavenger Company shall supply and maintain, within each twelve-month period, one standard packing can, 24 inches in diameter, with wheels, carrying handle and dumping handle, for each employee who is required to use one on the route.

Each employee of the Employers to whom a can is furnished is responsible for any damage to it which is the result of the negligence of the employee. In the event a can is lost or damaged beyond repair, the can must be replaced by the employee at his own expense. Before a replacement can is issued, the employee seeking a replacement at the end of the twelve-month period must turn in his old can.

(b) Rain Gear: The Employers shall furnish each contract year, at Company expense, rain gear when required for route employees, not to exceed one set every year. In the event the rain gear is lost or damaged beyond repair before the expiration of the one-year period, the employee must replace it at his own expense.

The Employers will maintain an adequate number of sets of rain gear in the shop for use as needed by shop personnel.

(c) Uniforms: The Employers will furnish to each regular employee, including shop, five (5) sets of uniforms in February of each year. The Employers shall also furnish for use by shop personnel an adequate supply of coveralls. All employees working outside the facility must have their high visibility vests as the outermost garment.

(d) Work Boots: Employers agree during January of each year during the term of this Agreement to pay each regular employee $200.00 to be used for the purpose of purchasing work boots. Work boots shall be substantial in quality and of the type customarily worn by garbage collectors and shall be in reasonably good condition. Employees will not be allowed to wear excessively worn boots or unsafe footgear.

(e) Safety Equipment: The Employers shall maintain for use as required by shop personnel an adequate supply of safety equipment such as welding masks, hard hats, dust filters and such other devices as may be required by law or regulation. Safety bonus that were paid separately in prior contracts are now computed in the hourly wage as set forth in Section 5.

(f) Hand Tools and Insurance: Shop personnel must provide all their own hand tools. The Employers agree to provide adequate insurance to compensate shop personnel for losses as the result of theft or other casualty. Such compensation shall be by replacement of the tool and not by cash.

(g) Gloves: The Employers will furnish fifteen (15) pairs of working gloves per year to route employees.

(h) No Cash Allowance: Except as provided in subparagraph (d), above, there shall be no cash allowance given to any employee in lieu of the receipt by him of any of the items provided for in this Section 13.

(i) Employees are required to wear their uniforms and work shoes at all times during working hours. Any employee who violates this requirement shall be sent home without pay and shall receive a warning letter.

SECTION 14. NO STRIKES OR LOCKOUTS

It is agreed that there shall not be any stoppage of work either by strike or lockout by the Union or the Employers during the life of this Agreement. It shall not be deemed a violation of this Agreement or cause for discharge for any employee to honor any picket line authorized by the Joint Council of Teamsters having jurisdiction in the territory where the picket line is in effect, and no employee shall be discharged or discriminated against for Union activities or upholding Union principles.

SECTION 15. DISCHARGES AND SUSPENSIONS

(a) Employees shall be subject to discharge for dishonesty, intoxication, willful insubordination, recklessly negligent performance of duties, competing with Employers, without prior warning or notice. Discipline for other matters such as, but not limited to, habitual tardiness, failure to report for work, neglect of duty, and violation of published company rules and regulations shall require a written warning to the employee and any similar offenses occurring after two prior warnings and within six (6) months of the last warning shall be grounds for discharge. Discipline for absenteeism and tardiness shall be tracked separately from other offenses for purposes of discipline. All warning letters may not be used for disciplinary action if said warning letter is more than six (6) months old. Copies of all warnings must be sent to the Union.

(b) Any suspension for more than five (5) days is governed by the same procedure as that required for discharges. A suspension of five (5) days or less may be given without notice but shall not be given without just cause. A notice of suspension of less than five (5) days shall be sent to the Union and shall constitute a written warning within the meaning of subsection (a) hereof.

(c) Probationary employees are subject to discharge for any reason deemed sufficient in the sole discretion of the Employers.

SECTION 16. SETTLEMENT OF DISPUTES

(a) Disputes: In the event that a dispute arises during the term of this Agreement regarding the interpretation or enforcement of any section of this Agreement, or the terms or provisions of written agreements supplementary to this Agreement, the matter in dispute in all its particulars shall be set forth in writing by the complaining party and served upon the other. If the dispute is not settled by the parties within ten (10) working days following the receipt of such written notice, or within such extended time as may be agreed upon, the dispute shall be referred to the Federal Mediation and Conciliation Service. No change in this Agreement, or interpretations resulting from a Federal Mediation and Conciliation Service or arbitration proceeding hereunder, will be recognized unless agreed to by the Employers and the Union.

(b) FMCS: If the dispute is not settled by the parties within ten (10) working days following the receipt of such written notice or within such extended time as may be agreed upon, the dispute may be referred to the Federal Mediation and Conciliation Service (FMCS) in accordance with subsection (b) hereof. Written notices given under this provision may be transmitted by telefacsimile (fax). If the United States Postal Service is used for notice, the post-marked date will be the date upon which service is effective.

(c) Arbitration: In the event that a resolution of a dispute regarding the interpretation or enforcement of any of the sections of this Agreement, or the terms or provisions of written agreements supplementary hereto, is not reached at the FMCS step, the dispute shall, upon the request either of the Union or the Employers, be submitted to a neutral arbitrator mutually selected and agreed upon, whose decision shall be final and binding.

(d) Selection of Arbitrator: Unless the parties can otherwise agree upon an arbitrator, a list of arbitrators shall be requested from the Washington, D.C. Office of the Federal Mediation and Conciliation Service. After a toss of a coin to decide which party shall move first, the Employers' representative and the Union representative shall alternatively strike one name from the list until one name remains and such person shall be the arbitrator for the determination of the case. The next to the last name stricken shall be the alternate arbitrator, and so on. The arbitrator shall have no right, power or authority to add to, subtract from, alter, amend or change any term or provision of this Agreement. Discovery procedures as permitted under California Law are permissible.

(e) Cost of Arbitration: Each party shall bear its own expense in presenting the case to the arbitrator. The expense of the arbitrator and of the reporter, if any, shall be divided between the parties hereto. The Employers agree to pay a sum equal to but not greater than one-half of said expense, and the Union agrees to pay a sum equal to but not greater than one-half of said expense. Each side shall bear its own expense of producing witnesses, experts, interpreters and the like.

(f) No Interruption of Work: There shall be no interruption of work during the settlement of a dispute.

SECTION 17. CHECK-OFF SYSTEM AND CREDIT UNION

(a) The Employers agree to recognize all written authorizations from Union members authorizing the deductions for their compensation of all uniformly required dues for the period of authorization which, in any event, shall be irrevocable for a period of one year. The Employers do not agree to deduct initiation fees, assessments or other exactions imposed by the Union unless the expense to the Company is paid by the Union. All deductions made pursuant to this Agreement shall be deducted from the employee's second payroll check of the month and shall be transmitted to the office of the Union by the twenty-eighth (28th) day of the same month. In the event the amount of said deductions is not transmitted to the office of the Union by the 28th day of any month for some reason beyond the Employers' control (for example, the fact that a particular pay period ends on or close to the 28th day), the Employers shall have a reasonable time within which to make said remittance. In no event shall the Employers' failure to make timely remittance be deemed by the Union, for any purpose whatever, to be a default in the timely payment of dues by any Union member.

(b) The Employers shall make credit union deductions from employee paychecks and transmit the amounts deducted to the employee's credit union upon receipt of authorization and designation duly executed by the employee; provided, however, that the deduction so authorized is a fixed sum each payday and the amount is not changed by the employee more frequently than once a year.

(c) DRIVE Deduction: (Upon ratification) the Employers agree to deduct from the paycheck of all employees covered by this Agreement voluntary contributions to D.R.I.V.E. D.R.I.V.E. shall notify the Employers of the amounts designated by each contributing employee that are to be deducted from his/her paycheck on a weekly/bi-weekly basis for weeks worked. The phrase "weeks worked" excludes any week other than a week in which the employee earned a wage.

Employers shall transmit to D.R.I.V.E. National Headquarters on a monthly basis, in one check, the total amount deducted along with the name of each employee on whose behalf a deduction is made, the employee's social security number and the amount deducted from the employee's paycheck. The International Brotherhood of Teamsters shall reimburse the Employers annually for the Employers' actual cost for the expenses incurred in administering the payroll deduction.

SECTION 18. PAST PRACTICES

(a) The parties agree that during the term of this Collective Bargaining Agreement, all past practices shall continue provided they are consistent, well-defined and have been repeatedly followed by both parties, over a reasonable period of time without objection. Both parties agree that during the term of this contract to meet as often as needed to list all past practices that currently exist.

(b) No past practice which may subsequently be determined to constitute a discriminatory employment practice shall be maintained; provided further, that should any provision of this Agreement or any practice maintained in effect pursuant to this Agreement be required to be terminated, modified or amended in any way by an order of any court of competent jurisdiction, the parties hereto agree that they will forthwith make whatever changes, modifications or amendments as required to be made to this Agreement or said practice by the order of said court.

SECTION 19. CASUAL AND EXTRA EMPLOYEES

(a) The parties recognize that the Employers have a need for casual and/or extra employees to replace employees who are sick, on vacation or who for other reasons do not report for work. Accordingly, the Employers shall establish a pool of persons who are available for such work. A list of such individuals shall be maintained by the Employers, arranged sequentially in accordance with their first day of work, and shall be updated as needed for accuracy.

(b) Available extra work, including vacation relief, shall be assigned by seniority from the list of casuals in the order that such casuals appear on the list. When a casual completes the assignment, he shall be returned to his place on the casual list for further work assignment.

(c) The Employers shall have the right to eliminate names from the casual list on the basis of unreliability, poor work performance, or for other legitimate reasons. The grievance procedures of this Agreement shall not be available to casuals because they have been eliminated from the list, except as provided in paragraph (d) below.

(d) New registrants on the casual list shall be considered on probation, and shall not acquire seniority until they have completed one hundred twenty (120) calendar days. Upon achieving seniority, a casual shall be entitled to use the grievance procedures of the Agreement. The Guaranteed Hours provision of the Agreement shall not be applicable to casuals or extra employees.

(e) Casuals shall not be used in the manner that deprives regular employees of reassignments under Section 6(b) of this Agreement.

(f) Casual employees who have acquired seniority shall accrue vacation pay and sick leave on a pro-rata basis, and those who work at least 80 hours or more in a month will also be eligible for Recology Health and Welfare benefits. Casual employees shall receive the same benefits as regular employees after two years of employment as a casual.

(g) Vacancies in regular employment shall be filled from casuals who have achieved seniority, in the order that their names appear on the casual list. In the event of layoff of regular employees, they shall have the right to be included at the top of the casual List, in accordance with their seniority. Their recall rights under this Agreement shall remain intact while performing work as casuals. Such laid off regular employees shall receive the full contractual rate of pay while working off the casual list.

SECTION 20. STARTING TIME

(a) Changing of established starting times shall be at the discretion of the Employers, with notice of any such change posted on the bulletin board at least 24 hours in advance. Said posting requirement applies only to general changes in shift starting times and does not apply to changes in individual starting times which may from time to time be required.

(b) It is understood that all routes that ordinarily leave the garage before 6:00 a.m. are considered to be night routes. All routes which ordinarily leave the garage at or after 6:00 a.m. are morning routes.

SECTION 21. COFFEE BREAKS

All employees shall each day be entitled to take two (2) paid coffee breaks of fifteen (15) minutes each. An unpaid lunch break of thirty (30) minutes at as near to mid-shift as possible is also permitted.

SECTION 22. SENIORITY AND LAYOFFS

(a) Separate Seniority: It is understood and agreed that the seniority provisions of this Agreement shall apply separately to Golden Gate Disposal Company and to Sunset Scavenger Company. It is further understood that said seniority provisions shall also apply separately to the Shop Departments and the Garbage Collection Departments of each Employer and to the Curbside Recycling Program Department at Sunset Scavenger Company and that said departments shall be considered as distinct entities for purposes of the application of these provisions.

(b) Attainment of Seniority: Seniority shall not apply to an employee until he shall have been employed for one hundred twenty (120) calendar days. Upon attainment of seniority, an individual shall be considered a regular employee.

(c) Application of Seniority: In the reduction of forces due to the slackness of work, the last employee hired shall be the first employee laid off and in rehiring, the last employee laid off shall be the first employee re-hired until the list of former employees is exhausted, provided, however, that seniority shall be broken, and there shall be no re-hire right, after an employee has been on layoff for a period of six (6) consecutive months due to lack of work.

(d) Seniority List: The Employers shall maintain master seniority lists of all employees covered by this Agreement and provide the Union with a copy.

(e) The Employers shall not lay off any seniority employee without proper justification.

(f) Re-Hire Procedure: In the event of a layoff, an employee so laid off shall be restored to duty according to seniority.

(g) Filling All Positions: Seniority shall be adhered to in filling positions under this Agreement. Employees working other classifications under the jurisdiction of this Agreement shall be given reasonable trial of up to one week on the basis of seniority to qualify for and accept such positions. Upon request by the employee, the Company shall grant the employee an additional week of training for an accepted position. Employee may only try and reject one route in a twelve month period. Employee may bid on an additional route but must accept the route without the trial period. Training will be provided on the accepted route.

(h) Vacancies: All jobs and classifications will be subject to a direct bid. Wherever a permanent vacancy occurs, it shall be posted for a period of ten (10) working days, during which interested employees shall be entitled to bid on the vacancy. At the conclusion of the posting period, the Employers shall award the position to the most qualified bidder with the greatest seniority. The Employers shall establish a separate telephone system that provides up to date voice mail that provides route openings/vacancies. Any employee who is absent during these postings/vacancies shall notify the Company of their interest by contacting the Company immediately. Any employee who is absent during the awarding of the new vacancy shall be notified by the Company of their turn to accept/reject such vacancy, and they will be required to give their decision on the vacancy in a timely manner.

The Company shall post all vacancies at all time clock locations within two (2) weeks after such openings become available.

All future vacancies in commercial route positions such as front-end loader drivers, debris-box drivers and any other classifications in the commercial department shall be posted on the bulletin board to allow all employees qualified to bid for such vacancies.

Any employee who successfully bids for and is assigned to fill any vacancy shall not be eligible to bid on another vacancy for one year after he/she is so assigned, except that this limitation shall not prevent an employee from bidding on a vacancy in a higher classification.

(i) Temporary Vacancies: All temporary openings shall be awarded by seniority within the Floater Pool, defined as regular employees that do not have an assigned route, and with refusal rights by each employee. If no employee accepts the assignment, the Company shall appoint the least senior employee in the Floating Pool. Such temporary openings shall be posted within (1) week of the job opening, and shall be awarded in accordance with Section 22 of the CBA. The definition of a temporary vacancy is when an employee is off of work due to illness, injury, approved leave, or any absence of three (3) weeks or more. Any driver within the Floater Pool who selects or is assigned such a route shall remain in this position until the regular employee returns. The driver shall be returned to the Floater Pool in accordance with his/her seniority upon completion of such an assignment. Such an employee may bid on permanent vacancies during this period.

(j) Job Seniority in Reassignment: Twenty (20) working days in a thirty (30) day period will establish seniority in a classification, except that employees assigned to cover temporary assignments such as vacation relief or temporary leaves of absence shall not acquire seniority in the classification to which they are temporarily assigned, no matter how long a period the assignment covers. An employee does not gain seniority in a classification except in the situation where the employee has been permanently assigned as the result of a permanent bid.

When an employee, at his own request, is placed in a lower paid classification, he shall be paid at the rate of the lower classification In the event the Employers have to cut down on any of the operations, they will have the right to reassign any employee to a lower classification without being obligated to pay the higher rate of pay. Seniority will be observed in such reassignment.

(k) Reduction in force protection: No employee employed under this agreement on the date of ratification will be laid off or removed from the bargaining unit as a result of a reduction in force through December 31, 2016; provided, however, that this paragraph shall not apply in the event of a reduction in force caused by an act of God, terrorist action, loss of any City contract, or a successful challenge to the 1932 Initiative Ordinance. Such losses shall be verified.

(l) Removal of routes: In the event that route reductions are implemented, the seniority of the employee(s) on the removed route(s) will be compared to the remaining employees in that classification with a steady route(s). The senior displaced employee(s) has the option to assume the Route(s) of the least senior employee(s) in that classification. If the senior employee(s) exercise his/her option then, the least senior employee(s) within the affected classification with the steady route will be moved to the floater department in accordance with his/her seniority. The more senior employee(s) from the displaced route(s) will then be allowed to assume those route(s). The change of status form will indicate the effective change date of transfer. Additionally, if the senior employee(s) does not exercise his/her option to assume the least senior employee's route then he/she will be assigned to the floater department. Any option to assume an existing route under this provision is limited to those displaced employees without any trial period (except for directions) as time is of the essence to minimize customer disruption.

SECTION 23. DESCRIPTIONS

1. Helper/Driver: The second man on rear loader routes. Shuttles garbage collection truck from house to house and collects garbage and refuse; washes truck inside and outside.

2. Shop Person: Performs all duties in the shop assigned to him or her by a supervisor or a leadperson. The duties shall include, but not be limited to, those performed by Parts Room Persons, Lube/Preventive Maintenance Persons, Tirepersons and Container Shop Persons.

3. Mechanic/Truck Welder: Performs all mechanical, truck welding and truck painting duties necessary for fleet maintenance, as assigned to him by a supervisor or leadperson in the shop.

4. Commercial Driver: Drives drop-box, front-end loader, long-haul equipment, bin-truck, from city routes to transfer station and in the case of long haul equipment, from transfer station to disposal site. Responsible for truck and route; and drives truck to and from the dump.

5. Route Leadperson/Fantastic 3: Maintains route services, customer relations and principal revenue collections and rate adjustments. Has to also be able, when situation requires, to perform physical work on the route such as driving truck or collecting refuse. Responsible for truck and route; and drives truck to and from the dump.

6. Shop Foreperson: The Shop Foreperson is responsible for the repairs to all the equipment; is directly in charge of the Shop Employees and oversees the purchase of parts.

7. Assistant Shop Foreman: The Assistant Foreperson helps the Foreperson in his daily duties and takes over for him in his absence.

8. Recycling Collector: All Recycling Collectors must possess a California Class A or B Commercial drivers license; are required to drive a specialized 30-foot recycling collection vehicle assigned by the Company; collect all recyclable materials either placed at the curb, in an apartment house or combination of the two on an assigned route as established by management and the City and County of San Francisco; are responsible for accurate documentation of general route information including participation rates, route conditions and vehicle data as prescribed by management; other duties as required. Responsible for truck and route; and drives truck to and from the dump.

SECTION 24. JURY DUTY

Any employee scheduled and who is summoned and reports for jury duty shall receive the difference between jury pay and his regular daily rate of pay for each day for which he reported for jury duty and on which he would normally have worked.

SECTION 25. EXTRA CONTRACT AGREEMENTS

The Employers agree not to enter into any agreement or contract with their employees individually or collectively, which in any way conflicts with the terms and provisions of this Agreement. Any such agreement shall be null and void.

SECTION 26. SUBSTANCE ABUSE

The Employer's Substance Abuse Policy provides that employees who test positive pursuant to Department of Transportation guidelines shall receive a one (1) month suspension and, upon execution of a Return to Work Agreement, be reinstated to their position without loss of seniority. In the event the employee needs additional time, the Employer agrees to allow all employees to complete their rehabilitation program up to three months, as directed by the treating physician and/or counselor without loss of seniority.

During the period that the person is suspended, the Employer will pay for COBRA (medical, dental, EAP) coverage provided that the employee has elected to accept COBRA coverage within the required time period.

SECTION 27. DRIVER LICENSES

(a) All employees must be in possession of a valid California Drivers License of the proper class needed to perform the employee's job duties.

(b) All employees who lose their license for a non-medical reason shall be suspended until such time as the employee obtains a current Drivers License. During this lay-off, the employee may use any accrued but unused vacation time. If the employee is unable to obtain a license within thirteen (13) months of the suspension, the employee shall be discharged. The employee shall be responsible for paying the COBRA premium for his/her health benefits after the first (6) months.

(c) Employees who lose their license due to a medical condition will use their best efforts to have the license reinstated. The Employers agree to make all reasonable accommodations, as defined by law, for the employee to continue to work. Any employee working without a license on the effective date of this Agreement shall continue in that capacity, provided the employee makes best efforts to become licensed.

(d) The employees agree to be in compliance with any and all regulations of the U.S. Department of Transportation, California Highway Patrol, and California Department of Transportation regarding hours of work, medical conditions, and required license.

SECTION 28. EMPLOYEE LOYALTY

During the employee's employment, the employee shall not engage in competition with the Employers as a sole proprietor, partnership, employee, agent or through any other means. Salvaging while on duty or at Employers' facility or customers of Employers' facility is forbidden. Any employee competing with the Employers is subject to immediate discharge. Competition includes collecting recyclables which have been packaged or left for pick-up for the Employer.

SECTION 29. TRANSFER OF EMPLOYMENT WITHIN THE RECOLOGY CORPORATION/COMPANY

Starting January 1, 2012, any employee represented by Teamsters Local No. 350 who transfers, from a San Francisco Recology company to another San Francisco Recology company shall maintain his/her seniority for all benefits and start at the top rate of the hourly rate involved. For any employee represented by Teamsters Local No. 350 who transfers from a Recology company outside of San Francisco to a San Francisco Recology company, Employer shall waive the new hire addendum and the employee will start at 100% of the hourly wage involved.

The pension benefits will be the plan in effect at the company the employee transfers into. As of the date of such transfer, if the transfer involves moving from one pension plan to another or from one benefit structure under the Recology Pension Plan to another benefit structure under the Recology Pension Plan, the employee's pension benefit accrued while employed by the employee's former employer shall be frozen, and future pension benefit will be determined in accordance with the terms of the plan maintained by the company to which the employee has been transferred.

SECTION 30. SUPPLEMENTAL INCOME 401(K)

Effective October 2005 the Employers agree to recognize all written authorizations from the union members covered by this agreement authorizing deductions from their compensation for contributions to a Supplemental Income 401(k). This Plan will be administered by New York Life at no cost to the Employers. The parties recognize that due to the need to make administrative and payroll changes in order to participate in this Plan, actual participation may be delayed for a reasonable period of time to allow the administrative and payroll changes to be made. Employees covered by this agreement and hired after October 1, 2005, will be eligible to participate on October 1st or April 1st whichever comes first following the first 1000 hours of service. If an employee is hired after October 1, 2005, and has previously participated in the Teamster Supplemental Income 401(k) Plan, their entry is immediate. The participation in the Plan will be on a voluntary basis, without cost to or matching from the Employers.

SECTION 31. LEAVE OF ABSENCE

Section 1. In all cases where an unpaid leave of absence is granted by the Employer to an employee, it shall be in writing and the Union shall be notified in writing of the name of the employee, the effective date and the termination date of the leave of absence in cases where such leave of absence exceeds two (2) weeks.

Section 2. In the event the leave of absence is extended, such extension shall be made in writing to the employee with a copy to the Union. Any employee who overstays or does not return will be considered to have quit his employment. If rehired by the Company, such individual shall be considered a new employee.

Section 3. Such leaves of absence as granted by the Employer shall be without pay and Employer shall be under no obligation to the employee except to return him to work at the expiration of such leave in accordance with the employee's seniority.

Section 4. Effective January 1, 2012, employees who have been employed for more than one (1) year may take up to five (5) days per calendar year of unpaid personal days provided the Employer has been given twenty-four (24) hours notice and the employee has received supervisor approval, supervisor approval shall not be unreasonably withheld.

SECTION 32. TERM OF AGREEMENT

This Agreement shall be effective on January 1, 2012, and shall remain in full force and effect to and including December 31, 2016. Thereafter, it shall renew itself for yearly terms beginning with January 1st of each year unless written notice is received by either party from the other party not less than sixty (60) days but not more than ninety (90) days prior to

December 31, 2016, or December 31st of any subsequent year that it is desired to terminate, modify, change or amend the Agreement. Notwithstanding the foregoing, the parties hereby agree to commence negotiations on June 1, 2016 for a successor agreement to be effective as of January 1, 2017.

During said negotiations, both parties are free to make any proposals on mandatory subjects of bargaining, including but not limited to, seniority; vacation; holiday; hourly wages; lump sum payments; cost of living adjustments; health insurance; dental insurance; and pension.

Should any part hereof or any provisions herein contained be rendered or declared illegal or an unfair labor practice by reason of any existing or subsequently enacted legislation or by a decree of a court of competent jurisdiction or by the decision of any authorized governmental agency, including the National Labor Relations Board, such invalidation of such part or portion of this Agreement shall not invalidate the remaining portions hereof; provided, however, upon such invalidation the parties agree immediately to meet and negotiate substitute provisions for such parts or provisions rendered or declared illegal or an unfair labor practice, the remaining parts or provisions shall remain in full force and effect.

Dated: 5-11-12

FOR UNION:

SANITARY TRUCK DRIVERS AND HELPERS UNION LOCAL 350

By: ______________________
Robert Morales
Secretary-Treasurer

FOR EMPLOYERS:

RECOLOGY GOLDEN GATE DISPOSAL COMPANY and RECOLOGY SUNSET SCAVENGER COMPANY

By: ______________________
John Legnitto
Vice President and Group General Manager

31562481v10

Appendix A

SIDE LETTER RE PAYMENT OF PENSION COMMITTEE REPRESENTATIVE (Section 11(j)).

This Side letter to the 2012-16 Collective Bargaining Agreement is made and entered into by and between SANITARY. TRUCK DRIVERS AND HELPERS UNION, LOCAL 350, an affiliate of International Brotherhood of Teamsters, hereinafter referred to as the "UNION," and RECOLOGY GOLDEN GATE DISPOSAL & RECYCLING COMPANY, RECOLOGY SUNSET SCAVENGER COMPANY, hereinafter referred to as the "EMPLOYERS."

The Union and the Employers hereby agree as follows

Regarding the individual designated by the Union and appointed by the Recology Board of Directors to the Recology Pension Committee (See Section 11(j)), if the designee is not a Recology employee, subject to confirmation that such payments can be lawfully made, the Employers shall compensate the Union designee for attendance at meetings of the Recology Pension Committee and preparation time at the amount paid to non-employee members of that Committee (currently $1000 per meeting). This payment is limited to non-employees only. Employee Union designees shall receive no compensation for their service on the Recology Pension Committee.

Dated: 5-11-12

FOR UNION:

SANITARY TRUCK DRIVERS AND HELPERS UNION LOCAL 350

By: ______________________
Robert Morales
Secretary-Treasurer

FOR EMPLOYERS:

RECOLOGY GOLDEN GATE DISPOSAL COMPANY and RECOLOGY SUNSET SCAVENGER COMPANY

By: ______________________
John Legnitto
Vice President and Group General Manager

Appendix B

SIDE LETTER Of AGREEMENT

This Side letter to the 2012-16 Collective Bargaining Agreement is made and entered into by and between SANITARY. TRUCK DRIVERS AND HELPERS UNION, LOCAL 350, an affiliate of International Brotherhood of Teamsters, hereinafter referred to as the "UNION," and RECOLOGY GOLDEN GATE DISPOSAL & RECYCLING COMPANY, RECOLOGY SUNSET SCAVENGER COMPANY, hereinafter referred to as the "EMPLOYERS."

The Union and the Employers hereby agree as follows:

Upon ratification, all warning letters shall be removed from all employee files (this paragraph does not affect any prior suspensions or terminations or any agreement arising out of prior suspensions or terminations).

Dated: 5-11-12

FOR UNION:

SANITARY TRUCK DRIVERS AND HELPERS UNION LOCAL 350

By: ______________________

Robert Morales
Secretary-Treasurer

FOR EMPLOYERS:

RECOLOGY GOLDEN GATE DISPOSAL COMPANY and RECOLOGY SUNSET SCAVENGER COMPANY

By: ______________________

John Legnitto
Vice President and Group General Manager

Appendix C

SIDE LETTER Of AGREEMENT

This Side letter to the 2012-16 Collective Bargaining Agreement is made and entered into by and between SANITARY. TRUCK DRIVERS AND HELPERS UNION, LOCAL 350, an affiliate of International Brotherhood of Teamsters, hereinafter referred to as the "UNION," and RECOLOGY GOLDEN GATE DISPOSAL & RECYCLING COMPANY, RECOLOGY SUNSET SCAVENGER COMPANY, hereinafter referred to as the "EMPLOYERS."

All employees on the payroll as of the date of ratification of this 2012-16 collective bargaining agreement shall receive a one-time signup/negotiation incentive of five hundred dollars ($500.00)

All employees on the payroll on January 1, 2015 shall receive a one-time signup/negotiation incentive of five hundred dollars ($500.00).

All employees on the payroll on January 1, 2016 shall receive a one-time signup/negotiation incentive of five hundred dollars ($500.00).

Dated: 5-11-12

FOR UNION:

SANITARY TRUCK DRIVERS AND HELPERS UNION LOCAL 350

By: ______________________
Robert Morales
Secretary-Treasurer

FOR EMPLOYERS:

RECOLOGY GOLDEN GATE DISPOSAL COMPANY and RECOLOGY SUNSET SCAVENGER COMPANY

By: ______________________
John Legnitto
Vice President and Group General Manager

TOWERS WATSON

345 California Street
Suite 2000
San Francisco, CA 94104

T +1 415 733 4100

towerswatson.com

March 25, 2013

Mr. Adam Tabak
Corporate Controller
Recology
50 California Street, 24th Floor
San Francisco, CA 94111

Re: Pension Plan Funding Projection

Dear Adam:

As requested, this letter provides a description of the 10-year funding and accounting projections sent on November 27, 2012 for the Recology Defined Benefit Pension Plan including assumptions and methodologies used in developing the projections.

Summary Exhibits

- Exhibit 1: 10-Year Funding Projection and Allocation
  - Includes key assumptions, funded status, contribution information
- Exhibit 2: 10-Year Accounting Projection and Allocation
  - Includes key assumptions, reconciliation of funded status, net period pension cost in addition to fiscal year contribution information
- Assumptions and Notes

The projection has been prepared on a deterministic basis; that is, assuming a specific set of assumptions are met – other scenarios are possible that have not been reflected here.

Assumptions and Methodology

Funding Policy

The following considerations are reflected in the contribution projection:

- Contribute at least $25 million per fiscal year until reaching 110% funded on an accounting basis
- Meet minimum contribution requirements under the Pension Protection Act (PPA)
- Meet contribution requirements outlined in union agreements
- Avoid "at-risk" status. The plan being considered "at-risk" would increase funding obligations and contribution requirements.

Based on the selected economic scenario, Recology is projected to make an annual contribution of $25 million each year, from fiscal year ending September 30, 2013 through fiscal year ending September 30, 2019. See Assumptions CF1, CF2 and CF15 for additional details.

Exh. 38

Plan changes

Recent plan changes for benefit group C and D participants have been reflected as of October 1, 2012 (see Assumption CF17 for additional details). Note that no IRC Section 436 contribution is assumed to be made for the amendment as the plan is assumed to be over 80% funded as of October 1, 2012, both before and after the plan change.

Population

Census data for current participants is projected from October 1, 2011 with no demographic actuarial gains or losses, with the following exceptions:

- Terminating union employees are assumed to be replaced so the total active union participant count remains level in all years. See Assumption CF8 for details.
- Because the plan was closed to non-union new entrants effective February 1, 2011, no new non-union participants have been included in the projection.

Interest Rates

For funding purposes under PPA, Recology uses 24-month average three-segment interest rates with June look-back for the October 1, 2012 and later valuations, switching to the full yield curve when advantageous. In this projection, the switch to the full yield curve occurs in the plan year beginning October 1, 2018.

Under the full yield curve, the effective interest rate is assumed to be the ASC 715 discount rate minus 50 basis points to reflect the difference in methodologies between the IRS prescribed interest rates and the methodology used in determining the ASC 715 discount rate using corporate bonds. Note that the effective interest rate is the single rate which would produce the present value of accrued benefits equal to the funding target. The effective interest rate for valuing liabilities will depend on current interest rates, provisions of current law, and overall changes in corporate bond rates.

The ASC 715 discount rate is selected using Towers Watson's BOND:Link model, which assists plan sponsors in the selection of discount rates that reflect the characteristics of their employee benefit plans. Discount rates are derived by identifying a theoretical settlement portfolio of high quality corporate bonds sufficient to provide for a plan's projected benefit payments.

Overall interest rates are assumed to increase over the 10-year period, and the provisions of the Funding Stabilization law outlined below are reflected in the projection. See Assumptions CF4, CF6 and FR1 for additional details.

Funding Stabilization Under MAP-21

On July 6, 2012, the Moving Ahead for Progress in the 21st Century Act (MAP-21) was enacted. Beginning in 2012, MAP-21 modifies the 24-month average segment rates under Internal Revenue Code (IRC) §430 (but not the full yield curve) so that they will not fall outside a corridor which surrounds the 25-year average of such segment rates. Due to the current low level of interest rates, this will have the effect of immediately improving the funding status as of October 1, 2012 used in the funding projections for the Recology Defined Benefit Pension Plan.

The MAP-21 corridors are established as follows:

For Plan Years Beginning in	Corridor around the 25-year average
2012	90% – 110%
2013	85% – 115%
2014	80% – 120%
2015	75% – 125%
2016 and later	70% – 130%

If a segment rate that otherwise would be used as of a valuation date is outside the corridor, it is changed to the endpoint of the corridor nearest to it. So, for example, segment rates for 2012 plan years will be increased to equal the lowest rate in the corridor. The corridors apply to all plan years beginning within a calendar year, irrespective of the look-back month (if any) otherwise used to select segment rates for the actuarial valuation.

The IRS is to publish the corridors for each calendar year, based on the average of the segment rates for the 25-year period ending on September 30 of the prior calendar year. The three corridor rates (i.e., the lower boundary of the 90%-110% corridor around the 25-year average of segment rates) which apply to 2012 plan years are 5.54%, 6.85% and 7.52%.

PBGC Premiums

MAP-21 provides for significant increases in PBGC flat-rate and variable rate premiums, as follows:

- Flat rate premiums will increase to $42 per participant in 2013 (from $35 in 2012) and to $49 in 2014, and will be indexed thereafter in proportion to increases in national average wages (NAW).
- The variable rate premium (VRP) will be indexed with increases in the National Average Wage (NAW) starting in 2013 (rounded to the nearest 0.1%).

In addition to indexation, the rate will increase by 0.4% of unfunded vested benefits (UVB) in 2014 (from 0.9% in 2012 and 2013 to 1.3% in 2014) and by another 0.5% for 2015 (to 1.8%).

Unfunded vested benefits are based on rates which ignore the MAP-21 interest rate corridors, whether the standard or alternative variable rate premium method is used. These changes have been reflected in the estimated PBGC premiums included in the funding projections in Exhibit 1.

Methodology Overview

The Employee Retirement Income and Savings Act (ERISA) requires sponsors of defined benefit pension plans to fund their plans through periodic cash contributions. The specific amount of each required contribution is determined annually by performing an actuarial valuation of the plan. In each valuation, the value of plan assets is compared to the liabilities of the plan (determined according to actuarial principles). From these amounts a range of allowable contributions is determined, from minimum required to maximum deductible, according to rules stipulated in prevailing pension law.

The last funding valuation of the Recology Defined Benefit Pension Plan was as of October 1, 2011, which determined the required contribution for the 2011-2012 plan year. In order to estimate contribution requirements for future plan years, we projected the results of the October 1, 2011 funding valuation to future years using standard actuarial projection techniques. This entails projecting both assets and liabilities one year at a time and applying the applicable pension funding rules to determine the contribution required for that year. The projection techniques are described in greater detail below.

Projecting Assets

Although the PPA funding liabilities as of October 1, 2012 are estimates, the October 1, 2012 market value of assets is the actual amount. Asset values on October 1, 2013 and later are projected by taking the prior year's value, adding employer contributions and investment return (at an assumed rate of 7.50%), and subtracting expected benefit payments to retirees.

Recology has elected to use a smoothed asset valuation method for funding purposes. See assumption CF7 for additional details.

Projecting Liabilities

The liability of a pension plan is the present value of future benefits expected to be paid from the plan. The determination of liability requires numerous assumptions, such as interest (or discount) rate, mortality, decrement timing, and more.

Funding and accounting liabilities have been projected using standard actuarial techniques reflecting adjustments for the assumptions outlined above.

Determination of Contributions

The annual required contributions are determined in accordance with our understanding of the Pension Protection Act of 2006.

The minimum required contribution equals the target normal cost plus 7-year amortizations of the excess of funding target liability over actuarial value of assets. Each year, an additional payment would be added if the funding shortfall was greater than anticipated (i.e., if the plan experienced an actuarial loss). These amortization bases would not be reduced or eliminated until the plan becomes fully funded.

Depending on funded status, funding balance can be used to offset minimum required contributions; however, Recology is assumed not to create funding balances in future years.

Conclusion

By contributing $25 million each fiscal year through fiscal year end 2019, based on the data, assumptions, methods, and provisions outlined in this letter and attachments, Recology is able to:

- Meet the plan's minimum required contributions
- Meet union negotiated contribution requirements
- Remains above certain key funded status thresholds under PPA
- Improve the overall financial well-being of the pension plan

Except as otherwise provided herein, the results included in this letter are based on the data, assumptions, methods, plan provisions and other information, outlined in the actuarial valuation report to determine funding requirements for the plan for the plan year beginning October 1, 2011 dated June 2012 and the actuarial valuation report to determine year-end 2012 accounting requirements dated October 2012. Therefore, such information, and the reliances and limitations of the valuation reports and their use, should be considered part of this letter. The undersigned consulting actuaries are members of the Society of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to pension plans. Our objectivity is not impaired by any relationship between the plan sponsor and our employer, Towers Watson Delaware Inc.

Please let us know if you have any questions.

Laura C. Dalzell

Laura Dalzell, F.S.A.
Senior Consulting Actuary

Si Man Lei

Si Man Lei, A.S.A.
Consulting Actuary

LD:SML:jt

cc: Mark Lomele

Attachments: Exhibit

Exhibit 1

Recology Defined Benefit Pension Plan
Ten-Year Projection of Funding Requirements

	Plan Year Beginning										
	10/1/2011	10/1/2012	10/1/2013	10/1/2014	10/1/2015	10/1/2016	10/1/2017	10/1/2018	10/1/2019	10/1/2020	10/1/2021
Key Assumptions											
Effective interest rate (for funding target)	5.71%	7.08%	6.35%	5.82%	5.29%	4.79%	4.64%	4.80%	4.80%	4.80%	4.80%
Asset return	18.77%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Assets and Liabilities											
Fair market value of assets	210,595,019	278,489,000	309,302,000	341,620,000	374,713,000	408,848,000	444,348,000	481,729,000	521,032,000	535,656,000	549,833,000
PV of Receivable contributions	16,744,211	6,634,000	9,165,000	6,451,000	3,525,000	3,728,000	6,486,000	24,582,000	-	-	-
Valuation assets (smoothed value)	239,301,455	273,764,000	309,490,000	346,647,000	374,667,000	406,515,000	442,038,000	495,633,000	509,852,000	524,295,000	538,704,000
Funding target	311,970,601	289,491,000	330,932,000	369,179,000	410,310,000	453,217,000	477,188,000	481,038,000	493,784,000	505,526,000	515,766,000
Funded status (without reduction for CB)	77%	95%	94%	94%	91%	90%	93%	103%	103%	104%	104%
Funded status (reduced for CB)	77%	95%	94%	94%	91%	90%	93%	103%	103%	104%	104%
At-Risk funded status	70%	86%	85%	86%	83%	82%	85%	94%	94%	95%	95%
Plan in at-risk status?	no	no	no	no	no	no	no	no	no	no	no
Credit Balances, Valuation Date (reduced as elected)											
Funding standard carryover balance	-	-	-	-	-	-	-	-	-	-	-
Prefunding balance	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-
Minimum Required Contribution (MRC)											
Normal cost + plan expenses	11,666,822	9,333,000	10,169,000	10,222,000	11,319,000	12,326,000	12,322,000	11,152,000	10,649,000	10,110,000	9,599,000
Reduction for surplus assets	-	-	-	-	-	-	-	(11,152,000)	(10,649,000)	(10,110,000)	(9,599,000)
Shortfall amortization charge	13,288,546	6,117,000	7,994,000	9,362,000	12,867,000	10,976,000	7,196,000	-	-	-	-
Estimated MRC as of valuation date *(Prior to reduction for credit balances)*	24,955,368	15,450,000	18,163,000	19,584,000	24,186,000	23,302,000	19,518,000	-	-	-	-
Satisfaction of MRC											
Contributions assigned to plan year	28,050,000 (plan year basis)	27,500,000	22,200,000	22,000,000	25,200,000	27,800,000	43,400,000	-	-	-	-
PV of contributions	24,955,368	25,919,000	21,051,000	21,063,000	24,231,000	26,751,000	41,354,000	-	-	-	-
Credit balance usage	-	-	-	-	-	-	-	-	-	-	-
Additional contributions required (PV)	-	-	-	-	-	-	-	-	-	-	-
Total contribs + credit bal. usage (PV)	24,955,368	25,919,000	21,051,000	21,063,000	24,231,000	26,751,000	41,354,000	-	-	-	-
Additional IRC Section 436 contributions	-	-	-	-	-	-	-	-	-	-	-
PBGC Variable Rate Premium	583,443	450,000	591,000	1,014,000	1,049,000	903,000	314,000	-	-	-	-
Estimated cash contributions (plan year)	28,050,000	27,500,000	22,200,000	22,000,000	25,200,000	27,800,000	43,400,000	-	-	-	-
Estimated cash contributions (fiscal year)	38,550,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	-	-	-

Exhibit 1
Allocation

Recology Defined Benefit Pension Plan
Ten-Year Projection of Fiscal Year Contributions

	10/1/2011 - 9/30/2012	10/1/2012 - 9/30/2013	10/1/2013 - 9/30/2014	10/1/2014 - 9/30/2015	10/1/2015 - 9/30/2016	10/1/2016 - 9/30/2017	10/1/2017 - 9/30/2018	10/1/2018 - 9/30/2019	10/1/2019 - 9/30/2020	10/1/2020 - 9/30/2021	10/1/2021 - 9/30/2022
Golden Gate Disposal											
Union	6,586,000	4,283,000	4,288,000	4,288,000	4,295,000	4,301,000	4,301,000	4,294,000	0	0	0
Non-Union	2,095,000	1,307,000	1,283,000	1,283,000	1,250,000	1,221,000	1,221,000	1,255,000	0	0	0
West Coast Recycling											
Union	31,000	18,000	17,000	17,000	16,000	15,000	15,000	16,000	0	0	0
Non-Union	54,000	31,000	30,000	30,000	27,000	25,000	25,000	28,000	0	0	0
Sunset Scavenger											
Union	9,377,000	6,231,000	6,302,000	6,306,000	6,399,000	6,485,000	6,484,000	6,385,000	0	0	0
Non-Union	1,544,000	1,020,000	1,029,000	1,030,000	1,042,000	1,053,000	1,053,000	1,040,000	0	0	0
SF Recycling & Disposal											
Union	5,300,000	3,596,000	3,671,000	3,676,000	3,775,000	3,866,000	3,865,000	3,760,000	0	0	0
Non-Union	933,000	621,000	628,000	628,000	638,000	647,000	647,000	637,000	0	0	0
Other	12,630,000	7,893,000	7,752,000	7,742,000	7,558,000	7,387,000	7,389,000	7,585,000	0	0	0
Total	38,550,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	0	0	0

Notes:
1. Normal cost (and expenses) portion on contribution allocated by normal cost of subsidiary as of October 1, 2011. Remainder (amortization payments, excess contributions) allocated by target liability as of October 1, 2011.
2. Active target liability and normal cost at West Coast have been moved to Sunset based on participant data as of October 1, 2011.

Recology Defined Benefit Pension Plan
Ten-Year Projection of ASC 715 Expense

	Fiscal Year										
	10/1/2011 - 9/30/2012	10/1/2012 - 9/30/2013	10/1/2013 - 9/30/2014	10/1/2014 - 9/30/2015	10/1/2015 - 9/30/2016	10/1/2016 - 9/30/2017	10/1/2017 - 9/30/2018	10/1/2018 - 9/30/2019	10/1/2019 - 9/30/2020	10/1/2020 - 9/30/2021	10/1/2021 - 9/30/2022
Discount Rate	5.70%	4.50%	4.50%	4.80%	4.80%	5.05%	5.05%	5.30%	5.30%	5.30%	5.30%
Expected Long-Term Return on Assets	7.75%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Reconciliation of Funded Status											
(1) Projected Benefit Obligation (PBO)	339,628,262	430,591,000	446,754,000	443,015,000	458,345,000	456,349,000	470,055,000	466,194,000	477,678,000	488,155,000	497,519,000
(2) Fair Value of Assets	210,595,019	278,489,000	309,302,000	341,620,000	374,713,000	408,848,000	444,348,000	481,729,000	521,032,000	535,656,000	549,833,000
(3) Funded Status	(129,033,243)	(152,102,000)	(137,452,000)	(101,395,000)	(83,632,000)	(47,501,000)	(25,707,000)	15,535,000	43,354,000	47,501,000	52,314,000
(4) Unrecognized Actuarial (Gain)/Loss	180,562,052	217,620,000	204,349,000	171,584,000	161,182,000	134,460,000	127,228,000	103,641,000	99,265,000	96,040,000	93,276,000
(5) Unrecognized Transition (Asset)/Obligation	0	0	0	0	0	0	0	0	0	0	0
(6) Unrecognized Prior Service Cost	7,153,287	15,070,000	12,961,000	10,955,000	9,143,000	7,730,000	6,316,000	4,903,000	3,869,000	3,056,000	2,243,000
(7) Accumulated Other Comprehensive Income	187,715,339	232,690,000	217,310,000	182,539,000	170,325,000	142,190,000	133,544,000	108,544,000	103,134,000	99,096,000	95,519,000
(8) (Accrued)/Prepaid Pension Cost	58,682,096	80,588,000	79,858,000	81,144,000	86,693,000	94,689,000	107,837,000	124,079,000	146,488,000	146,597,000	147,833,000
Components of Net Periodic Pension Cost											
(9) Net Periodic Pension Cost:											
(a) Service Cost	9,397,492	11,555,000	11,428,000	10,811,000	11,118,000	10,530,000	10,195,000	8,886,000	8,371,000	8,211,000	8,053,000
(b) Interest Cost	18,971,376	19,072,000	19,778,000	20,895,000	21,610,000	22,602,000	23,256,000	24,149,000	24,712,000	25,229,000	25,684,000
(c) Expected Return on Assets	(21,521,854)	(21,407,000)	(23,429,000)	(25,552,000)	(27,785,000)	(30,643,000)	(33,317,000)	(36,464,000)	(38,207,000)	(39,257,000)	(40,264,000)
(d) Amortization of Transition (Asset)/Obligation	0	0	0	0	0	0	0	0	0	0	0
(e) Amortization of Prior Service Cost	1,641,334	2,109,000	2,007,000	1,811,000	1,414,000	1,414,000	1,414,000	1,034,000	813,000	813,000	813,000
(f) Amortization of Actuarial (Gain)/Loss	8,155,296	14,402,000	13,931,000	11,485,000	10,648,000	7,948,000	7,211,000	4,987,000	4,201,000	3,767,000	3,395,000
(g) Net Periodic Pension (Credit)/Cost	16,643,644	25,731,000	23,715,000	19,450,000	17,005,000	11,851,000	8,759,000	2,592,000	(110,000)	(1,237,000)	(2,319,000)
Supplemental Information											
Market-Related Value of Assets	261,137,332	283,675,000	308,780,000	338,427,000	369,679,000	408,368,000	443,899,000	481,420,000	520,871,000	535,600,000	549,800,000
Expected Benefit Payments	11,175,259	14,628,000	15,438,000	16,566,000	17,867,000	19,170,000	20,557,000	22,095,000	23,512,000	25,008,000	26,604,000
Average Future Service	11.778	11.760	11.499	11.360	11.305	11.236	11.188	11.190	11.269	11.291	11.291
Assumed Contributions:											
• Contribution for prior plan year	17,400,000	6,900,000	9,400,000	6,600,000	3,600,000	3,800,000	6,600,000	25,000,000	0	0	0
• Contribution for current plan year	21,150,000	18,100,000	15,600,000	18,400,000	21,400,000	21,200,000	18,400,000	0	0	0	0
• Total Contributions	38,550,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	0	0	0

Recology Defined Benefit Pension Plan
Ten-Year Projection of ASC 715 Expense

	10/1/2012 - 9/30/2013	10/1/2013 - 9/30/2014	10/1/2014 - 9/30/2015	10/1/2015 - 9/30/2016	10/1/2016 - 9/30/2017	10/1/2017 - 9/30/2018	10/1/2018 - 9/30/2019	10/1/2019 - 9/30/2020	10/1/2020 - 9/30/2021	10/1/2021 - 9/30/2022
Golden Gate Disposal										
Union	3,746,000	3,453,000	2,832,000	2,476,000	1,726,000	1,275,000	377,000	(16,000)	(180,000)	(338,000)
Non-Union	1,353,000	1,247,000	1,023,000	894,000	623,000	461,000	136,000	(6,000)	(65,000)	(122,000)
West Coast Recycling										
Union	10,000	9,000	8,000	7,000	5,000	4,000	1,000	0	0	(1,000)
Non-Union	24,000	22,000	18,000	16,000	11,000	8,000	2,000	0	(1,000)	(2,000)
Sunset Scavenger										
Union	7,737,000	7,131,000	5,849,000	5,113,000	3,564,000	2,634,000	779,000	(33,000)	(372,000)	(697,000)
Non-Union	1,330,000	1,226,000	1,006,000	879,000	613,000	453,000	134,000	(6,000)	(64,000)	(120,000)
SF Recycling & Disposal										
Union	4,862,000	4,481,000	3,675,000	3,213,000	2,239,000	1,655,000	490,000	(21,000)	(234,000)	(438,000)
Non-Union	853,000	787,000	645,000	564,000	393,000	291,000	86,000	(4,000)	(41,000)	(77,000)
Other	5,816,000	5,359,000	4,394,000	3,843,000	2,677,000	1,978,000	587,000	(24,000)	(280,000)	(524,000)
Total	25,731,000	23,715,000	19,450,000	17,005,000	11,851,000	8,759,000	2,592,000	(110,000)	(1,237,000)	(2,319,000)

Notes:
1. ASC 715 expense allocated using same percentages as FY12 cost provided October 8, 2012.

Cash Funding Projection
(Subject to ERISA minimum funding requirements)

CF1 The funding policy of the plan is to contribute at least $25 million per year until reaching 110% funded on an accounting basis (as proposed in our October 18, 2012 meeting) while meeting minimum requirements under PPA, union agreements, and avoiding "at-risk" status.

CF2 Recology is assumed to not create credit balance in any future years (all remaining credit balance has been forfeited effective October 1, 2011).

CF3 Return on plan assets = 7.50% annually. Assets have been projected based on an amount of $278.5 million as used for September 30, 2012 disclosure.

CF4 Recology uses the 24-month average three-segment interest rates with June lookback for the 10/1/2012 and later valuations, switching to the full yield curve when advantageous. Under the full yield curve, the effective interest rate is assumed to be the FAS 87 discount rate minus 50 basis points.

CF5 Funding stabilization under the Moving Ahead for Progress in the 21st Century Act (MAP-21) has been incorporated (first effective for the plan year beginning 10/1/2012). For 2012, the 25-year average of historical segments rates (after application of the corridor) are 5.54%, 6.85% and 7.52%.

CF6 Effective interest rate for valuing liabilities will depend on current interest rates, MAP-21 provisions and overall increases in corporate bond rates through September 30, 2018 (see assumptions CF4 and FR1).

CF7 Recology continues to use a smoothed asset valuation method. For purposes of determining the limit on expected asset return in the manner required by law, the third segment rate is assumed to equal the effective interest rate plus 75 basis points each year. This results in actuarial asset gains each year since actual asset return is assumed to equal 7.50% (see CF3), but recognition of these gains is spread over a three-year period leading to a smoothed value that tends to be lower than market value.

CF8 Terminating union employees are replaced so the total active union participant count remains level in all years. Envirocal union employees who terminate are replaced by new hires benefiting under the Recology formula. Non-union employees who terminate are not replaced in the DB plan (Note: new hires at locations not currently benefiting under the Pension Plan are ignored).

CF9 Salary increases are assumed to be 3.00% annually.

CF10 Average age/pay of new hires are assumed to be 38/$62,500 for Recology union participants (including SF R&D career average participants).

CF11 Mortality as mandated by IRC §430, static tables with separate rates for annuitants and non-annuitants, males and females.

CF12 Administrative expenses paid from plan assets are assumed to be $200,000 for each year, plus an additional load for estimated PBGC variable-rate premiums reflecting MAP-21 increases.

CF13 Census data for current participants projected from 10/1/2011 with no demographic actuarial gains or losses other than population adjustments noted in CF8.

CF14 Any effect of potential future benefit restrictions under IRC §436 has been ignored, and the plan is not subject to deemed credit balance forfeitures under IRC §436. *(See TW letter dated 8/17/2010 for details.)*

CF15 Higher contribution requirements under "at-risk" funding rules are reflected (plan is subject to at-risk funding rules in the following year if the FTAP is less than 80% and the FTAP determined under additional at-risk assumptions is less than 70%). However, Recology is assumed to avoid at-risk status by forfeiting credit balance and making additional cash contributions.

CF16 All other assumptions are the same as those used for the annual ERISA funding valuation for the plan year beginning 10/1/2011.

CF17 Current Group C and D participants and retirees/deferreds who terminated after 1/1/2006 and who were covered under the Group C or D formulas are assumed to be moved from the career average formula to the 1.6% final average pay formula effective October 1, 2012. In addition, current transferred actives who have former service under Group C or D are assumed to receive the Group B formula for their service while under the Group C or D formula. No additional 436 contribution is assumed to be made for the amendment as the plan is assumed to be over 80% funded as of October 1, 2012 both before and after the plan change.

Financial Reporting Projection
(Subject to ASC 715, fka SFAS 87)

FR1 The discount rate is 4.50% for FY13 and FY14, 4.80% for FY15 and FY16, 5.05% for FY17 and FY18, and 5.30% in subsequent years.

FR2 Expected long-term return on plan assets (for computing net periodic pension cost) = 7.50% annually.

FR3 Mortality = RP-2000 projected with Scale AA to the valuation date.

FR4 Projected cash contributions taken from output of funding projection.

FR5 All other assumptions are consistent with those used for the cash funding projection and/or the same as those used for the ASC 715 valuation for the 10/1/2011 - 9/30/2012 fiscal year.

Recology
WASTE ZERO

LESS THAN WEEKLY SERVICE (to be known as Pay per Setout) Proposal Summary

The pay per setout test program gives San Francisco curbside customers the opportunity to put their black trash bin out for collection only when necessary and to receive a discount on their monthly bill for each week they do not have the bin collected. Using route tracking and data capture technology, the collection vehicle onboard tracking system will track when a bin is emptied, providing information that is then used to determine discounts.

Pay per setout would accomplish two main goals for customers: to encourage sorting of materials into their proper bin and to provide increased service options to customers who have already reduced their trash volume significantly. By providing a credit for not needing a black trash bin to be collected, Recology hopes to reduce the amount of recyclable and compostable materials currently in the trash bin. Some customers have reduced the amount of trash they produce so significantly that they do not need even the smallest size trash bin (20-gallons) serviced weekly and Recology would like to offer new service options to them.

The test will also provide critical information about the future configuration and routing of the collection system as the City continues to move towards zero waste. As the number of black bins collected in any given week decrease, it will be vital that the routes be re-configured to reflect that change in service demand and maintain efficiency. The Pay per set out pilot program is intended to allow for routing changes to be tested and evaluated during the test period.

The test began on a group of Inner Sunset routes in the fall of 2012. The budget below outlines the costs of expanding the test to three new groups (three recycling/trash split truck routes routes and their corresponding composting route), along with the ongoing cost of operating all four (4) test groups.

Starting a new group has two main components (and associated costs): setting up the route for use with the technology and outreach to customers about the program. Setting up the

Exh. 39

route includes tagging the bins for data capture, sequencing the route for Routeware and installing hardware on the truck. Outreach includes customer/community group meetings, outreach letters and bin tags. The ongoing cost includes some impact on driver, customer service and supervision time, along with the credits to be provided to participants.

Recology Sunset Scavenger/Recology Golden Gate

Pay per setout

ROLLOUT COSTS - NEW ROUTES (12 ROUTES)						
Item	**Quantity**	**Cost per Item**	**Total**	**RY 2014**	**Notes**	**Assumptions**
Hardware Per Truck	12	11,000	**132,000**	10,692	Lease Expenses	
Black RFID Tags	18,450	0.50	9,225			16,773 customers +10% for replacements
Blue RFID Tags	18,450	0.50	9,225			
Green RFID Tags	18,450	0.50	9,225			
Supplies			**27,675**	9,225	Supplies - Amortize in 3 years	
Initial Letter	15,630	0.50	7,815			Number of eligible customers on proposed routes
Installation Cart Hanger	15,630	0.59	9,222			
Reminder Hanger	15,630	0.59	9,222			
Outreach Preparation Hours	36	45.50	1,638			
Outreach			**27,896**	9,299	Outreach - Amortize in 3 years	
Route Sequence Address Labeling	240	45.50	10,920			
Installation Team Hours	4,950	45.50	225,225			Based on new data about actual hours used on 052 and 053
Labor			**236,145**	78,715	Contract Services - Amortize in 3 years (Not included in Rate Application as submitted)	
TOTAL START-UP COSTS:			**423,717**			
MONTHLY PROGRAM OPERATING COSTS (15 ROUTES)						
Item	**Quantity**	**Cost per Item**	**Total**			
Added Driver Time (1 hr/day, 12 drivers)	300	81.01	24,303			
Customer Service Support Hours	179	41.07	7,352			
Bin Department Maintenance Hours (2 hr/day/pod)	147	81.01	11,908			
Supervisor Hours (2 hrs/day/pod)	168	81.01	13,610			
TOTAL MONTHLY MAINTENANCE COSTS:			**57,173**	686,072	Payroll & Related (1 Supervisor, 1 CSR, 1 Shop person, 2 Drivers)	
Monthly Discount Credits (at 10%)	21,646	2.47	53,562	642,741	Reduction in Residential Revenue (updated 32-gallon bin rate at $25.51)	4,484 credits on Route #052/053 in March 2013, plus 15,630 eligible customers on remaining 9 routes, 27.45% estimated credits/week based on average skipped stops for Route #052/053
Total Costs for RY 2014				**1,436,744**		
Total Costs included in Rate Application as submitted				1,254,227		
Change				182,517		

Pay per Setout - Percentage of Customers Receiving Credits

ROUTE 052				
Skipped Stops	1700	2568	2296	2248
Total Stops	8423	8739	8430	8369
% Skips Trash	20.18%	29.39%	27.24%	26.86%

ROUTE 053							
Skips	1828	1902	2276	2289	2154	2269	2037
Total Stops	7023	6982	8033	7698	7243	8109	6970
% Skips Trash	26.03%	27.24%	28.33%	29.73%	29.74%	27.98%	29.23%

AVERAGE:	27.45%

David Pilpel
2151 27th Ave
San Francisco CA 94116-1730

Peg Stevenson, Garbage Rate Hearing Officer
Department of Public Works
1 Carlton B Goodlett Pl Ste 348
San Francisco CA 94102-4645

2 August 2010

Re: Written Protest Against Proposed Change in Refuse Collection and Disposal Rates

Dear Ms. Stevenson,

This letter is a written protest against the proposed change in residential refuse collection and disposal rates. I am a residential ratepayer for the above address and can submit a copy of a current refuse collection bill if required. I am opposed to the proposed change at this time for the reasons set forth below. I anticipate being able to elaborate further at today's hearing.

1. DPW Conflict: Under the 1932 Refuse Collection and Disposal Ordinance ("the 1932 Ordinance") the Department of Public Works ("DPW") is charged with ensuring that residential refuse collection and disposal ("garbage") rates are just and reasonable, both to residential ratepayers ("ratepayers") and the garbage companies ("the companies"). Thus it is awkward for DPW itself to be proposing, via a rate application, a change in the use of the Special Reserve Account to support DPW's own litter control programs. Although I understand that you have been appointed by DPW Director Ed Reiskin as the Garbage Rate Hearing Officer and that Mr. Reiskin has ordered that the Hearing Officer's Report and Recommended Order be sent directly to City Administrator Ed Lee, the Chair of the Refuse Collection and Disposal Rate Board ("the Rate Board"), I do not feel that the interests of the ratepayers are sufficiently protected over those of the City and County of San Francisco ("City") and DPW in this matter. I understand that as Director of the Controller's City Services Auditor division you report directly to City Controller Ben Rosenfield, a member of the Rate Board. The City Controller is responsible, among other things, with keeping the City budget in balance. Should the proposed fund use change be delayed or denied the City budget would be out of balance by up to $2.5 million. Again, I do not feel that ratepayer interests are sufficiently protected over City's interests here. DPW should explain in detail exactly how ratepayer interests are being protected here and exactly what steps DPW has taken to address the obvious conflict of interest in this matter.

2. Legal Counsel: Along the same lines, I understand that Deputy City Attorney Tom Owen advised DPW on preparing the Rate Application and that he addressed the legal and procedural issues, including Proposition 218 issues, affecting this rate application proceeding. As such, I believe that another Deputy City Attorney, who has not advised DPW to date on this matter, should serve as legal counsel to you as the Hearing Officer in order to avoid that element of appearance of conflict and to address due process concerns. In the event that the Hearing Officer's Report and Recommended Order is appealed to the Rate Board I would expect yet

Exh. 40

another Deputy City Attorney to serve as legal counsel to the Rate Board for similar reasons. This is the practice that has been followed in past garbage rate proceedings as I recall.

3. Clarify Procedure: The likelihood or possibility of an appeal of the Hearing Officer's Report and Recommended Order to the Rate Board raises further procedural concerns. If your report and Recommended Order deny the application, can DPW actually appeal the matter to the Rate Board? If so, then who decides what procedures would be used, since a DPW Director's Order is the normal method used to set such procedures and the existing conflict would be compounded by that time? If not, then what recourse or remedy would DPW have to address an adverse Recommended Order? Some truly objective party needs to clarify these matters for everyone.

4. Exhibits: I respectfully request that a copy of the following documents be placed in the record as exhibits: the 1932 Ordinance, the 1987 Facilitation Agreement, DPW Director's Order Nos. 175,489; 176,099; 176,100; 178,730; and 178,747, the Notice of Fund Use Change postcard, records indicating the number of postcards mailed, the DPW rate application letter dated 8 July 2010 (with attachments), the public notice of today's hearing published in the San Francisco Examiner Friday 9 July 2010 (page 47), and the agenda for today's hearing. If these documents are not immediately available then I respectfully request that exhibit numbers be reserved therefor and that DPW be directed to provide a copy of each for the record. The City location where exhibits and other documents related to this proceeding are available for public review should be disclosed during today's hearing.

5. Public Notice: DPW Director's Order No. 178,730 provides in item 2 that notice of the public hearing "shall be posted at the San Francisco Main Library Government Information Center, the meeting site and on the Department of Public Works' website not less than 72 hours in advance of the hearing." I understand that the Main Library posting was provided less than 72 hours in advance of today's hearing. I do not know when the meeting site or DPW website posting was accomplished. I do know, as a former member of City's Sunshine Ordinance Task Force, that administrative hearings such as this are not public meetings subject to posting requirements of the Ralph M. Brown Act or the San Francisco Sunshine Ordinance. I raise the posting issue only because this entire matter is about arcane procedure and DPW's failure to follow its own written procedures, as set forth in a DPW Director's Order, is unfortunate. Still, the published notice in the San Francisco Examiner did occur Friday 9 July 2010, stating the date, time, and location of today's hearing and I am willing to waive my objection to the inadequate notice at this time.

6. Tabulation of Protests: DPW Director's Order No. 178,747 contains errors on page 3 in items 3 and 4 under tabulation of protests. Item 3 is confusing and not grammatically correct. Since it addresses a matter of law and procedure I respectfully request that it be rewritten. Item 4 refers to the Director of Public Works as the Chair of the Rate Board. In fact, the City Administrator is the Chair of the Rate Board, so again I respectfully request that this item also be rewritten.

7. Ratepayer Interests: In the 2006 rate proceeding ratepayer interests were represented by a Ratepayer Advocate. I understand that no provision has been made for a Ratepayer Advocate or similar position for this rate proceeding. DPW, City's Department of the Environment, and the companies will all likely be represented at today's hearing, but it appears that ratepayers will not be. Furthermore, DPW, who is normally supposed to ensure fairness in the process, has a direct

stake in the outcome. As such, I think that it is even more important that the ratepayers have assertive and competent representation in this matter. Separate from the issue raised in item 1 above, how is DPW attempting to ensure that ratepayer interests are represented here at all?

8. Special Reserve Account: The rate application letter from DPW dated 8 July 2010 proposes to reallocate the 1.3% surcharge from the Special Reserve Account to the portion of the Impound Account dedicated to DPW for recycling and waste management services. It appears that this would divert about $2.5 million annually, or about the entire annual revenue now accruing to the Special Reserve Account, to DPW for litter control purposes. There is some discussion of the history and purpose of the Special Reserve Account and a footnote listing expenditures from the account. There is no FAMIS report or other documentation in support of DPW's fund balance and expense assertions. DPW needs to provide such documents for the record in this proceeding. Further, DPW's application states: "Given historic usage, we do not expect the balance to be significantly reduced in the upcoming years. We believe that San Francisco is more than adequately protected by the current balance in the reserve." Again, there is no evidence to support these statements in the record. How does DPW believe that San Francisco is more than adequately protected by the current balance in the reserve? DPW also fails to mention that the City will likely use up its contracted space at Altamont within the next 5 years. The Department of the Environment should be asked on the record to disclose their current landfill projections. Fundamentally, it seems to me that the end of the landfill would more likely require funds from the Special Reserve Account for "justifiable extraordinary increases in costs" associated with the landfill contract, according to DPW's application. Finally, if the purpose of the Special Reserve Account is limited under the 1987 Facilitation Agreement then it appears that DPW's application must be denied since ongoing litter control costs are neither extraordinary costs associated with the landfill nor costs of hazardous waste control and disposal. DPW needs to publicly reconcile the Special Reserve Account's stated purpose with DPW's current proposal.

9. DPW Litter Control Costs: DPW's application summarizes its costs of litter control with only brief descriptions of each program element and no analysis of performance measures, program outcomes, or alternative approaches to enforce measures against and reduce illegal dumping. Even if the regular City budget process already included some discussion of these issues the rate application does not and so no evidence is on the record in support of DPW's claimed $8.3 million in litter control costs. DPW needs to explain in writing each element and its parts.

10. Nexus Test: Since DPW's litter control costs have been borne to date by City's General Fund I think DPW has a burden to show a nexus between litter control and benefits to residential ratepayers, not all of whom are property owners or City residents. Fundamentally, why should residential ratepayers bear the costs of reducing and cleaning up illegally dumped solid waste? In some ways this type of shift reduces the incentive for proper waste collection and disposal, since under DPW's proposal, illegally dumped waste would be paid for by someone else: law-abiding ratepayers! In any event, has DPW conducted a nexus study to support its proposal? DPW also claims that its budget was reduced and that denying DPW's application would result in drastic cuts to litter abatement, illegal dumping cleanup, and other services. Again, I believe that a broader view of other ways to enforce laws against and reduce illegal dumping is needed. I also think that it is difficult to assess effectiveness without reviewing the companies' efforts.

11. Cost of Service: As I understand it, under Proposition 218 each customer class must bear its cost of service and no customer class may subsidize another. Although DPW's application does explain its methodology for calculating the residential ratepayers' share it does not include the underlying data or explain its assumptions. There is no evidence to support the claim that 46.7% of total refuse is from residential sources, the implied argument that illegal street litter is generated in the same proportion as legal refuse from residential and commercial sources, or the conclusion that residential ratepayers should be equally burdened with illegal dumping costs.

12. Diversion Incentive: As an activist I support City's aggressive diversion goals. As a ratepayer I support cost-effective means to achieve them but I must question unreasonable and unsupported efforts to increase diversion at any cost. That's why the Department of the Environment advocates for diversion goals and DPW recommends rate mechanisms to help achieve them. The only way this regulatory scheme really works, to the extent that it can, is when a comprehensive rate application includes diversion goals compared to recent results by the companies and forward-looking program proposals. Setting diversion incentives in isolation, without reviewing actual data or proposed program changes, lacks a proper foundation. There is no actual data included in DPW's application at Attachment 2 and no explanation as to how the companies might achieve the aggressive diversion increases proposed. DPW needs to explain this further along with the fiscal impact to ratepayers if diversion targets are met or not met.

13. Cost of Living Adjustment: Although the companies will likely be represented and can make their own arguments I note that the 2006 Rate Orders provided for Cost of Living Adjustments (COLAs) only through Rate Year 2010. As such, no COLA is provided for Rate Year 2011 and in the absence of a rate application from the companies the companies receive no COLA. While some costs have likely increased at different rates than the 2006 Rate Orders predicted, other costs may not have increased as much or may even have decreased. Deferring a comprehensive, regular rate application delays a COLA for the companies, a full review for the ratepayers, and a chance to examine cost reduction strategies and increased diversion program opportunities.

14. Other Issues: I have previously expressed concern about a number of issues related to refuse collection and disposal service in San Francisco, both residential and commercial, and have suggested more discussion among City staff, the companies, and interested persons to explore issues including customer service, equipment, facilities, management, operations, operations planning, policy, rate setting assumptions, rate setting process, reports, and public discussion. More recently I have been involved in addressing illegal poaching of recyclables, an issue I think is directly connected to illegal dumping. The relationship between garbage, litter, blight, and enforcement is arguably just as important as waste diversion, reuse, and recycling. We continue to talk about a food waste digester but there appears to be little real progress toward making it happen. As both an activist and a ratepayer I am frustrated by the rate setting process and its seeming inability to directly address either cost efficiency or program effectiveness. I renew my call for a meaningful discussion about these issues now, before other pressing matters derail it.

15. Basis of Recommendation: Although DPW's rate application, mailed postcard, and published notice all indicate that the proposed changes would have no effect on refuse collection bills, there would be a reduction in the Special Reserve Account balance available to address contingencies and future liabilities related to City's use of the Altamont Landfill. As such, future

ratepayers might see an increased surcharge for these purposes if DPW's $2.5 million funding request is approved. Further, the increased diversion incentive goals might make diversion incentive payments to the companies less likely unless additional aggressive steps are taken, but no meaningful analysis of the impact here is really possible outside of a full rate application process, which this is not. Finally, there is no provision for a COLA for Rate Years 2011 and thereafter, and DPW is not proposing one, which puts perhaps unnecessary pressure on the companies' finances, making increased diversion less likely in my opinion. These are all complicated and interconnected matters, and as an interested person I would like to know what basis or factors you will be considering in making your recommendation. If, as DPW asserts, there would be no effect on refuse collection bills then other factors would be considered. If, as I suggest, there may both short- and long-term effects on fund balance, liability, and diversion incentive payments, then the relative pros and cons of those effects on both ratepayers and the companies should be weighed. In any event, if this ultimately leads to a "public convenience and necessity" type of finding then you should discuss now, and in public, the factors at issue here.

16. Conclusion: For the foregoing reasons, and for any other reasons that may be raised during cross-examination or public comment at today's hearing, I respectfully request that you either deny DPW's rate application or, in the alternative, continue today's hearing to a date certain to allow for further dialogue in an attempt to answer some of the questions presented and discuss some of the underlying concerns. In the event that you do continue this hearing I hereby request mailed written notice of any such continued hearing. Further, I hereby request a mailed copy of your report and Recommended Order when available. I hope it is agreed that avoiding an appeal to the Rate Board is desirable for everyone and that both my concerns and those of other parties, including DPW, warrant appropriate consideration. I trust that you will properly exercise your independent judgment and act in the best interests of both the ratepayers and the companies to ensure that garbage rates are just and reasonable within the terms of the 1932 Ordinance.

Sincerely,

David Pilpel

REFUSE COLLECTION AND DISPOSAL RATE BOARD
CITY AND COUNTY OF SAN FRANCISCO

NOTICE OF DECISION AND ORDER

OF THE

REFUSE COLLECTION AND DISPOSAL RATE BOARD RE SPECIAL MEETING AND HEARING ON SEPTEMBER 30, 2010

NOTICE OF DECISION AND ORDER IS HEREBY PROVIDED TO THE APPLICANT AND THE OBJECTOR AND OTHERS INTERESTED, THAT:

- The City and County of San Francisco Refuse Collection and Disposal Rate Board held a public Special Meeting on September 30, 2010 to hear and consider objections to the August 12, 2010 Hearing Officer's Report and Recommended Order on the Department of Public Works' 2010 Refuse Rate Application. The Rate Board then deliberated, and decided the objections and the Application, as orally stated on the record that date.

- The Rate Board's written Order regarding its September 30, 2010 decision is now posted on the Department of Public Works website at **www.sfdpw.org**, and posted at the San Francisco Main Library Government information Center.

Respectfully Submitted on October 8, 2010,

Rick Pearman
Clerk to the Refuse Collection and Disposal Rate Board

1 Dr. Carlton B. Goodlett Place, City Hall, Room 362, San Francisco, CA 94102
Telephone (415) 554-4852; Fax (415) 554-4849

[San Francisco Refuse Collection and Disposal Rate Board Order and Findings]

Resolution modifying and adopting the Department of Public Works (DPW) Director's Designated Hearing Officer Recommended Order dated August 12 2010, based on the Hearing Officer's Report on the 2010 Application from the Department of Public Works dated July 8, 2010; directing the DPW Director to re-allocate proceeds between certain funds accordingly, for July 1, 2010 through September 30, 2011; updating the Diversion Incentive targets for 2010 through 2014 accordingly; and making findings supporting this Resolution.

WHEREAS, The 1932 Refuse Collection and Disposal Ordinance (as amended) establishes and governs the process for approving residential refuse collection and disposal rates for the City and County of San Francisco; and,

WHEREAS, On July 8, 2010 the Department of Public Works filed an Application with the Chair of the Refuse Collection and Disposal Rate Board ("Rate Board") to modify DPW Orders Nos. 176,099 and 176,100, the 2006 Rate Orders setting residential refuse collection and disposal rates pursuant to the 1932 Refuse Collection and Disposal Ordinance ("2006 Rate Orders"). The proposed modification was to: (1) re-allocate certain funds derived from a surcharge on residential garbage rates from a Special Reserve established under the Facilitation Agreement between the City and Recology San Francisco, to the Impound Account established under the2006 Rate Orders to be used to offset DPW costs for recycling and waste management; and, (2) update the Diversion Incentive targets established in the 2006 Rate Orders to cover Rate Years 2012 through 2014; and,

WHEREAS, in response to the DPW Application the Hearing Officer designated by the Director of the Department of Public Works conducted a hearing on August 2, 2010, and issued a Report and Recommended Order on August 12, 2010 regarding the July 8, 2010 Rate Application from the Department of Public Works; and, WHEREAS, the Hearing Officer found the modifications requested by the Application to be just and reasonable, and recommends as follows:

> "I therefore recommend that the proceeds from the 1.3 percent surcharge on billings, now used to fund the Special Reserve established under the Facilitation Agreement, be re-allocated to the Impound Account established by the Rate Orders, for the use of DPW to offset the costs of recycling and waste management, as detailed in the Application, and that the Diversion Incentive targets established in the 2006 Rate Orders be extended and updated for Rate Years 2010 through 2014, as detailed in the Application."

WHEREAS, Objections to the Director's Recommended Order were duly timely filed with the Chair of the Rate Board by August 31, 2010, by one Objector; and,

WHEREAS, The Rate Board, consisting of Chair Edwin M. Lee, Member Edward M. Harrington, and Member Monique Zmuda (as designated by Controller Ben Rosenfield), convened a public hearing on the objections on September 30, 2010; and,

WHEREAS, The Rate Board concurs with some aspects of the objections; and,

WHEREAS, The Rate Board concurs with the Hearing Officer's findings and Recommended Order, as modified by the Rate Board following hearing on September 30, 2010; and finds the modifications requested by the Application as modified by the Rate Board, to be just and reasonable; and,

WHEREAS, the City Planning Department has reviewed the Application and concluded that the actions proposed in the Application are "not a project per CEQA [California Environmental Quality Act] Guidelines Section 15273. (Exhibit No. 5 before the Hearing Officer);

//

//

//

NOW, THEREFORE, BE IT RESOLVED, That the Rate Board directs the Director of the Department of Public Works to revise DPW Orders 176,099 and 176,100 ("2006 Rate Orders") as recommended by the Hearing Officer and as modified by the Rate Board at its September 30, 2010 meeting:

A. Revise the 2006 Rate Orders to re-allocate funds as detailed in the Application, for proceeds from the 1.3 percent surcharge on billings now used to fund the Special Reserve established under the Facilitation Agreement, to be re-allocated to the Impound Account established by the Rate Orders for the use of DPW to offset the costs of recycling and waste management, for the time period July 1, 2010 through September 30, 2011; and,

B. Revise the 2006 Rate Orders regarding the Diversion Incentive targets established in those Orders, as detailed in the Application, by updating the established Diversion Incentive targets to cover Rate Years 2012 through 2014;

and, be it

FURTHER RESOLVED, That the Rate Board directs the DPW Director to publish the revised Rate Orders in an appropriate manner no later than October 29, 2010; and, be it

FURTHER RESOLVED, That the Rate Board strongly urges the DPW Director and the Department of the Environment to engage in a public process during the current fiscal year, as discussed at the Rate Board's September 30, 2010 hearing, regarding:

(1) The appropriate size of the Special Reserve, what should happen to any excess in that Reserve, and whether the 1.3 percent surcharge on billings that funds the Reserve should be reduced; and,

(2) The extent to which garbage rate funds should pay for litter and other street-related collection and disposal going forward;

and, be it

FURTHER RESOLVED, That the objections duly filed with the Rate Board are rejected, except to the extent addressed in the preceding Resolveds; and, be it

FURTHER RESOLVED, That the Rate Board finds that its decision on this Application is "not a project" under the California Environmental Quality Act (CEQA) Guidelines, as concluded by the City Planning Department.

Approved by the Refuse Collection and Disposal Rate Board by unanimous vote (3-0), on September 30, 2010.

Edwin Lee

EDWIN M. LEE, Chair
City and County of San Francisco Refuse Collection and Disposal Rate Board

David Pilpel
2151 27th Ave
San Francisco CA 94116-1730

Edwin Lee, City Administrator
Office of the City Administrator
1 Carlton B Goodlett Pl Ste 352
San Francisco CA 94102

31 August 2010

Re: Written Objection to Hearing Officer's Report and Recommended Order
Proposed Change in Refuse Collection and Disposal Rates

Dear Mr. Lee,

This letter is a written objection to the Hearing Officer's Report dated 12 August 2010 and the undated Recommended Order on the Proposed Change in Refuse Collection and Disposal Rates. I am a residential ratepayer and a person affected by the Recommended Order. I presented a written protest letter dated 2 August 2010 at the hearing on that day, which is included as Exhibit 7 in the Hearing Officer's Report. I will not restate the specific points made in that letter, which I incorporate herein by reference, but I do point out the following:

1. No clear explanation was made, prior to or during the 2 August 2010 hearing, of the overall hearing procedure, the burdens on the applicant, the companies, and the public, and the time limits applicable to the hearing. The failure to explain such procedures in order to allow the public in particular to adequately prepare for the hearing worked a manifest injustice and denied me due process to fully present my points in opposition. In particular, if I had known that public comment not connected to cross-examination would be limited to 3 minutes per person I would have increased my cross-examination and reorganized my public comment. To the contrary, I was led to believe that additional public comment time would be allowed in the event that few members of the public attended, as did occur, but no such additional time was actually allowed.

2. Despite the failure described above I spent many hours preparing a written protest letter, which I presented at the hearing. Although a few of the points in that letter were addressed at the hearing, however superficially, I expected that the Hearing Officer's Report would carefully consider and discuss each point raised. I was mistaken. Upon reading the Hearing Officer's Report I find only a cursory review of the public comments and questions from the hearing, a brief summary conclusion to recommend granting the application, and no discussion of the detailed points in my written protest letter, despite it being included as a marked exhibit.

3. At the hearing another member of the public, who I do not know, asked exactly what section of the 1932 Ordinance allows DPW's litter control costs to be allocated to residential ratepayers in the manner proposed. There was no answer at the hearing but a promise by the Hearing Officer that the Hearing Officer's Report would include a specific citation in response. I found no such reference or citation in the Hearing Officer's Report.

4. I trust that the Rate Board, when convening to address this written objection and any others received, will fully review the record, including my written protest letter, and properly consider each point therein. If there are further procedures, written or otherwise, governing Rate Board proceedings related to the application and this objection I hereby request to be advised of them sufficiently in advance of any Rate Board meetings to allow me to be as prepared as possible.

5. As of the writing of this objection I have not received a mailed copy of the Hearing Officer's Report and Recommended Order. I was notified by telephone in the late afternoon on Friday 13 August 2010 by Douglas Legg of the Department of Public Works (DPW) that the Hearing Officer's Report and Recommended Order had been filed. Although I appreciate this personal notice very much it does not substitute for the mailed copy that I requested in my written protest letter and at the hearing. I read the Report and Recommended Order on DPW's website, which also includes the undated Recommended Order and an undated Notice of Recommended Order.

6. Although various parties, particularly DPW and City's Department of the Environment, seem to want additional flexibility to the rate-setting process in the 1932 Ordinance, I understand that ordinance was written to consider costs of providing residential refuse collection and disposal (garbage) service, and to ensure just and reasonable rates both to the companies and to the ratepayers, no more and no less. It is clear to me that both the companies and the ratepayers, along with the City, must adhere to laws and regulations that pertain here, both in general application and specifically to garbage matters. To that end, the rate-setting process should not be, in my opinion, the place where diversion programs are created or revised, nor should DPW costs for societal problems or general budget and fiscal issues be addressed. Further, whether other jurisdictions have different garbage rates, contract terms, franchise payments, tipping fees, or whatever other arrangements is, I think, rather irrelevant to the purpose of rate-setting: determining just and reasonable rates for residential refuse collection and disposal service.

7. The substantive issues raised by this application are serious. A clear response to the obvious conflicts and procedural questions would allow those substantive issues to be addressed directly. I'm sure that I'm not fully expressing in this objection letter my great frustration with the refuse rate-setting process, which continues to work against an open and public discussion of actual residential refuse collection and disposal costs, their reasonableness, and a just allocation thereof, and in favor of private meetings among City staff and the companies without the public present.

Sincerely,

David Pilpel

Prepared Remarks of David Pilpel for the Refuse Collection and Disposal Rate Board City and County of San Francisco • Thursday 30 September 2010

Good afternoon. As you know, my name is David Pilpel and I am a residential ratepayer. It seems odd that I'm apparently the only reason we're all here today but I need not dwell on that. Further, since I am not a lawyer I'm not sure that I fully understand the nature of this hearing and the burdens of the parties, a point I've tried to make in my protest and objection letters. Nevertheless, I will do the best I can. We don't have much time together so I will get right to it.

For clarity I have grouped my 7 objections into 3 broad areas: procedural concerns related to DPW's application, substantive objections to the Hearing Officer's Report and Recommended Order, and longer-term concerns about the rate-setting process and public participation. I will now address each area in turn.

As to procedural concerns I first object to the Hearing Officer's failure to clearly explain the overall hearing procedure. This put the public in general and myself in particular in the position of protesting or objecting without knowing what standards apply, who plays what roles, and even which DPW Director's Orders still apply. Second, I object to the lack of discussion in the Hearing Officer's Report of the detailed points in my protest letter. Hopefully we will have time to address each of the points today. Third, I never received a mailed copy of the Hearing Officer's Report and Recommended Order. I only received a full copy of the Report and the hearing transcript yesterday from the City Attorney. I also note that the hearing transcript is dated 16 August 2010, after the Hearing Officer's Report was filed, and so I question whether the Hearing Officer had even received the hearing transcript prior to completing her report.

Regarding substantive objections I first object to the Hearing Officer's failure to reference what specific section of the 1932 Ordinance allows DPW's litter control costs to be allocated to residential ratepayers in the manner proposed. I don't believe that DPW litter control programs constitute costs of collection and disposal of refuse as defined in the 1932 Ordinance. Second, I request that you fully review my written objections and property consider each point I made. There are detailed, important, and nuanced issues in play here; this is no academic exercise.

As to longer-term concerns about the rate-setting process and public participation I first object to the rate-setting process as the place where diversion programs are created or revised. I think that diversion targets and methods to achieve them should be discussed publicly in advance of any rate application and that the rate process should determine the just and reasonable costs associated. Second, I have additional concerns with the rate-setting process and the lack of real public participation. I have asked for periodic public sessions or workshops regarding waste collection, disposal, and related issues and been repeatedly rebuffed as to those requests.

That summarizes my 7 technical objections. Now I will describe in more detail the practical implications of DPW's application and why I believe it should be denied in whole or in part. Assuming the procedural hurdles could be overcome, which I am not conceding at this time, the application proposes to re-allocate the annual revenue from the Special Reserve Account, about $2.5 million, for DPW litter control costs and set increasing Diversion Incentive targets for fiscal years 2011-12, 12-13, and 13-14.

As I understand it, the Special Reserve Account resulted from the 1987 Facilitation Agreement to cover extraordinary costs associated with the Altamont Landfill and hazardous waste control and disposal. Recent research has shown that the Facilitation Agreement was approved by a Board of Supervisors ordinance in connection with the Altamont Landfill contract. Since there are still several years to go at Altamont and post-closure costs, if any, have not been projected it seems far too premature to repurpose the annual revenue stream set up specifically to guard against unknown but potentially significant landfill or hazardous waste-related costs. Additionally, it appears to me that changing the basic purpose of the 1.3% surcharge may require a formal amendment to the agreement, which is beyond the Rate Board's purview. Also, the agreement and the account appear to be for risk management purposes in connection with the City exercising its contracting authority (for the landfill space) more in a proprietary manner than a regulatory manner. The Rate Board appears to have no power or authority over the Facilitation Agreement or the related agreements. Indeed, the City just this week made public a proposed new landfill agreement to replace Altamont, an agreement that requires Board of Supervisors approval and over which the Rate Board also has no power. New information I obtained in the past few days shows that the Special Reserve Account has been an issue in past Rate Board hearings but that no action was taken, even when it was labeled a "slush fund" when it only contained about $5 million, in part due to unknown future costs.

DPW and other City staff did attempt to explain how about 47% of waste generated is residential, by revenue or tonnage, as a partial justification for allocating some of DPW's costs to residential ratepayers. However, the 1.3% surcharge applies to all garbage bills, both residential and commercial, and section 6 (b) of the 1932 Ordinance pretty clearly excludes commercial rates from the Rate Board's purview. So, even if the residential portion of the surcharge could be re-allocated, which I am not conceding at this time, I find no legal basis for the Rate Board to approve any allocation of revenue from commercial accounts for DPW costs as such allocation would constitute commercial rate regulation in violation of the 1932 Ordinance.

The retroactive nature of the proposed allocation to cover DPW costs back to 1 July 2010, almost 3 months ago, runs counter to the usual prospective rate-setting process. The garbage companies are required to project future costs, not collect past costs. Why should DPW, who is supposed to recommend just and reasonable rates, be allowed to use a different standard for their own costs? Finally, Proposition 218 adds additional complexity unrelated to the majority protest provisions (which are unlikely to ever be triggered) related to cost of service, nexus, and proportionality issues. DPW's application does not explain the applicable tests, if they are being met, and how.

As I've tried to point out, setting Diversion Incentive targets in a vacuum without explaining how such targets might be met is ultimately unjust and unreasonable to the ratepayers. The garbage companies will continue to invest modestly in people and technology to increase diversion and improve the likelihood of obtaining Diversion Incentive payments. However, much of that investment is buried and captured in worksheets driving existing and future rates already paid by ratepayers. This is where the ratepayer interest in minimizing rates while complying with applicable laws runs up against City and environmental interests in maximizing diversion and minimizing environmental impacts from landfills. I think ratepayers are willing to bear just and reasonable costs of diversion programs and that the Rate Board can make judgments about the reasonableness of program costs and outcomes along with a Diversion Incentive program, but with the costs and outcomes piece missing here we are left with just targets and no connection to either the big picture of getting to zero waste or any analysis of the proposed targets.

I believe that the key to untangling these issues, both in the near term and beyond, is to engage the public in a more meaningful way. That's what I've been seeking for the past 2 months in this proceeding and the past several years more broadly. The garbage companies take constructive comments and criticism to a degree but are under no obligation to meet or respond formally. DPW does not address waste management policy issues and has limited capacity to address finance and rate matters. The Department of the Environment, successor to the City's Solid Waste Management Program, has successfully implemented key diversion and zero waste programs but continues to resist efforts to discuss policy and program issues publicly. I believe that the Rate Board can order otherwise. Elsewhere in the City the SFPUC has a Rate Fairness Board that many of us are familiar with. The topic of electric rate design methodology was discussed at the SFPUC Commission as recently as 2 days ago, Tuesday 28 September 2010.

I should also remind you that this is not an all-or-nothing choice before you. Although not the outcome I would most prefer, the Rate Board could, for example, allocate additional funds to DPW for fiscal year 2010-11 only, or beginning October 1 only, from the existing impound account, deny the application with respect to future Diversion Incentive targets, order public workshops in the next 6 months to discuss waste issues, and force another application before July 1, 2011 with a more complete basis to evaluate. There are also variations on that theme. In any event, I am willing to and would very much like to invest my garbage program and rate-related interests in a more engaging and public process to discuss the underlying issues here in a way that is not adversarial but constructive. My personal involvement with key City and Recology staff demonstrates that we can work together and that thinking differently is possible. You can help make that happen.

I could go on about the lack of notice to neighborhood organizations and interested persons from past rate proceedings but that's not the important point. Garbage ratepayers received no change in service as of 1 July 2010 but are being asked to pay for DPW litter control costs, retroactive to that date, to offset a reduction in general fund support to DPW. That general fund reduction was buried in the budget and received no attention or scrutiny in the June 2010 budget review. I assume that DPW will discuss the risk of rejecting the application and the real possibility of layoffs and service reductions in litter control. As I alluded to in my protest letter, you all have important City jobs with a relationship to maintaining a balanced budget and I hope that won't bias your decision.

For the reasons in my objection letter, my protest letter, the testimony at the 2 August 2010 hearing, the testimony today, and the record before you I urge this Rate Board to either deny DPW's application or at least modify the Recommended Order to address my concerns and objections. I am available to answer any questions you may have. Thank you.

City and County of San Francisco

Gavin Newsom, Mayor
Edward D. Reiskin, Director

Phone: (415) 554-6920
Fax: (415) 554-6944
TDD: (415) 554-6900
www.sfdpw.org

Department of Public Works
Office of the Director
City Hall, Room 348
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4645

Order No. 178,941

The Department of Public Works hereby issues the following order which supplements DPW Orders Nos. 176,099 and 176,100 based upon action by the Refuse Collection and Disposal Rate Board:

Whereas, On July 8, 2010, the Department of Public Works applied for a modification of DPW Orders Nos. 176,099 and 176,100, the 2006 rate orders setting residential refuse collection and disposal rates pursuant to the 1932 Refuse Collection and Disposal Ordinance; and

Whereas, The modification sought was to (1) re-allocate certain funds derived from a surcharge on residential garbage rates from a Special Reserve Account established under the Facilitation Agreement between the City and Recology San Francisco, to the Impound Account established under the rate orders to be used to offset DPW costs for recycling and waste management, and (2) update the Diversion Incentive targets established in the 2006 rate orders to cover Rate Years 2012 to 2014; and

Whereas, An independent hearing officer appointed by the Director of Public Works investigated the application and concluded in her Report dated August 12, 2010 that the proposed modification was justified and would result in rates that are just and reasonable; and

Whereas, Upon review of the hearing officer's recommended order, the Refuse Collection and Disposal Rate Board upheld the proposed re-allocation of revenues for Rate Year 2011 and the extension of the Diversion Incentive targets for Rate Years 2012 to 2014; now therefore

Be it ordered, That for the period from July 1, 2010 to September 30, 2011, the companies shall no longer deposit the 1.3 % surcharge on residential collection and disposal rates in the Special Reserve Account under the Facilitation Agreement, but shall instead increase their contributions to the Impound Account by the same amount, for the use of DPW to offset its costs for recycling and waste management; and be it

Further ordered, That commencing October 1, 2011, the 1.3 % surcharge on residential collection and disposal rates shall again be deposited in the Special Reserve Account under the Facilitation Agreement; and be it

Further ordered, That the Diversion Incentive targets established in the 2006 rate orders shall be extended as follows to cover Rate Years 2012 to 2014:

Rate Year	Tonnage Disposal		Company Diversion %	
	Tier 1	**Tier 2**	**Tier 1**	**Tier 2**
2012	417,679	389,990	55.52 %	58.71 %
2013	401,830	354,391	58.72 %	63.95 %
2014	384,654	316,305	61.87 %	69.08 %
OR Reward	0.5 %	0.5 %	0.5 %	0.5 %

and be it

Further ordered, That except as specifically provided otherwise by the Rate Board's decision and this Order, the remaining provisions of DPW Orders Nos. 176,099 and 176,100 shall stay in effect.

Edward D. Reiskin
Director

Approved: October 29, 2010

David Pilpel
2151 27th Ave
San Francisco CA 94116-1730

Greg Wagner, Garbage Rate Hearing Officer
Department of Public Works
1 Carlton B Goodlett Pl Ste 348
San Francisco CA 94102-4645

23 April 2012

Re: Written Protest Against Proposed Change in Refuse Collection and Disposal Rates

Dear Mr. Wagner,

This letter is a written protest against the proposed change in residential refuse collection and disposal rates. I am a residential ratepayer for the above address and can submit a copy of a current refuse collection bill if required. I am opposed to the proposed change at this time for the reasons set forth below. I anticipate being able to elaborate further at today's hearing.

1. Protest Summary: I protest the reallocation of Special Reserve Fund revenues to support part of DPW's litter control costs previously supported by the City's General Fund. No nexus has been shown between DPW litter control programs and residential ratepayers and no new benefit is conferred on residential ratepayers from shifting costs in the manner proposed. Alternatives do exist and should be explored, but DPW's rate application should be denied at this time.

2. DPW Conflict: Under the 1932 Refuse Collection and Disposal Ordinance ("the 1932 Ordinance") the Department of Public Works ("DPW") is charged with ensuring that residential refuse collection and disposal ("garbage") rates are just and reasonable, both to residential ratepayers ("ratepayers") and the garbage companies ("the companies"). Thus it is awkward for DPW itself to be proposing, via a rate application, a change in the use of the Special Reserve Fund to cover part of DPW's litter control costs. Although I understand that you have been appointed by City Administrator Naomi Kelly, the Chair of the Refuse Collection and Disposal Rate Board ("the Rate Board"), as the Garbage Rate Hearing Officer and that your Hearing Officer's Report and Recommended Order will be sent directly to Ms. Kelly, I question whether the interests of ratepayers are being sufficiently protected over those of the City and County of San Francisco ("City") and DPW in this matter. I believe that only in 2010 and now has the City or DPW ever submitted a rate application. In both cases the rate application was primarily to redirect funds from the Special Reserve to support DPW's litter control costs and not to address the companies' cost of providing garbage service. It is at best an uncomfortable position and thus I ask that DPW explain in detail exactly how ratepayer interests are being protected here and exactly what steps DPW has taken to address the obvious conflict of interest in this matter.

3. Legal Counsel: In my 2010 protest letter I noted that Deputy City Attorney Tom Owen had advised DPW on preparing the 2010 rate application and that he had addressed the legal and procedural issues, including Proposition 218 issues, affecting that rate application proceeding.

As such, I argued that another Deputy City Attorney who had not advised DPW on that matter should serve as legal counsel to the Hearing Officer in order to avoid the element of appearance of conflict and to address due process concerns. That did not happen in 2010 and I have asked several times this year that separate legal counsel be assigned to you as the Hearing Officer. I have not received a positive answer on this issue and so I raise it again as a due process concern.

4. Procedural Clarity: The likelihood or possibility of an appeal of the Hearing Officer's Report and Recommended Order to the Rate Board raises further procedural concerns. If your Report and Recommended Order deny DPW's rate application, can DPW actually appeal the matter to the Rate Board? If so, then who decides what procedures would be used, since a DPW Order is the normal method used to set such procedures, which would simply compound the DPW conflict discussed above? If not, then what recourse or remedy would DPW have to address an adverse Recommended Order? Some clarity on these procedural issues would be helpful.

5. Ratepayer Interests: In the 2006 rate proceeding ratepayer interests were represented by a Ratepayer Advocate. I understand that no provision has been made for a Ratepayer Advocate or similar position for this rate proceeding. DPW, City's Department of the Environment, and the companies will all likely be represented at today's hearing, but it appears that ratepayers will not be. Furthermore, DPW, who is normally supposed to ensure procedural fairness, has a direct interest in the outcome. As such, I think that it is even more important that the ratepayers have assertive and competent representation in this matter. In addition to the issues raised above, I question how DPW is attempting to ensure that ratepayer interests are represented at this hearing.

6. Exhibits: I respectfully request that a copy of the following items be placed as exhibits in the record: the 1932 Ordinance, the 1987 Facilitation Agreement, the October 8, 2010 Rate Board Order, DPW Orders No. 178,941 (October 29, 2010; Implementing Rate Board Order); 180,016 (February 24, 2012; Procedural Rules); and 180,017 (February 24, 2012; Protest Guidelines), the February 16, 2012 Postcard Notice of today's hearing, the March 20, 2012 Workshop Notice; Agenda; and Summary (including handouts), the March 29, 2012 DPW rate application (with attachment), the notice of today's hearing published in the San Francisco Chronicle 2 April 2012, and the agenda for today's hearing. If these documents are not immediately available then I respectfully request that exhibit numbers be reserved therefor and that DPW be directed to provide a copy of each for the record. Further, the City location where documents related to this proceeding are available for public review should be disclosed during today's hearing.

7. Background: The 1932 Ordinance uses a simple and elegant approach to residential refuse collection rates and regulations. At its core it contemplates residential collection, processing, transportation, and disposal services. Although not written to address composting, recycling, or hazardous waste, such elements have become part of garbage service through state and local law. Thus, it is reasonable that direct, indirect, and overhead costs of service provided to residential property owners, and tenants, to collect their refuse, whether compostable, recyclable, or residual waste, including education, hazardous waste, and special collection programs, be included in residential rate-setting. It is also reasonable that other costs, including commercial collection costs and DPW litter control costs, be conversely excluded. Just as commercial costs are excluded and have been for 80 years, DPW litter control costs have no prior history of inclusion before 2010. Instead, they had been General Fund costs. Further, if DPW litter control costs

were intended to be included prior to 2010 an ordinance amending the 1932 Ordinance could have explicitly done so. None did. Proposition 218 now requires a nexus and proportionality between a fee and the service provided. The proposed fund shift does not appear to meet the test nor would an amendment to the 1932 Ordinance to explicitly include DPW litter control costs.

8. The 1987 Facilitation Agreement: Paragraph 5 provides, in relevant part: "It is understood that it is not the intention of the parties that withdrawals from the reserve fund should take the place of normal ratemaking processes by which rates are adjusted to recover costs as they are incurred but that the reserve fund is designed to assure that refuse collection and disposal rates are not subject to major fluctuations from time to time and to protect the Company against unusual circumstances in which rates are not or cannot reasonably be adjusted to provide adequate revenues to recover increased costs under the Contract as they are incurred. Not later than five years after the expiration of the Contract, the Rate Board shall determine whether there is any continuing need for the fund. If the Rate Board determines there is no further need for the fund, the Rate Board shall allocate the remaining monies in the fund for the benefit of the then current and future residential rate payers and commercial accounts of the collection companies."

9. Special Reserve Fund: There is general agreement that sufficient funds exist in the Special Reserve to address the purposes for which it was established; there is no agreement as to any excess and whether to continue the surcharge at this time. The 1987 Facilitation Agreement contemplated this eventuality and provided that any excess should benefit the ratepayers. I believe that an appropriate benefit to the ratepayers is to reduce or spread the impact of a likely increase for additional refuse processing and sorting facilities and services over a period of time. I am not proposing a credit or rebate to ratepayers of the accrued excess in the Special Reserve. I believe that it is premature to reallocate any excess funds from the Special Reserve at this time.

10. 2010 Rate Board Order: The 2010 Rate Board Order directed DPW to reallocate funds to the Impound Account for the use of DPW to offset the costs of recycling and waste management for the time period July 1, 2010 through September 30, 2011 and strongly urged DPW and the Department of the Environment to engage in a public process during the 2010-11 fiscal year regarding the appropriate size of the Special Reserve, what should happen to any excess in that Reserve, whether the 1.3 percent surcharge on billings that funds the Reserve should be reduced, and the extent to which garbage rate funds should pay for litter and other street-related collection and disposal going forward. DPW and the Department of the Environment did not engage in a public process during the 2010-11 fiscal year; a public workshop was held on March 20, 2012. DPW has had no authority to reallocate Special Reserve funds since September 30, 2011 and is only now seeking to retroactively and permanently approve the reallocation.

11. DPW Litter Control Costs: DPW proposes to continue covering about $2.6 million annually of its litter control costs using Special Reserve revenues routed through the Impound Account. There is no question that DPW accrues more than $2.6 million in litter control costs; there is disagreement on whether ratepayers should bear this burden. Proposition 218 requires both a nexus and proportionality between fees and services. In this case DPW has not shown how ratepayers benefit from paying for litter control or how such costs have been proportionally allocated to residential ratepayers. I am aware of no nexus study or other document claiming to establish a nexus between DPW's litter control costs and residential ratepayers. Further, DPW's

rate application summarizes DPW litter control costs with only brief descriptions of each program element and no analysis of performance measures, program outcomes, or alternative approaches to enforce measures against and reduce illegal dumping. Even if the regular City budget process already included some discussion of these issues DPW's rate application does not and so no evidence is in the record in support of DPW's nearly $9 million in litter control costs.

12. General Fund Offset: Overall, it seems clear that DPW is trying, again, to offload general fund costs onto another funding source, in this case residential ratepayers. Until 2010 DPW's litter control costs were borne by the General Fund. I am not aware of any change in services or service levels related to DPW's litter control efforts and I see no particular benefit received by residential ratepayers resulting from the temporary funding shift approved in the 2010 Rate Board Order. In fact, I argue that shifting costs in this manner creates a disincentive to properly dispose of residential refuse, since DPW picks it up and other ratepayers pay for its disposal. This works against the concepts of compliance, education, enforcement, and responsibility. The General Fund continues to improve based on economic conditions and can support a shift back.

13. Nexus Test: Since DPW's litter control costs have been borne prior to 2010 by the City's General Fund DPW has the burden to show a nexus between its litter control costs and benefits to residential ratepayers, not all of whom are property owners or City residents. Fundamentally, why should residential ratepayers bear the costs of cleaning up illegally dumped waste? If DPW has a nexus study it should be available for public review. If not, I don't see how DPW can meet the nexus test. Thus, approving DPW's rate application could risk a Proposition 218 lawsuit.

14. Proportionality: As I understand it, under Proposition 218 each customer class must bear its cost of service and no customer class may subsidize another. Although DPW's rate application does explain its methodology for calculating the residential ratepayers' share it does not include the underlying data or explain its assumptions. There is no evidence to support the claim that 46.7% of total refuse is from residential sources, the implied argument that illegal street litter is generated in the same proportion as legal refuse from residential and commercial sources, or the conclusion that residential ratepayers should be equally burdened with illegal dumping costs.

15. Alternatives: I suggested at the March 20, 2012 workshop that DPW's current or increased costs of administration (finance and policy review), education (proper litter disposal), and enforcement (patrols, warnings, fines, and legal costs) would be appropriate Impound Account items. DPW seemed uninterested and appears to have ignored such an alternative approach.

16. Basis of Recommendation: Although DPW's mailed postcard, rate application, and published notice assert that the proposed change would have no effect on refuse collection bills, funds from the Special Reserve would be reallocated. If, as DPW indicates, there would be no effect on customer bills then other factors become important. Whether ratepayers benefit from the same services already provided bears scrutiny. DPW's effectiveness also warrants review.

17. Other Issues: I have previously expressed concern about a number of issues related to refuse collection and disposal service in San Francisco, both residential and commercial, and have suggested more discussion among City staff, the companies, and interested persons to explore issues including customer service, equipment, facilities, management, operations, operations

planning, policy, rate setting assumptions, rate setting process, reports, and public discussion. More recently I have been involved in addressing illegal poaching of recyclables, an issue I think is directly connected to illegal dumping. The relationship between garbage, litter, blight, and enforcement is arguably just as important as waste diversion, reuse, and recycling. As both an activist and a ratepayer I continue to be frustrated by the rate setting process and its seeming inability to directly address either cost efficiency or program effectiveness. I renew my call for a meaningful discussion about these issues now, before other pressing matters derail it.

18. Conclusion: For the foregoing reasons, and for any other reasons that may be raised during cross-examination or public comment at today's hearing, I respectfully request that you either deny DPW's rate application or continue today's hearing to allow for further dialogue to answer some of the questions presented and discuss some of the underlying concerns. In the event that you do continue this hearing I have separately made a written request to receive mailed notice of any such continued hearing and a mailed copy of your report and Recommended Order when available. I hope it is agreed that avoiding an appeal to the Rate Board is desirable and that my concerns and those of other parties, including DPW, warrant due consideration. I trust that you will properly exercise independent judgment and act in the best interests of both the ratepayers and the companies to ensure that garbage rates are just and reasonable under the 1932 Ordinance.

Sincerely,

David Pilpel

cc: Douglas Legg, Manager of Finance, Budget, and Performance, Department of Public Works

David Pilpel
2151 27th Ave
San Francisco CA 94116-1730

Naomi Kelly, City Administrator
Office of the City Administrator
1 Carlton B Goodlett Pl Ste 352
San Francisco CA 94102

25 May 2012

Re: Written Objection to Hearing Officer's Report and Recommended Order
Proposed Change in Refuse Collection and Disposal Rates

Dear Ms. Kelly,

This letter is a written objection to the Hearing Officer's Report dated 8 May 2012 and the undated Hearing Officer's Recommended Order on Residential Refuse Rates. I am a residential ratepayer and a person affected by the Recommended Order. I presented a written protest letter dated 23 April 2012 at the hearing on that day, which is included as Exhibit 9 in the Hearing Officer's Report. I will not restate all of the specific points made in that letter, which I incorporate herein by reference, but I do specifically object at this time as follows:

1. The Department of Public Works (DPW) certainly has outstanding litter control costs that have been borne by the City's General Fund historically. In the last several years several attempts have been made to shift the burden of covering some of those costs to refuse (garbage) service ratepayers via the Impound Account or the Special Reserve Fund. However, section 6 (a) of the 1932 Ordinance provides, in relevant part, that "Until and unless changed in the manner hereinafter set forth, the maximum rates or charges for the collection and disposition of refuse as herein defined, by refuse collectors, from residences, flats and apartment houses of not more than 600 rooms, and the regulations relating to such rates or charges, shall be as follows . . ." I interpret that language to mean that the rates and charges are only "for the collection and disposition of refuse as herein defined . . . from residences, flats and apartment houses . . ." Collection and disposition of refuse from residences is absolutely integral to the rates and charges. Conversely, DPW's litter control costs (costs of collection and disposition of refuse NOT from residences but from sidewalks and street corners, abandoned by unknown persons) are not within the definition and should be excluded. The Hearing Officer's Report does not examine this issue in sufficient detail and merely concludes "that the cost of these activities are a reasonable and justifiable component of the rate base." I respectfully disagree. DPW's litter control costs are more properly City General Fund costs and so I urge the Rate Board to deny DPW's rate application accordingly.

2. Even if DPW's litter control costs could somehow be found reasonable, the Hearing Officer's Report requires no additional reporting by DPW in the future to document its costs, its tonnage collected by waste stream (green, blue, and black), the diversion rate for each stream, and its

particular efforts to reduce tonnage collected, increase diversion rates, and reduce costs of litter control. At a minimum, I urge the Rate Board to order DPW to report on these items.

3. While there is agreement that the Special Reserve Fund has adequate or greater resources available, there is disagreement about the proper use of any excess resources and the timing of any re-allocation of those resources. I believe that funds should remain in the Fund until the next regular rate application, in anticipation of additional significant investments that will be needed to increase diversion rates and attempt to achieve zero waste to landfill by 2020. Re-allocating the excess, or even the 1.3% surcharge, at this time would likely result in a more significant rate increase to residential ratepayers than necessary. Thus, I again urge the Rate Board to deny DPW's rate application accordingly.

4. DPW and the Department of the Environment, while supportive of the 1932 Ordinance, including the rate-setting and regulatory scheme that it includes, continue to view meaningful public participation in the rate-setting and regulatory scheme as time-consuming and unproductive. I have endeavored to participate meaningfully and reasonably but I continue to be frustrated by not having a forum for serious dialogue about our waste system planning. At times, the attitude of "we know what we're doing; please don't bother us" is not conducive to a productive relationship and meaningful public engagement on getting to zero waste to landfill by 2020. The small number of well-meaning City staff and interested persons should be able to discuss these issues respectfully, reducing burdens on the Rate Board and efficiently resolving differences. Had such a process existed this objection could have been avoided, saving time for everyone. Thus, I urge the Rate Board to order DPW and the Department of the Environment to develop a meaningful public engagement process to discuss waste planning outside rate hearings.

Thank you in advance for your consideration of these objections.

Sincerely,

David Pilpel

cc: Douglas Legg, Manager of Finance, Budget, and Performance, Department of Public Works

[San Francisco Refuse Collection and Disposal Rate Board Order and Findings 2012]

Resolution modifying and adopting the Designated Hearing Officer's Recommended Order dated May 8, 2012, based on the Hearing Officer's May 8, 2012 Report on the March 29, 2012 Application from the Department of Public Works; directing the DPW Director to continue to re-allocate designated proceeds between certain funds, as of October 1, 2011; direction for future Application processes and hearing, and related matters; and making findings supporting this Resolution.

WHEREAS, The 1932 Refuse Collection and Disposal Ordinance (as amended) establishes and governs the process for approving residential refuse collection and disposal rates for the City and County of San Francisco; and,

WHEREAS, Rules of Procedure for Refuse Collection and Disposal Rate Hearings as adopted February 24, 2012, DPW Order No. 180,016, also apply; and,

WHEREAS, On March 29, 2012 the Department of Public Works filed an Application with the Chair of the Refuse Collection and Disposal Rate Board ("Rate Board") to modify DPW Order No. 178,941, the 2010 Order issued pursuant to the 1932 Refuse Collection and Disposal Ordinance ("2010 DPW Order"). The DPW Application proposes that certain funds derived from a surcharge on residential garbage rates continue to be re-allocated, from a Special Reserve Fund established under the Facilitation Agreement between the City and Recology San Francisco to the Impound Account previously established to offset DPW costs for recycling and waste management; and,

WHEREAS, in response to the DPW Application the designated Hearing Officer conducted a hearing on April 23, 2012 and issued a Report and Recommended Order on May 8, 2012 regarding the March 29, 2012 Application from the Department of Public Works; and, WHEREAS, the Hearing Officer found the modification requested by the Application to be just and reasonable, and recommends as follows:

"I therefore recommend that the proceeds from the 1.3 percent surcharge on billings continue to be re-allocated to the Impound Account established by the Rate Orders, for the use of DPW to offset the costs of recycling and waste management, as detailed in the Application."

WHEREAS, Four objections to the Hearing Officer's Recommended Order were timely filed with the Chair of the Rate Board on May 25, 2012 by one Objector; and,

WHEREAS, The Rate Board, consisting of Board Chair/City Administrator Naomi M. Kelly, Board Member/PUC General Manager Edward M. Harrington, and Board Member/Controller Ben Rosenfield, convened a public hearing on the objections on June 14, 2012; and,

WHEREAS, The Rate Board Denies Objections No. 1, 2 and 4; and,

WHEREAS, The Rate Board concurs with Objection No. 3 that monies in the Special Reserve Fund must remain in this Fund except as otherwise provided by the Facilitation Agreement between the City and Recology San Francisco, and related provisions, but the Board denies the remaining portions of Objection No. 3; and,

WHEREAS, The Rate Board concurs with the Hearing Officer's findings and Recommended Order as modified by the Rate Board at its hearing on June 14, 2012, and finds the modification requested by the Application as modified by the Rate Board to be just and reasonable; and,

WHEREAS, Upon consideration and discussion following presentations at the June 14, 2012 hearing, the Rate Board has recommendations for improvements to the rate setting process; and,

WHEREAS, The City Planning Department has reviewed the DPW Application and concluded that the actions proposed in the DPW Application are statutorily exempt from environmental review under the California Environmental Quality Act and CEQA Guidelines (California Public Resources Code §§21000 *et seq.*, §21080(b)(8);

14 California Code of Regulations §§15000 *et seq,* §15273). [Exhibit No. 6 before the Hearing Officer.]

NOW, THEREFORE, BE IT RESOLVED, That the Refuse Collection and Disposal Rate Board directs the Director of the Department of Public Works to revise DPW Order No. 178,941 ("2010 DPW Order") as recommended by the Hearing Officer and modified by the Rate Board at its June 14, 2012 hearing, as follows:

Revise DPW Order No. 178,941 so that as of October 1, 2011 proceeds from the 1.3 percent surcharge on billings continue to be re-allocated from the Special Reserve Fund established under the Facilitation Agreement between the City and Recology San Francisco, to the Impound Account established by previous Rate Orders for the use of DPW to offset the costs of recycling and waste management, as detailed in the 2012 DPW Application; this re-allocation will continue until conclusion of the next regular rate setting hearings; and, be it

FURTHER RESOLVED, That the Rate Board directs the DPW Director to publish the revised Order ("2012 DPW Order") in an appropriate manner no later than July 31, 2012; and, be it

FURTHER RESOLVED, That monies in the Special Reserve Fund must remain in this Special Reserve Fund except as otherwise provided by the Facilitation Agreement between the City and Recology San Francisco, and related provisions; and, be it

FURTHER RESOLVED, That, as discussed and directed by the Rate Board at its June 14, 2012 hearing:

(1) At the next regular rate setting process and hearings, the Hearing Officer and the Board shall receive and consider informative evaluative reports from the City's Department of Public Works and the City's Department of the Environment, and may receive such reports from other interested persons and entities, regarding:

(A.) The appropriate size of the Special Reserve Fund;

(B.) What should happen to any excess in the current Special Reserve Fund, and whether the 1.3 percent surcharge on billings that funds this Special Reserve Fund should be reduced or eliminated; and,

(C.) Whether a new Special Reserve Fund should be created, and if so, its specifications and parameters.

And,

(2) At the next regular rate setting process and hearings, the Hearing Officer and the Board shall receive and consider informative evaluative reports from the City's Department of Public Works and the City's Department of the Environment, and may receive such reports from other interested persons and entities: regarding whether the City, or Recology San Francisco, should perform litter and other street-related materials collection going forward, including related diversion and disposal of materials collected; and regarding whether, and if so to what extent, garbage rate funds should pay for these services.

And,

(3) The Board strongly urges the Department of Public Works and the Department of the Environment to develop and gather more complete data and publish more meaningful public reports as to the volume and types of litter and other street-related materials collected, and as to the related volume and types of diversion and disposal (including recycling) of these various materials.

And,

(4) The Board strongly urges the Department of Public Works and the Department of the Environment to provide a more robust forum for public engagement and participation in waste system planning;

and, be it

FURTHER RESOLVED, That the objections duly filed with the Rate Board are denied, except to the extent addressed in the preceding Resolveds; and, be it

FURTHER RESOLVED, That the Board finds that the continued rate re-allocation will assist the Department of Public Works in meeting operating expenses, including employee wage rates and fringe benefits, and including the purchase or lease of supplies, equipment, and materials; all for DPW programs to collect and dispose of solid waste and recyclables from City streets and properties, and for programs to prevent littering and illegal dumping, as set forth in the DPW Application and its Attachment No. 1; and that the City and County of San Francisco Planning Department has determined that the Application is statutorily exempt from environmental review under California Public Resources Code §21080(b)(8) and CEQA Guidelines §15273 (14 California Code of Regulations §15273); and, be it

FURTHER RESOLVED, That the Rate Board finds that its decision on this Application is statutorily exempt from environmental review under the California Environmental Quality Act and CEQA Guidelines, as concluded by the City Planning Department.

Approved by the Refuse Collection and Disposal Rate Board by unanimous vote (3-0, Kelly, Harrington, Rosenfield), on June 14, 2012.

Dated: July 9, 2012

Naomi M. Kelly

NAOMI M. KELLY, Chair
City and County of San Francisco Refuse Collection and Disposal Rate Board

City and County of San Francisco

San Francisco Department of Public Works

GENERAL - DIRECTOR'S OFFICE
City Hall, Room 348
1 Dr. Carlton B. Goodlett Place, S.F., CA 94102
(415) 554-6920 www.sfdpw.org

Edwin M. Lee, Mayor
Mohammed Nuru, Director

Douglas Legg

DPW Order No: 180442

The Department of Public Works hereby issues the following order which supersedes in relevant part DPW Order No. 178,941 and supplements DPW Orders Nos. 176,099 and 176,100 based upon action by the Refuse Collection and Disposal Rate Board:

Whereas, On March 29, 2012, the Department of Public Works applied for a modification of DPW Order No. 178,941; and

Whereas, DPW sought the modification to continue the re-allocation of certain funds derived from a surcharge on residential garbage rates from the Special Reserve Account established under the Facilitation Agreement between the City and Recology San Francisco, to the Impound Account established under the rate orders to be used by DPW to offset its costs for recycling and waste management, which re-allocation was first authorized as part of DPW Order No. 178,941; and

Whereas, An independent hearing officer appointed by the City Administrator investigated the application and concluded in his Report dated May 8, 2012, that the proposed modification was justified and would result in rates that are just and reasonable; and

Whereas, Upon review of the hearing officer's recommended order, the Refuse Collection and Disposal Rate Board upheld the continued re-allocation of revenues; now therefore

Be it ordered, That effective October 1, 2011, the companies shall no longer deposit the 1.3 percent surcharge on residential collection and disposal rates in the Special Reserve Account under the Facilitation Agreement, but shall instead increase their contributions to the Impound Account by the same amount, for the use of DPW to offset its costs for recycling and waste management; and be it

Further ordered, That this re-allocation shall continue until the conclusion of the next regular rate setting hearings, unless the re-allocation is affirmatively continued through those proceedings; and be it

Further ordered, That except as specifically provided otherwise by the Rate Board's decision and this Order, the remaining provisions of DPW Orders Nos. 176,099, 176,100, and 178,941 shall stay in effect.

7/23/2012

X Mohammed Nuru

Nuru, Mohammed
Approver 2