

EXHIBIT 2:
ANNUAL RATE ADJUSTMENT

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Exhibit 2 Annual Rate Adjustment

1. **MM&O Annual Rate Adjustment Calculation.** The Annual Rate Adjustment for the Mixed Material and Organics Collection Contract shall be calculated in the following manner:
 - 1.1. There are eight (8) Contractor Cost Categories for purposes of the RRI adjustment calculation: MM&O Union Labor, Diesel Fuel, CNG Fuel, Vehicle Replacement, Vehicle Maintenance, Davis Street Processing, Disposal, and All Other. There are an additional three (3) Contractor Cost Categories, of which their weighted percent change will be added to the RRI adjustment for purposes of the Annual Rate Adjustment: Government Fees/Taxes – Disposal, Government Fees/Taxes – Processing, and Franchise Fees.
 - 1.2. Within each Cost Category (1-11) are expenses generally described in the attached Operating Cost Statement – Description (the “Allowable Expenses”). Only these Allowable Expenses may be used by Contractor to calculate the annual total of each Cost Category.
 - 1.3. CONTRACTOR will calculate the total of all Allowable Expenses (as defined in Section 6 of this Exhibit 2) for each Cost Category (also defined herein) for the full or partial, as appropriate, calendar year ending December 31. Each Cost Category will then be assigned an “item weight” based on the proportionate share of its Allowable Expenses total to the total of all Allowable Expenses for all Cost Categories (1-11). For example, if the Allowable Expenses of the Diesel Fuel Cost Category total \$100, and the Allowable Expenses within all Cost Categories is \$2,000, then the Diesel Fuel Cost Category’s item weight will be 5%. The Cost Categories shall be reweighed every year based on allowable expenses thereafter from January 1st through December 31st.
 - 1.4. Each Cost Category’s item weight is then multiplied by the percent change of its Cost Indicator to calculate its weighted percentage change. Each Cost Category’s review dates or review years are set forth below. Each Cost Category’s Cost Indicator is set forth in Section 2 below. For those Cost Categories using a review year, the percentage change is the difference in the annual average of the cost indicator index of the preceding review year and the annual average of the cost indicator index of current review year. For those Cost Categories using a review date, the percentage change is the difference in the cost indicator at the previous review date and the cost indicator at the current review date. With regard to those Cost Indicators which are a published index, should such index be discontinued, a successor index shall be selected by mutual agreement of the parties. Successor indices shall be those indices that are most closely equivalent to the discontinued index.

Table 1 – Cost Categories and Review Year or Date			
Item	Cost Category	Previous Review year or Date	Current Review Year or Date
1	MM&O Union Labor	July 1 of previous calendar year	July 1 of current calendar year
2	Diesel Fuel	December 31 of next previous calendar year	December 31 of previous calendar year
3	CNG Fuel	December 31 of next previous calendar year	December 31 of previous calendar year
4	Vehicle Replacement	December 31 of next previous calendar year	December 31 of previous calendar year
5	Vehicle Maintenance	December 31 of next previous calendar year	December 31 of previous calendar year
6	Davis Street Processing ¹	December 31 of next previous calendar year	December 31 of previous calendar year
7	Disposal ²	December 31 of next previous calendar year	December 31 of previous calendar year
8	All Other	December 31 of next previous calendar year	December 31 of previous calendar year
9	Government Fees/Taxes – Disposal	July 1 of previous calendar year	July 1 of current calendar year
10	Government Fees/Taxes – Processing	July 1 of previous calendar year	July 1 of current calendar year
11	Franchise Fees	July 1 of previous calendar year	July 1 of current calendar year

1.5. The weighted percentage change of Cost Categories 1 - 8 are then added together to calculate the RRI adjustment. The weighted percent change of the MM&O Franchise Fees shall be as calculated except where there is negative change in CONTRACTOR Gross Receipts as set forth in Section 7.18.8 of the Contract, in which case the Franchise Fee increase is zero. The weighted

¹ Except for the Union Labor Cost Category which will have a July 1 review year all other Cost Categories within the Davis Street Processing RRI will have December 31 review years.

² Except for the Union Labor Cost Category which will have a July 1 review year all other Cost Categories within the Disposal RRI will have December 31 review years.

percent change of Cost Categories 9 - 11 are then added to the RRI adjustment to calculate the Annual Rate Adjustment.

2. MM&O Cost Indicators

<u>MM&O Cost Category</u>	<u>Cost Indicator³</u>
MM&O Union Labor	Projected (as of March 1 st preceding the review date to be effective as of the review date) total Union (Local 70, 1546 and 6 Clerical) wage, health and welfare, and pension costs under Waste Management of Alameda County, Inc. collective bargaining agreements for those employees domiciled at 172-98 th Avenue, Oakland, CA. Calculated pursuant to Section 3 below.
Diesel Fuel	Series ID: wpu057303 #2 Diesel Fuel (average for 12 months ending on the current review year)
CNG Fuel	Schedule G-NGV-1, compiled and published by the Pacific Gas and Electric Co. Analysis and Rate Department and reported monthly in the "Gas Rate Finder" publication (http://www.pge.com/tariffs) reflecting the sum of the Customer, procurement, transportation and public purpose program charges (average for 12 months ending on the current review year).
Vehicle Replacement	Series ID: pcu336211336211 Truck, bus, car, and other vehicle bodies, for sale separately (average for 12 months ending on the current review year)
Vehicle Maintenance	Series ID: pcu3339243339243 Parts and attachments for industrial work trucks (average for 12 months ending on the current review year)
Davis Street Processing:	Davis Street Processing RRI (Calculated pursuant to Section 4 below)
Disposal:	Disposal RRI (Calculated pursuant to Section 5 below)
All Other:	Series ID: cuura422sa0 Consumer Price Index, All Urban Consumers, All Items, San Francisco-Oakland-San Jose, CA (average for 12 months ending on the current review year)
Government Fees/Taxes – See Table 2 below	
Disposal	

³ With regard to each Cost Indicator under the MM&O, Davis Street Processing and Disposal RRI's which is an index, the Cost Indicator will be the index's twelve-month average for the period ending on the applicable (previous or current) December 31 review year. With regard to the Union Labor Cost Categories within the MM&O, Davis Street Processing and Disposal RRI's, the Cost Indicator will be the projected union labor costs on the applicable (previous or current) July 1 review date.

Government Fees/Taxes - See Table 3 below

Processing

Franchise Fees

Series ID: cuura422sa0 Consumer Price Index, All Urban Consumers, All Items, San Francisco-Oakland-San Jose, CA (average for 12 months ending on the current review year)

Table 2 - Disposal Government Fees and Taxes									
Agency	Base Fee (2008)	Current Fee 10/20/14	Annual MSW Fee Increases						
			2009	2010	2011	2012	2013	2014	2015
California Integrated Waste Management Board (AB1220) Fee	\$1.40	\$1.40	\$0.00	\$0.00	\$0.00	\$0.00			
Local Enforcement Agency (ACSWMD) Fee	\$0.22	\$0.38	\$0.00	\$0.00	\$0.16	\$0.00			
Business License (County) Fee	\$0.95	\$0.95	\$0.00	\$0.00	\$0.00	\$0.00			
"Measure D" Fee	\$7.67	\$8.23	\$0.25	\$0.25	\$0.06	\$0.00			
Alameda County Waste Management Authority Facilities Fee	\$1.50	\$4.34	\$0.50	\$2.34	\$0.00	\$0.00			
Alameda County Waste Management Authority Household Hazardous Waste Fee	\$2.15	\$2.15	\$0.00	\$0.00	\$0.00	\$0.00			
County Planning Department Fee	\$0.08	\$0.10	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.02	
County Planning Transportation Fee	\$0.00	\$0.01	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.01	
County Open Space Fee (CUP)	\$1.49	\$1.74	\$0.06	\$0.04	\$0.02	\$0.05	\$0.04	\$0.04	
State Water Board Fee		\$0.03	\$0.00	\$0.00	\$0.03	\$0.00			
TOTAL DISPOSAL GOV'T FEES	\$15.46	\$19.33	\$0.81	\$2.63	\$0.27	\$0.05	\$0.04	\$0.07	\$0.00

Table 3 - Processing Government Fees and Taxes									
Agency	Base Fee (2008)	Current Fee 10/20/14	Annual MSW Fee Increases						
			2009	2010	2011	2012	2013	2014	2015
Davis Street Fees - City of San Leandro Mitigation (Franchise) Fee	\$1.08	\$1.22	\$0.03			\$0.00	\$0.08	\$0.03	
Davis Street Fees - San Leandro Business Tax	\$1.34	\$1.60	\$0.16				\$0.06	\$0.04	
Davis Street Fees - Alameda LEA	\$0.11	\$0.38			\$0.27				
TOTAL PROCESSING GOV'T FEES	\$2.53	\$3.20	\$0.19	\$0.00	\$0.27	\$0.00	\$0.14	\$0.07	

Note: Tables 2 and 3 contain all Disposal and Processing government fees and taxes that were effective as of July 1, 2014. (See Column titled "Current Fee 10/20/14"). The Tables will be updated prior to July 1, 2015 for Disposal or Processing government fees or taxes, if any, that become effective between July 2, 2014 and July 1, 2015.

3. **MM&O Union Labor Cost Indicator.** Annual changes to the MM&O Union Labor Cost Indicator shall be calculated by determining the total labor increase for each Union party to a collective bargaining agreement with CONTRACTOR, as follows:

3.1. Local 70 annual total labor increase shall be determined by calculating the percentage change of the sum of the All Classification straight time hourly wage rate, monthly health and welfare premium (as converted to a straight time hourly rate⁴), and the straight time hourly pension rate between the previous review date and the current review date. Since this calculation must be performed prior to the July 1st of the current review date, CITY and CONTRACTOR have agreed that the costs for the current review date shall be those costs that are projected as of March 1st preceding the current review date to be effective as of the current review date. Changes that become known after March 1st preceding the current review date shall be incorporated into the RRI adjustment in the next year with no provision for retroactive adjustments. The resulting year over year percentage change shall be multiplied by the percentage of MM&O Union Labor employees represented by Local 70.

3.2. Local 1546 annual total labor increase shall be determined by calculating the percentage change of the sum of the Journeyman classification straight time hourly wage rate, monthly health and welfare premium (as converted to a

⁴ Converting monthly amounts to hourly will be done by dividing the monthly amount by 173.

straight time hourly rate), and the straight time hourly pension rate between the previous review date and the current review date. Since this calculation must be performed prior to the July 1st of the current review date, CITY and CONTRACTOR have agreed that the costs for the current review date shall be those costs that are projected as of March 1st preceding the current review date to be effective as of the current review date. Changes that become known after March 1st preceding the current review date shall be incorporated into the RRI adjustment in the next year with no provision for retroactive adjustments. The resulting year over year percentage change shall be multiplied by the percentage of MM&O Union Labor employees represented by Local 1546.

- 3.3. Local 6 Clerical annual total labor increase shall be determined by calculating the percentage change of the sum of the CSR II classification straight time hourly wage rate, monthly health and welfare premium (as converted to a straight time hourly rate), and the straight time hourly pension rate between the previous review date and the current review date. Since this calculation must be performed prior to the July 1st of the current review date, CITY and CONTRACTOR have agreed that the costs for the current review date shall be those costs that are projected as of March 1st preceding the current review date to be effective as of the current review date. Changes that become known after March 1st preceding the current review date shall be incorporated into the RRI adjustment in the next year with no provision for retroactive adjustments. The resulting year over year percentage change shall be multiplied by the percentage of MM&O Union Labor employees represented by Local 6 Clerical.
- 3.4. Once the weighted percentage labor increase for each Union is determined, the above sums shall be added together to determine the overall weighted percentage change of the MM&O Union Labor Cost Category to be applied to the MM&O RRI adjustment calculation.
- 3.5. For purposes of clarification with regard to the July 1, 2016 Annual Rate Adjustment, the review years or dates for the Cost Categories will be as follows:

Table 4 – Cost Categories and Review Year or Date for July 1, 2016 Annual Rate Adjustment

Item	Cost Category	Previous Review Year or Date	Current Review Year or Date
1	MM&O Union Labor	July 1, 2015	July 1, 2016
2	Diesel Fuel	Calendar Year Ending December 31, 2014	Calendar Year Ending December 31, 2015
3	CNG Fuel	Calendar Year Ending December 31, 2014	Calendar Year Ending December 31, 2015
4	Vehicle Replacement	Calendar Year Ending December 31, 2014	Calendar Year Ending December 31, 2015
5	Vehicle Maintenance	Calendar Year Ending December 31, 2014	Calendar Year Ending December 31, 2015
6	Davis Street Processing ⁵	Calendar Year Ending December 31, 2014	Calendar Year Ending December 31, 2015
7	Disposal ⁶	Calendar Year Ending December 31, 2014	Calendar Year Ending December 31, 2015
8	All Other	Calendar Year Ending December 31, 2014	Calendar Year Ending December 31, 2015
9	Government Fees/Taxes – Disposal	July 1, 2015	July 1, 2016
10	Government Fees/Taxes – Processing	July 1, 2015	July 1, 2016
11	Franchise Fees	July 1, 2015	July 1, 2016

3.6 To calculate the Annual Rate Adjustment, the RRI adjustment, to the extent required, is reduced by the RRI cap adjustment and then the Diversion adjustment is applied to the resulting allowable RRI adjustment. The resulting adjusted RRI adjustment is then added to the sum of the weighted percentage change (including all Cost Categories) in the Cost Indicators of Cost Categories 9 – 11. The following is an example Annual Rate Adjustment calculation:

⁵ Except for the Union Labor Cost Category which will have a July 1 review year all other Cost Categories within the Davis Street Processing RRI will have December 31 review years.

⁶ Except for the Union Labor Cost Category which will have a July 1 review year all other Cost Categories within the Disposal RRI will have December 31 review years.

Table 5 – Example of Annual Rate Adjustment Calculation

Item	Cost Category	Cost Indicator Percent Change	Item Weight	Weighted Percent Change
1	MM&O Union Labor	4.64%	30.79%	1.43%
2	Diesel Fuel	15.70%	0.00%	0.00%
3	CNG Fuel	-0.10%	2.77%	0.00%
4	Vehicle Replacement	3.14%	2.13%	0.07%
5	Vehicle Maintenance	2.67%	1.76%	0.05%
6	Davis Street Processing	3.79%	7.20%	0.27%
7	Disposal	5.45%	13.80%	0.75%
8	All Other	2.24%	9.38%	0.21%
	RRI Adjustment			2.78%
	RRI Cap Adjustment			0.00%
	Allowable RRI Adjustment			2.78%
	Diversion Adjustment			100.00%
	Adjusted RRI Adjustment (2.78% x 100%)			2.78%
9	Government Fees/Taxes – Disposal	5.13%	0.91%	0.05%
10	Government Fees/Taxes – Processing	3.27%	5.37%	0.18%
11	MM&O Franchise Fees	2.24%	25.89%	0.58%
	Subtotal			3.59%
	Differential Adjustment (Section 7.16.2.1.4) (if needed)			0.00%
	Annual Rate Adjustment		100%	3.59%

3.7 In those years in which it is required the Retroactive Adjustment percentage is then added to the Annual Rate Adjustment. 3.8 Special Adjustments.

Special CPI Adjustment. For the July 1, 2016, and July 1, 2017 rate adjustments the Annual Rate Adjustment shall include an additional percentage increase per year, over and above the amounts calculated hereinabove (two percentage increases). The methodology for calculating these increases and the adjustments to the Maximum Service Rates related to them are set forth in Tables 6A and 6B below. These adjustments will be added to the Annual Rate

Adjustment after the application of the retroactive adjustment, as shown in Table 7 below. The Special CPI Adjustment shall be applied to the rates in Exhibit 1 as specified on the Special Adjustment Sections of Exhibits 1A through 1H.

Special 1.5% Adjustment. For the July 1, 2016 through the July 1, 2019 rate adjustments the Annual Rate Adjustment shall include an additional 1.5% increase per year, over and above the amounts calculated hereinabove (four 1.5% increases). These adjustments will be added to the Annual Rate Adjustment after the application of the retroactive adjustment and in years 2 and 3 the Special CPI Adjustment as shown in Table 7 below. The Special 1.5% Adjustment shall be applied to the rates in Exhibit 1 as specified on the Special Adjustment Sections of Exhibits 1A through 1D and 1G.

Local 6 Adjustment to the Maximum MM&O Service Rates. For the July 1, 2016 through the July 1, 2019 rate adjustment, the Annual Rate Adjustment shall include an additional Local 6 Adjustment as follows. July 1, 2016 an additional .82%, July 1, 2017 an additional .89%, July 1, 2018 an additional .96% and July 1, 2019 an additional 1.03%. These adjustments will be added to the Annual Rate Adjustment after the application of the retroactive adjustment, in years 2 and 3 the Special CPI Adjustment and in years 2 through 5, the Special 1.5% Adjustment as shown in Table 7 below. The Local 6 adjustment shall be applied to the rates in Exhibit 1 as specified on the Special Adjustment Sections of Exhibits 1A through 1D and 1G.

Mixed Materials and Organics Collection Services Contract

	B	C	D	E	F	G	H	I
9	Table 6A - Base Calculation With March 2015 CPI Adjustment (Non-Deferred Plan)							
10	Contract Year			1	2	3	4	5
11		Mo. Rate	3/1/2015	7/1/2015	7/1/2016	7/1/2017	7/1/2018	7/1/2019
12	March 2015 CPI Adjustment		2.00%					
13	Annual Rate Adjustment (Prior to Special Adjustments)							
14	(Applied to Base Rate - Row 17)				3.00%	3.00%	4.00%	4.00%
15	Special 1.5% Adjustment (Applied to Base Rate - Row 17)				1.50%	1.50%	1.50%	1.50%
16	Local 6 adjustment (Applied to Base Rate - Row 17)				0.82%	0.89%	0.96%	1.03%
17	MMO Base Rate	\$ 27.65	\$ 28.20	\$ 28.20	\$ 28.20	\$ 29.70	\$ 31.30	\$ 33.33
18	Annual Rate Adjustment (Prior to Special Adjustments)				\$ 0.85	\$ 0.89	\$ 1.25	\$ 1.33
19	MMO Special 1.5%				\$ 0.42	\$ 0.45	\$ 0.47	\$ 0.50
20	MMO Local 6				\$ 0.23	\$ 0.26	\$ 0.30	\$ 0.34
21	Total MMO Rate	\$ 27.65	\$ 28.20	\$ 28.20	\$ 29.70	\$ 31.30	\$ 33.33	\$ 35.50
22								
23	Annual Base Rate	\$ 331.80	\$ 338.44	\$ 338.44	\$ 356.44	\$ 375.65	\$ 399.92	\$ 426.03
24	Cumulative Annual Rate			\$ 338.44	\$ 694.88	\$ 1,070.53	\$ 1,470.45	\$ 1,896.48
25	Annual Revenue @ 150,000 Customers			\$50,765,400	\$ 53,466,119	\$ 56,347,943	\$ 59,988,020	\$ 63,905,238
26	Cumulative Annual Revenue			\$50,765,400	\$ 104,231,519	\$ 160,579,462	\$ 220,567,483	\$ 284,472,721
27								
28	Table 6B - Rate Calculation Deferring the March 2015 CPI Adjustment to Years 2 and 3 (Deferred Plan)							
29		Mo. Rate	3/1/2015	7/1/2015	7/1/2016	7/1/2017	7/1/2018	7/1/2019
30	March 2015 CPI Adjustment		0.00%					
31	Deferred March 2015 CPI Adjustment				2.13%	2.13%		
32	Annual Rate Adjustment (Prior to Special Adjustments)				3.00%	3.00%	4.00%	4.00%
33	Special 1.5% Adjustment				1.50%	1.50%	1.50%	1.50%
34	Local 6 adjustment				0.82%	0.89%	0.96%	1.03%
35								
36	MMO Base Rate	\$ 27.65	\$ 27.65	\$ 27.65	\$ 27.65	\$ 29.71	\$ 31.30	\$ 33.33
37	MMO Deferred March 2015 CPI Adjustment				\$ 0.59	\$ 0.63	\$ -	\$ -
38	Annual Rate Adjustment (Prior to Special Adjustments)				\$ 0.83	\$ 0.89	\$ 1.25	\$ 1.33
39	MMO Special 1.5%				\$ 0.41	\$ 0.45	\$ 0.47	\$ 0.50
40	MMO Local 6				\$ 0.23	\$ 0.26	\$ 0.30	\$ 0.34
41	Total MMO Rate	\$ 27.65	\$ 27.65	\$ 27.65	\$ 29.71	\$ 31.94	\$ 33.33	\$ 35.50
42								
43	Annual Base Rate			\$ 331.80	\$ 356.51	\$ 383.32	\$ 399.92	\$ 426.03
44	Cumulative Annual Rate			\$ 331.80	\$ 688.31	\$ 1,071.63	\$ 1,471.55	\$ 1,897.58
45	Annual Revenue @ 150,000 Customers			\$49,770,000	\$ 53,476,902	\$ 57,497,331	\$ 59,988,020	\$ 63,905,238
46	Cumulative Annual Revenue			\$49,770,000	\$ 103,246,902	\$ 160,744,234	\$ 220,732,254	\$ 284,637,492
47	Cumulative Difference				\$ (984,617)	\$ 164,771	\$ 164,771	\$ 164,771
48	Discount Rate					8%		
49	NPV of Deferred Funds					\$ 0		

History

- A. The draft City of Oakland Contract allowed for the new rates, approved by City Council, to increase by 100% of the change in the All Urban Consumer Price Index, for the San Francisco-San Jose-Oakland Area, for the calendar year 2014 versus 2013. The CPI adjustment was to allow for cost increases that occurred between the time rates were submitted through the RFP and the effective date of the Contract. The increase was to take effect July 1, 2015. (Non-deferred Plan)
- B. During negotiations, the City requested and the Contractor agreed that the increase, based on the CPI would be deferred and applied in Years 2 and 3 and that the Contractor would receive the same amount of compensation that would have been earned if the CPI were applied in Year 1, plus interest. (Deferred Plan)
- C. The calculations shown in Tables 6A and 6B above were to demonstrate a method to insure that the Contractor received the same amount of compensation under the Deferred Plan, with interest, as under the Non-deferred Plan.
- D. Following are the assumptions and steps for this calculation.

Assumptions

- Table 6A represents an example of the revenue that would be generated if the March 2015 CPI adjustment had been implemented in Year 1 on July 1, 2015, using the assumptions in Notes 3 - 8 below.
- Table 6B represents an example of the revenue that would be generated under the proposed adjustment schedule, if the CPI were applied in Year 2 on July 1, 2016 and in Year 3 on July 1, 2017, using the assumptions in Notes 3 - 8 below.
- Tables 6A and 6B assume a SFD Customer count of 150,000.
- Tables 6A and 6B assume all SFD Customers utilize a 32 gallon Cart with a monthly base rate of \$27.65.
- Tables 6A and 6B assume the March 2015 CPI Adjustment would have been 2.0%. The actual change in the CPI will be known when the indices are published in early 2015.
- Tables 6A and 6B assume the Annual Rate Adjustments, for 7/1/16 and 7/1/17 would have been 3.0% and for 7/1/18 and 7/1/19 would have been 4.0%.
- Tables 6A and 6B assume a Net Present Value (NPV) discount rate of 8%.

Table 7 - Order of Application of Adjustments for Year 2 (July 1, 2016)				
Item	Cost Category	Cost Indicator Percent Change	Item Weight	Weighted Percent Change
	Annual Rate Adjustment Subtotal (After application of RRI cap and Diversion Adjustments as needed per Table 5)			3.59%
	Differential Adjustment (Section 7.16.2.1.4) (if needed)			0.00%
	Annual Rate Adjustment			3.59%
	Retroactive Adjustment (if needed)			0.00%
	Special CPI Adjustment (Estimate)			3.00%
	Special 1.5% Adjustment			1.50%
	Local 6 Adjustment			0.82%
Total Year 2 Rate Adjustment Percentage				8.91%

3.10 Contamination Surcharges. The Annual Rate Adjustment, Retroactive Adjustment and Special Adjustments shall not be applied to the Contamination Surcharges.

4. Davis Street Processing RRI embedded in MM&O RRI.

4.1. The Davis Street Processing RRI shall be calculated in the following manner:

- 4.1.1. There are six (6) Contractor Cost Categories for purposes of the Davis Street Processing RRI adjustment calculation: Davis Street Union Labor, Diesel Fuel, CNG Fuel, Vehicle Replacement, Vehicle Maintenance, and All Other.
- 4.1.2. Within each Cost Category are expenses generally described in the attached Operating Cost Statement – Description (the “Allowable Expenses”). Only these Allowable Expenses may be used by Contractor to calculate the annual total of each Cost Category.

4.1.3. CONTRACTOR will annually calculate each Cost Category's item weight. For example, if the annual total of all Allowable Expenses of Diesel Fuel (a Cost Category) is \$100, and the annual total of all Allowable Expenses for all Cost Categories is \$2,000, Diesel Fuel's weighted percentage factor is 5%.

4.1.4. Each Cost Category's item weight is then multiplied by the percent change of its Cost Indicator to calculate its weighted percentage change. Each Cost Category's review dates or review years are set forth below.

Table 8 – Processing Cost Category and Review Year or Date			
Item	Cost Category	Previous Review Date or Year	Current Review Date or Year
1	Davis Street Union Labor	July 1 of previous calendar year	July 1 of current calendar year
2	Diesel Fuel	December 31 of next previous calendar year	December 31 of previous calendar year
3	CNG Fuel	December 31 of next previous calendar year	December 31 of previous calendar year
4	Vehicle Replacement	December 31 of next previous calendar year	December 31 of previous calendar year
5	Vehicle Maintenance	December 31 of next previous calendar year	December 31 of previous calendar year
6	All Other	December 31 of next previous calendar year	December 31 of previous calendar year

Each Cost Category's Cost Indicator is set forth in Section 4.2 below. For those Cost Categories using a review year, the percentage change is the difference in the annual average of the cost indicator index of the preceding review year and the annual average of the cost indicator index of current review year. For those Cost Categories using a review date, the percentage change is the difference in the cost indicator at the previous review date and the cost indicator at the current review date. For example, with regard to the Davis Street Union Labor Cost Category, the Cost Indicator is Wages, Health & Welfare, and Pension costs under Waste Management of Alameda, Inc., CBAs with Local 70, 1546 and 6 Clerical,

Landfill and Recycling bargaining units. With regard to those Cost Indicators which are a published index, should such index be discontinued, a successor index shall be selected by mutual agreement of the parties. Successor indices shall be those indices that are most closely equivalent to the discontinued index.

4.1.5. The weighted percentage change of each Cost Category is then added together to calculate the RRI adjustment.

4.2. Davis Street Processing RRI Cost Indicators

<u>Cost Category</u>	<u>Cost Indicator</u>
Davis Street Union Labor	Projected (as of March 1 st preceding the review date to be effective as of the review date) total Union (Local 70, Local 1546, Local 6 Clerical, Local 6 Landfill, Local 6 Recycling) wage, health and welfare, and pension costs under Waste Management of Alameda County, Inc. collective bargaining agreements for those employees domiciled at Davis Street, San Leandro, CA. Calculated pursuant to Section 4.3 below.
Diesel Fuel	Series ID: wpu057303 #2 Diesel Fuel (average for 12 months ending on the current review year)
CNG Fuel	Schedule G-NGV-1, compiled and published by the Pacific Gas and Electric Co. Analysis and Rate Department and reported monthly in the "Gas Rate Finder" publication (http://www.pge.com/tariffs) reflecting the sum of the Customer, procurement, transportation and public purpose program charges (average for 12 months ending on the current review year) .
Vehicle Replacement	Series ID: pcu336211336211 Truck, bus, car, and other vehicle bodies, for sale separately (average for 12 months ending on the current review year)
Vehicle Maintenance	Series ID: pcu3339243339243 Parts and attachments for industrial work trucks (average for 12 months ending on the current review year)
All Other	Series ID: cuura422sa0 Consumer Price Index, All Urban Consumers, All Items. San Francisco-Oakland-San Jose, CA (average for 12 months ending on the current review year)

4.3. **Davis Street Union Labor Cost Indicator.** Annual changes to the Davis Street Union Labor Cost Indicator shall be calculated by determining the total labor increase for each Union party to a collective bargaining agreement with CONTRACTOR, as follows:

- 4.3.1. Local 70 annual total labor increase shall be determined by calculating the percentage change of the sum of the All Classification straight time hourly wage rate, monthly health and welfare premium (as converted to a straight time hourly rate), and the straight time hourly pension rate between the previous review date and the current review date. Since this calculation must be performed prior to the July 1st of the current review date, CITY and CONTRACTOR have agreed that the costs for the current review date shall be those costs that are projected as of March 1st preceding the current review date to be effective as of the current review date. Changes that become known after March 1st preceding the current review date shall be incorporated into the RRI adjustment in the next year with no provision for retroactive adjustments. The resulting year over year percentage change shall be multiplied by the percentage of Davis Street Union Labor employees represented by Local 70.
- 4.3.2. Local 1546 annual total labor increase shall be determined by calculating the percentage change of the sum of the Journeyman classification straight time hourly wage rate, monthly health and welfare premium (as converted to a straight time hourly rate), and the straight time hourly pension rate between the previous review date and the current review date. Since this calculation must be performed prior to the July 1st of the current review date, CITY and CONTRACTOR have agreed that the costs for the current review date shall be those costs that are projected as of March 1st preceding the current review date to be effective as of the current review date. Changes that become known after March 1st preceding the current review date shall be incorporated into the RRI adjustment in the next year with no provision for retroactive adjustments. The resulting year over year percentage change shall be multiplied by the percentage of Davis Street Union Labor employees represented by Local 1546.
- 4.3.3. Local 6 Clerical annual total labor increase for clerical employees shall be determined by calculating the percentage change of the sum of the CSR II classification wage rate, monthly health and welfare premium (as converted to a straight time hourly rate), and the straight time hourly pension rate between the previous review date and the current review date. Since this calculation must be performed prior to the July 1st of the current review date, CITY and CONTRACTOR have agreed that the costs for the current review date shall be those costs that are projected as of March 1st preceding the current review date to be effective as of the current review date. Changes that become known after March 1st preceding the current review date shall be incorporated into the RRI adjustment in the next year with no provision for retroactive adjustments. The resulting year over year percentage change shall be multiplied by the percentage of Davis Street Union Labor employees represented by Local 6 Clerical.

- 4.3.4. Local 6 Landfill annual total labor increase for landfill employees shall be determined by calculating the percentage change of the sum of the HEO classification wage rate, monthly health and welfare premium (as converted to a straight time hourly rate), and the straight time hourly pension rate between the previous review date and the current review date. Since this calculation must be performed prior to the July 1st of the current review date, CITY and CONTRACTOR have agreed that the costs for the current review date shall be those costs that are projected as of March 1st preceding the current review date to be effective as of the current review date. Changes that become known after March 1st preceding the current review date shall be incorporated into the RRI adjustment in the next year with no provision for retroactive adjustments. The resulting year over year percentage change shall be multiplied by the percentage of Davis Street Union Labor employees represented by Local 6 Landfill.
- 4.3.5. Local 6 Recycling annual total labor increase for recycling employees shall be determined by calculating the percentage change of the sum of the Sorter and Operator classification wage rate, monthly health and welfare premium (as converted to a straight time hourly rate) and the annual pension contribution (as converted to a straight time hourly rate) between the previous review date and the current review date. Since this calculation must be performed prior to the July 1st of the current review date, CITY and CONTRACTOR have agreed that the costs for the current review date shall be those costs that are projected as of March 1st preceding the current review date to be effective as of the current review date. Changes that become known after March 1st preceding the current review date shall be incorporated into the RRI adjustment in the next year with no provision for retroactive adjustments. The resulting year over year percentage change shall be multiplied by the percentage of Davis Street Union Labor employees represented by Local 6 Recycling.

Once the weighted percentage labor increase for each Union is determined, the above sums shall be added together to determine the overall weighted percentage change of the Davis Street Union Labor Cost Category to be applied to the Davis Street Processing RRI adjustment calculation.

5. Disposal RRI embedded in the MM&O RRI.

5.1. The Disposal RRI shall be calculated in the following manner:

- 5.1.1. There are six (6) Contractor Cost Categories for purposes of the Disposal RRI adjustment calculation: Disposal Union Labor, Diesel Fuel, CNG Fuel, Equipment Replacement, Equipment Maintenance, and All Other.
- 5.1.2. Within each Cost Category are expenses generally described in the attached Operating Cost Statement – Description (the “Allowable

Expenses”). Only these Allowable Expenses may be used by Contractor to calculate the annual total of each Cost Category.

5.1.3. CONTRACTOR will annually calculate each Cost Category’s item weight. For example, if the annual total of all Allowable Expenses of Diesel Fuel (a Cost Category) is \$100, and the annual total of all Allowable Expenses for all Cost Categories is \$2,000, Diesel Fuel’s weighted percentage factor is 5%.

5.1.4. Each Cost Category’s item weight is then multiplied by the percent change of its Cost Indicator from the previous review date to the current review date to calculate its weighted percentage change. Each Cost Category’s review dates are set forth below:

Table 9 – Disposal Cost Category and Review year or Date					
Item	Cost Category	Previous Date or Year	Review Date or Year	Current Date or Year	Review Date or Year
1	Disposal Union Labor	July 1 of previous calendar year		July 1 of current calendar year	
2	Diesel Fuel	December 31 of previous year	next calendar year	December 31 of previous year	next calendar year
3	CNG Fuel	December 31 of previous year	next calendar year	December 31 of previous year	next calendar year
4	Equipment Replacement	December 31 of previous year	next calendar year	December 31 of previous year	next calendar year
5	Equipment Maintenance	December 31 of previous year	next calendar year	December 31 of previous year	next calendar year
6	All Other	December 31 of previous year	next calendar year	December 31 of previous year	next calendar year

Each Cost Category’s Cost Indicator is set forth in Section 5.2 below. For those Cost Categories using a review year, the percentage change is the difference in the annual average of the cost indicator index of the preceding review year and the annual average of the cost indicator index of current review year. For those Cost Categories using a review date, the percentage change is the difference in the cost indicator at the previous review date and the cost indicator at the current review date. For example,

with regard to the Davis Street Union Labor Cost Category, the Cost Indicator is Wages, Health & Welfare, and Pension costs under Waste Management of Alameda, Inc., CBAs with Local 70, 1546 and 6 Clerical, Landfill and Recycling bargaining units. With regard to those Cost Indicators which are a published index, should such index be discontinued, a successor index shall be selected by mutual agreement of the parties. Successor indices shall be those indices that are most closely equivalent to the discontinued index.

5.1.5. The weighted percentage change of each Cost Category is then added together to calculate the RRI adjustment.

5.2. Disposal RRI Cost Indicators

<u>Cost Category</u>	<u>Cost Indicator</u>
Disposal Union Labor	Projected (as of March 1 st preceding the review date to be effective as of the review date) total Union (Local 1546 and Local 6 Landfill) wage, health and welfare, and pension costs under Waste Management of Alameda County, Inc. collective bargaining agreements for those employees domiciled at the Altamont Landfill in Livermore, CA. Calculated pursuant to Section 5.3 below.
Diesel Fuel	Series ID: wpu057303 #2 Diesel Fuel (average for 12 months ending on the current review year)
CNG Fuel	Schedule G-NGV-1, compiled and published by the Pacific Gas and Electric Co. Analysis and Rate Department and reported monthly in the "Gas Rate Finder" publication (http://www.pge.com/tariffs) reflecting the sum of the Customer, procurement, transportation and public purpose program charges (average for 12 months ending on the current review year) .
Equipment Replacement	Series ID: pcu336211336211 Truck, bus, car, and other vehicle bodies, for sale separately (average for 12 months ending on the current review year)
Equipment Maintenance	Series ID: pcu3339243339243 Parts and attachments for industrial work trucks (average for 12 months ending on the current review year)
All Other	Series ID: cuura422sa0 Consumer Price Index, All Urban Consumers, All Items, San Francisco-San Jose-Oakland, CA (average for 12 months ending on the current review year)

5.3. Disposal Union Labor Cost Indicator. Annual changes to the Disposal Union Labor Cost Indicator shall be calculated by determining the total labor increase for each Union party to a collective bargaining agreement with CONTRACTOR, as follows:

- 5.3.1. Local 1546 annual total labor increase shall be determined by calculating the percentage change of the sum of the Journeyman classification wage rate, monthly health and welfare premium (as converted to a straight time hourly rate), and the hourly pension rate between the previous review date and the current review date. Since this calculation must be performed prior to the July 1st of the current review date, CITY and CONTRACTOR have agreed that the costs for the current review date shall be those costs that are projected as of March 1st preceding the current review date to be effective as of the current review date. Changes that become known after March 1st preceding the current review date shall be incorporated into the RRI adjustment in the next year with no provision for retroactive adjustments. The resulting year over year percentage change shall be multiplied by the percentage of Disposal Union Labor employees represented by Local 1546.
- 5.3.2. Local 6 Landfill annual total labor increase for landfill employees shall be determined by calculating the percentage change of the sum of the HEO classification wage rate, monthly health and welfare premium (as converted to a straight time hourly rate), and the hourly pension rate between the previous review date and the current review date. Since this calculation must be performed prior to the July 1st of the current review date, CITY and CONTRACTOR have agreed that the costs for the current review date shall be those costs that are projected as of March 1st preceding the current review date to be effective as of the current review date. Changes that become known after March 1st preceding the current review date shall be incorporated into the RRI adjustment in the next year with no provision for retroactive adjustments. The resulting year over year percentage change shall be multiplied by the percentage of Disposal Union Labor employees represented by Local 6 Landfill.

Once the weighted percentage labor increase for each Union is determined, the above sums shall be added together to determine the overall weighted percent change of the Disposal Union Labor Cost Category to be applied to the Disposal RRI adjustment calculation.

6. MM&O Operating Cost Statement-Description

MM&O Union Labor: List all labor accounts for WMAC's employees domiciled at 172-98th Avenue, Oakland, CA. who are members of Local 70, Local 1546 and Local 6 Clerical. Wages – hourly & overtime, Bonuses, Commissions, Other Compensation, Compensated Absences & Vacation, Severance, Health & Welfare Insurance Premiums, Pension & Retirement Benefits, Payroll Taxes related to the services provided under this Contract.

Diesel Fuel:	Clear and/or Dyed Diesel Fuel, Gasoline, Fuel Tax Credit accounts related to the services provided under this Contract.
CNG Fuel:	LNG and/or CNG fuel, Fuel Tax Credit accounts related to the services provided under this Contract.
Vehicle Replacement:	Equipment and Support Equipment depreciation accounts and Vehicle Rental Equipment accounts related to the services provided under this Contract.
Vehicle Maintenance:	Building (Maintenance), Tires, Parts & Supplies, Lubricants, Third Party Services, Other related to the services provided under this Contract.
Davis Street Processing	Davis Street Processing costs related to the services provided under this Contract. (This cost is based on the CONTRACTOR's internal cost for material Collected by the CONTRACTOR under the terms of this Contract that was delivered to the Davis Street Processing Facility during the prior calendar year and the amount of material that was delivered to the Davis Street Processing Facility during the prior calendar year.)
Disposal:	Disposal costs related to the services provided under this Contract. (This cost is based on the CONTRACTOR's internal cost for material Collected by the CONTRACTOR under the terms of this Contract that was delivered to the Disposal Facility during the prior calendar year and the amount of material that was delivered to the Disposal Facility during the prior calendar year.)
All Other:	List all other expense accounts related to the services provided under this Contract. Advertising Amortization Bad debt and collection charges Bank charges Building and repairs Computer costs Consulting and professional fees Depreciation Depreciation (non-vehicle) Donations and contributions Dues and subscriptions Environmental compliance Equipment - rental

Equipment (Support) - tires, parts, supplies
Fines and penalties
Fuel (non-diesel and non-CNG)
General yard repairs and maintenance
Insurance (e.g., general liability, fire, truck damage, and extended coverage)
Legal
License fees
Litigation settlements
Lobbying
Lubricants
Meals and entertainment
Miscellaneous
Non-union labor wages and benefits (e.g., salaries, hourly wages, overtime, bonuses, commissions, safety expense and bonuses, other compensation, compensated absences and vacation, severance, health and welfare insurance, workers compensation premiums and claims, pension and retirement costs, payroll taxes, contract labor, and other employee costs)
Office supplies
Performance bond expense
Permits
Postage
Printing
Procurement card rebates
Real property rent
Registration
Security
Seminars and education
Site monitoring and testing
Taxes
Taxes (real and personal property)
Third party services
Travel
Utilities (e.g., telephone, electricity, gas)
Vehicle licenses and permits
Vehicle transportation costs - license fees, permits, insurance, bridge tolls
Workers compensation premiums and claims

Union labor Workers Compensation Premiums & Claims,
Union Contract Labor, Safety Program Expense and Other
Employee Costs (e.g., uniforms, boot allowance, tool
allowance).

Government Fees/Taxes –

Disposal: List type and amount of each Government Fees/Taxes paid

Government Fees/Taxes –

Processing: List type and amount of each Government Fees/Taxes paid

Franchise Fees: Franchise Fees payable to CITY pursuant to the Contract.

7. Davis Street Processing Operating Cost Statement - Description

Davis Street Union Labor: List all labor accounts for WMAC's employees domiciled at Davis Street, San Leandro, CA. who are members of Local 70, Local 1546 and Local 6 Clerical, Local 6 Recycling and Local 6 Landfill. Wages – hourly & overtime, Bonuses, Commissions, Other Compensation, Compensated Absences & Vacation, Severance, Health & Welfare Insurance Premiums, Pension & Retirement Benefits, Payroll Taxes,

Diesel Fuel: Clear and/or Dyed Diesel Fuel, Gasoline, Fuel Tax Credit accounts.

CNG Fuel: LNG and/or CNG fuel, Fuel Tax Credit accounts.

Vehicle Replacement: Equipment and Support Equipment depreciation accounts, Vehicle Rental Equipment accounts.

Vehicle Maintenance: Building (Maintenance), Tires, Parts & Supplies, Lubricants, Third Party Services, Other.

All Other: List all other expense accounts related to the services provided under this Contract.

Advertising

Amortization

Bad debt and collection charges

Bank charges

Building and repairs

Computer costs

Consulting and professional fees

Depreciation

Depreciation (non-vehicle)

Donations and contributions

Dues and subscriptions
Environmental compliance
Equipment - rental
Equipment (Support) - tires, parts, supplies
Fines and penalties
Fuel (non-diesel and non-CNG)
General yard repairs and maintenance
Insurance (e.g., general liability, fire, truck damage, and extended coverage)
Legal
License fees
Litigation settlements
Lobbying
Lubricants
Meals and entertainment
Miscellaneous
Non-union labor wages and benefits (e.g., salaries, hourly wages, overtime, bonuses, commissions, safety expense and bonuses, other compensation, compensated absences and vacation, severance, health and welfare insurance, workers compensation premiums and claims, pension and retirement costs, payroll taxes, contract labor, and other employee costs)
Office supplies
Performance bond expense
Permits
Postage
Printing
Procurement card rebates
Real property rent
Registration
Security
Seminars and education
Site monitoring and testing
Taxes
Taxes (real and personal property)
Third party services
Travel
Utilities (e.g., telephone, electricity, gas)
Vehicle licenses and permits

Vehicle transportation costs - license fees, permits, insurance, bridge tolls

Workers compensation premiums and claims

Union labor Workers Compensation Premiums & Claims, Union Contract Labor, Safety Program Expense and Other Employee Costs (e.g., uniforms, boot allowance, tool allowance).

8. Altamont Landfill Disposal Operating Cost Statement - Description

Disposal Union Labor: List all labor accounts for WMAC's employees domiciled at the Altamont Landfill in Livermore, CA. who are members of Local 1546 and Local 6 Landfill. Wages – hourly & overtime, Bonuses, Commissions, Other Compensation, Compensated Absences & Vacation, Severance, Health & Welfare Insurance Premiums, Pension & Retirement Benefits, Payroll Taxes,

Diesel Fuel: Clear and/or Dyed Diesel Fuel, Gasoline, Fuel Tax Credit accounts.

CNG Fuel: LNG and/or CNG fuel, Fuel Tax Credit accounts.

Vehicle Replacement: Equipment and Support Equipment depreciation accounts.
Vehicle Rental Equipment accounts

Vehicle Maintenance: Building (Maintenance), Tires, Parts & Supplies, Lubricants, Third Party Services, Other.

All Other: List all other expense accounts related to the services provided under this Contract.

Advertising

Amortization

Bad debt and collection charges

Bank charges

Building and repairs

Computer costs

Consulting and professional fees

Depreciation

Depreciation (non-vehicle)

Donations and contributions

Dues and subscriptions

Environmental compliance

Equipment - rental

Equipment (Support) - tires, parts, supplies
Fines and penalties
Fuel (non-diesel and non-CNG)
General yard repairs and maintenance
Insurance (e.g., general liability, fire, truck damage, and extended coverage)
Legal
License fees
Litigation settlements
Lobbying
Lubricants
Meals and entertainment
Miscellaneous
Non-union labor wages and benefits (e.g., salaries, hourly wages, overtime, bonuses, commissions, safety expense and bonuses, other compensation, compensated absences and vacation, severance, health and welfare insurance, workers compensation premiums and claims, pension and retirement costs, payroll taxes, contract labor, and other employee costs)
Office supplies
Performance bond expense
Permits
Postage
Printing
Procurement card rebates
Real property rent
Registration
Security
Seminars and education
Site monitoring and testing
Taxes
Taxes (real and personal property)
Third party services
Travel
Utilities (e.g., telephone, electricity, gas)
Vehicle licenses and permits
Vehicle transportation costs - license fees, permits, insurance, bridge tolls
Workers compensation premiums and claims

Capping ARO expense, Closure-Post Closure ARO Expense, Ground Water Monitoring, LF Fees & Taxes, LF Testing & Engineering, Landfill road Maintenance, Leachate Monitoring, LF Capping Amortization, LF Close-Post Closure Amortization, License-Fees-Permits, Methane Collection & Treatment, Non-GCCS Air Monitoring, Non143 Airspace Amortization, Other Monitoring, Royalties, Site Maintenance cost, Surface Water Monitoring

Union labor Workers Compensation Premiums & Claims, Union Contract Labor, Safety Program Expense and Other Employee Costs (e.g., uniforms, boot allowance, tool allowance).