

**NOVATO SANITARY DISTRICT
Solid Waste Committee**

Meeting Date: October 20, 2015

The Solid Waste Committee of Novato Sanitary District will hold a meeting at 3:00 p.m., Tuesday, October 20, 2015 at the District offices, 500 Davidson Street, Novato CA

Materials related to items on this agenda are available for public inspection in the District office, 500 Davidson Street, Novato, during normal business hours. They are also available on the District's website: www.novatosan.com

AGENDA

1. AGENDA APPROVAL:

2. PUBLIC COMMENT: (PLEASE OBSERVE A THREE MINUTE TIME LIMIT).

This item is to allow anyone present to speak on an item not on the agenda, or to request consideration to place on item on a future agenda. Individuals will be limited to a three-minute presentation. No action will be taken by the Committee at this time as a result of public comments made.

3. REVIEW OF MINUTES:

- a. Consider approval of minutes of the August 31, 2015 meeting.

4. CALENDAR YEAR (CY)2016 SOLID WASTE RATE ADJUSTMENT:

- a. Review report, and make recommendation to District Board.

5. UPDATES/ROUTINE BUSINESS ITEMS:

- a. City of Novato
- b. Redwood Landfill
- c. Novato Disposal
- d. Marin County JPA and Local Task Force

6. DISPOSAL/DIVERSION REPORTS 2015:

7. HOUSEHOLD HAZARDOUS WASTE PROGRAMS:

- a. 2015 HHW programs update
- b. E-Waste event update

8. ADJOURN

In compliance with the American with Disabilities Act, if you need special assistance to participate in this meeting, please contact the District offices at (415) 892-1694 during their regular business hours, at least 24 hours prior to the meeting. Notification prior to the meeting will enable the District to make reasonable accommodation to help ensure accessibility to this meeting.

**NOVATO SANITARY DISTRICT
SOLID WASTE COMMITTEE MEETING
August 31, 2015**

MINUTES

Members Present:

Jean Mariani Gary Butler

Others in Attendance:

Sandeep Karkal Dee Johnson Steve McCaffrey
Casey Williams Scott Pariani Delyn Kies

1. Approve agenda. The agenda for August 31, 2015 was approved as submitted.
2. Public Comment. There was no comment from the public.
3. Minutes of June 1, 2015. The minutes of June 1, 2015 were approved as submitted. .
4. Updates/Routine Business Items.
 - City of Novato. There was no update from the City. .
 - Redwood Landfill. There was no representative present from Redwood Landfill
 - Novato Disposal quarterly report- Novato Disposal discussed the quarterly report. Steve McCaffrey indicated that, although backlog for shipped recyclables was still an issue, the situation was improving. Transport of recyclables to Oakland's port appears to be the current delay. Jean Mariani discussed the differences in Y/T/Y commercial and multi-family cart customers and asked for some changes in the quarterly reports. Committee members appreciated the detailed outreach report.
 - Marin County JPA and Local Task Force(LTF). Dee indicated that the LTF had cancelled the September meeting and would meet in October. The revised C&D ordinance is still being discussed by the C&D subcommittee.
 - Legislation. There was no update on current legislation.
5. Disposal/Diversion Report 2015. Steve and Dee reviewed the diversion numbers. 2nd quarter 2015 diversion is improved from 1st qtr. (53.97% vs. 50.18%) Shipping backlogs are still an issue. Gary Butler asked about the quality of recyclable materials and whether China's slowing economy would have an effect on material sales. Steve indicated that there was still a pent up demand. As requested, 2nd quarter reports added a line item for **collected** recyclables vs. **shipped** recyclables. (2nd quarter **shipped** recyclables were higher.) Attaining 60% diversion was also discussed.
6. Zero Waste Programs Calendar/Timetable Status. Dee and Steve McCaffrey reviewed the calendar and programs. Dee indicated that, at the request of Gary Butler, she included the complete Ex. 5. School Recycling and Food Waste Program outline from the franchise agreement. Steve discussed the background of the zero waste school programs and indicated some of the challenges faced in the past. Gary indicated that the new school superintendent seems very open to new ideas. Steve mentioned that he would set up a meeting to discuss the school program. Dee indicated that bringing back the CA Conservation Corps staff into the schools would be a good idea.
7. Household Hazardous Waste Programs. Dee indicated that participation at the HHW facility continues to increase with July and August some of the busiest months ever. The fall E-Waste event is scheduled for 10/10 – 10/12
8. Adjourn. The meeting adjourned at 4:05pm.

NOVATO SANITARY DISTRICT

MEMORANDUM

Date: October 15, 2015
To: Board Solid Waste Committee - Jean Mariani and Gary Butler
From: Sandeep Karkal, General Manager-Chief Engineer 
Subject: Calendar Year (CY) 2016 Solid Waste Rate Adjustment.

The Solid Waste Franchise Agreement between Novato Disposal Service and the District provides for an annual adjustment to Novato Disposal's rates based on the changes in the specified Refuse Rate Index (RRI). In CY2013 there was no rate adjustment because the calculated adjustment would have been -0.13 percent. In CY2014 the rate adjustment was +1.63 percent. In CY2015, the rate adjustment was +3.00 percent, comprised of an RRI adjustment of +1.94 percent and an account migration adjustment of +1.06 percent to mitigate the impacts on Novato Disposal's revenues of account migration from larger carts to smaller carts.

For CY2016, Novato Disposal timely submitted a rate increase request of an RRI adjustment of +1.94 percent. The District engaged R3 Consulting Group (R3), to review Novato Disposal's CY2016 rate adjustment request. R3 completed their analysis and submitted the attached report to the District. Based on their review, R3 is recommending an RRI rate adjustment of +1.94 percent, which is equal to the rate adjustment amount calculated by Novato Disposal in its Rate Adjustment Application.

Based on the R3 report, staff recommends that the Solid Waste Committee accept R3's recommendation, and present a recommendation of a CY2016 solid waste rate adjustment of +1.94 percent to the District Board for its approval.



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October 14, 2015

Mr. Sandeep Karkal
Novato Sanitary District
5000 Davidson Street
Novato, CA 94945

Re: Letter Report – Review of Novato Disposal Service’s Requested Rate Adjustment for Rate Year 2016

Dear Mr. Karkal:

R3 Consulting Group (R3) was engaged by the Novato Sanitary District (District) to assist with a review of Novato Disposal Service’s (Company) requested rate adjustment for Rate Year 2016 (January 1, 2016 – December 31, 2016). Specifically, R3 was asked to confirm that the rate adjustment methodology used by the Company is consistent with the Refuse Rate Index (RRI) Rate Adjustment Methodology set forth in Exhibit 2 of the Amended and Restated Franchise Agreement (Agreement) and that the calculation is mathematically accurate. This Letter Report communicates our findings and recommendations.

Objectives

- To review the Company’s requested rate increase to confirm that:
 - It is consistent with applicable terms and conditions of the Agreement;
 - It is mathematically accurate; and
 - It correctly accounts for the required Balancing Account adjustment to the rates.
- To recommend the appropriate Rate Year 2016 rate adjustment based on the results of our review; and
- To confirm the current Balancing Account balance.

Background

The Agreement provides for an annual adjustment to the Company’s rates based on the specified Refuse Rate Index (RRI), with the option to conduct a detailed rate review not more frequently than once every three (3) years. A copy of Article 6 of the Agreement (Company’s Compensation and Rates) is provided as Attachment 1.

As specified in the Agreement, the RRI adjustment is the sum of the weighted average percentage change in the twelve (12) month annual average of the specified indices for each of the following cost categories:

- Labor;
- Fuel;
- Vehicle Replacement;
- Vehicle Maintenance; and
- All Other.

The RRI also provides for adjusting the Disposal Fee and Organic Waste Processing Fee based on the change in the associated tipping fees. A copy of Exhibit 2 – Refuse Rate Index is provided as Attachment 2.

Section 6.3 of the Agreement (RRI Financial Information) states that: *“On or before September 1, 2011, and annually thereafter during the term of this Agreement, the Company shall deliver to the District information for the specific services performed under this Agreement for the preceding Agreement Year. Such financial information shall be in a format as set forth in Exhibit 2, or as may be further revised by the District from time to time. If the Company fails to submit the financial information in the required format by September 1st, it is agreed that the Company shall be deemed to have waived the RRI adjustment for that year...”*

The Company submitted an electronic copy of its 2016 Rate Adjustment Application to the District on Thursday August 27, 2015.

Recommended Rate Adjustment

The Company’s Rate Adjustment Application calculated a 1.94 percent rate increase (Attachment 3) based on the specified RRI methodology. As part of our review, we verified that the Company’s financial information, cost category index values, and mathematical formulas were consistent with the RRI methodology included in the Restated Franchise Agreement. Based on our review, we are recommending an RRI rate adjustment of 1.94 percent, which is equal to the rate adjustment amount calculated by the Company in their Rate Adjustment Application.

During our review, we identified one “Vehicle Maintenance” index value that had been updated by the Bureau of Labor Statistics (BLS) since the Company’s submission of their Rate Adjustment Application. The update to this index value was very minor, and had no impact on the overall calculated rate adjustment of 1.94 percent.

Balancing Account Calculation

The balancing account was established to account for the change in recycling revenues during years when the RRI is used. When setting the 2008 Base Year rate, recycling revenues were projected at \$542,420. The RRI adjustments that are used for adjusting the rates during interim years (i.e., non-Base Years) do not account for any adjustments to the projected recycling revenues. The Balancing Account is intended to reflect the difference between actual recycling revenues received by the Company as compared to the 2008 Base Year projected recycling revenues.

Recycling revenues are calculated for each year, starting with 2008 and using the specified methodology, and each calculated amount is compared to the 2008 projected revenue amount of \$542,420.¹ The difference is accounted for in the balancing account as either revenue due to the District (if calculated recycling revenues are higher than the projected amount), or revenue due to the Company (if calculated recycling revenues are lower than the projected amount). Per the rate adjustment methodology in the Agreement, the cumulative Balancing Account amount for 2008 through 2011 was accounted for in full when setting the rates for Calendar Year 2013. That Balancing Account amount of \$1,124,671 due to the District resulted in a net reduction of 2.45 percent to the calculated 2013 rate adjustment. That rate decrease is to remain in effect through 2017 as specified in Exhibit 7.2.b.i of the Agreement. Therefore, as of January 1, 2012 the balancing account balance was zero. Going forward, the Agreement provides for a similar methodology for calculating the balancing account.

¹ This amount was established and referenced in R3’s Final Report; Review of Novato Disposal Service’s Rate Year 2008 Rate Application, December 6, 2007.

Mr. Sandeep Karkal
October 14, 2015
Page 3 of 3

Attachment 4 provides the language in the Agreement related to the balancing account. Attachment 5 provides R3's calculated balancing account balance as of December 31, 2014 based on the currently agreed upon methodology. R3's calculated balancing account balance is based on a CRV adjustment amount of \$4.19 per ton, consistent with the agreed upon figure that has been used since 2012. The Company's balancing account calculation used an incorrect CRV adjustment figure, which R3 adjusted in its calculation. The Company reported that it agrees with the balancing account calculation as reflected in Attachment 5.

* * * * *

We appreciate the opportunity to be of assistance to the District. If you have any questions regarding this submittal, please feel free to contact me by phone at (916) 782-7821, or by email at wschoen@r3cgi.com.

Sincerely,

R3 CONSULTING GROUP



William Schoen
Principal

Attachments:

Attachment 1	Article 6 – Company's Compensation and Rates
Attachment 2	Exhibit 2 – Refuse Rate Index
Attachment 3	Rate Year 2016 Rate Adjustment Calculation
Attachment 4	Exhibit 7 – Recyclable Materials Balancing Account
Attachment 5	Balancing Account Calculation

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Attachment 1

ARTICLE 6 COMPANY'S COMPENSATION AND RATES

6.1 General

The Company's compensation provided for in this article shall be the full, entire, and complete compensation due to the Company for all labor, equipment, materials, and supplies, taxes, insurance, bonds, overhead, disposal, profit, and all other things necessary to perform all the services required by this Agreement in the manner and at the times prescribed.

The Company will not look to the District for payment of any sums under this Agreement. The Company will perform the responsibilities and duties described in this Agreement in consideration of the right to charge and collect from Customers for services rendered at rates fixed by the District from time to time.

6.2 Refuse Rate Index Adjustments to Service Rates

6.2.1 Adjustments to Service Using the Refuse Rate Index (RRI). Beginning on January 1, 2012, and annually thereafter, the Company shall, subject to compliance with all provisions of this Article, shall receive an annual adjustment in of the Service Rates as set forth in Exhibit 1 of this Agreement.

6.2.2 RRI Adjustment. Beginning on January 1, 2012, and annually thereafter during the term of this Agreement, the Service Rates set forth in Section 6.2.1 above shall be adjusted by the RRI adjustment set forth below. In any year that the calculation of the RRI results in a negative number, there shall be no adjustment of the Service Rates. Instead, the negative RRI number shall be added to the result of the subsequent years RRI calculation and the result shall be the RRI adjustment for that subsequent year.

6.2.3 12-Month Annual Average. The RRI adjustment shall be the sum of the weighted percentage change in the twelve (12) month annual average of each RRI index number between the base year, which shall be the prior preceding fiscal year ending June 30th and the preceding fiscal year ending June 30th as contained in the most recent release of the source documents listed in Exhibit 2, ("REFUSE RATE INDEX") which is attached to and included in this Agreement. Therefore, the first Service Rate adjustment will be based on the percentage changes between the twelve (12) month Annual Average of the RRI indices for the fiscal year ending June 30, 2010 and the Annual Average of the RRI indices for the fiscal year ending June 30, 2011. The RRI shall be calculated using the RRI methodology included in Exhibit 2.

6.3 RRI Financial Information

On or before September 1, 2011, and annually thereafter during the term of this Agreement, the Company shall deliver to the District financial information for the specific services performed under this Agreement for the preceding Agreement Year. Such financial information shall be in the format as set forth in Exhibit 2, or as may be further revised by the District from time to time. If the Company fails to submit the

Attachment 1

1 financial information in the required format by September 1st, it is agreed that the
2 Company shall be deemed to have waived the RRI adjustment for that year. The
3 Company's failure to provide the financial information shall not preclude the District
4 from applying the RRI using the prior year's financial data, or pro forma data if no prior
5 year financial data is available, if that application would result in a negative RRI.

6 **6.3.1** Annual Adjustments shall be made only in units of one cent (\$0.01). Fractions of
7 less than one cent (\$0.01) shall not be considered in making adjustments. The
8 indices shall be truncated at four (4) decimal places for the adjustment
9 calculations.

10 **6.3.2** If the Company's failure to submit the financial information required under
11 Section 6.3 is the result of extraordinary or unusual circumstances as
12 demonstrated by the Company to the satisfaction of the District Manager-
13 Engineer, the District at its sole discretion, may consider the request for the
14 annual RRI rate adjustment.

15 **6.3.3** As of November 15, 2011, and annual thereafter during the term of this
16 Agreement, the District Manager-Engineer shall notify the Company of the RRI
17 adjustment to the affected service rates to take place on the subsequent January
18 1st.

19 **6.4 Recyclable Materials Balancing Account**

20 Because of the variation of Recyclable Materials commodity prices, the District and the
21 Company agree to use the Recyclable Materials Balancing Account as described in
22 Exhibit 7.

23 **6.5 District or Company Requested Detailed Rate Review**

24 The District or the Company may request a Detailed Rate Review to be conducted
25 following the procedures as specified in Exhibit 8. However, a Detailed Rate Review
26 shall not be conducted more than once every three (3) Agreement years. A request for a
27 Detailed Rate Review shall be made in writing at least six months prior to the January 1st
28 rate adjustment period for the year in which the results for the Detailed Rate Review are
29 to be applied. The Company shall pay the cost for the Detailed Compensation Review,
30 and the cost of such a Detailed Rate Review is an allowable pass-through cost.

31

Attachment 2

EXHIBIT 2 Refuse Rate Index

The "Refuse Rate Index" adjustment shall be calculated in the following manner:

1. The expenses of providing Collection Services in the Service Area for the designated fiscal period (July to June) shall be prepared in the format set forth in the Operating Cost Statement - Description on the following page of this Exhibit.
2. The expenses of providing Collection Services in the Service Area shall be broken down into one of the following seven cost categories: Labor; Fuel; Vehicle Replacement; Maintenance, Disposal Fee, Organic Waste Processing fee, and All Other. Each cost category is assigned a weighted percentage factor on that cost category's proportionate share of the total of the costs shown for all cost categories.
3. The following indices are used to calculate the adjustment for each cost category of the Service Rates. The change in each index is calculated on a twelve-month fiscal period (July to June). The twelve-month average index from July 2010 to June 2011 will serve as the "First Year Index".

<u>Cost Category</u>	<u>Index</u>
Labor	Series ID: ceu6056210008 Production Workers-Waste Collection
Fuel	California No 2 Diesel Ultra Low Sulfur (0-15 ppm) http://tonto.eia.doe.gov/oog/info/wohdp/diesel.asp
Vehicle Replacement	Series ID: pcu336211336211 Truck, bus, car and other vehicles bodies, for sale separately.
Vehicle Maintenance	Series ID: pcu333924333924 Parts and attachments for Industrial work trucks.
Disposal Fee	The per ton tip fee charged at the Disposal Facility.
Organic Waste Processing Fee	The per ton tip fee charged at the approved Organic Waste Processing Facility.
All Other	Consumer Price Index, Series ID: CUURA422SA0 CPI-All Urban Consumers, All Items, San Francisco,

4. The percentage weight for each cost category is multiplied by the change in each appropriate index to calculate a weighted percentage for each cost category. The weighted percentage changes for each cost category are added together to calculate the Refuse Rate Index for the Service Rates in Exhibit 1.

Attachment 2

EXHIBIT 2 Refuse Rate Index

Operating Cost Statement - Description	
Operating Costs	
Labor:	List all administrative, officer, operation and maintenance salary accounts. List payroll tax accounts directly related to the above salary accounts.
Fuel:	List all fuel and oil accounts.
Vehicle	
Replacement:	List all Collection and Collection related vehicle depreciation accounts. List all vehicle lease or rental accounts related to Collection or Collection related vehicles.
Vehicle	
Maintenance:	List all Collection or Collection related vehicle parts accounts.
Disposal Fee:	List all Landfill Disposal related accounts.
Organic Waste Processing Fee:	List all Organic Waste Processing related accounts.
All Other:	List all other expense accounts related to the services provided under this Contract. This category includes all insurance including general liability, fire, truck damage, extended coverage and employee group medical and life; rent on property, truck licenses and permits; real and personal property taxes; telephone and other utilities; employee uniforms; safety equipment; general yard repairs and maintenance; office supplies; postage; trade association dues and subscription; advertising; employee retirement or profit sharing contributions; and miscellaneous other expenses.

Attachment 3

Rate Year 2016 Rate Adjustment Calculation

Cost Category	1-1-15 Rate Rev Base Breakdown	7-01-14 to 6-30-15 Change In Index	Percentage Weight for Each Cost Category	Weighted Percentage Change for Each Cost Category
Labor	\$2,441,597	2.640%	23.810%	0.63%
Fuel	\$694,271	-4.370%	6.770%	-0.30%
Vehicle Replacement	\$468,289	1.870%	4.570%	0.09%
Vehicle Maintenance	\$293,443	3.230%	2.860%	0.09%
Disposal Fee	\$1,547,536	1.530%	15.090%	0.23%
Organic Waste Processing Fee	\$524,219	1.530%	5.110%	0.08%
Other operating costs	\$4,285,430	2.680%	41.790%	1.12%
Total allowed operating costs	\$10,254,785		100.000%	1.94%
Refuse Rate Index Adjusted for Balancing Account				1.94%

Note:
 R3 reduced this value from 3.25% based on an updated BLS index value. Because this change was very minor, there was no impact on the overall calculated adjustment of 1.94%.

Attachment 3

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Exhibit 7
Recyclable Materials Balancing Account

1. Recyclable Material Per Ton Net Revenue Amount.

Fair Market Value - For purposes of forecasting recyclable material net revenues for 2008, the Company shall use the calculated fair market value of recyclable material revenues for 2006, which shall equal the annual total of the fair market value for such material for each month times the associated monthly tonnage collected or received by the Company for calendar year 2006, times any applicable growth rate (the 2006 Projected Revenues). A similar methodology will be used for purposes of forecasting recyclable material sales revenues for subsequent years. That fair market value shall be calculated as follows:

- a. The fair market value of net revenue paid by related parties to the Company for recyclable materials net of processing costs, and any and all other costs (the Per Ton Net Revenue Amount), shall initially be set at \$44.85 per ton effective July 2005. This initial Per Ton Net Revenue Amount will be adjusted on a monthly basis, as described below.
- b. The prior month Per Ton Net Revenue Amount shall be adjusted for purposes of establishing the Per Ton Net Revenue Amount for the current month based on changes to the Official Board Markets Transacted Paper Stock Prices (OBM Index Prices) as reported for "San Francisco" as follows:
 - i. The starting point for the Per Ton Net Revenue Amount shall be \$44.85 per ton effective July 2005.
 - ii. The Per Ton Net Revenue Amount shall be adjusted monthly based on changes to the OBM Index Prices for Mixed Paper, #8 Newspaper and OCC as reported in the first weekly OBM issue of each month. The OBM Index Prices for each of these commodities shall be set at the average of the high and low prices reported each month, which are \$67.50, \$87.50 and \$87.50 respectively for July 2005.
 - iii. The weighted average percentages for Mixed Paper, #8 Newspaper and OCC for purposes of applying the OBM Index Prices shall be 46%, 46% and 8% respectively.
 - iv. Every month, one hundred percent (100%) of the weighted average O.B.M. index price adjustment (up or down) compared to the previous month shall be added or subtracted from the prior month Per Ton Revenue Amount for purposes of establishing the Per Ton Revenue Amount for each month.
- c. Example: The OBM Index Price adjustments from July 2005 to August 2005 for Mixed Paper, #8 Newspaper and OCC were -\$10/ton, -\$5/ton and -\$10/ton respectively. Applying the above referenced weighted average by material type, the price change July to August is -\$9.00/ton. The Per Ton Net Revenue Amount for July 2005 would decrease from \$44.85 to \$35.85 which is the Per Ton Net Revenue Amount for August 2005.

Exhibit 7
Recyclable Materials Balancing Account

- d. The calculated Per Ton Net Revenue Amount for each month shall be applied to all tonnages collected or received by the Company through the recycling program and delivered to related parties for processing for that month, including any and all processing residue, contaminants, non-processable or other material tonnages.
- e. Notwithstanding any provision of this Agreement to the contrary, at no time shall the Per Ton Net Revenue Amount paid by a related party be less than \$10 per ton (The Floor Price) nor more than \$80 per ton (The Ceiling Price) – The Floor Price and Ceiling Price shall be adjusted for the full impact of any change in the CRV value as provided for below.
- f. In the event of any future changes to the California Redemption Value (CRV) paid by the State of California, the Per Ton Net Revenue Amount shall be adjusted to account for that relative impact on the Per Ton Net Revenue Amount. That impact shall be determined by multiplying the total applicable CRV tons for the prior 12 months times the applicable net change in CRV per ton revenue to project the total additional annual CRV revenue. This total additional annual CRV revenue shall then be divided by the total tonnage collected or received by the Company through the recycling program for the prior 12 months to determine the net additional per ton revenue amount that shall be added to the calculated Per Ton Net Revenue Amount going forward. The parties agree that should the CRV value be adjusted on or after July 1, 2007, as provided for in the California Beverage Container Recycling and Litter Reduction Act, allowances will be made to the rates that are set for 2008 and beyond to fully account for this change, notwithstanding any provision of this Agreement to the contrary.

2. Balancing Account Calculation for Recyclable Materials.

Because of the potential volatility of recyclable material prices, the District and the Company agree to establish a Balancing Account for recyclable material sales revenue. The Balancing Account amount will be based on the difference between the projected revenues for each year (as calculated using the above methodology) and the calculated revenues for that year (i.e., the annual total of the actual monthly tonnage times the calculated Per Ton Revenue Amount for each month using the methodology described above).

- a. For purposes of tracking the Balancing Account amount, the Company shall provide the District with an annual report that includes:
 - i. A copy of the OBM Index Prices as reported in the first issue of each month;
 - ii. The total commingled recyclable tonnage delivered to any related party for processing;
 - iii. The calculated current month Per Ton Revenue Amount and the calculation used to determine that amount;
 - iv. The total monthly Calculated Revenue equal to the total tonnage collected or

Attachment 4

Exhibit 7 Recyclable Materials Balancing Account

- received by the Company through the recycling program and delivered to the related parties for processing times the calculated monthly Per Ton Revenue Amount); and
- v. All prior year to date monthly figures for the calendar year for items (ii) through (iv) above.
- b. The net cumulative Balancing Account amount for 2008 through 2011 shall be accounted for in full in setting the rates for Calendar Year 2013 as follows:
 - i. The net cumulative Balancing Account will be divided by five (to account for rates in 2013, 2014, 2015, 2016 and 2017) (the annualized Balancing Account amount);
 - ii. The Company's fiscal year 2011 audited financial statement rate revenue will be divided by the annualized Balancing Account amount to calculate the annualized Balancing Account rate adjustment; and
 - c. The calculated RRI rate adjustment for 2013 will be adjusted up (if the Balancing Account amount is due to the Company) or down (if the Balancing Account amount is due to the District) by the annualized Balancing Account rate adjustment, which shall be carried forward through rate year 2016.
 - d. The net cumulative Balancing Account amount for 2012 through 2016 shall be accounted for in full in setting the rates for Calendar Year 2018 by dividing that amount by five (to account for rates in 2018, 2019, 2020, 2021 and 2022) and applying the same rate adjustment methodology specified for Calendar Year 2013 in Section 6.6.6.2.2 above.
 - e. The net cumulative Balancing Account amount for 2017 through 2021 shall be accounted for in full in setting the rates for Calendar Year 2023 by dividing that amount by three (to account for rates in 2023, 2024 and 2025) and applying the same rate adjustment methodology specified for Calendar Year 2013 in Section 6.6.6.2.2 above.
 - f. The cumulative balancing account amount for Calendar Years 2022 through 2025 shall be paid by the applicable party to the other party in no less than equal annual payments over a period of no more than four years starting January 1, 2026, without interest.
 - g. In the event that a Detailed Rate Review is conducted the impact of the Balancing Account will be factored into the associated rate adjustment for that year in the same manner specified for Calendar Year 2013 in Section 6.6.6.2.2 above.
 - h. Exit Clause. -The parties agree that the proposed methodology is intended to provide a reasonable projection of the fair market value of revenues paid by third parties to the Company. Recyclable material commodity prices can, however, be extremely volatile and factors other than those accounted for in the proposed methodology may impact the fair market value of revenues. To provide a contingency for such potential

Exhibit 7
Recyclable Materials Balancing Account

events, each party shall have the right to terminate the use of the methodology for establishing the monthly Per Ton Revenue Amount described in this Section at any time during the term of this Agreement at either party's sole discretion. The notification shall be in writing and shall be effective thirty calendar days after receipt. The exercising of said option shall not remove either party's obligation to the other party for any Balancing Account balance at the time said option is exercised and becomes effective.

- i. In the event that either party exercises its option to terminate the methodology for establishing the Per Ton Revenue Amount, the parties agree to negotiate a new methodology that is acceptable to both parties. In the event that the parties cannot agree on acceptable changes to the methodology, the fair market value will be based on a review of actual related recyclable material sales revenues and related processing expenses.

1

Attachment 5

	OBM Per Ton Revenue Amount	Ceiling / Floor Price	CRV Per Ton Adjustment	Per Ton Net Revenue Amount	San Francisco OBM Prices (average of high & low) ⁽¹⁾			Variance vs. Prior Month			Price Adjustment		Total Tons	Total Revenue
					Mixed Paper	#8 NP	OCC	Mixed Paper	#8 NP	OCC	100%			
2012														
Jan	\$70.50		\$4.19	\$74.69	\$82.50	\$120.00	\$135.00	\$4.60	\$55.20	\$10.79	\$70.60	933	\$	69,685
Feb	\$73.60		\$4.19	\$77.79	\$87.50	\$120.00	\$145.00	\$2.30	\$0.00	\$0.80	\$3.10	859	\$	66,820
Mar	\$73.60		\$4.19	\$77.79	\$87.50	\$120.00	\$145.00	\$0.00	\$0.00	\$0.00	\$0.00	1,001	\$	77,866
Apr	\$73.60		\$4.19	\$77.79	\$87.50	\$120.00	\$145.00	\$0.00	\$0.00	\$0.00	\$0.00	924	\$	71,877
May	\$72.80		\$4.19	\$76.99	\$87.50	\$120.00	\$135.00	\$0.00	\$0.00	-\$0.80	-\$0.80	968	\$	74,526
Jun	\$71.60		\$4.19	\$75.79	\$87.50	\$120.00	\$120.00	\$0.00	\$0.00	-\$1.20	-\$1.20	1,051	\$	79,655
Jul	\$68.90		\$4.19	\$73.09	\$82.50	\$120.00	\$115.00	-\$2.30	\$0.00	-\$0.40	-\$2.70	1,162	\$	84,931
Aug	\$52.00		\$4.19	\$56.19	\$67.50	\$100.00	\$105.00	-\$6.90	-\$9.20	-\$0.80	-\$16.90	1,013	\$	56,920
Sep	\$38.35		\$4.19	\$42.54	\$52.50	\$87.50	\$92.50	-\$6.90	-\$5.75	-\$1.00	-\$13.65	900	\$	38,286
Oct	\$50.85		\$4.19	\$55.04	\$67.50	\$97.50	\$105.00	\$6.90	\$4.60	\$1.00	\$12.50	1,054	\$	58,012
Nov	\$60.10		\$4.19	\$64.29	\$77.50	\$105.00	\$120.00	\$4.60	\$3.45	\$1.20	\$9.25	1,096	\$	70,461
Dec	\$54.70		\$4.19	\$58.89	\$72.50	\$100.00	\$110.00	-\$2.30	-\$2.30	-\$0.80	-\$5.40	1,052	\$	61,952

2012 Balancing Account Calculated Revenues =	\$ 810,991
2012 Projected Recyclable Materials Revenue =	542,420
July 1, 2007 CRV Adjustment =	40,664
Total 2012 Balancing Account Projected Revenues =	583,084
2012 Balancing Account Due to District (Company)	227,907

NET BALANCING ACCOUNT FOR 2012-2012 DUE TO DISTRICT (COMPANY) = 227,907

2013														
Jan	\$54.70		\$4.19	\$58.89	\$72.50	\$100.00	\$110.00	\$0.00	\$0.00	\$0.00	\$0.00	1,092	\$	64,307
Feb	\$59.70		\$4.19	\$63.89	\$82.50	\$100.00	\$115.00	\$4.60	\$0.00	\$0.40	\$5.00	927	\$	59,226
Mar	\$60.50		\$4.19	\$64.69	\$82.50	\$100.00	\$125.00	\$0.00	\$0.00	\$0.80	\$0.80	1,010	\$	65,336
Apr	\$60.50		\$4.19	\$64.69	\$82.50	\$100.00	\$125.00	\$0.00	\$0.00	\$0.00	\$0.00	1,054	\$	68,182
May	\$52.80		\$4.19	\$56.99	\$72.50	\$95.00	\$115.00	-\$4.60	-\$2.30	-\$0.80	-\$7.70	1,091	\$	62,175
Jun	\$49.35		\$4.19	\$53.54	\$72.50	\$87.50	\$115.00	\$0.00	-\$3.45	\$0.00	-\$3.45	1,027	\$	54,985
Jul	\$49.75		\$4.19	\$53.94	\$72.50	\$87.50	\$120.00	\$0.00	\$0.00	\$0.40	\$0.40	1,078	\$	58,146
Aug	\$45.55		\$4.19	\$49.74	\$67.50	\$82.50	\$125.00	-\$2.30	-\$2.30	\$0.40	-\$4.20	1,020	\$	50,733
Sep	\$45.55		\$4.19	\$49.74	\$67.50	\$82.50	\$125.00	\$0.00	\$0.00	\$0.00	\$0.00	960	\$	47,749
Oct	\$45.55		\$4.19	\$49.74	\$67.50	\$82.50	\$125.00	\$0.00	\$0.00	\$0.00	\$0.00	1,016	\$	50,534
Nov	\$45.55		\$4.19	\$49.74	\$67.50	\$82.50	\$125.00	\$0.00	\$0.00	\$0.00	\$0.00	978	\$	48,644
Dec	\$40.15		\$4.19	\$44.34	\$62.50	\$77.50	\$115.00	-\$2.30	-\$2.30	-\$0.80	-\$5.40	1,091	\$	48,373

2013 Balancing Account Calculated Revenues =	\$ 678,389
2013 Projected Recyclable Materials Revenue =	542,420
July 1, 2007 CRV Adjustment =	40,664
Total 2013 Balancing Account Projected Revenues =	583,084
2013 Balancing Account Due to District (Company)	95,305

NET BALANCING ACCOUNT FOR 2012-2013 DUE TO DISTRICT (COMPANY) = 323,212

2014														
Jan	\$37.85		\$4.19	\$42.04	\$62.50	\$72.50	\$115.00	\$0.00	-\$2.30	\$0.00	-\$2.30	906	\$	38,087
Feb	\$38.25		\$4.19	\$42.44	\$62.50	\$72.50	\$120.00	\$0.00	\$0.00	\$0.40	\$0.40	1,089	\$	46,215
Mar	\$38.25		\$4.19	\$42.44	\$62.50	\$72.50	\$120.00	\$0.00	\$0.00	\$0.00	\$0.00	1,006	\$	42,693
Apr	\$37.45		\$4.19	\$41.64	\$62.50	\$72.50	\$110.00	\$0.00	\$0.00	-\$0.80	-\$0.80	1,042	\$	43,387
May	\$37.45		\$4.19	\$41.64	\$62.50	\$72.50	\$110.00	\$0.00	\$0.00	\$0.00	\$0.00	1,068	\$	44,470
Jun	\$37.45		\$4.19	\$41.64	\$62.50	\$72.50	\$110.00	\$0.00	\$0.00	\$0.00	\$0.00	1,052	\$	43,804
Jul	\$37.45		\$4.19	\$41.64	\$62.50	\$72.50	\$110.00	\$0.00	\$0.00	\$0.00	\$0.00	1,089	\$	45,344
Aug	\$37.45		\$4.19	\$41.64	\$62.50	\$72.50	\$110.00	\$0.00	\$0.00	\$0.00	\$0.00	1,009	\$	42,013
Sep	\$36.65		\$4.19	\$40.84	\$62.50	\$72.50	\$100.00	\$0.00	\$0.00	-\$0.80	-\$0.80	983	\$	40,145
Oct	\$36.25		\$4.19	\$40.44	\$62.50	\$72.50	\$95.00	\$0.00	\$0.00	-\$0.40	-\$0.40	1,093	\$	44,200
Nov	\$36.25		\$4.19	\$40.44	\$62.50	\$72.50	\$95.00	\$0.00	\$0.00	\$0.00	\$0.00	968	\$	39,145
Dec	\$36.05		\$4.19	\$40.24	\$62.50	\$72.50	\$92.50	\$0.00	\$0.00	-\$0.20	-\$0.20	1,292	\$	51,990

2014 Balancing Account Calculated Revenues =	\$ 521,493
2014 Projected Recyclable Materials Revenue =	542,420
July 1, 2007 CRV Adjustment =	40,664
Total 2014 Balancing Account Projected Revenues =	583,084
2014 Balancing Account Due to District (Company)	(61,591)

NET BALANCING ACCOUNT FOR 2012-2014 DUE TO DISTRICT (COMPANY) = 261,621

⁽¹⁾ First weekly OBM issue of each month
 Floor per ton = \$10.00 Max = \$80.00 (to be adjusted for any change in CRV)

NOVATO DISPOSAL SERVICES DISPOSAL/DIVERSION 2015

DIVERSION	<u>1stQ</u>	<u>2ndQ</u>	<u>3rdQ</u>	<u>4thQ</u>	<u>TOTAL</u>
Novato Disposal Recycled Shipped (Curbside & Buyback)	1,991	3,320	3,409		
Novato Disposal C&D, Wood, Inerts & Bulky waste	728	937	1,234		
Novato Disposal Green waste & residential food waste for compost	3,586	271	3,034		
Novato Disposal Commercial Food Waste for compost	19	19	41		
TOTAL TONS DIVERTED	6,323	7,547	7,718		
DISPOSAL					
MSW& Debris Box/Novato Disposal	6,277	6,438	6,890		
TOTAL TONS DISPOSED	6,277	6,438	6,890		
TOTAL WASTE GENERATED(TONS)	12,600	13,985	14,609		
PERCENT DIVERTED	50.18%	53.97%	52.83%		
PERCENT DIVERTED WITH REDWOOD & MRRC	55.31%				
NOVATO DISPOSAL RECYCLED COLLECTED(CURBSIDE & BUYBACK)	2,924	2,972	2,941		

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NOVATO DISPOSAL SERVICES DISPOSAL/DIVERSION 2014 vs. 2015

DIVERSION	2014	2015	2014	2015	2014	2015	2014	2015	TOTAL 2014	TOTAL 2015
	<u>1stQ</u>	<u>1stQ</u>	<u>2ndQ</u>	<u>2ndQ</u>	<u>3rdQ</u>	<u>3rd Q</u>	<u>4th Q</u>	<u>4th Q</u>		
Novato Disposal Recycled (Curbside & Buyback)	3,047	1,991	2,996	3,320	3,279	3,409				
Novato Disposal C&D, Wood, Inerts & Bulky waste	717	728	1,042	937	1,038	1,234				
Novato Disposal Green/residential food waste for compost	3,048	3,586	3,360	3,271	2,997	3,034				
Novato Disposal Commercial Food Waste for compost	19	19	27	19	15	41				
TOTAL TONS DIVERTED	6,830	6,323	7,425	7,547	7,328	7,718				
DISPOSAL										
MSW& Debris Box/Novato Disposal	6,204	6,277	6,537	6,438	6,688	6,890				
TOTAL TONS DISPOSED	6,204	6,277	6,537	6,438	6,688	6,890				
TOTAL WASTE GENERATED(TONS)	13,034	12,600	13,962	13,985	14,016	14,609				
PERCENT DIVERTED	52.40%	50.18%	53.18%	53.97%	52.8%	52.83%				
PERCENT DIVERTED WITH REDWOOD & MRRC	56.37%	55.31%	57.06%							

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Material presented at Committee Meeting - replaces page 1 of original item 6.

NOVATO DISPOSAL SERVICES DISPOSAL/DIVERSION 2015

<u>DIVERSION</u>	<u>1stQ</u>	<u>2ndQ</u>	<u>3rdQ</u>	<u>4thQ</u>	<u>TOTAL</u>
Novato Disposal Recycled Shipped (Curbside & Buyback)	1,991	3,320	3,409		
Novato Disposal C&D, Wood, Inerts & Bulky waste	728	937	1,234		
Novato Disposal Green waste & residential food waste for compost	3,586	3,271	3,034		
Novato Disposal Commercial Food Waste for compost	19	19	41		
TOTAL TONS DIVERTED	6,323	7,547	7,718		
DISPOSAL					
MSW& Debris Box/Novato Disposal	6,277	6,438	6,890		
TOTAL TONS DISPOSED	6,277	6,438	6,890		
TOTAL WASTE GENERATED(TONS)	12,600	13,985	14,609		
PERCENT DIVERTED	50.18%	53.97%	52.83%		
PERCENT DIVERTED WITH REDWOOD & MRRC *	55.31%	56.56%			
NOVATO DISPOSAL RECYCLED COLLECTED(CURBSIDE & BUYBACK)	2,924	2,972	2,941		

* DOES NOT INCLUDE MRRC 2ND QTR.

Material presented at
Committee Meeting -
replaces page 2 of original
item 6.

ITEM.6

CITY OF NOVATO & DISTRICT AB939 DISPOSAL AND DIVERSION MONITORING

Haulers: Novato Disposal
Self Haulers

Reporting period: January - December 2015

	<u>1st Qtr.</u>	<u>2nd Qtr</u>	<u>3rd Qtr.</u>	<u>4th Qtr.</u>	<u>TOTAL 2015</u>
A. 2015 DIVERSION					
Novato Disposal Recycled (Curbside & Buyback)	1,991.00	3,320.00			
MRRC recovery	523.94	N/A			
Self haul Inerts Diverted Redwood Landfill	2,188.57	1,635.97			
Redwood Landfill self haul C&D& wood waste recycled	100.37	156.11			
City of Novato C&D diverted(included in Novato Disposal)	N/A	N/A			
ADC from MRRC	0.00	0.00			
Compost from MRRC	44.89	N/A			
Greenwaste From Redwood Landfill self haul/compost	81.31	106.21			
Novato Disposal Inerts	728.00	937.00			
Novato Disposal Green/Food Waste used for compost	3,586.00	3,271.00			
Novato Disposal commercial food waste used for compost	19.00	19.00			
North Marin Metal Recycling	N/A	N/A			
2015 TOTAL TONS DIVERTED	9,263.08	9,445.29			
B. 2015 DISPOSAL					
MSW& Debris Box/Novato Disposal	6,277.00	6,438.00			
MRRC Residuals	279.29	N/A			
MRRC Wood/Yard Waste incinerated/transformation	117.78	0.00			
Redwood Landfill self haul C&D waste disposed	1,023.97	816.18			
Novato waste disposed out-of-county	N/A	N/A			
2015 TOTAL TONS DISPOSED	7,698.04	7,254.18			
C. 2015 TOTAL WASTE GENERATED(TONS)	16,961.12	16,699.47			
D. COMPLIANCE WITH AB939 DIVERSION MANDATE	55.31%	56.56%			
Percent Diverted Using Generation Based Calculation Method(includes 10% incineration waste)					
* DOES NOT INCLUDE MRRC 2ND QTR.					

REDWOOD LANDFILL SELF HAUL BREAKDOWN (TONS)

	<u>1st Qtr.</u>	<u>2nd Qtr</u>	<u>3rd Qtr.</u>	<u>4th Qtr.</u>	<u>TOTAL 2015</u>
Inerts/ Diverted	2,188.57	1,635.97			
Greenwaste Diverted/compost	81.31	106.21			
C&D/ Disposed	1,023.97	816.18			
C&D & Wood Waste Recycled	100.37	156.11			
Total	3,394.22	2,714.47			
Percent Redwood self haul diverted	69.83%	69.93%			

HHW FACILITY SUMMARY 2015	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
Total Participants	204	229	261	339	309	288	359	424	249				2,662
Been to events before?(Yes)	159	190	220	250	243	219	281	325	199				2,086
Permanent facility?	130	161	184	210	199	191	226	285	173				1,759
Temporary events?	37	40	46	56	57	43	72	66	36				453
First time user?	45	39	41	89	66	68	78	99	50				575
Type of waste brought in?													
Antifreeze	9	13	26	14	18	22	25	25	22				174
Asbestos	1	0	2	4	2	2	2	4	2				19
Auto products	23	39	38	48	61	53	73	69	37				441
Car batteries	2	8	9	9	10	3	10	20	6				77
Computer monitors	14	11	22	9	14	13	11	22	4				120
Cements, sealers	17	32	37	41	45	54	58	57	41				382
E-Waste(all types)	57	57	70	64	55	64	71	95	53				586
Fluorescent tubes& bulbs	47	37	42	54	50	42	49	62	38				421
Fuels(gas, kerosene, diesel)	16	25	30	34	38	37	54	25	22				281
Household batteries	46	64	55	85	82	61	83	87	52				615
Household cleaners, polishes	40	63	73	98	83	74	89	129	70				719
Latex paint	77	91	94	154	128	122	143	175	119				1,103
Motor oil/filters	17	29	44	44	49	36	57	49	44				369
Oil base paint	52	56	63	97	84	70	102	118	87				729
Paint thinners, solvents	42	58	71	87	87	78	111	117	84				735
Pesticides, herbicides, insecticides	28	60	53	72	67	65	71	81	44				541
Pet care products	2	6	11	10	8	7	12	10	5				71
Photo chemicals	0	0	3	2	1	3	3	4	3				19
Pool Chemicals	4	8	7	18	10	9	7	11	11				85
Propane/helium tanks/fire extinguishers	14	30	25	37	21	27	39	33	24				250
Sharps	4	5	5	2	9	4	3	2	4				38
Spray paints	35	46	54	67	65	58	62	84	50				521
Television	45	25	32	35	28	29	31	38	25				288
Thermometers/Thermostats	2	4	2	5	3	3	5	6	1				31
Wood preservatives, stains	14	30	34	45	57	47	67	69	49				412
Other	13	14	17	14	15	12	17	20	8				130
Hear about program?													
Recycling Center flier	77	92	104	161	118	105	134	138	86				1,015
Sanitary District newsletter	35	41	42	49	66	56	77	77	44				487
Sanitary District website	23	22	27	19	20	36	38	42	24				251
Novato Disposal newsletter	83	108	97	169	136	103	134	177	97				1,104
Word of mouth	31	21	47	23	45	39	45	68	43				362
Other	17	15	16	21	18	15	28	40	13				183
Change your own motor oil?													
Yes	16	35	38	37	40	38	46	38	37				325
Novato Recycling Center	13	23	28	21	30	24	28	24	25				216
O'Reilly's	3	14	16	13	12	13	16	15	16				118
Pennzoil	1	2	1	0	0	4	0	1	0				9
Other	0	0	2	3	1	3	2	1	1				13
If yes, want curbside pickup?	4	15	16	12	11	14	16	13	15				116
No	190	196	223	302	271	250	313	386	212				2,343
Comments													
Compliments/Good	61	66	84	101	119	98	132	139	85				885
Complaints	2	2	3	2	2	3	3	5	1				23

HHW PARTICIPANTS 2006 - 2015

	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>Totals</u>
2015	204	229	261	339	309	288	359	424	249				2,662 open 3 days in April, 6 days in
2014	225	169	196	231	280	249	299	280	293	290	262	183	2,957 open 3 days in April
2013	169	172	193	281	250	223	261	269	231	347	248	181	2,825
2012	142	189	186	152	220	183	217	250	182	251	205	129	2,306
2011	113	173	94	275	186	191	184	250	187	297	220	174	2,344
2010	111	152	199	187	175	212	168	256	162	238	148	100	2,108 August 6 days
2009	138	102	117	184	146	201	179	237	189	183	170	188	2,034 August 6 days
2008	101	118	155	198	147	132	186	156	187	205	130	121	1,836
2007	96	90	111	110	113	98	129	136	152	133	131	117	1,416
2006	57	118	115	112	140	111	145	120	119	95	106	73	1,311
% Change from 2014	-9.33%	35.50%	33.16%	46.75%	10.36%	15.66%	20.07%	51.43%	-15.02%				

HHW Facility Monthly Participation 2006- 2015

