



July 31, 2013

Mr. Thomas Fil
Finance Director
City of Belmont
One Twin Pines Lane, Suite 320
Belmont, CA 94002

Re: Rate Year 2014 Rate Application

Dear Mr. Fil:

Enclosed is our Rate Year 2014 Rate Application, Calculation of Fuel Cost per Gallon, Calculation of Actual Disposal Expense (April 2012 through March 2013), Calculation of Estimated Disposal Costs (April 2013 – March 2014), Calculation of the 2014 Migration Recovery Surcharge, June Census with Initial Rates used to calculate the Migration Adjustment, Performance Incentive/Disincentive schedule, Attachment R for 2014 and Attachment Q for 2014. Additionally screen prints of the CPI index pages from the Bureau of Labor Statistics are also included.

In accordance with Article 11 of the Franchise Agreement for Recyclable Materials, Organic Materials and Solid Waste Collection Services, we applied the following methodology to our calculations:

- **Wage Component** – Multiplied the Wage Component of \$1,380,122 by the Employment Index for the 4th quarter of 2012 (117.7) and divided that by the Employment Index for the 4th quarter of 2009 (110.9). The calculated Wage Component for Rate Year 2014 is \$1,464,746.
- **Fuel Component** - Multiplied the Fuel Component of \$211,727 by the average price per gallon of fuel for the period April 2012 through March 2013 (\$3.97) and divided that by the average price used for the 2009 Fuel Component of \$3.45. The calculated Fuel Component for Rate Year 2014 is \$243,639.
- **General Expense Component** – Multiplied the General Expense Component of \$1,528,563 by 90% of the percentage change in the Consumer Price Index between 2009 (214.537) and 2012 (229.594). The calculated General Expense Component for Rate Year 2014 is \$1,625,115.

- **Disposal Cost Component** – The Disposal Component shall equal (i) Contractor's reasonable good faith projection of Disposal Costs for the period from April 1 of that calendar year through March 31 of the following year (\$1,328,961), *plus* (ii) Contractor's actual Disposal Costs for the period from April 1 of the year prior to the Calendar Year of the Cost Index through March 31 of the Calendar Year of the Cost Index (\$1,304,777), *minus* (iii) Contractor's previous projection (used in the prior year's Cost Index calculation) of Disposal Costs for the period described in clause (ii) (\$1,364,468). The calculation of projected disposal costs used in (i) assumed volumes delivered to the Designated Disposal Site using actual volumes delivered during the quarter April 1, 2013 through June 30, 2013, then duplicating those volumes for the next three quarters. The disposal rate is the anticipated disposal rates for 2014 at the Designated Disposal Site. The total Disposal Component equals \$1,269,270 ($\$1,328,961 + \$1,304,777 - \$1,364,468$).
- **Performance-Based Component** – Incentives and disincentives are being reviewed by HF&H Consultants and are included in the rate year 2014 compensation application. Incentives total \$21,900 and disincentives total \$ 1,134 for a combined amount of \$20,776.
- **Household Hazardous Waste Component** – The household hazardous waste component is adjusted to reflect the 2013 amount of \$64,607 plus ninety percent of the change in the consumer price index between 2012 and 2011 for a total of \$65,810.
- **Migration Adjustment and Recovery Surcharge** – The Migration Adjustment and Migration Recovery Surcharge are based on Amendment 2 to the franchise agreement. The 2014 Migration Adjustment is based on estimated billings for 2013 (actual customer census for June 2013 and rates on the initial Attachment R) and determining the percentage difference between that total and the total estimated billings for 2011. That difference is 6.45%. The 2014 Migration Recovery Surcharge is the same percentage as the Migration Adjustment, 6.45%. The 2012 Recovery Surcharge is \$227,918 less the prior year's Recovery Surcharge amount of \$274,413 plus interest on the uncollected 2012 balance of \$547,002 at prime plus 1.0% which is 4.25%. The Recovery Surcharge amount is -\$23,247. Dividing the Recovery surcharge amount by the 2013 estimated billings of \$6,229,569 equals the 2012 Migration Recovery Surcharge of -0.37%.

Based on the calculations described above, the revenue increase for Rate Year 2014 is 12.15%.

If you have any questions, or need any additional information, please do not hesitate to call me at 650-598-8243.

Sincerely,



Mario Puccinelli
 General Manager
 Recology San Mateo County