

REQUEST FOR PROPOSALS

Solid Waste Consulting Services

CITY OF ALAMEDA, CALIFORNIA



Issued: January 24, 2025

Submittal Deadline: February 6, 2025 12:00 PM

CITY OF ALAMEDA
Public Works Department
950 West Mall Square, Room 110
Alameda, CA 94501
Attn: *Marc Green*

CITY OF ALAMEDA REQUEST FOR PROPOSALS

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REQUEST FOR PROPOSALS

Solid Waste Consulting Services

I. INTRODUCTION AND BACKGROUND

The City of Alameda (City) invites proposals for Solid Waste Consulting Services from qualified and experienced consultants (Proposers) to perform annual reviews of rate adjustments for the City's Franchise Waste Hauler, currently Alameda County Industries (ACI). As part of this Request for Proposals (RFP) the City is requesting proposals for ongoing on-call consulting services related to various solid waste matters.

Per the City's Solid Waste, Recycling and Organics Collection Franchise Agreement (with ACI), the City adjusts service rates on an annual basis with ACI submitting its rate adjustment in accordance with the deadlines specified in the Franchise Agreement. The Franchise Agreement utilizes two different kinds of rate adjustments, an index-based methodology or a cost-based methodology. Both methodologies are outlined in the Franchise Agreement and attached as Appendix B of this RFP – Rate Adjustment Methodology. The City formally approves rates by June 1 of each year, effective on each subsequent July 1. In addition, throughout the term of the Agreement, the City may require ad hoc consulting services related to various solid policies and programs.

Proposers shall read the information contained in this RFP to understand how to submit the proposal, what documents must accompany the proposal and what legal obligations apply when the Proposer submits a proposal. Any Proposer that wishes to be considered for this work must submit the information requested in this RFP and, if invited, participate in an evaluation interview panel.

II. SCOPE OF SERVICES

The selected proposer will undertake a comprehensive review of the City's Solid Waste Agreement (Appendix C) and provide expertise and professional advice on related matters. For the annual rate adjustment, proposer will analyze the financial statements and operational data of the franchisee to confirm adherence to the terms of the franchise agreement. This includes two types of rate applications: an Index Based Rate Adjustment, and a Cost Based Rate Adjustment. This process will include at minimum: review of compensation adjustment terms, rate revenue and expense review, commodity revenue review, balancing account update and verifying the accuracy of rate adjustment calculations to ensure they align with the agreed upon formulas and contract terms. Following the analysis, the contractor will prepare a detailed report that includes findings and recommendations for rate adjustments, and present results to the City's Executive Management or City Council as needed.

Throughout the process the Proposer will work closely with City staff, the franchisee, and other stakeholders, participate in meetings to discuss outcomes, and responding to queries. The term of this agreement is five (5) years, and proposer should include any and all proposed recommendations about the scope of work necessary to complete the task. Please note that

following year one, the selected proposer and the City will meet to determine scope of work and rate review timeline for subsequent years.

III. PROPOSER QUALIFICATIONS

Proposals shall be submitted by firms with a minimum of three (3) prior projects within the last five (5) years of similar scope. Firms shall have sufficient, readily available resources in the form of trained personnel, support services, specialized consultants and financial resources to carry out the work without delay or shortcomings.

IV. PROPOSAL REQUIREMENTS

The Proposer shall prepare a work plan based on their experience and expertise in managing similar projects, and consistent with the scope of work outlined above. Included as part of the response to this RFP, the Proposer will provide a thorough and descriptive specific scope of work for all project tasks; methods and/or analytical procedures used to perform the objective; and any proposed changes or additions to the RFP.

The Proposer shall also include in its proposal the information outlined below in a manner which demonstrates the Proposer's competence and qualifications for the satisfactory performance of the services identified in this RFP.

1. Statement of Qualifications

The Proposer shall prepare a statement of qualifications which identifies:

- a) The Proposer shall prepare a statement of qualifications in the submitted proposal, which identifies: Overview of the company, including years in operation, areas of expertise, and capacity of the organization, including, at a minimum, an identification of the Proposer's experience performing services for projects of a similar size, scope, and complexity as the services required by this RFP, including the most recent projects for which the Proposer has performed similar services.
- b) A list of the Proposer's principals, employees, agents, and sub-service providers which the Proposer intends to assign to this project. This list shall include a summary of the qualifications (including education, training, certifications licenses, and experience) of each individual; the approximate number of hours each will devote to the contract; and the type of work to be performed by each individual.
- c) The following information on all state or federal litigation in which Proposer or any proposed subcontractor was a named party, or worked under contract with a party named in a lawsuit:
 1. Case name and case number
 2. Case location (including county and state for state litigation, or district for federal litigation)
 3. Year case was filed

4. Whether case is pending or resolved, and outcome (if any)
5. Description of the case (i.e., type of case, whether case is typical, what claims were alleged against Bidder or subcontractor)

2. **Statement of Exceptions, if any, to Standard Service Provider Agreement.**

The selected firm will be required to execute the Service Provide Agreement included in template form as **Appendix A**. All proposers are directed particularly to review all Indemnification, Hold Harmless and Insurance requirements set forth in this Agreement. If Proposer wishes to take exception to any of the terms and conditions contained in the Agreement for Service, these should be identified specifically; otherwise include a statement of no exception, labeled as Appendix A in the submitted proposal. Failure to identify contractual issues of dispute can later be the basis for the City disqualifying a proposer. Any exceptions to terms, conditions, or other requirements must be clearly stated.

3. **Project Pricing**

Prepare a cost schedule for all possible work unit pricing. Define each unit of service and list any exclusions for each work type. Be sure to include a unit cost for each activity presented in the Work Plan. Unit costs shall include all incidental costs including travel, equipment, documentation, etc. Proposer should include any annual inflators and hourly rates as needed

V. PROPOSAL FORMAT

Proposers shall submit the Proposal, clearly marked with the project name “*Solid Waste Contract Annual Rate Review and On-Call Consulting Services*”, by email no later than:

12:00 pm on February 6, 2025

Attention to Marc Green at the email address below, the Proposal should be submitted in Portable Document File (PDF) format. All Proposals will be considered submitted at the time date and time noted in the email transmittal. Proposals will not be accepted after the time noted above. Proposals should be addressed to:

Public Works Department
Marc Green
mgreen@alamedaca.gov

with a copy to:
Emily Antenen
eanenen@alamedaca.gov

Faxed, mailed or hand carried Proposals will not be accepted.

VI. SELECTION PROCESS

After review of the submitted proposals, the City may invite some or all proposers to present their qualifications and proposed approach or may decide to select one proposer without conducting interviews and enter into contract negotiations directly. Proposer interviews, if necessary, are anticipated to be conducted according to the schedule provided in Section VIII. Details of the interview process will be provided along with the invitation to present.

The final selection will be based upon the following criteria:

1. Ability of the Proposer to Carry Out and Manage the Proposed Project (30%)

An assessment of the statement of qualifications, including past experience of the organization in general. Qualities and indicators that will receive consideration include the number and types of projects the organization or its employees have completed; the variety of projects completed and a demonstration of the organization's ability to undertake this project; and the demonstrated ability to work with governmental bodies and a full understanding of applicable laws or regulations that relate to the project.

2. Qualifications (30%)

The qualifications (including education, training, licenses, experience, and past performance) of the Proposer and its agents, employees, and sub-service providers. The City may consider Proposer's timely and accurate performance on contracts of a similar nature.

3. Willingness to Comply with the Proposed Agreement Terms (5%)

A sample agreement is attached. Proposals will be rated based on the exceptions taken to the proposed contract.

4. Cost of Proposal (30%)

Cost, while not determinative, will be considered in the selection process.

5. Local Business (+5%)

If the Proposer's company is physically located within the City limits, they will receive an additional five points.

VII. SELECTION TIMELINE

The City has designated the following activities and dates as key to the project schedule. Proposers are encouraged to assist the City in adhering to this timeline. The City reserves the right to change the schedule at its own discretion.

Issuance of Request for Proposals:	January 24, 2025
Questions due to City	January 29, 2025 12:00 p.m.
Question response posted by City	January 30, 5:00 p.m.
Deadline to submit Proposals:	February 6, 2025 12:00 p.m.
Interviews (if deemed required):	TBD
Contract Award (Anticipated):	March 19, 2025

VIII. **GENERAL CONDITIONS**

1. **Nondiscrimination:** Applicants for this RFP shall not discriminate against any interested individual, firm or applicant on the grounds of race, religious creed, color, national origin, ancestry, handicap, disability, marital status, pregnancy, sex, age, or sexual orientation.
2. **Permits, Licenses, and Insurance:** The successful applicant for this RFP shall, at its sole expense, obtain and maintain during the term of any agreement executed pursuant to this RFP all appropriate permits, certificates, licenses, and insurance including, but not limited to, a City of Alameda Business License which may be required in connection with the performance of services hereunder.
3. **Signatures and Declarations:** Each proposal responding to this RFP must be signed on behalf of the submitting entity by an officer authorized to bind the entity to its proposal.
4. **City's Right to Waive:** The City reserves the right, in its sole discretion, to waive any immaterial irregularities in a proposal responding to this RFP or in the submission of a proposal.
5. **City's Right to Modify the RFP:** The City reserves the right, in its sole discretion, to modify this RFP should the City deem that it is in its best interests to do so. Any changes to the RFP requirements will be made by written addendum posted on the City's website. The failure of an applicant to read any addenda shall have no effect on the validity of such modification.
6. **City's Right to Suspend or Cancel the RFP:** The City reserves the right, in its sole discretion, to suspend or cancel this RFP in part or in its entirety should the City deem that it is in the City's best interests to do so.
7. **City's Right to Reject Any Proposal:** The City reserves the right, in its sole discretion, to reject any proposal responding to this RFP that the City determines does not satisfy the conditions set forth in this RFP, or contains false, misleading, or materially incomplete information. The City reserves the right, in its sole discretion, to reject all applicants and

not to award to any applicant should the City deem that it is in its best interests to do so.

8. **City's Right to Extend RFP Deadlines:** The City reserves the right, in its sole discretion, to extend any of the deadlines listed in this RFP by written addenda should the City deem that it is in its best interests to do so.
9. **Cost of Proposals:** All costs incurred during proposal preparation or in any way associated with an applicant's preparations, submission, presentation or oral interview (if any) shall be the sole responsibility of Applicant.
10. **Liability for RFP Errors:** Applicants are solely responsible for all errors and omissions contained in their responses to the RFP.
11. **Proposals Property of City:** Upon receipt, each proposal responding to this RFP that an applicant submits to the City becomes the sole property of the City and will not be returned to the applicant.
12. **Oral and Written Explanations:** The City shall not be bound by oral explanations or instructions given at any time during the process or after the award. Oral explanations given during the review process and after award become binding only when confirmed in writing by an authorized City official. Written responses to question(s) asked by one proposer will be provided to all applicants to this RFP.
13. **Public Record:** All proposals submitted to the City are subject to the California Public Records Act.

IX. QUESTIONS

The RFP is available electronically as a download at <https://www.alamedaca.gov/BUSINESS/Bid-on-City-Contracts>. Proposers are solely responsible for determining if any addenda have been issued. Addenda will be published on this same website.

Please direct any Project questions to Marc Green mgreen@alamedaca.gov with a copy to Emily Antenen eanenen@alamedaca.gov. Questions must be in writing, by email, and received by January 29, 2025 by 12:00pm.

Appendix A

Standard Service Provider Agreement

SERVICE PROVIDER AGREEMENT

This SERVICE PROVIDER AGREEMENT (“**Agreement**”) is entered into this ____ day of _____ 20__ (“**Effective Date**”), by and between the CITY OF ALAMEDA, a municipal corporation (“the **City**”), and COMPANY, a [STATE corporation, LLC, LP, GP, or sole proprietor/individual], whose address is ADDRESS (“**Provider**”), in reference to the following facts and circumstances:

RECITALS

- A. The City is a municipal corporation duly organized and validly existing under the laws of the State of California with the power to carry on its business as it is now being conducted under the statutes of the State of California and the Charter of the City.
- B. The City is in need of the following services: Solid Waste Consulting Services.
- C. Provider possesses the skill, experience, ability, background, certification and knowledge to provide the services described in this Agreement on the terms and conditions described herein.
- D. The City and Provider desire to enter into an agreement for sixty (60) months, upon the terms and conditions herein.

AGREEMENT

NOW, THEREFORE, in consideration of the forgoing, which are incorporated herein by reference, and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the City and Provider agree as follows:

1. TERM:

The term of this Agreement shall commence on the ____ day of _____ 20__ and shall terminate on the ____ day of _____ 20__, unless terminated earlier as set forth herein.

2. SERVICES TO BE PERFORMED:

Provider agrees to do all necessary work at its own cost and expense, to furnish all labor, tools, equipment, materials, except as otherwise specified, and to do all necessary work included in Exhibit A as requested. Provider acknowledges that the work plan included in Exhibit A is tentative and does not commit the City to request Provider to perform all tasks included therein.

3. COMPENSATION TO PROVIDER:

a. By the 7th day of each month, Provider shall submit to the City an invoice for the total amount of work done the previous month. Pricing and accounting of charges are to be according to the fee schedule as set forth in Exhibit B and incorporated herein by this reference. Extra work must be approved in writing by the City Manager or their designee prior to performance and shall be paid on a Time and Material basis as set forth in Exhibit B.

Compensation for work done under this Agreement, shall not exceed as follows:

FY XX-XX total compensation shall not exceed \$XX
FY XX-XX total compensation shall not exceed \$XX
FY XX-XX total compensation shall not exceed \$XX
FY XX-XX total compensation shall not exceed \$XX
FY XX-XX total compensation shall not exceed \$XX
Total five-year compensation shall not exceed \$XXX,XXX

Use of contingency shall be for items of work outside the original scope and requires prior written authorization by the City.

4. TIME IS OF THE ESSENCE:

Provider and the City agree that time is of the essence regarding the performance of this Agreement.

5. STANDARD OF CARE:

Provider shall perform all services under this Agreement in a skillful and competent manner, consistent with the standards generally recognized as being employed by professionals in the same discipline in the State of California. Provider represents that it is skilled in the professional calling necessary to perform all services contracted for in this Agreement. Provider further represents that all of its employees and subcontractors shall have sufficient skill and experience to perform the duties assigned to them pursuant to and in furtherance this Agreement. Provider further represents that it (and its employees and subcontractors) have all licenses, permits, qualifications, and approvals of whatever nature that are legally required to perform the services (including a City Business License, as needed); and that such licenses and approvals shall be maintained throughout the term of this Agreement. As provided for in the indemnification provisions of this Agreement, Provider shall perform (at its own cost and expense and without reimbursement from the City) any services necessary to correct errors or omissions which are caused by Provider's failure to comply with the standard of care provided for herein. Any employee of the Provider or its sub-providers who is determined by the City to be uncooperative, incompetent, a threat to the adequate or timely completion of any services under this Agreement, or a threat to the safety of persons or property (or any employee who fails or refuses to perform the services in a manner acceptable to the City) shall be promptly removed by the Provider and shall not be re-employed to perform any further services under this Agreement.

6. INDEPENDENT PARTIES:

Provider hereby declares that Provider is engaged as an independent business and Provider agrees to perform the services as an independent contractor. The manner and means of conducting the services and tasks are under the control of Provider except to the extent they are limited by statute, rule or regulation and the express terms of this Agreement. No civil service status or other right of employment will be acquired by virtue of Provider's services. None of the benefits provided by the City to its employees, including but not limited to unemployment insurance, workers' compensation plans, vacation and sick leave, are available from the City to Provider, its employees or agents. Deductions shall not be made for any state or federal taxes, FICA payments, PERS payments, or other purposes normally associated with an employer-employee relationship from any compensation due to Provider. Payments of the above items, if required, are the responsibility of Provider. Any personnel performing the services under this Agreement on behalf

of Provider shall also not be employees of City and shall at all times be under Provider's exclusive direction and control.

7. IMMIGRATION REFORM AND CONTROL ACT (IRCA):

Provider assumes any and all responsibility for verifying the identity and employment authorization of all of its employees performing work hereunder, pursuant to all applicable IRCA or other federal, or state rules and regulations. Provider shall indemnify, defend, and hold the City harmless from and against any loss, damage, liability, costs or expenses arising from any noncompliance of this provision by Provider.

8. NON-DISCRIMINATION:

Consistent with the City's policy and state and federal law that harassment and discrimination are unacceptable conduct, Provider and its employees, contractors, and agents shall not harass or discriminate against any job applicant, City employee, or any other person on the basis of any kind of any statutorily (federal, state or local) protected class, including but not limited to: race, religious creed, color, national origin, ancestry, disability (both mental and physical) including HIV and AIDS, medical condition (e.g. cancer), genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation, pregnancy, political affiliation, military and veteran status or legitimate union activities. Such non-discrimination shall include but not be limited to all activities related to initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff, or termination. Provider agrees that any violation of this provision shall constitute a material breach of this Agreement.

9. HOLD HARMLESS:

a. To the fullest extent permitted by law, Provider shall indemnify, defend (with counsel acceptable to the City) and hold harmless the City, its City Council, boards, commissions, officials, employees, agents and volunteers ("Indemnitees") from and against any and all loss, damages, liability, obligations, claims, suits, judgments, costs and expenses whatsoever, including reasonable attorney's fees and costs of litigation ("Claims"), arising from or in any manner connected to Provider's performance of its obligations under this Agreement or out of the operations conducted by Provider even if the City is found to have been negligent. If the Claims filed against Indemnitees allege negligence, recklessness or willful misconduct on the part of Provider, Provider shall have no right of reimbursement against Indemnitees for the costs of defense even if negligence, recklessness or willful misconduct is not found on the part of Provider. Provider shall not have any obligations to indemnify Indemnitees if the loss or damage is found to have resulted solely from the negligence or the willful misconduct of the City. The defense and indemnification obligations of this Agreement are undertaken in addition to, and shall not in any way be limited by, the insurance obligations contained in this Agreement.

b. As to Claims for professional liability only, Provider's obligation to defend Indemnitees (as set forth above) is limited as provided in California Civil Code Section 2782.8.

c. Provider's obligation to indemnify, defend and hold harmless Indemnities shall expressly survive the expiration or early termination of this Agreement.

10. INSURANCE:

a. On or before the commencement of the terms of this Agreement, Provider shall furnish the City's Risk Manager with certificates showing the type, amount, class of operations covered, effective dates and dates of expiration of insurance coverage in compliance with Sections 10.b. (1) through (4). The Certificate Holder should be The City of Alameda, 2263 Santa Clara, Ave., Alameda, CA 94501. Such certificates, which do not limit Provider's indemnification, shall also contain substantially the following statement:

"Should any of the above insurance covered by this certificate be canceled or coverage reduced before the expiration date thereof, the insurer affording coverage shall provide thirty (30) days' advance written notice to the City of Alameda. Attention: Risk Manager."

Provider shall maintain in force at all times during the performance of this Agreement all appropriate coverage of insurance required by this Agreement with an insurance company licensed to offer insurance business in the State of California with a current A.M. Best's rating of no less than A:VII or Standard & Poor's Rating (if rated) of at least BBB unless otherwise acceptable to the City. Provider shall deliver updated insurance certificates to the City at the address described in Section 17.f. prior to the expiration of the existing insurance certificate for the duration of the term of Agreement. Endorsements naming the City, its City Council, boards, commissions, officials, employees, agents, and volunteers as additional insured shall be submitted with the insurance certificates.

Provider Initials

b. COVERAGE REQUIREMENTS:

Provider shall maintain insurance coverage and limits at least as broad as:

(1) Workers' Compensation:

Statutory coverage as required by the State of California, as well as a Waiver of Subrogation (Rights of Recovery) endorsement.

(2) Liability:

Commercial general liability coverage in the following minimum limits:

Bodily Injury:	\$1,000,000 each occurrence \$2,000,000 aggregate - all other
Property Damage:	\$1,000,000 each occurrence \$2,000,000 aggregate

If submitted, combined single limit policy with per occurrence limits in the amounts of \$2,000,000 and aggregate limits in the amounts of \$4,000,000 will be considered equivalent to the required minimum limits shown above. Provider shall also submit declarations and policy endorsements pages. Additional Insured Endorsement naming the City, its City Council, boards, commissions, officials, employees, agents, and volunteers is required. The Additional Insured

Endorsement shall include primary and non-contributory coverage at least as broad as the CG 2010.

(3) Automotive:

Comprehensive automobile liability coverage (any auto) in the following minimum limits:

Bodily injury:	\$1,000,000 each occurrence
Property Damage:	\$1,000,000 each occurrence

or

Combined Single Limit:	\$2,000,000 each occurrence
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Additional Insured Endorsement naming the City, its City Council, boards, commissions, officials, employees, agents, and volunteers is required.

(4) Professional Liability:

Professional liability insurance which includes coverage appropriate for the professional acts, errors and omissions of Provider's profession and work hereunder, including, but not limited to, technology professional liability errors and omissions if the services being provided are technology-based, in the following minimum limits:

\$2,000,000 each claim

Technology professional liability errors and omissions shall include, or be endorsed to include, property damage liability coverage for damage to, alteration of, loss of, or destruction of electronic data and/or information "property" of the City in the care, custody, or control of Provider. If not covered under Provider's liability policy, such "property" coverage of the City may be endorsed onto Provider's Cyber Liability Policy as covered property as follows: cyber liability coverage in an amount sufficient to cover the full replacement value of damage to, alteration of, loss of, or destruction of electronic data and/or information "property" of the City that will be in the care, custody, or control of Provider.

(5)

c. SUBROGATION WAIVER:

Provider hereby agrees to waive rights of subrogation that any insurer of Provider may acquire from Provider by virtue of the payment of any loss. Provider agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether the City has received a waiver of subrogation endorsement from the insurer. The Workers' Compensation policy shall be endorsed with a waiver of subrogation in favor of the City for all work performed by Provider, its employees, agents and subcontractors.

d. FAILURE TO SECURE:

If Provider at any time during the term hereof should fail to secure or maintain the foregoing insurance, the City shall be permitted to obtain such insurance in Provider's name or as

an agent of Provider and shall be compensated by Provider for the costs of the insurance premiums at the maximum rate permitted by law and computed from the date written notice is received that the premiums have not been paid.

e. **ADDITIONAL INSURED(S):**

The City, its City Council, boards, commissions, officials, employees, agents, and volunteers shall be named as additional insured(s) under all insurance coverages, except workers' compensation and professional liability insurance. The naming of an additional insured shall not affect any recovery to which such additional insured would be entitled under this policy if not named as such additional insured. An additional insured named herein shall not be held liable for any premium, deductible portion of any loss, or expense of any nature on this policy or any extension thereof. Any other insurance held by an additional insured shall not be required to contribute anything toward any loss or expense covered by the insurance provided by this policy. Additional Insured coverage under Provider's policy shall be primary and non-contributory and will not seek contribution from the City's insurance or self-insurance. Any available insurance proceeds broader than or in excess of the specified minimum insurance coverage requirements and/or limits shall be available to the additional insured(s).

f. **SUFFICIENCY OF INSURANCE:**

The insurance limits required by the City are not represented as being sufficient to protect Provider. Provider is advised to consult Provider's insurance broker to determine adequate coverage for Provider. The coverage and limits shall be (1) the minimum coverage and limits specified in this Agreement; or (2) the broader coverage and maximum limits of the coverage carried by or available to Provider; whichever is greater.

11. CONFLICT OF INTEREST:

Provider warrants that it is not a conflict of interest for Provider to perform the services required by this Agreement. Provider may be required to fill out a conflict of interest form if the services provided under this Agreement require Provider to make certain governmental decisions or serve in a staff capacity as defined in Title 2, Division 6, Section 18700 of the California Code of Regulations.

12. PROHIBITION AGAINST TRANSFERS:

a. Provider shall not assign, sublease, hypothecate, or transfer this Agreement, or any interest therein, directly or indirectly, by operation of law or otherwise, without prior written consent of the City Manager. Provider shall submit a written request for consent to transfer to the City Manager at least thirty (30) days in advance of the desired transfer. The City Manager or their designee may consent or reject such request in their sole and absolute discretion. Any attempt to do so without said consent shall be null and void, and any assignee, sublessee, hypothecate or transferee shall acquire no right or interest by reason of such attempted assignment, hypothecation or transfer. However, claims for money against the City under this Agreement may be assigned by Provider to a bank, trust company or other financial institution without prior written consent.

b. The sale, assignment, transfer or other disposition of any of the issued and outstanding capital stock, membership interest, partnership interest, or the equivalent, which shall

result in changing the control of Provider, shall be construed as an assignment of this Agreement. Control means fifty percent or more of the voting power of Provider.

13. APPROVAL OF SUB-PROVIDERS:

a. Only those persons and/or businesses whose names and resumés are attached to this Agreement shall be used in the performance of this Agreement. However, if after the start of this Agreement, Provider wishes to use sub-providers, at no additional costs to the City, then Provider shall submit a written request for consent to add sub-providers including the names of the sub-providers and the reasons for the request to the City Manager at least five (5) days in advance. The City Manager may consent or reject such requests in their sole and absolute discretion.

b. Each sub-provider shall be required to furnish proof of workers' compensation insurance and shall also be required to carry general, automobile and professional liability insurance (as applicable) in reasonable conformity to the insurance carried by Provider.

c. In addition, any tasks or services performed by sub-providers shall be subject to each provision of this Agreement. Provider shall include the following language in their agreement with any sub-provider: "Sub-providers hired by Provider agree to be bound to Provider and the City in the same manner and to the same extent as Provider is bound to the City."

d. The requirements in this Section 13 shall not apply to persons who are merely providing materials, supplies, data or information that Provider then analyzes and incorporates into its work product.

14. PERMITS AND LICENSES:

Provider, at its sole expense, shall obtain and maintain during the term of this Agreement, all appropriate permits, certificates and licenses, including a City business license that may be required in connection with the performance of the services and tasks hereunder.

15. REPORTS:

a. Each and every report, draft, work product, map, record and other document produced, prepared or caused to be prepared by Provider pursuant to or in connection with this Agreement shall be the exclusive property of the City.

b. No report, information or other data given to or prepared or assembled by Provider pursuant to this Agreement shall be made available to any individual or organization by Provider without prior approval of the City Manager or their designee.

c. Provider shall, at such time and in such form as City Manager or their designee may require, furnish reports concerning the status of services and tasks required under this Agreement.

16. RECORDS:

a. Provider shall maintain complete and accurate records with respect to the services, tasks, work, documents and data in sufficient detail to permit an evaluation of Provider's performance under the Agreement, as well as maintain books and records related to sales, costs,

expenses, receipts and other such information required by the City that relate to the performance of the services and tasks under this Agreement (collectively the “**Records**”).

b. All Records shall be maintained in accordance with generally accepted accounting principles and shall be clearly identified and readily accessible. Provider shall provide free access to the Records to the representatives of the City or its designees during regular business hours upon reasonable prior notice. The City has the right to examine and audit the Records, and to make copies or transcripts therefrom as necessary, and to allow inspection of all proceedings and activities related to this Agreement. Such Records, together with supporting documents, shall be kept separate from other documents and records and shall be maintained by Provider for a period of three (3) years after receipt of final payment.

c. If supplemental examination or audit of the Records is necessary due to concerns raised by the City’s preliminary examination or audit of records, and the City’s supplemental examination or audit of the records discloses a failure to adhere to appropriate internal financial controls, or other breach of this Agreement or failure to act in good faith, then Provider shall reimburse the City for all reasonable costs and expenses associated with the supplemental examination or audit.

17. NOTICES:

a. All notices shall be in writing and delivered: (i) by hand; or (ii) sent by registered, express, or certified mail, with return receipt requested or with delivery confirmation requested from the U.S. postal service; or (iii) sent by overnight or same day courier service at the party’s respective address listed in this Section.

b. Each notice shall be deemed to have been received on the earlier to occur of: (x) actual delivery or the date on which delivery is refused; or (y) three (3) days after notice is deposited in the U.S. mail or with a courier service in the manner described above (Sundays and City holidays excepted).

c. Either party may, at any time, change its notice address (other than to a post office box address) by giving the other party three (3) days prior written notice of the new address.

d. All notices, demands, requests, or approvals from Provider to the City shall be addressed to the City at:

City of Alameda
[Department]
[Address]
Alameda, CA 94501
ATTENTION: [Marc Green]
Ph: (510) 747-7958/Email: mgreen@alamedaca.gov

e. All notices, demands, requests, or approvals from the City to Provider shall be addressed to Provider at:

[Provider Name]

[Department]
[Address]
[City, State, zip]
ATTENTION: [Title]
Ph: (xxx) [xxx-xxxx]

f. All updated insurance certificates from Provider to the City shall be addressed to the City at:

City of Alameda
Public Works
950 W. Mall Square, Room 110 Alameda, CA 94501
ATTENTION: Jeanette Navarro, Executive Assistant
Ph: (510) 747-7932/ Email: jnavarro@alamedaca.gov

18. SAFETY:

a. Provider will be solely and completely responsible for conditions of all vehicles owned or operated by Provider, including the safety of all persons and property during performance of the services and tasks under this Agreement. This requirement will apply continuously and not be limited to normal working hours. In addition, Provider will comply with all safety provisions in conformance with U.S. Department of Labor Occupational Safety and Health Act, any equivalent state law, and all other applicable federal, state, county and local laws, ordinances, codes, and any regulations that may be detailed in other parts of the Agreement. Where any of these are in conflict, the more stringent requirements will be followed. Provider's failure to thoroughly familiarize itself with the aforementioned safety provisions will not relieve it from compliance with the obligations and penalties set forth herein.

b. Provider will immediately notify the City within 24 hours of any incident of death, serious personal injury or substantial property damage that occurs in connection with the performance of this Agreement. Provider will promptly submit to the City a written report of all incidents that occur in connection with this Agreement. This report must include the following information: (i) name and address of injured or deceased person(s); (ii) name and address of Provider's employee(s) involved in the incident; (iii) name and address of Provider's liability insurance carrier; (iv) a detailed description of the incident; and (v) a police report.

19. TERMINATION:

a. In the event Provider fails or refuses to perform any of the provisions hereof at the time and in the manner required hereunder, Provider shall be deemed in default in the performance of this Agreement. If such default is not cured within two (2) business days after receipt by Provider from the City of written notice of default, specifying the nature of such default and the steps necessary to cure such default, the City may thereafter immediately terminate the Agreement forthwith by giving to Provider written notice thereof.

b. The foregoing notwithstanding, the City shall have the option, at its sole discretion and without cause, of terminating this Agreement by giving seven (7) days' prior written notice to Provider as provided herein.

c. Upon termination of this Agreement either for cause or for convenience, each party shall pay to the other party that portion of compensation specified in this Agreement that is earned and unpaid prior to the effective date of termination. The obligation of the parties under this Section 19.c. shall survive the expiration or early termination of this Agreement.

20. ATTORNEYS' FEES:

In the event of any litigation, including administrative proceedings, relating to this Agreement, including but not limited to any action or suit by any party, assignee or beneficiary against any other party, beneficiary or assignee, to enforce, interpret or seek relief from any provision or obligation arising out of this Agreement, the parties and litigants shall bear their own attorney's fees and costs. No party or litigant shall be entitled to recover any attorneys' fees or costs from any other party or litigant, regardless of which party or litigant might prevail.

21. HEALTH AND SAFETY REQUIREMENTS.

Provider acknowledges that the City shall have the right to impose, at the City's sole discretion, requirements that it deems are necessary to protect the health and safety of the City employees, residents, and visitors. Provider agrees to comply with all such requirements, including, but not limited to, mandatory vaccinations, the use of personal protective equipment (e.g. masks), physical distancing, and health screenings. Provider also agrees to make available to the City, at the City's request, records to demonstrate Provider's compliance with this Section.

22. COMPLIANCE WITH ALL APPLICABLE LAWS:

During the term of this Agreement, Provider shall keep fully informed of all existing and future state and federal laws and all municipal ordinances and regulations of the City of Alameda which affect the manner in which the services or tasks are to be performed by Provider, as well as all such orders and decrees of bodies or tribunals having any jurisdiction or authority over the same. Provider shall comply with all applicable laws, state and federal and all ordinances, rules and regulations enacted or issued by the City. Provider shall defend, indemnify, and hold City (including its officials, directors, officers, employees, and agents) free and harmless from any claim or liability arising out of any failure or alleged failure to comply with such laws and regulations pursuant to the indemnification provisions of this Agreement.

23. CONFLICT OF LAW:

This Agreement shall be interpreted under, and enforced by the laws of the State of California without regard to any choice of law rules which may direct the application of laws of another jurisdiction. The Agreement and obligations of the parties are subject to all valid laws, orders, rules, and regulations of the authorities having jurisdiction over this Agreement (or the successors of those authorities). Any suits brought pursuant to this Agreement shall be filed with the courts of the County of Alameda, State of California.

24. WAIVER:

A waiver by the City of any breach of any term, covenant, or condition contained herein shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, or condition contained herein, whether of the same or a different character.

25. INTEGRATED CONTRACT:

Subject to the language of Section 30, the Recitals and exhibits are a material part of this Agreement and are expressly incorporated herein. This Agreement represents the full and complete understanding of every kind or nature whatsoever between the parties hereto, and all preliminary negotiations and agreements of whatsoever kind or nature are merged herein. No verbal agreement or implied covenant shall be held to vary the provisions hereof. Any modification of this Agreement will be effective only by written execution signed by both the City and Provider.

26. CAPTIONS:

The captions in this Agreement are for convenience only, are not a part of the Agreement and in no way affect, limit or amplify the terms or provisions of this Agreement.

27. COUNTERPARTS:

This Agreement may be executed in any number of counterparts (including by fax, PDF, DocuSign, or other electronic means), each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

28. SIGNATORY:

By signing this Agreement, signatory warrants and represents that they executed this Agreement in their authorized capacity and that by their signature on this Agreement, they or the entity upon behalf of which they acted, executed this Agreement.

29. CONTROLLING AGREEMENT:

In the event of a conflict between the terms and conditions of this Agreement (as amended, supplemented, restated or otherwise modified from time to time) and any other terms and conditions wherever contained, including, without limitation, terms and conditions included within exhibits, the terms and conditions of this Agreement shall control and be primary.

30. NONDISCRIMINATION – FEDERAL REQUIREMENTS:

a. Provider certifies and agrees that it will not discriminate against any employee or applicant for employment because of race, color, religion, national origin, ancestry, sex, age, or condition or physical or mental handicap (as defined in 41 C.F.R. Section 60-741, et seq.), in accordance with requirement of state or federal law. Provider shall take affirmative action to ensure that qualified applicants are employed and that employees are treated during employment without regard to race, color, religion, national origin, ancestry, sex, age, or condition of physical or mental handicap in accordance with requirements of state and federal law. Such shall include, but not be limited to, the following:

- (1) Employment upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation.

(2) Selection for training, including interns and apprentices.

- A. Provider agrees to post in conspicuous places in each of Provider's facilities providing services hereunder, available and open to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause.
- B. Provider shall, in all solicitations or advertisements for employees placed by or on behalf of Provider, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, national origin, ancestry, sex, age, or condition of physical or mental handicap, in accordance with requirements of state and federal law.
- C. Provider shall send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding a notice advising the labor union or workers' representative of Provider's commitments under this paragraph.
- D. Provider certifies and agrees that it will deal with its subcontractors, bidders, or vendors without regard to race, color, religion, national origin, ancestry, sex, age, or condition of physical or mental handicap, in accordance with requirement of state and federal law.
- E. In accordance with applicable state and federal law, Provider shall allow duly authorized county, state and federal representatives access to its employment records during regular business hours in order to verify compliance with the anti-discrimination provisions of this paragraph. Provider shall provide such other information and records as such representatives may require in order to verify compliance with the anti-discrimination provisions of this paragraph.

b. If the City finds that any of the provisions of this paragraph have been violated, the same shall constitute a material breach of Agreement upon which the City may determine to cancel, terminate, or suspend this Agreement. The City reserves the right to determine independently that the anti-discrimination provisions of this Agreement have been violated. In addition, a determination by the California Fair Employment Practices Commission or the Federal Equal Employment Opportunity Commission that Provider has violated state and federal anti-discrimination laws shall constitute a finding by the City that Provider has violated the anti-discrimination provisions of Agreement.

c. The parties agree that in the event Provider violates any of the anti-discrimination provisions of this paragraph, the City shall be entitled, at its option, to the sum of \$500.00 pursuant to California Civil Code Section 1671 as liquidated damages in lieu of canceling, terminating, or suspending this Agreement.

d. Provider hereby agrees that it will comply with Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. Section 794), all requirements imposed by the applicable regulations, and all guidelines and interpretations issued pursuant thereto, to the end that no qualified handicapped person shall, on the basis of handicap, be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination under any program or activity of Provider receiving Federal Financial Assistance. In addition, Provider shall comply with the Uniform Federal Accessibility Standards, and Provider, Engineer, or Architect responsible for any design, construction or alteration shall certify compliance with those Standards.

e. Provider's attention is directed to laws, including but not limited to:

(1) CIVIL RIGHTS/EQUAL OPPORTUNITY

- A. Civil Rights Act of 1964. Under Title VII of the Civil Rights Act of 1964, no person shall, on the grounds of race, sex, religion, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.
- B. Section 109 of the Housing and Community Development Act of 1974. No person in the United States shall, on the grounds of race, color, national origin, or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with funds made available under this title.
- C. Section 109 of the Act further provides that any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.) or with respect to an otherwise qualified handicapped individual as provided in Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) shall also apply to any program or activity funded in whole or in part with funds made available pursuant to the Act.

(2) PROGRAM ACCESSIBILITY FOR INDIVIDUALS WITH DISABILITIES

This Agreement is subject to laws and regulations concerning the rights of otherwise qualified individuals with handicaps for equal participation in, and benefit from federally assisted programs and activities, including but not limited to:

- A. Americans with Disabilities Act of 1990 (ADA) (28 C.F.R. 5). Title II, Subpart A of the Americans with Disabilities Act of 1990 applies to all publicly funded activities and programs. Provider shall also comply with the public accommodations requirements of Title III of the ADA, as applicable.

- B. Nondiscrimination on the Basis of Handicap (24 C.F.R. 8). These regulations, which implement Section 504 of the Rehabilitation Act of 1973, as amended, and as cited in Section 109 of the Housing and Community Development Act, apply to all federally assisted activities and programs and are implemented through the regulations at 24 C.F.R. 8.
- C. Architectural Barrier Act of 1968. Any building or facility, excluding privately owned residential structures, designed, constructed, or altered with federal funds, shall comply with the Uniform Federal Accessibility Standards, 1984 (41 C.F.R. 3) and the Handicapped Accessibility Requirements of the State of California Title 24. The Consultant, Engineer or Architect responsible for such design, construction or alteration shall certify compliance with the above standards.
- D. In resolving any conflict between the accessibility standards cited in paragraphs (A), (B) and (C) above, the more stringent standard shall apply.

31.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have each caused this Agreement to be duly executed on its behalf as of the Effective Date.

COMPANY

a (California corporation, LP, LLC,
GP, sole proprietor/individual)

CITY OF ALAMEDA
a municipal corporation

NAME
TITLE

Jennifer Ott
City Manager

NAME
TITLE

RECOMMENDED FOR APPROVAL

Erin Smith
Public Works Director

APPROVED AS TO FORM:
City Attorney

Len Aslanian
Assistant City Attorney

SAMPLE

POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY
CG 20 10 10 93

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED - OWNERS, LESSEES or PROVIDERS FORM B

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Name of Person or Organization:

City of Alameda
2263 Santa Clara Avenue
Alameda, CA 94501

(If no entry appears above, information required to complete this endorsement will be shown in the Declarations as applicable to this endorsement.)

WHO IS AN INSURED (Section II) is amended to include as an insured the person or organization shown in the Schedule, but only with respect to liability arising out of your ongoing operations performed for that insured.

REF: _____
The City of Alameda, its City Council, boards and commissions, officers & employees are additional insured for work done on their behalf by the named insured.

PRIMARY INSURANCE:

IT IS UNDERSTOOD AND AGREED THAT THIS INSURANCE IS PRIMARY AND ANY OTHER INSURANCE MAINTAINED BY THE ADDITIONAL INSURED SHALL BE EXCESS ONLY AND NOT CONTRIBUTING WITH THIS INSURANCE.

SEVERABILITY OF INTEREST:

IT IS AGREED THAT EXCEPT WITH RESPECT TO THE LIMIT OF INSURANCE, THIS COVERAGE SHALL APPLY AS IF EACH ADDITIONAL INSURED WERE THE ONLY INSURED AND SEPARATELY TO EACH INSURED AGAINST WHOM CLAIM IS MADE OR SUIT IS BROUGHT.

WAIVER OF SUBROGATION:

IT IS UNDERSTOOD AND AGREED THAT THE COMPANY WAIVES THE RIGHT OF SUBROGATION AGAINST THE ABOVE ADDITIONAL INSURED (S), BUT ONLY AS RESPECTS THE JOB OR PREMISES DESCRIBED IN THE CERTIFICATE ATTACHED HERETO.

NOTICE OF CANCELLATION:

IT IS UNDERSTOOD AND AGREED THAT IN THE EVENT OF CANCELLATION OF THE POLICY FOR ANY REASON OTHER THAN NON-PAYMENT OF PREMIUM, 30 DAYS WRITTEN NOTICE WILL BE SENT TO THE CERTIFICATE HOLDER BY MAIL. IN THE EVENT THE POLICY IS CANCELED FOR NON-PAYMENT OF PREMIUM, 10 DAYS WRITTEN NOTICE WILL BE SENT TO THE ABOVE.

POLICY NUMBER:

COMMERCIAL AUTO
CG 20 48 02 99

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

DESIGNATED INSURED

This endorsement modifies insurance provided under the following:

BUSINESS AUTO COVERAGE FORM
GARAGE COVERAGE FORM
MOTOR CARRIER COVERAGE FORM
TRUCKERS COVERAGE FORM

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by this endorsement.

This endorsement identifies person(s) or organization(s) who are "insureds" under the Who Is An Insured Provisions of the Coverage Form. This endorsement does not alter coverage provided in the Coverage Form.

This endorsement changes the policy effective on the inception date of the policy unless another date is indicated below.

Endorsement Effective:	Countersigned By:
Named Insured:	(Authorized Representative)

Name of Person or Organization:

City of Alameda
2263 Santa Clara Avenue
Alameda, CA 94501-7558

WHO IS AN INSURED (Section II) is amended to include as an insured the person or organization shown in the Schedule, but only with respect to liability arising out of your ongoing operations performed for that insured.

REF: _____

The City of Alameda, its City Council, boards and commissions, officers, employees and volunteers are additional insured for work done on their behalf by the named insured.

NOTICE OF CANCELLATION:

IT IS UNDERSTOOD AND AGREED THAT IN THE EVENT OF CANCELLATION OF THE POLICY FOR ANY REASON OTHER THAN NON-PAYMENT OF PREMIUM, 30 DAYS WRITTEN NOTICE WILL BE SENT TO THE CERTIFICATE HOLDER BY MAIL. IN THE EVENT THE POLICY IS CANCELED FOR NON-PAYMENT OF PREMIUM, 10 DAYS WRITTEN NOTICE WILL BE SENT TO THE ABOVE.

CA 20 48 02 99

Appendix B

City of Alameda Franchise Agreement - Rate Adjustment Methodology

EXHIBIT E:
RATE ADJUSTMENT METHODOLOGY

EXHIBIT E

RATE ADJUSTMENT METHODOLOGY

1. General

Subject to the terms herein, the City shall adjust all Rates on an annual basis. Contractor shall submit its application for a Rate adjustment to the City Contract Manager on or before April 1 of each Rate Period where Rates shall be adjusted using the index-based methodology described in Exhibit E1. Contractor shall submit its application on or before February 1 for any Rate Period where Rates shall be adjusted using the cost-based methodology described in Exhibit E2. Contractor's Rate application shall document all calculations and include all supporting schedules, documentation of per-Ton charges for Approved Facilities, documentation of changes in governmental fees at Approved Facilities (if applicable), and any other documentation or evidence determined by the City Contract Manager to be reasonably necessary to ensure that the calculation of Rate adjustments has been performed in strict conformance to the requirements of this Exhibit E.

The City Contract Manager shall make a good faith effort to approve Rates by June 1 of each year, and such Rates shall be effective on each subsequent July 1. If Rates are not effective by July 1 due to a delay caused solely by City, City shall allow Contractor to retroactively bill Customers for the amount of the Rate increase for any period of said delay that is solely caused by City (subject to the City's approval of how the retroactive adjustment is billed) or the City may compensate the Contractor for lost Gross Rate Revenues. In the case of a delayed Rate adjustment, the Contractor may bill the Customer during the next billing cycle to recoup the deferred Rate increase. If Rates are not effective by July 1 as a result of Contractor's delay in submitting the Rate application in a complete and accurate form, then prior Rates remain in effect until such adjustment is made and Contractor shall not be entitled to a retroactive adjustment for lost Gross Rate Revenues.

2. Definitions

Certain terms which are specific to this Exhibit (including Exhibits E1 and E2) are defined below:

- A. **"Annual Percentage Change"** means the annual percentage change in any of the indices defined above calculated as described in the following paragraph.

The Annual Percentage Change for a cost index shall be calculated as the Average Index Value for the most recently available 12-month period of the then-current Rate Period minus the Average Index Value for the corresponding 12-month period of the most-recently completed Rate Period and the result of which shall be divided by the Average Index Value for the same 12-month period of the most recently completed Rate Period.

For example, if the Contractor is calculating the Total Calculated Costs in January 2023 to be effective for Rate Period Three (July 2023 through June 2024), the Annual Percentage Change for the CPI-U would be calculated as follows:

[(Average CPI-U for January 2022 through December 2022) minus
(Average CPI-U for January 2021 through

EXHIBIT E

RATE ADJUSTMENT METHODOLOGY

December 2021)] divided by (Average CPI-U for January 2021 through December 2021)

The calculated Annual Percentage Change shall be carried to three places to the right of the decimal and rounded to the nearest thousandths.

- B. **“Average Index Value”** means the sum of the monthly index values during the most recently available 12-month period divided by 12 (in the case of indices published monthly) or the sum of the bi-monthly index values divided by 6 (in the case of indices published bi-monthly).
- C. **“CPI-U”** means the Consumer Price Index, All Urban Consumers, all items, not seasonally adjusted San Francisco-Oakland-San Jose Metropolitan Area compiled and published by the U.S. Department of Labor, Bureau of Labor Statistics.
- D. **“Disposal Cost”** means the cost of Disposing of Solid Waste at the Designated Disposal Facility.
- E. **“Fuel Index”** means the per-therm price for Core Natural Gas Service for Compression on customer’s premises, Schedule G-NGV1, compiled and published by the Pacific Gas and Electric Company Analysis and Rate Department and reported monthly in its *“Gas RateFinder”* publication (<http://www.pge.com/tariffs/GRF.SHTML>). The January 2018 Fuel Index is \$0.70874 per therm, which reflects the sum of the customer charge, procurement charge, transportation charge, and public purpose program (PPP) charge for natural gas service for compression on customer’s premises as reported by Pacific Gas and Electric Company.
- F. **“Gross Rate Revenues”** means total Customer billings by the Contractor for the provision of services pursuant to this Agreement, without any deductions.
- G. **“Motor Vehicle Maintenance and Repair Index”** or **“MVI”** means the Consumer Price Index, All Urban Consumers, Motor Vehicle Maintenance and Repair, not seasonally adjusted U.S. city average, compiled and published by the U.S. Department of Labor, Bureau of Labor Statistics.
- H. **“Total Calculated Costs”** means the total amount to be used as a basis for determining the Rate Adjustment Factor. The Total Calculated Costs do not reflect or in any way guarantee the Gross Rate Revenues that are to be generated by Rates or retained by the Contractor. Note that for determining Rates for Rate Period Two, the total Proposed costs for Rate Period One (July 1, 2021 to June 30, 2022) shall be used for the calculations.

EXHIBIT E

RATE ADJUSTMENT METHODOLOGY

Table 1 provides additional information about the four indices defined above.

TABLE 1*

	CPI-U	Fuel Index	Motor Vehicle Maintenance and Repair
Description	Consumer Price Index - All Urban Consumers	Core Natural Gas for Compression at Customer's Premises for Motor Vehicles	Consumer Price Index – All Urban Consumers, Motor Vehicle Maintenance and Repair
Series ID	CUURS49BSA0	G-NGV1	CUUR0000SETD
Adjusted	Not seasonally adjusted	N/A	Not seasonally adjusted
Area	San Francisco-Oakland-Hayward	N/A	U.S. City average
Item	All items	N/A	Motor vehicle maintenance and repair
Base Period	1982-84=100	N/A	1982-84=100
Periodicity	Bi-monthly	Monthly	Monthly

* All indices published by the U.S. Bureau of Labor Statistics with the exception of the Fuel Index, which is published by Pacific Gas and Electric Company Analysis and Rate Department.

3. Cost of Rate Adjustment process

The City may incur costs, including consulting and legal fees, when determining adjustments to the Rates in accordance with this Exhibit and may require the Contractor to pay for such costs within sixty (60) calendar days of receipt of the City's invoice for such costs. The Contractor may recover such costs through the Rates by treating the costs as an allowable cost of business, not subject to profit mark-up. Regardless of Contractor's payment of costs associated with said review, the City shall retain full and unimpeded discretion in selection of its agents to ensure, at a minimum, that no conflict of interest arises in the review of Contractor's request. The City retains the right to select its agents on the basis of their qualifications and experience and without regard to cost.

4. Profit

Table 2 summarizes the allowed operating ratio used to determine the Contractor's profit, as described in Exhibit E1, Section 2.B and Exhibit E2, Section 2.B.

EXHIBIT E

RATE ADJUSTMENT METHODOLOGY

TABLE 2

Rate Period	Operating Ratio
Rate Period 1	79.00%
Rate Period 2	78.50%
Rate Period 3	78.00%
Rate Period 4 and any subsequent Rate Periods under this Agreement	77.70%

EXHIBIT E1:
MULTI-INDEX RATE ADJUSTMENT METHODOLOGY

EXHIBIT E1

INDEX-BASED RATE ADJUSTMENT METHODOLOGY

1. General

The purpose of this attachment is to describe and illustrate the method by which the City will calculate the annual adjustment to Rates to reflect changes in various cost indices and changes to Processing and Disposal Costs based on Tonnages of materials Collected and changes in tipping fees. This index-based adjustment process shall be used to determine Rates for Rate Periods Two, Three, Five, Six, Seven, Nine, Ten, and Eleven. If the Term is extended, subsequent Rate Periods shall be adjusted pursuant to Section 8.2.C.

The index-based adjustment involves application of indices to various costs that comprise the Total Proposed Annual Costs for Rate Period One (and to Total Calculated Costs for future Rate Periods) to determine the Total Calculated Costs for the coming Rate Period. In addition, Processing and Disposal costs shall be adjusted to reflect actual Tonnage Collected during the most-recently completed Rate Period.

The difference (measured as a percentage) between the Total Calculated Costs for the coming Rate Period and the Total Calculated Costs for the then-current Rate Period is the Rate Adjustment Factor. The Rate Adjustment Factor is applied to the current Rates to determine the Rates for the coming Rate Period.

The Rate Adjustment Factor calculated pursuant to this Exhibit E1 may not exceed five percent (5%). In the event that the calculation results in a calculated increase exceeding five percent (5%), the calculated dollar amount exceeding five percent (5%) shall be reflected as an “Other Adjustment” in the next scheduled Rate adjustment (“roll-over”). The City shall not be required to compensate Contractor for any cumulative “rolled-over” amounts remaining at the end of the Agreement Term.

In the event that the index-based adjustment as calculated by this Exhibit E1 results in a negative Rate Adjustment Factor, the City reserves the right to “roll-under” the Rate reduction, such that there is no Rate adjustment in the Rate Period for which the negative Rate Adjustment Factor was calculated, but the calculated Rate reduction may be deferred to the following Rate Period, as a credit against future Rate increases.

2. Adjustment of Total Calculated Costs

The cost categories of the main components of Total Calculated Costs are presented in detail in Exhibit G1. Adjustments to these components to calculate costs for the coming Rate Period shall be calculated as follows:

EXHIBIT E1

INDEX-BASED RATE ADJUSTMENT METHODOLOGY

A. Total Annual Cost of Operations

1. **Labor-Related Costs.** The Labor-Related Costs component of the Total Calculated Costs shall be calculated, as described in this Section, to reflect the adjustment of wages and benefits under the collective bargaining agreement for represented employees of Contractor performing services under this Agreement.

The collective bargaining agreement requires adjustment of three factors: 1) hourly wage rate; 2) pension hourly rate; and, 3) health and welfare monthly rate. The Annual Percentage Change shall be determined for each of those factors using the procedures described in the collective bargaining agreement, using the most recently-available twelve month Annual Percentage Change in the indices referenced in that bargaining agreement. The Parties acknowledge that the timing of available inflationary index data is such that this calculation will be based on a different calculation period than the actual changes in the bargaining agreement and agree that these differences are acceptable for the purposes of these calculations.

The Labor-Related Costs presented in Contractor's Proposal include detailed cost sub-categories which are impacted by the three adjustment factors in the collective bargaining agreement. The table below defines which adjustment factor will be applied to each cost sub-category.

Cost Sub-Category	Adjustment Factor
Regular Wages	Hourly Wage Rate
Overtime Wages	Hourly Wage Rate
Holiday Wages	Hourly Wage Rate
Vacation Wages	Hourly Wage Rate
Sick Leave Wages	Hourly Wage Rate
Workers Compensation Insurance Premiums	Hourly Wage Rate
Workers Compensation Claims	Not Adjusted
Health & Welfare	Health & Welfare Monthly Rate
Pension / Retirement Benefits	Pension Hourly Rate
Payroll Taxes	Hourly Wage Rate
Other	Not Adjusted

For each sub-category, the value for the then-current Rate Period is multiplied by one plus the Annual Percentage Change in the associated adjustment factor. The resultant dollar value of all sub-categories shall be added together to determine the calculated Labor-Related Costs, provided that the calculated Labor-Related Costs shall not be less than Minimum Allowable Labor-Related Costs, nor greater than the Maximum Allowable Labor-Related Costs.

For purposes of this Section, the Minimum Allowable Labor-Related Costs shall be prepared by multiplying the Labor-Related Costs component of the Total Calculated Costs for the then-current Rate Period by one hundred two and seven tenths percent (102.7%). For purposes of this Section, the Maximum Allowable Labor-Related Costs shall be prepared by multiplying the

EXHIBIT E1

INDEX-BASED RATE ADJUSTMENT METHODOLOGY

Labor-Related Costs component of the Total Calculated Costs for the then-current Rate Period by one hundred twelve percent (112.0%).

2. **Vehicle-Related Costs (excluding Fuel).** The Vehicle-Related Costs component of Total Calculated Costs for the then-current Rate Period is multiplied by one plus the Annual Percentage Change in the Motor Vehicle Maintenance and Repair Index.
3. **Fuel Costs.** The Fuel Cost component of Total Calculated Costs for the then-current Rate Period is multiplied by one plus the Annual Percentage Change in the Fuel Index.
4. **Other Costs.** The Other Costs component of the Total Calculated Costs for the then-current Rate Period is multiplied by one plus the Annual Percentage Change in the CPI-U.
5. **Direct Depreciation.** Direct Depreciation is \$1,809,092 per year for Rate Periods Two through Twelve and is not annually adjusted. This adjusted depreciation amount shall remain fixed for Rate Periods Two through Twelve. If the Agreement is extended beyond Rate Period Twelve, direct depreciation shall be zero in any subsequent Rate Periods unless Parties mutually agree to a different amount.
6. **Allocated Costs (Labor, Vehicle, Fuel, and Other Costs).** Except as provided in A.1. above, the Allocated Costs (Labor, Vehicle, Fuel, and Other Costs) component for the then-current Rate Period is multiplied by one plus the Annual Percentage Change in the CPI-U.
7. **Allocated Depreciation and Start-Up Costs.** The Allocated Depreciation and Start-Up Costs shall be \$20,015 per year for Rate Period Two through Twelve, and are not annually adjusted. These costs shall be zero for all subsequent Rate Periods unless Parties mutually agree to a different amount.
8. **Total Annual Cost of Operations.** The Total Annual Cost of Operations for the coming Rate Period equals the sum of the costs calculated in subsections (1) through (7) above.

B. Profit

Profit for the coming Rate Period shall be calculated by dividing the Total Annual Cost of Operations for the coming Rate Period (the value calculated in Section 2.A.8 above) by the applicable operating ratio and subtracting from the result the Total Annual Cost of Operations for the coming year.

$$\text{Profit} = \frac{\text{Total Annual Cost of Operations for Coming Rate Period}}{\text{Operating Ratio}} - \text{Total Annual Cost of Operations for Coming Rate Period}$$

C. Costs Excluded from the Calculation of Profit

1. **Recyclable Materials Processing Costs.** The Recyclable Materials Processing Costs shall be calculated in the manner described in Exhibit E3.

EXHIBIT E1

INDEX-BASED RATE ADJUSTMENT METHODOLOGY

2. **Organic Materials Processing Costs.** The Organic Materials Processing Costs shall be calculated as follows:

Organic Materials Processing Costs = Per-Ton Organic Materials Processing fee at the Approved Organic Materials Processing Facility for the coming Rate Period x (Total Tons of Organic Materials Collected for the most-recently completed 12-month period).

3. **Reusable Materials Processing Costs.** The Reusable Materials Processing Cost shall be calculated as follows:

Reusable Materials Processing Cost = [(Per-Ton Reusable Materials Processing Cost for the then-current Rate Period - All regulatory fees identified in Contractor's Proposal and included in the then-current per-Ton cost) x (1 + Annual Percentage Change in the CPI-U) + (Then-current per-Ton regulatory fees)] x (Total Tons of Reusable Materials Collected for the most-recently completed 12-month period).

4. **Disposal Costs.** The Disposal Costs shall be calculated as follows:

Disposal Costs = Per-Ton Disposal fee at the Designated Disposal Facility (to be specified by the City) for the coming Rate Period x (Total Tons of Solid Waste Collected for the most-recently completed 12-month period).

5. **Interest Expense.** The Interest Expense amount is \$381,504 in Rate Period Two through Twelve, is not annually adjusted, and shall be zero in any subsequent Rate Period unless Parties mutually agree to a different amount.
6. **Direct Lease Costs.** The Direct Lease Costs amount is \$0 in Rate Period Two through Twelve, is not annually adjusted, and shall be zero in any subsequent Rate Period unless Parties mutually agree to a different amount.
7. **Allocated Lease Costs.** The Allocated Lease Costs amount is \$0 for Rate Period Two through Twelve (including interest costs for Allocated General and Administrative of \$0, Allocated Vehicle Maintenance costs of \$0, and Allocated Container Maintenance of \$0) is not annually adjusted and shall remain unadjusted in any subsequent Rate Period unless Parties mutually agree to a different amount.
8. **Total Costs Excluded from the Calculation of Profit.** Total Costs Excluded from the Calculation of Profit for the coming Rate Period are the sum of the amounts in subsections (1) through (7) above.

D. Total Calculated Costs before City Reimbursements

The Total Calculated Costs before City Reimbursements shall be the sum of the Total Annual Cost of Operations, Profit, and Costs Excluded from the Calculation of Profit for the coming Rate Period.

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INDEX-BASED RATE ADJUSTMENT METHODOLOGY

E. City Reimbursements

1. **Waste Management Recycling and Program Fee (AB 939/SB 1383).** The AB 939/SB 1383 payment for the coming Rate Period shall equal the total AB 939/SB 1383 Fee paid to the City in the most-recently completed 12-month period multiplied by 1 plus the Annual Percentage Change in the CPI-U, or as otherwise directed by the City.
2. **Infrastructure Impacts Mitigation Fee.** The Infrastructure Impacts Mitigation Fee for the coming Rate Period shall equal the total Infrastructure Impacts Mitigation Fee paid to the City in the most-recently completed 12-month period multiplied by 1 plus the Annual Percentage Change in the CPI-U, or as otherwise directed by the City.
3. **Doolittle Landfill Maintenance Fee.** The Doolittle Landfill Maintenance Fee for the coming Rate Period shall equal the total Doolittle Landfill Maintenance Fee paid to the City in the most-recently completed 12-month period multiplied by 1 plus the Annual Percentage Change in the CPI-U, or as otherwise directed by the City.
4. **City Parks Fee.** The City Parks Fee for the coming Rate Period shall equal the total City Parks Fee paid to the City in the most-recently completed 12-month period multiplied by 1 plus the Annual Percentage Change in the CPI-U, or as otherwise directed by the City.
5. **Rate Application Review Costs.** An amount determined by the City to reimburse the Contractor for payment of the City's costs, including consulting and legal fees associated with determination of Rates under this Exhibit. Such Rate application review costs may or may not be one-time costs and shall be included in subsequent Rate Periods if it is not a one-time cost.
6. **Total City Reimbursements.** The Total City Reimbursements for the coming Rate Period shall equal costs calculated in subsection (1) through (5) above; provided, however, that any adjustment in any such fee, whether pursuant to the relevant index or as the result of the decision of City, shall be an allowable cost of business, excluded from the calculation of profit, and reflected in the Total City Reimbursements.

F. Other Adjustments

From time to time during the Term of the Agreement, it may be necessary to make other adjustments to the compensation calculations. For example, if the City elects to roll-under a negative Rate adjustment to a future year, the dollar value of that negative adjustment shall be reflected as an adjustment. In such case, the adjustment would be a reduction to the Total Calculated Costs.

G. Total Calculated Costs

The Total Calculated Costs for the coming Rate Period shall equal the sum of the Total Annual Cost of Operations, Profit, Total Costs Excluded from the Calculation of Profit, Total City Reimbursements, and Other Adjustments (if applicable), for the coming Rate Period.

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INDEX-BASED RATE ADJUSTMENT METHODOLOGY

3. Rate Adjustment Factor

The Rate Adjustment Factor shall equal the Total Calculated Costs for the coming Rate Period divided by the Total Calculated Costs for the then-current Rate Period, which shall be rounded to the nearest thousandth. Note that when determining the Rate Adjustment Factor for Rate Period Two, the Rate Adjustment Factor shall equal the Total Calculated Costs for Rate Period Two divided by the Total Proposed Costs of \$25,682,637 for Rate Period One.

4. Adjustment of Rates

Each then-current Rate shall be multiplied by the Rate Adjustment Factor to calculate the effective Rate for the coming Rate Period. The adjustment to each Rate shall be rounded to the nearest cent.

5. Examples

The following examples illustrates the index-based adjustment method for determining Rates for Rate Period Three. The dollar amounts shown are hypothetical amounts for Total Calculated Costs for Rate Period Two (July 1, 2022 through June 30, 2023) and the adjustment factors are based on assumed changes in the various indices between the Average Index Values for the twelve (12) months ending December 2021 and for the twelve (12) months ending December 2020. Example A depicts a standard index-based adjustment, wherein the calculated Total Annual Cost of Operations increased greater than zero percent (0%) and less than five percent (5%) over the prior Rate Period. Example B depicts an index-based adjustment wherein the calculated Total Annual Cost of Operations resulted in a decrease from the prior Rate Period.

A. EXAMPLE A

1. Assumptions for Example Adjustment to Contractor's Compensation:
 - a. Most-Recently Completed Rate Period = Rate Period One (July 1, 2021 through June 30, 2022)
 - b. Then-current Rate Period = Rate Period Two (July 1, 2022 through June 30, 2023)
 - c. Coming Rate Period = Rate Period Three (July 1, 2023 through June 30, 2024)
 - d. Recyclable Materials Processing Costs per Ton for the coming Rate Period, as calculated in Exhibit E3 = \$135.00 per Ton
 - e. Residential Organic Materials Processing Costs per Ton for the coming Rate Period = \$136.50 per Ton
 - f. Commercial Organic Materials Processing Costs per Ton for the coming Rate Period = \$153.10 per Ton

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- g. Reusable Materials Processing Costs (including Regulatory Fees) per Ton for the then-current Rate Period = \$162.00 per Ton
- h. Reusable Materials Processing Regulatory Fees per ton for the then-current and coming Rate Period = \$2.00 per Ton
- i. Disposal cost for the coming Rate Period = \$96.50 per Ton
- j. Annual Percentage Change in the Hourly Wage Rate Adjustment Factor = 0.040
- k. Hourly Wage Rate Adjustment Factor Floor = 0.027
- l. Annual Percentage Change in the Health & Welfare Monthly Rate Adjustment Factor = 0.040
- m. Annual Percentage Change in the Pension Hourly Rate Adjustment Factor* = 0.030
- n. Pension Hourly Rate Adjustment Factor Floor = 0.034
- o. Annual Percentage Change in the CPI-U = 0.040
- p. Annual Percentage Change in the Motor Vehicle Maintenance and Repair Index = 0.031
- q. Annual Percentage Change in the Fuel Index = 0.075
- r. Tonnages for the most-recently completed 12-month period:
 - Recyclable Materials – 11,400 Tons
 - Residential Organic Materials – 9,700 Tons
 - Commercial Organic Materials – 2,400 Tons
 - Solid Waste – 27,000 Tons
 - Bulky Items and Reusable Materials – 1,900 Tons

Note: All values presented in the following table are hypothetical and used for illustrative purposes only.

*The Annual Percentage Change in the Pension Hourly Rate Adjustment Factor is a different 12-month period than the Hourly Wage Rate and the Health & Welfare Monthly Rate Adjustment Factors.

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INDEX-BASED RATE ADJUSTMENT METHODOLOGY

TABLE 1: Example A Calculation of Total Calculated Costs for Rate Period Three

	Rate Period Two	Adjustment Index	Adjustment Factor	Rate Period Three
Processing Tip Fee Adjustment (per Ton)				
Recyclable Materials Processing Tip Fee	\$ 132.00	CPI-U	Refer to Exhibit E3	\$ 135.00
Residential Organic Materials Processing Tip Fee	\$ 135.00	N/A	N/A	\$ 136.50
Commercial Organic Material Processing Tip Fee	\$ 152.00	N/A	N/A	\$ 153.10
Reusable Materials Processing Tip Fee	\$ 162.00	CPI-U	(1 + 0.040) + Reg Fees	\$ 170.48
Solid Waste Disposal Tip Fee	\$ 96.00	N/A	N/A	\$ 96.50
Annual Cost of Operations				
Labor-related Costs	\$ 7,250,000	Per CBA	Per CBA	\$ 7,530,500
Vehicle-related Costs (excluding fuel)	\$ 800,000	MVI	1 + 0.031	\$ 824,800
Fuel Costs	\$ 400,000	FUEL	1 + 0.075	\$ 430,000
Other Costs	\$ 815,000	CPI-U	1 + 0.040	\$ 847,600
Direct Depreciation	\$ 1,775,000	N.A.	N.A.	\$ 1,775,000
Allowed Costs (Labor, Vehicle, Fuel, and Other Costs)*	\$ 3,100,000	CPI-U	1 + 0.040	\$ 3,224,000
Allocated Costs (Depreciation and Start-Up)	\$ 22,000	N.A.	N.A.	\$ 22,000
Total Annual Cost of Operations	\$ 14,162,000			\$ 14,653,900
Profit (assuming operating ratio of 0.77)	\$ 4,230,208			\$ 4,377,139
Pass Through Costs				
Recyclable Materials Processing Costs	\$ 1,500,000	Tip Fee x Tons	11,400 x \$139.28	\$ 1,539,000
Residential Organic Materials Processing Costs	\$ 1,300,000	Tip Fee x Tons	9,700 x \$136.50	\$ 1,324,050
Commercial Organic Materials Processing Costs	\$ 360,000	Tip Fee x Tons	2,400 x \$153.10	\$ 367,440
Reusable Materials Processing Costs	\$ 305,000	Tip Fee x Tons	1,900 x \$170.48	\$ 323,912
Solid Waste Disposal Costs	\$ 2,500,000	Tip Fee x Tons	27,000 x \$96.50	\$ 2,605,500
Interest Expense	\$ 380,000	N.A.	N.A.	\$ 380,000
Direct Lease Costs	\$ -	N.A.	N.A.	\$ -
Allocated Lease Costs	\$ -	N.A.	N.A.	\$ -
Total Pass-Through Costs	\$ 6,345,000			\$ 6,539,902
Total Calculated Costs before City Fees	\$ 24,737,208			\$ 25,570,941
City Fees/Payments				
Waste Management Recycling and Program Fee	\$ 474,596	CPI-U**	1 + 0.040	\$ 493,580
Infrastructure Impacts Mitigation Fee	\$ 910,931	CPI-U**	1 + 0.040	\$ 947,368
Doolittle Landfill Maintenance Fee	\$ 237,297	CPI-U**	1 + 0.040	\$ 246,789
City Parks Fee	\$ 71,879	CPI-U**	1 + 0.040	\$ 74,754
Rate Application Review Costs	\$ -	N.A.	N.A.	\$ -
Total City Fees/Payments	\$ 1,694,702			\$ 1,762,490
Other Adjustments (as needed from time to time)	N.A.	N.A.	N.A.	N.A.
Total Calculated Costs	\$ 26,431,910			\$ 27,333,431

*Fuel costs included in allocated costs shall be adjusted using the CPI-U not Fuel Index.

** City Reimbursements shall either be increased by the Annual Percentage Change in the CPI-U, or as otherwise directed by the

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INDEX-BASED RATE ADJUSTMENT METHODOLOGY

2. Example Calculation of the Rate Adjustment Factor and Adjusted Rate for Rate Period Three
 - a. Rate Adjustment Factor = $\$27,333,431 / \$26,431,910 = 1.034$
 - b. 20-gallon Single-Family Rate for Rate Period Three = $\$22.62 \times 1.034 = \23.39 , which shall be effective July 1, 2023.

B. EXAMPLE B

1. Assumptions for Example Adjustment to Contractor's Compensation:
 - a. Most-Recently Completed Rate Period = Rate Period One (July 1, 2021 through June 30, 2022)
 - b. Then-current Rate Period = Rate Period Two (July 1, 2022 through June 30, 2023)
 - c. Coming Rate Period = Rate Period Three (July 1, 2023 through June 30, 2024)
 - d. Recyclable Materials Processing Costs per Ton for the coming Rate Period, as calculated in Exhibit E3 = \$130.00 per Ton
 - e. Residential Organic Materials Processing Costs per Ton for the coming Rate Period = \$135.40 per Ton
 - f. Commercial Organic Materials Processing Costs per Ton for the coming Rate Period = \$152.40 per Ton
 - g. Reusable Materials Processing Costs (including Regulatory Fees) per Ton for the then-current Rate Period = \$162.00 per Ton
 - h. Reusable Materials Processing Regulatory Fees per ton for the then-current and coming Rate Period = \$2.00 per Ton
 - i. Disposal cost for the coming Rate Period = \$96.00 per Ton
 - j. Annual Percentage Change in the Hourly Wage Rate Adjustment Factor = -0.040
 - k. Hourly Wage Rate Adjustment Factor Floor = 0.027
 - l. Annual Percentage Change in the Health & Welfare Monthly Rate Adjustment Factor = -0.040
 - m. Annual Percentage Change in the Pension Hourly Rate Adjustment Factor* = -0.015
 - n. Pension Hourly Rate Adjustment Factor Floor = 0.034
 - o. Annual Percentage Change in the CPI-U = -0.040
 - p. Annual Percentage Change in the Motor Vehicle Maintenance and Repair Index = -0.031
 - q. Annual Percentage Change in the Fuel Index = -0.075
 - r. Tonnages for the most-recently completed 12-month period:
 - Recyclable Materials – 11,400 Tons
 - Residential Organic Materials – 9,700 Tons

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- Commercial Organic Materials – 2,400 Tons
- Solid Waste – 27,000 Tons
- Bulky Items and Reusable Materials – 1,900 Tons

Note: All values presented in the following table are hypothetical and used for illustrative purposes only.

*The Annual Percentage Change in the Pension Hourly Rate Adjustment Factor is a different 12-month period than the Hourly Wage Rate and the Health & Welfare Monthly Rate Adjustment Factors.

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INDEX-BASED RATE ADJUSTMENT METHODOLOGY

TABLE 2
Example B Calculation of Total Calculated Costs for Rate Period Three

	Rate Period Two	Adjustment Index	Adjustment Factor	Rate Period Three
Processing Tip Fee Adjustment (per Ton)				
Recyclable Materials Processing Tip Fee	\$ 132.00	CPI-U	Refer to Exhibit E3	\$ 130.00
Residential Organic Materials Processing Tip Fee	\$ 135.00	N/A	N/A	\$ 135.40
Commercial Organic Material Processing Tip Fee	\$ 152.00	N/A	N/A	\$ 152.40
Reusable Materials Processing Tip Fee	\$ 162.00	CPI-U	(1 + -0.040) + Reg Fees	\$ 157.52
Solid Waste Disposal Tip Fee	\$ 96.00	N/A	N/A	\$ 96.00
Annual Cost of Operations				
Labor-related Costs	\$ 7,250,000	Per CBA	Per CBA	\$ 7,445,750
Vehicle-related Costs (excluding fuel)	\$ 800,000	MVI	1 + -0.031	\$ 775,200
Fuel Costs	\$ 400,000	FUEL	1 + -0.075	\$ 370,000
Other Costs	\$ 815,000	CPI-U	1 + -0.040	\$ 782,400
Direct Depreciation	\$ 1,775,000	N.A.	N.A.	\$ 1,775,000
Allowed Costs (Labor, Vehicle, Fuel, and Other Costs)*	\$ 3,100,000	CPI-U	1 + -0.040	\$ 2,976,000
Allocated Costs (Depreciation and Start-Up)	\$ 22,000	N.A.	N.A.	\$ 22,000
Total Annual Cost of Operations	\$ 14,162,000			\$ 14,146,350
Profit (assuming operating ratio of 0.77)	\$ 4,230,208			\$ 4,225,533
Pass Through Costs				
Recyclable Materials Processing Costs	\$ 1,500,000	Tip Fee x Tons	11,400 x \$130.00	\$ 1,482,000
Residential Organic Materials Processing Costs	\$ 1,300,000	Tip Fee x Tons	9,700 x \$135.40	\$ 1,313,380
Commercial Organic Materials Processing Costs	\$ 360,000	Tip Fee x Tons	2,400 x \$152.40	\$ 365,760
Reusable Materials Processing Costs	\$ 305,000	Tip Fee x Tons	1,900 x \$157.52	\$ 299,288
Solid Waste Disposal Costs	\$ 2,500,000	Tip Fee x Tons	27,000 x \$96.00	\$ 2,592,000
Interest Expense	\$ 380,000	N.A.	N.A.	\$ 380,000
Direct Lease Costs	\$ -	N.A.	N.A.	\$ -
Allocated Lease Costs	\$ -	N.A.	N.A.	\$ -
Total Pass-Through Costs	\$ 6,345,000			\$ 6,432,428
Total Calculated Costs before City Fees	\$ 24,737,208			\$ 24,804,311
City Fees/Payments				
Waste Management Recycling and Program Fee	\$ 474,596	CPI-U**	1 + -0.040	\$ 455,612
Infrastructure Impacts Mitigation Fee	\$ 910,931	CPI-U**	1 + -0.040	\$ 874,494
Doolittle Landfill Maintenance Fee	\$ 237,297	CPI-U**	1 + -0.040	\$ 227,805
City Parks Fee	\$ 71,879	CPI-U**	1 + -0.040	\$ 69,003
Rate Application Review Costs	\$ -	N.A.	N.A.	\$ -
Total City Fees/Payments	\$ 1,694,702			\$ 1,626,914
Other Adjustments (as needed from time to time)	N.A.	N.A.	N.A.	N.A.
Total Calculated Costs	\$ 26,431,910			\$ 26,431,225

*Fuel costs included in allocated costs shall be adjusted using the CPI-U not Fuel Index.

** City Reimbursements shall either be increased by the Annual Percentage Change in the CPI-U, or as otherwise directed by the City.

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INDEX-BASED RATE ADJUSTMENT METHODOLOGY

2. Example Calculation of the Rate Adjustment Factor and Adjusted Rate for Rate Period Three
 - a. Total Calculated Costs = \$26,431,225 < \$26,431,910; Adjusted Total Calculated Costs = \$26,431,910 (Total Calculated Costs from prior Rate Period)
 - b. Rate Adjustment Factor = \$26,431,910 / \$26,431,910 = 1.00
 - c. 20-gallon Single-Family Rate for Rate Period Three = \$22.62 x 1.00 = \$22.62, which shall be effective July 1, 2023 (i.e., NO RATE ADJUSTMENT).
 - d. Subsequent Rate Period Adjustment. \$26,431,910 - \$26,431,225 = \$685 cost savings to be applied as an "Other Adjustment" in the subsequent Rate Period adjustment calculations as an offset to Contractor's Total Calculated Costs.

6. Other

If an index described in Section 2 is discontinued, the successor index with which it is replaced shall be used for subsequent calculations. If no successor index is identified by the Bureau of Labor Statistics or Pacific Gas & Electric (if applicable), the index published by the organization which is most comparable shall be used.

EXHIBIT E2:
COST-BASED RATE ADJUSTMENT METHODOLOGY

EXHIBIT E2

COST-BASED RATE ADJUSTMENT METHODOLOGY

1. General

The City and Contractor shall use the cost-based Rate adjustment method described in this Exhibit to determine Rates for Rate Periods Four, Eight, and, Twelve. and if the Contractor requests an extraordinary Rate adjustment in accordance with Agreement Section 8.3. If the Term is extended, subsequent Rate Periods shall be adjusted pursuant to Section 8.2.C. The cost-based adjustment involves review of the Contractor's actual cost of operations and operational statistics (staffing levels, Routes, Route hours, Customers, and their Service Levels, etc.) to determine the Actual Allowable Total Annual Cost of Operations for the most-recently completed Rate Period and to forecast the Total Contractor's Compensation for the coming Rate Period. The difference (measured as a percentage) between the Total Contractor's Compensation for the coming Rate Period and the Projected Gross Rate Revenues (which is calculated based on most-recent Customer subscription levels at then-current Rates) is the "Rate Adjustment Factor". The Rate Adjustment Factor is applied to the then-current Rates to determine the Rates for the coming Rate Period.

The intent of performing the cost-based adjustment is to examine the actual impact of changes in inflation or deflation, the number of Customers, and the Service Level of Customers.

In the event that the cost-based adjustment calculated in accordance with this Exhibit E2 results in a negative Rate Adjustment Factor, the City reserves the right to "roll-under" the Rate reduction, such that there is no Rate adjustment in the Rate Period for which the negative Rate Adjustment Factor was calculated, but the calculated Rate reduction may be deferred to the following Rate Period, as a credit against future Rate increases.

A. Contractor's Rate Application

Contractor's Rate application for any Rate Period where Rates shall be adjusted using the cost-based methodology described in this Exhibit E2 shall include the information described in this Section 1.A. With the exception of the information identified in Subsections 1, and 2 below, all other items listed may be requested by the City Contract Manager at any time during the Term of the Agreement and Contractor shall comply with that request in a timely fashion.

- 1. Financial Statements.** Within one hundred twenty (120) calendar days after the close of the Contractor's fiscal year (June 30), Contractor shall deliver to the City one (1) hard copy of the reviewed (or audited) consolidated financial statements of Contractor for the preceding fiscal year. Financial statements shall include a supplemental combining schedule showing Contractor's results of operations, including the specific revenues and expenses in connection with the operations provided for in this Agreement separate from others included in such financial statements. The financial statements and footnotes shall be prepared in accordance with Generally Accepted Accounting Principles (GAAP) consistently applied and fairly reflecting the results of operation and Contractor's financial condition. Annual financial statements shall be reviewed (or audited), in accordance with Generally Accepted Auditing Standards (GAAS) by a Certified Public Accountant (CPA) licensed (in good standing) to

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COST-BASED RATE ADJUSTMENT METHODOLOGY

practice public accounting in the State as determined by the State Department of Consumer Affairs Board of Accountancy, and that the CPA's opinion on Contractor's annual financial statements shall be unqualified, and shall contain the CPA's conclusions regarding the Contractor's accounting policies and procedures, internal controls, and operating policies. The CPA shall perform an evaluation and, if necessary, shall cite recommendations for improvement.

- 2. Financial Statement Reconciliation.** Contractor shall provide a schedule which clearly and accurately ties the amounts shown in Contractor's Rate application to Contractor's financial statements. Such schedule shall include any and all allocation factors and methodologies used to report cost and operating information for services provided to the City under this Agreement separately from Contractor obligations related to other public or private entities. Such statement of reconciliation shall include:
 - a. General explanation of the various allocation methodologies used for each Rate application line item.
 - b. Specific examples of each type of allocation used showing how an entry is reported in the general ledger and ties to the Rate application.
 - c. Statement indicating whether there have been any changes in allocation methods used since the last Rate application. If any allocation methods have changed clearly identify those changes.
- 3. Operational Information.**
 - a. Routes by Line of Business:
 - i. Number of Routes per day.
 - ii. Types of vehicles.
 - iii. Crew size per Route.
 - iv. Number of full time equivalent (FTE) Routes.
 - v. Number of accounts and cubic yards scheduled per Route.
 - vi. Total Route hours per Line of Business per year.
 - vii. Average cost per Route.
 - b. Personnel:
 - i. Organizational chart.
 - ii. Job classifications and number of employees (e.g., administrative, Customer service representatives, drivers, supervisors, educational staff).
 - iii. Wages by job classification.
 - iv. Number of FTE positions for each job classification.
 - v. Number of hours per job classification per year.
 - c. Productivity Statistics:
 - i. Average Number of accounts per Route per day by Line of Business.
 - ii. Average number of setouts per Route per day by Line of Business.
 - iii. Average Tons per Route per day by vehicle type (i.e., side-loader, front-loader, roll-off).
 - iv. Average cubic yards of Collection scheduled per Route.

EXHIBIT E2

COST-BASED RATE ADJUSTMENT METHODOLOGY

- d. Vehicles:
 - i. List of Collection vehicles including year purchased and mileage.
 - ii. Average age of mobile equipment with oldest and newest.
 - e. Operational Changes:
 - i. Number of Routes.
 - ii. Staffing.
 - iii. Supervision.
 - iv. Collection services.
- 4. Variance Analysis.** Provide the following variance analysis for each Line of Business. For any variances greater than five percent (5%) annually, Contractor shall provide sufficient rationale to support variance:
- a. Variance analysis comparing current Rate Period to each of the prior Rate Periods of Agreement.
 - b. Variance analysis comparing current Rate Period to each of the future projected Rate Periods.
- 5. Projections. Provide the following projection data:**
- a. Provide support for the basis for projected Gross Receipts and line item expenses, clearly indicate the supporting calculations and assumptions.
 - b. Provide support for the most-recent twelve (12) months of Tonnage data for Rate Period ending June. Clearly indicate the supporting calculations and assumptions.

2. Forecasting Total Contractor's Compensation

The Total Contractor's Compensation for the coming Rate Period shall be forecasted in the manner described in this Section.

A. Forecasting Total Annual Cost of Operations

- 1. Determine Actual Allowable Total Annual Cost of Operations.** Contractor's financial statements, books, and records shall be reviewed to determine Contractor's "Actual Allowable Total Annual Cost of Operations" for the most-recently completed Rate Period to perform all the services in the manner required by this Agreement for each of the following cost categories:
 - a. Actual labor-related costs
 - b. Actual vehicle-related costs (excluding fuel and depreciation)
 - c. Actual fuel costs
 - d. Actual other costs (as defined on Form 6E of Exhibit G1)
 - e. Direct depreciation costs (in the amount specified in Exhibit E1)

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COST-BASED RATE ADJUSTMENT METHODOLOGY

- f. Actual allocated costs (labor, vehicle, general and administrative, and other costs)
- g. Actual allocated costs (depreciation and start-up) (in the amount stated in Exhibit E1)
- 2. **Non-Allowable Costs.** The following list of non-allowable costs shall be deducted from the Contractor's actual costs when determining the Actual Allowable Total Annual Cost of Operations.
 - a. Labor, equipment, fuel, and start-up costs for personnel, vehicles, and facilities that are not specified in the proposal forms contained in Exhibit G1 and/or which cannot be demonstrated to have been incurred as part of the performance of services under this Agreement, including, without limitation, as the result of growth in the number of customers and/or the levels and/or types of services provided.
 - b. Payments to directors and/or owners of Contractor unless the amount paid is reasonable compensation for services actually rendered. Reasonableness shall be determined based on available market pricing for similar services and shall be in the reasonable discretion of the City.
 - c. Travel expenses and entertainment (above five thousand dollars (\$5,000) annually in total) expenses, unless authorized in advance by the City.
 - d. Payments to repair damage to public or private property for which Contractor is legally liable.
 - e. Fines or penalties of any nature.
 - f. Liquidated Damages assessed under this Agreement.
 - g. Federal or State income taxes.
 - h. Cash donations or value of in-kind services provided to charitable, political, youth, civic, or other community organizations unless such donation has been previously approved in writing as an allowable expense by the City Contract Manager.
 - i. Depreciation or interest expense for Collection vehicles, Containers, other equipment, offices and other facilities if such items are leased as specified in Exhibit G2.
 - j. Attorney's fees and other expenses incurred by Contractor in any court proceeding in which the City and Contractor are adverse Parties.
 - k. Attorney's fees and other expenses incurred by Contractor arising from any act or omission in violation of this Agreement.
 - l. Attorneys' fees and other expenses incurred by Contractor in any court proceeding in which Contractor's own negligence, violation of law or regulation, or wrong doing are in issue and occasion, in whole or in part, the attorneys' fees and expenses claimed; and attorneys' fees and expenses incurred by Contractor in a court proceeding in which the legal theory or statute providing a basis of liability against Contractor also provides for separate potential liability for the City derived from the action of its citizens or Rate payers (such as in a CERCLA lawsuit) unless the Contractor is found not liable in such claims and such claims arise from acts or occurrences within the Term of the Agreement.

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COST-BASED RATE ADJUSTMENT METHODOLOGY

- m. Payments to Related-Party Entities for products or services, in excess of the market value for those products or services, provided that the City may use information available to it to verify market pricing for similar products and services.
 - n. Goodwill.
 - o. Unreasonable profit-sharing distributions.
 - p. Replacement costs for Containers that need to be replaced because the useful life of such Container was less than the Term.
 - q. Administrative costs greater than the administrative costs presented in Contractor's Proposal (Exhibit G) adjusted annually by one plus the Annual Percentage Change in the CPI-U.
 - r. Bad debt write-offs in excess of two percent (2%) of annual Rate revenues.
- 3. Forecast Total Annual Cost of Operations.** Forecasted Total Annual Cost of Operations for the coming Rate Period shall be calculated based on Actual Allowed Total Cost of Operations for the most-recently completed Rate Period determined in accordance with Sections 2.A.1 and 2.A.2 above. The forecasts shall be performed in the following manner:
- a. **Forecasted labor-related costs** shall be calculated in the manner described in Section 2.A.1 of Exhibit E1.
 - b. **Forecasted vehicle-related costs** (excluding fuel and depreciation costs) shall be calculated for the coming Rate Period by (i) multiplying the allowed vehicle-related costs, both direct and allocated, for the most-recently completed Rate Period by one plus the Annual Percentage Change in the Motor Vehicle Maintenance and Repair Index, and (ii) multiplying the result of step one once more by one plus the Annual Percentage Change in the Motor Vehicle Maintenance and Repair Index.
 - c. **Forecasted fuel costs** shall be calculated for the coming Rate Period by (i) multiplying the allowed fuel costs, both direct and allocated, for the most-recently completed Rate Period by one plus the Annual Percentage Change in the Fuel Index, and (ii) multiplying the result of step one once more by one plus the Annual Percentage Change in the Fuel Index.
 - d. **Forecasted other costs** shall be calculated for the coming Rate Period by (i) multiplying the allowed other-related costs, both direct and allocated, for the most-recently completed Rate Period by one plus the Annual Percentage Change in CPI-U, and (ii) multiplying the result of step one once more by one plus the Annual Percentage Change in the CPI-U.
 - e. **Forecasted direct depreciation expense** shall be the amount specified in in Section 2.A.5 of Exhibit E1. Direct depreciation expense is a fixed cost and is not subject to inflation.
 - f. **Forecasted allocated labor-related, vehicle-related, general and administrative, and other costs** shall be calculated for the coming Rate Period by (i) multiplying the allowed other-related costs for most-recently completed Rate Period by one plus the Annual Percentage Change in CPI-U, and (ii) multiplying the result of step one once more by one

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COST-BASED RATE ADJUSTMENT METHODOLOGY

plus the Annual Percentage Change in CPI-U (except in each case as provided in 3.a. above).

- g. Forecasted allocated depreciation and start-up expense** shall be the amount specified in Section 2.A.7 of Exhibit E1.
- h. Forecasted Total Annual Cost of Operations** for the coming Rate Period shall equal the sum of the following costs, which shall have been calculated in accordance with the procedures in this Exhibit E2:
 - i. Forecasted labor-related costs
 - ii. Forecasted vehicle-related costs (excluding fuel and depreciation costs)
 - iii. Forecasted fuel costs
 - iv. Forecasted other costs
 - v. Forecasted direct depreciation expense
 - vi. Forecasted allocated labor-related, vehicle-related, general and administrative, and other costs
 - vii. Forecasted allocated costs for depreciation and start-up

B. Forecast Profit

Contractor shall be entitled to Profit on Forecasted Total Annual Cost of Operations. Profit shall be calculated using an operating ratio as described in Exhibit E1, Section 4. Profit shall be calculated using the following formula:

Profit = (Forecasted Total Annual Cost of Operations / Operating Ratio) – Forecasted Total Annual Cost of Operations

For example:

- 1. Assuming an operating ratio of 92%
- 2. Assuming a Forecasted Total Annual Cost of Operations of \$1,000,000
- 3. Profit = (\$1,000,000 / 0.92) – \$1,000,000 = \$86,956.52

C. Forecast Costs Excluded from the Calculation of Profit

Costs Excluded from the Calculation of Profit for the coming Rate Period shall be forecasted in the following manner:

- 1. Forecasted Recyclable Materials Processing Costs** shall be calculated in the manner described in Section 2.C.1 of Exhibit E1.
- 2. Forecasted Organic Materials Processing Costs** shall be calculated in the manner described in Section 2.C.2 of Exhibit E1.
- 3. Forecasted Reusable Materials Processing Costs** shall be calculated in the manner described in Section 2.C.3 of Exhibit E1.
- 4. Forecasted Disposal Costs** shall be calculated in the manner described in Section 2.C.4 of Exhibit E1.

EXHIBIT E2

COST-BASED RATE ADJUSTMENT METHODOLOGY

5. **Forecasted Interest Expense.** Interest Expense shall be calculated in the manner described in Section 2.C.5 of Exhibit E1.
6. **Forecasted Direct Lease Costs.** Direct Lease Costs shall be calculated in the manner described in Section 2.C.6 of Exhibit E1.
7. **Forecasted Allocated Lease Costs.** Allocated Lease Costs shall be calculated in the manner described in Section 2.C.7 of Exhibit E1.

D. Forecast City Reimbursements

City Reimbursements shall be calculated in the manner described in Section 2.E of Exhibit E1.

3. Projected Gross Rate Revenue

Projected Gross Rate Revenue at then-current Rates shall reflect projected annual Gross Rate Revenues from all Customers based on then-current Rates and then-current Customer Service Levels, inclusive of all Rates and special charges authorized under this Agreement. For the purposes of determining Customer Service Levels for on-call services (e.g., Drop-Box service provided less than weekly, Bin rentals, etc.) and special charges (e.g., Push Charges, lock/unlock charges), the prior twelve (12) months of billing activity for such services and special charges shall be used.

4. Rate Adjustment Factor

The Rate Adjustment Factor shall equal the Forecasted Total Calculated Costs for the coming Rate Period divided by the Projected Gross Rate Revenues calculated in accordance with Section 2 of this Exhibit E2. The Rate Adjustment Factor shall be rounded to the nearest thousandth.

5. Adjustment of Rates

Each then-current Rate shall be multiplied by the Rate Adjustment Factor to calculate the effective Rate for the coming Rate Period.

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**EXHIBIT E3:
RECYCLABLE PROCESSING COST ADJUSTMENT
METHODOLOGY**

EXHIBIT E3

RECYCLABLE PROCESSING COST ADJUSTMENT METHODOLOGY

1. General

The purpose of this Exhibit E3 is to describe and illustrate the method by which the City will calculate the annual adjustment to Recyclable Materials Processing Costs under Exhibit E1, Section 2.C.1 and Exhibit E2, Section 2.C.1. The intent of the Parties is to limit the adjustment of Processing costs to inflationary indices, but allow adjustment of both the value of Recyclable commodities and Disposal based on the actual operating results of the Approved Recyclable Materials Processing Facility.

2. Adjustment of Recyclable Materials Processing Costs

The cost categories of the main components of Recyclable Materials Processing Costs are presented in detail in Section 3 below. Adjustments to these components to calculate costs for the coming Rate Period shall be calculated as follows:

A. Total Annual Cost of Operations

- 1. Labor-Related Costs.** The Labor-Related Costs component of the Recyclable Materials Processing Costs for the then-current Rate Period is multiplied by one plus the Annual Percentage Change in the CPI-U.
- 2. Repairs and Maintenance.** The Repairs and Maintenance Costs component of the Recyclable Materials Processing Costs for the then-current Rate Period is multiplied by one plus the Annual Percentage Change in the CPI-U.
- 3. Transportation.** The Transportation Costs component of the Recyclable Materials Processing Costs for the then-current Rate Period is multiplied by one plus the Annual Percentage Change in the CPI-U.
- 4. General and Administrative.** The General and Administrative Costs component of the Recyclable Materials Processing Costs for the then-current Rate Period is multiplied by one plus the Annual Percentage Change in the CPI-U.
- 5. Other Operational.** The Other Operational Costs component of the Recyclable Materials Processing Costs for the then-current Rate Period is multiplied by one plus the Annual Percentage Change in the CPI-U.
- 6. Depreciation.** The Depreciation Costs component of the Recyclable Materials Processing Costs is one million eight hundred and eighty-nine thousand nine hundred seventy-one dollars and sixty-three cents (\$1,889,971.63) per year for all Rate Periods and is not adjusted.
- 7. Interest.** The Interest Costs component of the Recyclable Materials Processing Costs is one hundred twenty-one thousand, one hundred and seventeen dollars and forty cents (\$121,117.40) per year for all Rate Periods and is not adjusted.
- 8. Total Annual Cost of Operations Before Profit.** The Total Annual Cost of Operations Before Profit equals the sum of the costs calculated in subsections (1) through (7) above.

EXHIBIT E3

RECYCLABLE PROCESSING COST ADJUSTMENT METHODOLOGY

9. **Profit.** Contractor's profit on Total Annual Cost of Operations Before Profit shall be calculated using an operating ratio of ninety-five percent (95%) on the Total Annual Cost of Operations Before Profit calculated in Section 2.A.8 above.
10. **Total Annual Cost of Operations.** The Total Annual Cost of Operations for the coming Rate Period equals the sum of Total Annual Cost of Operations Before Profit, plus profit.
11. **Base Tons Processed.** The Base Tons Processed shall be the proposed Recyclable Material Tons by Contractor in Rate Period 1, or the Base Tons Processed from the most recently completed cost-based Rate adjustment.
12. **Total Annual Cost of Operations Component.** The Total Annual Cost of Operations Component of the Recyclable Materials Processing Costs for the coming Rate Period equals the Total Annual Cost of Operations divided by the Base Tons Processed.

If prior year actual Processed Tons at the Approved Recyclable Materials Processing Facility increase or decrease by at least ten percent (10%) compared to the prior Rate Period's Tons Processed, the Total Annual Cost of Operations shall be the sum of: 1) the actual costs for the component in Sections 2.A.1 through 2.A.5; and, 2) the fixed annual Depreciation and Interest in Sections 2.A.6 and 2.A.7, respectively, divided by the actual total Tons Processed for the recent twelve (2) months, from all sources. The actual total Tons Processed shall be the next Rate Period's Base Tons Processed.

B. Residue Disposal Cost.

1. **Residue Disposal Cost.** The Residue Disposal Costs shall equal the total actual cost of Disposal for any and all Residue which cannot be marketed by Contractor. The per-Ton cost of Disposal for the purposes of this Exhibit E3 may not exceed the Disposal tip fee at the Designated Disposal Facility. Contractor shall engage a third party to design and perform a Residue characterization of the Recyclable Materials Processed at the Approved Recyclable Materials Processing Facility a minimum of one time per calendar year. Contractor shall propose a study methodology that must include separately Processing at least thirty (30) Tons of Recyclable Materials, stratified across no fewer than three distinct days of service, from the City at the Approved Recyclable Materials Processing Facility under normal operating conditions for the facility (i.e., staffing levels, belt speed, burden depth, etc.). The methodology must be approved by the City Contract Manager in writing prior to Contractor conducting such a study. The results of that study shall be used to determine the allowable level of Residue Disposal credit allocated to the City for the upcoming Rate Period by multiplying the change in percentage of Residue found during the Residue characterization described above by the total recyclable materials Tons Collected and then multiplied by the per-Ton cost of Disposal. The City shall be notified at least thirty (30) days in advance of each annual study and Contractor shall invite the City Contract Manager to observe all aspects of the study.
2. **Net Residue Disposal Cost Component.** The Net Residue Disposal Cost Component of the Recyclable Materials Processing Costs for the coming Rate Period equals the per-Ton Residue Disposal Cost, less the per-Ton Residue Disposal Credit to the City.

EXHIBIT E3

RECYCLABLE PROCESSING COST ADJUSTMENT METHODOLOGY

C. Recyclable Commodity Value.

1. **Recyclable Commodity Value.** The Recyclable Commodity Value shall equal the net of total gross revenues for the sale of marketable materials less the cost paid to buyers for marketable materials by the Approved Recyclable Materials Processing Facility as a result of marketing Processed Recyclable Materials.
2. **Profit.** Contractor's profit on the Recyclable Commodity Value shall equal five percent (5%) of the total Recyclable Commodity Value.
3. **Recyclable Commodity Value Component.** The Recyclable Commodity Value Component of the Recyclable Materials Processing Costs for the coming Rate Period equals the Recyclable Commodity Value less profit, divided by the total Tons Processed, from all sources, at the Approved Recyclable Materials Processing Facility.

D. Net Per-Ton Recyclable Materials Processing Costs. The Per-Ton Recyclable Materials Processing Costs shall be the sum of the per-Ton Total Annual Cost of Operations Component (calculated in Section 2.A.12), the Net Per-Ton Residue Disposal Component (calculated in Section 2.B.2), and the per-Ton Recyclable Commodity Value Component (calculated in Section 2.C.3).

E. Recyclable Materials Processing Costs. The total Recyclable Materials Processing Costs to be used under Exhibit E1, Section 2.C. shall equal the Per-Ton Recyclable Materials Processing Costs (calculated in Section 2.D), multiplied by the Tons of Recyclable Materials Collected by Contractor during the most-recently completed twelve (12) month period in the City.

3. Components of Recyclable Materials Processing Costs

The table below presents Contractor's proposed Rate Period 1 cost components for the Approved Recyclable Materials Processing Facility. These values shall form the baseline for calculating all adjustments under this Exhibit E3.

Cost Component	Rate Period 1 Value
ANNUAL COST OF OPERATIONS	
Labor-Related	\$6,277,569
Repairs and Maintenance	\$761,084
Transportation	\$1,256,849
General and Administrative	\$1,830,869
Other Operational	\$204,835
Depreciation	\$1,889,971
Interest	\$121,117
TOTAL ANNUAL COST OF OPERATIONS	\$12,342,294
Net Residue Disposal Cost	\$1,558,932
95% of Recyclable Commodity Value	(\$5,065,670)
Profit	\$916,209
Recyclable Materials Processing Costs	\$9,485,150

EXHIBIT E3

RECYCLABLE PROCESSING COST ADJUSTMENT METHODOLOGY

Base Tons Processed	72,264
Per Ton Recyclable Materials Processing Cost	\$131.26

4. Examples

The following examples illustrate the index-based and cost-based adjustment method for determining Recyclable Materials Processing Costs for Rate Period Three. The dollar amounts shown are hypothetical amounts for Rate Period Two (July 1, 2022 through June 30, 2023) and the adjustment factors are based on assumed changes in the various indices between the Average Index Values for the twelve (12) months ending December 2021 and for the twelve (12) months ending December 2020. Example A depicts a standard index-based or cost-based adjustment, wherein the change in Tons is below the fifteen percent (15%) threshold. Example B depicts a cost-based adjustment wherein the change in Tons is above the fifteen percent (15%) threshold.

A. EXAMPLE A

1. Assumptions for Example Recyclable Materials Processing Cost Calculation:
 - a. Then-current Rate Period = Rate Period Two (July 1, 2022 through June 30, 2023)
 - b. Coming Rate Period = Rate Period Three (July 1, 2023 through June 30, 2024)
 - c. Recyclable Materials Processing Costs per Ton for then-current Rate Period= \$130.53 per Ton
 - d. Net Residue Disposal Costs for the coming Rate Period = \$1,582,316
 - e. Annual Percentage Change in the CPI-U = 0.020
 - f. Proposed Base Tons Processed = 72,317 tons
 - g. Actual Recyclable Material Tonnage for January 1, 2021 through December 31, 2022 = 72,500 tons
 - h. Recyclable Material Tonnage for the most-recently completed 12-month period= 73,950 tons
 - i. Residue Study Results for City of Alameda = 7.8%
 - j. Recyclable Commodity Value for the most recently completed 12-month period = \$5,492,253.

Note: All values presented in the following table are hypothetical and used for illustrative purposes only.

EXHIBIT E3

RECYCLABLE PROCESSING COST ADJUSTMENT METHODOLOGY

TABLE 1
Example A Calculation of Recyclable Materials Processing Costs for Rate Period Three
Tonnage Change Under the 15% Threshold

	RY2 Effective July 1, 2022	Factor	RY3 Effective July 1, 2023
Labor-Related	\$ 6,277,569	CPI-U	\$ 6,403,120
Repairs & maintenance	\$ 761,084	CPI-U	\$ 776,306
Transportation	\$ 1,256,849	CPI-U	\$ 1,281,986
General & administrative	\$ 1,830,869	CPI-U	\$ 1,867,487
Other operation costs	\$ 204,835	CPI-U	\$ 208,931
Depreciation	\$ 1,889,971	Fixed	\$ 1,889,971
Interest	\$ 121,117	Fixed	\$ 121,117
Total Annual Cost of Operations Before Profit	\$ 12,342,294		\$ 12,548,918
Profit (95% Op Ratio)	\$ 649,594	Calculated	\$ 660,469
Total Annual Cost of Operations	\$ 12,991,889		\$ 13,209,388
Base Tons Processed	\$ 72,317	Base	\$ 72,317
Total Annual Cost of Operations Component	\$ 179.65		\$ 182.66
Net Residue Disposal Cost	\$ 1,558,932	Actual SW Facility Disposal Costs	\$ 1,582,316
Actual Tons Processed	72,500	Actual - most recent 12 months	\$ 73,950
Residue Disposal per Ton	\$ 21.50		\$ 21.40
Per-Ton Residue Disposal Credit	\$ (0.75)	Results of Residue Study	\$ (0.80)
Net Residue Disposal Cost Component	\$ 20.75		\$ 20.60
Recyclable Commodity Value (MRF Total)			
Commodity Revenue	\$ 5,332,285	Actual - most recent 12 months	\$ 5,492,253
Less: Allowable Profit @5% of Gross Revenue	\$ (266,614)	Calculated	\$ (274,613)
Commodity Revenue net of Profit	\$ 5,065,670		\$ 5,217,640
Tons Processed	72,500	Actual - most recent 12 months	73,950
Recyclable Commodity Value Component	\$ 69.87		\$ 70.56
Total Annual Cost of Operations Component	\$ 179.65		\$ 182.66
Net Residue Disposal Cost Component	\$ 20.75		\$ 20.60
Less: Recyclable Commodity Value per Ton	\$ (69.87)		\$ (70.56)
Per Ton Recyclable Materials Processing Cost	\$ 130.53		\$ 132.70
RY3 example shown is for illustrative purposes only			

EXHIBIT E3

RECYCLABLE PROCESSING COST ADJUSTMENT METHODOLOGY

TABLE 2

Example A Calculation of Recyclable Materials Processing Costs for Rate Period Three
Residue Disposal Credit Component Calculation

	RY 3
MRF Residue avg.	23.4%
Recyclables collected - projected	11399.5 tons
Residue projected	2667.48 tons
Residue composition results	22.9% Residue Study
Recyclables collected - projected	11399.5 tons
Adjusted residue projected	2610.49 tons
Residue difference	-57.00 tons
Disposal and transportation Exhibit E3-3	\$ 165.53 per ton
Processing cost adjustment	\$ (9,434.54)
Processing cost adjustment	\$ (9,434.54)
Recyclables collected - projected	11399.5 tons
Processing cost adjustment	\$ (0.83) per ton
MRF efficiency loss	7.8% Residue Study
MRF efficiency loss applied	96.1% @ 50% of Study
Net Processing cost residue adjustment w/efficiency	\$ (0.80) per ton

TABLE 3

Example A Calculation of Recyclable Materials Processing Costs for Rate Period Three
Residue Disposal Component Calculation

	RY3
Disposal	\$ 1,582,316.08
Transportation	\$ 1,281,986.20
	\$ 2,864,302.28
Total All Recycling Tons Collected	73,950.00
Average MRF Residue	23.4%
All Residue tons	17,304.30
Disposal and Transportation per ton	\$ 165.53

EXHIBIT E3

RECYCLABLE PROCESSING COST ADJUSTMENT METHODOLOGY

B. EXAMPLE B

1. Assumptions for Example Recyclable Materials Processing Cost Calculation:
 - a. Then-current Rate Period = Rate Period Two (July 1, 2022 through June 30, 2023)
 - b. Coming Rate Period = Rate Period Three (July 1, 2023 through June 30, 2024)
 - c. Recyclable Materials Processing Costs per Ton for then-current Rate Period= \$130.53 per Ton
 - d. Net Residue Disposal Costs for the coming Rate Period = \$1,839,540
 - f. Proposed Base Tons Processed = 72,317 tons
 - g. Actual Recyclable Material Tonnage for January 1, 2021 through December 31, 2022 = 72,500 tons
 - h. Recyclable Material Tonnage for the most-recently completed 12-month period= 84,100 tons
 - i. Residue Study Results for City of Alameda = 7.8%
 - j. Recyclable Commodity Value for the most recently completed 12-month period = \$6,398,742.

Note: All values presented in the following table are hypothetical and used for illustrative purposes only.

EXHIBIT E3

RECYCLABLE PROCESSING COST ADJUSTMENT METHODOLOGY

TABLE 4

Example A Calculation of Recyclable Materials Processing Costs for Rate Period Three
Tonnage Change Over the 15% Threshold

	RY2 Effective July 1, 2022	Factor	RY3 Effective July 1, 2023
Labor-Related	\$ 6,277,569	Actual - most recent 12 months	\$ 7,846,961
Repairs & maintenance	\$ 761,084	Actual - most recent 12 months	\$ 951,355
Transportation	\$ 1,256,849	Actual - most recent 12 months	\$ 1,571,062
General & administrative	\$ 1,830,869	Actual - most recent 12 months	\$ 2,288,587
Other operation costs	\$ 204,835	Actual - most recent 12 months	\$ 256,043
Depreciation	\$ 1,889,971	Fixed	\$ 1,889,971
Interest	\$ 121,117	Fixed	\$ 121,117
Total Annual Cost of Operations Before Profit	\$ 12,342,294		\$ 14,925,096
Profit (95% Op Ratio)	\$ 649,594	Calculated	\$ 785,531
Total Annual Cost of Operations	\$ 12,991,889		\$ 15,710,627
Base Tons Processed	\$ 72,317	Actual	\$ 84,100
Total Annual Cost of Operations Component	\$ 179.65		\$ 186.81
Net Residue Disposal Cost	\$ 1,558,932	Actual SW Facility Disposal Costs	\$ 1,839,540
Actual Tons Processed	72,500	Actual - most recent 12 months	\$ 84,100
Residue Disposal per Ton	\$ 21.50		\$ 21.87
Per-Ton Residue Disposal Credit	\$ (0.75)	Results of Residue Study	\$ (0.83)
Net Residue Disposal Cost Component	\$ 20.75		\$ 21.04
Recyclable Commodity Value (MRF Total)			
Commodity Revenue	\$ 5,332,285	Actual - most recent 12 months	\$ 6,398,742
Less: Allowable Profit @5% of Gross Revenue	\$ (266,614)	Calculated	\$ (319,937)
Commodity Revenue net of Profit	\$ 5,065,670		\$ 6,078,804
Tons Processed	72,500	Actual - most recent 12 months	84,100
Recyclable Commodity Value Component	\$ 69.87		\$ 72.28
Total Annual Cost of Operations Component	\$ 179.65		\$ 186.81
Net Residue Disposal Cost Component	\$ 20.75		\$ 21.04
Less: Recyclable Commodity Value per Ton	\$ (69.87)		\$ (72.28)
Per Ton Recyclable Materials Processing Cost	\$ 130.53		\$ 135.57

RY3 example shown is for illustrative purposes only

TABLE 5

Example B Calculation of Recyclable Materials Processing Costs for Rate Period Three
Residue Disposal Component Calculation

EXHIBIT E3

RECYCLABLE PROCESSING COST ADJUSTMENT METHODOLOGY

	RY 3
MRF Residue avg.	23.4%
Recyclables collected - projected	11399.5 tons
Residue projected	2667.48 tons
Residue composition results	22.9% Residue Study
Recyclables collected - projected	11399.5 tons
Adjusted residue projected	2610.49 tons
Residue difference	-57.00 tons
Disposal and transportation Exhibit E3-3	\$ 173.31 per ton
Processing cost adjustment	\$ (9,878.13)
Processing cost adjustment	\$ (9,878.13)
Recyclables collected - projected	11399.5 tons
Processing cost adjustment	\$ (0.87) per ton
MRF efficiency loss	7.8% Residue Study
MRF efficiency loss applied	96.1% @ 50% of Study
Net Processing cost residue adjustment w/efficiency	\$ (0.83) per ton

TABLE 6
Example A Calculation of Recyclable Materials Processing Costs for Rate Period Three
Residue Disposal Component Calculation

	RY3
Disposal	\$ 1,839,539.88
Transportation	\$ 1,571,061.52
	\$ 3,410,601.40
Total All Recycling Tons Collected	84,100.00
Average MRF Residue	23.4%
All Residue tons	19,679.40
Disposal and Transportation per ton	\$ 173.31

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Appendix C – Link to Franchise Agreement

https://www.alamedaca.gov/files/content/public/v/123/departments/public-works-department/alameda_draftfranchiseagreement_final_for_docusign.pdf