

March 2, 2020

Mr. Louie Pellegrini
Vice President
Alameda County Industries, Inc.
601 Aladdin Avenue
San Leandro, CA 94577

RE: FOURTEENTH AMENDMENT TO FRANCHISE AGREEMENT

Dear Mr. Pellegrini:

This letter is the Fourteenth Amendment (the "Amendment") to the Franchise Agreement for Solid Waste, Recyclables, and Green Waste Services between the City of San Leandro and Alameda County Industries, Inc., dated February 1, 2000, as previously amended (the "Agreement"). For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the City of San Leandro and Alameda County Industries, Inc. (the "Parties"), hereby agree as follows:

1. Effective February 1, 2020, the definition of "Multi-Family Residence" in Article 1 of the Agreement is amended to read as follows"

"Multi-Family Residence "Multi-Family Residence" means any Residential complex, building or structure, or portion thereof, other than a Single-Family Residence, used for residential purposes irrespective of whether residence therein is transient, temporary or permanent and having five (5) or more distinct living units. Such Multi-Family Residences shall have an adequate volume of centralized Solid Waste, Recyclable Materials, and Organic Materials Collection service for all units on the Premises which are billed to one (1) Owner (or their designated representative) at one (1) address."

2. Effective February 1, 2020, Section 4.7D. of the Agreement is amended to read as follows:

"D. Point of Pickup. The Customers shall accumulate Solid Waste and Green Waste at locations which are mutually agreed upon by the Customer and the Contractor and which are convenient for collection by the Contractor. Where mutual agreement is not reached, the City Representative shall designate the location. The Contractor shall offer to Collect Solid Waste and Green Waste from Carts at a centralized location selected by Owner including Curbside, backyard or sideyard locations."

3. Effective February 1, 2020, Section 4.8D. of the Agreement is amended to read as follows:

"D. Point of Pickup. Multi-Family Residence Customers shall accumulate Recyclable Materials at locations which are mutually agreed upon by the Customer and the Contractor. Where mutual agreement is not reached, the City Representative shall designate the location(s). The Contractor shall offer to Collect Recyclable Materials from Carts at a centralized location selected by Owner including Curbside, backyard or sideyard locations."

4. Effective February 1, 2020, the rate adjustment process specified in Amendment 10 to the Agreement, and previously specified in Section 6.2 and Section 6.3 of the Agreement, shall be modified so that rates will be adjusted annually using the Detailed Rate Adjustment Methodology set forth in this Amendment, including the attached Exhibit F, provided that the adjustment does not exceed ten (10) percent per annum. If an annual adjustment would exceed 10%, ACI must request a Special Rate Review pursuant to the procedures in Section 6.4 of the Agreement. The Detailed Rate Adjustment Methodology replaces in its entirety the rate adjustment methodology set forth in Amendment 10, Section 6.2, Section 6.3, and the prior Exhibit F to the Agreement.
5. Except as amended hereby, the Agreement (including all previously approved amendments) shall remain in full force and effect.

Please indicate Alameda County Industries, Inc.'s acceptance of this Amendment by signing and returning to me a copy of the Amendment.

Very truly yours,

Jeff Kay
City Manager

Accepted by Alameda County Industries, Inc.

Louie Pellegrini, Vice President

EXHIBIT F
DETAILED RATE ADJUSTMENT METHODOLOGY

The Detailed Rate Adjustment Methodology shall consist of two types of annual adjustments: indexed-based or cost-based, as set forth in the table below.

Rate Period Adjustment Type		
Rate Period	Commencement Date	Adjustment Method
One	July 1, 2020	Baseline
Two	July 1, 2021	Index-Based
Three	July 1, 2022	Cost-Based
Four	July 1, 2023	Index-Based
Five	July 1, 2024	Index-Based
Six	July 1, 2025	Index-Based

I. The index-based method involves application of indices to various costs that comprise the Total Annual Costs for the current Rate Period (i.e., July 1 through June 30) to determine the Total Calculated Costs for the coming Rate Period. In addition, disposal and processing costs will be adjusted to reflect actual tonnage collected during the most-recently completed 12-month period. The Total Calculated Costs projected for the coming Rate Period divided by the Total Calculated Costs for the current Rate Period is the Rate Adjustment Factor, which shall be rounded to the nearest thousandth. The Rate Adjustment Factor is applied to each of the current Rates to determine the Rates for the coming Rate Period.

The following indices published by the United States Department of Labor, Bureau of Labor Statistics (BLS), are used to calculate the adjustment for each vehicle fuel, vehicle maintenance and all other costs, with the exception of CNG Fuel which shall use 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>). Labor, Disposal and other tip fees shall be calculated using the actual change in values from year to year. The change in each index is calculated on a twelve-month period using the average change in the index from the previous calendar year. In the event any index is discontinued, a successor index shall be selected by the City. Successor indices shall be those indices that are most closely equivalent to the discontinued indices as recommended by BLS.

The Cost Categories for the indexed-based method are set forth below.

Cost Category	Indexed-Based Method
Labor Costs	Prior Rate Period approved costs adjusted by Actual Values Teamster Local 70 Union Agreement and Automotive Machinist Local 1546 Union Agreement
Vehicle Maintenance Costs	Prior Rate Period approved costs multiplied by Motor Vehicle Maintenance and Repair Index (CUUR0000SETD)
Transportation Costs	Prior approved Rate Period approved costs multiplied by Actual per ton transportation costs multiplied by most recent twelve-month tonnage transported
Disposal and other Tip Fees	Disposal and other tip fees shall be calculated using the actual change in values from year to year multiplied by total tonnage for the most recently completed twelve-month period
Cost Category	Indexed-Based Method

Depreciation Expense	Depreciation expense is fixed at \$1,026,668.50 for Rate Period One through Six unless additional financings of trucks and equipment are approved by City
Container Replenishment Fund	Prior three-year average of container purchases
Net Recyclables Processing Costs	See Appendix F1
Diesel Fuel	Prior Rate Period approved costs multiplied by Diesel Fuel Index (WPU057303)
CNG Fuel	Prior Rate Period approved costs multiplied by Schedule G-NGV1, compiled and published by the Pacific Gas and Electric Company
General & Administrative Costs	Prior Rate Period approved costs multiplied by CPI - U (CUURS49BSA0)
Profit Calculation	Profit for the coming Rate Period will be calculated by dividing the Total Calculated Costs projected for the coming Rate Period by an operating ratio of (.90) and subtracting the result from such Total Calculated Costs
Interest Expense	Interest Expense is Fixed at \$306,727.97 for Rate Period One through Six unless additional financings of trucks and equipment are approved by City
Other Operating Costs	Prior Rate Period approved costs multiplied by CPI - U (CUURS49BSA0)
City Fees	Adjust by actual change

An example of the indexed-based method is set forth below.

Indexed-Based Method Example	A	B	C
Costs Categories	Rate Period One	Indices	Rate Period Two
Labor Costs	\$4,764,919.61		\$4,931,215.30
Vehicle Maintenance Costs	\$403,319.26	103.24%	\$416,386.80
Transportation Costs	\$2,232,200.19	103.49%	\$2,564,651.57
Depreciation Expense	\$1,026,688.60		\$1,026,688.60
Container Replenishment Fund			\$223,165.87
Other Operating Costs:			
Uniforms	\$24,524.96	103.49%	\$25,380.88
Insurance	\$274,323.93	103.49%	\$283,897.84
Yard Rent	\$301,456.50	103.49%	\$311,977.33
Battery Processing	\$0.00		\$0.00
Other Costs	\$26,078.48	103.49%	\$26,988.62
Other Tip Fees:			
Net Composting Cost	\$819,411.02		\$897,941.01
Misc. Materials C&D Wood Other	\$219,880.23		\$181,215.04
Diesel Fuel	\$28,094.85	92.59%	\$26,013.02
CNG Fuel	\$313,121.43	111.70%	\$349,756.64
General & Administrative Costs:			
General & Admin	\$1,512,202.38	103.49%	\$1,564,978.25
Total General & Administrative Costs	\$1,512,202.38	3.49%	\$1,564,978.25
Total Annual Costs of Operations	\$11,946,201.45		\$12,830,236.77
Indexed-Based Method Example	A	B	C
Costs Categories	Rate Period One	Indices	Rate Period Two

Operating Ratio	\$1,327,355.72	7.40%	\$1,425,581.86
Disposal Fees:			
Solid Waste Disposal Costs	\$1,958,023.14	-3.34%	\$1,892,622.41
Net Recyclables Processing Costs	\$964,557.47	42.31%	\$1,372,692.33
Interest Expense	\$306,727.97		\$306,727.97
Total Pass-Through Costs	\$3,229,308.58	10.61%	\$3,572,042.71
Total Calculated Costs Before City Fees	\$16,502,865.74	8.03%	\$17,827,861.35
City and Regulatory Fees:			
Franchise Fees	\$1,606,641.84		\$1,798,003.02
Revenue Neutrality Fee	\$92,316.78	103.84%	\$121,064.13
County Fees	\$886.78	103.84%	\$920.83
Total City Fees	\$1,699,845.40	12.95%	\$1,919,987.99
Total Calculated Costs	\$18,202,711.14	8.47%	\$19,744,830.95

II. The cost-based method examines the actual impact of changes in costs, the number of Customers, and the service level of Customers. Pursuant to the cost-based method, the Rate Adjustment Factor equals the Total Calculated Costs projected for the coming Rate Period divided by the Total Calculated Costs for the current Rate Period, which shall be rounded to the nearest thousandth. The Total Calculated Costs for the current Rate Period shall be calculated by multiplying the Gross Revenue for the most recently completed twelve months by the Rate Adjustment Factor used to determine Rates for the then-current Rate Period.

The Cost Categories for the indexed-based method are set forth below.

Cost Category	Cost-Based Method
Labor Costs	Actual costs from the most recent audited financial statement adjusted by Actual Values Teamster Local 70 Union Agreement and Automotive Machinist Local 1546 Union Agreement
Vehicle Maintenance Costs	Actual costs from the most recent audited financial statement multiplied by Motor Vehicle Maintenance and Repair Index (CUUR0000SETD)
Transportation Costs	Actual costs from the most recent audited financial statement multiplied by actual per ton transportation costs multiplied by most recent twelve-month tonnage transported
Disposal and other Tip Fees	Disposal and other tip fees shall be calculated using the actual change in values from year to year multiplied by total tonnage for the most recently completed twelve-month period
Depreciation Expense	Depreciation expense is fixed at \$1,026,668.50 for Rate Period One through Six unless additional financings of trucks and equipment are approved by City
Container Replenishment Fund	Prior three-year average of container purchases
Net Recyclables Processing Costs	See Appendix F1
Cost Category	Cost-Based Method
Diesel Fuel	Actual Costs from the most recent audited financial statement multiplied by Diesel Fuel Index (WPU057303)

CNG Fuel	Actual Costs from the most recent audited financial statement multiplied by Schedule G-NGV1, compiled and published by the Pacific Gas and Electric Company
Other Operating Costs	Actual costs from the most recent audited financial statement multiplied by CPI - U (CUURS49BSA0)
General & Administrative Costs	Actual Costs from the most recent audited financial statement multiplied by CPI - U (CUURS49BSA0)
Profit Calculation	Profit for the coming Rate Period will be calculated by dividing the Total Calculated Costs projected for the coming Rate Period by an operating ratio of (.90) and subtracting the result from such Total Calculated Costs
Interest Expense	Interest Expense is Fixed at \$306,727.97 for Rate Period One through Six unless additional financings of trucks and equipment are approved by City
City Fees	Adjust by actual change

An example of the cost-based method is set forth below.

Cost-Based Method Example	A	B	C	D
Costs Categories	Rate Period Two	Audited Costs Year Ending June 30, 2021	Indices	Rate Period Three
Labor Costs	\$4,931,215.30	\$4,980,527.46		\$5,154,347.87
Vehicle Maintenance Costs	\$416,386.80	\$420,550.67	103.24%	\$434,176.51
Transportation Costs	\$2,564,651.57	\$2,590,298.09	103.49%	\$2,680,699.49
Depreciation Expense	\$1,026,668.60	\$1,057,468.66		\$1,026,668.60
Container Replenishment Fund	\$223,165.87	\$225,397.53		\$227,651.51
Other Operating Costs:				
Uniforms	\$25,380.88	\$25,634.69	103.49%	\$26,529.34
Insurance	\$283,897.84	\$286,736.81	103.49%	\$296,743.93
Yard Rent	\$311,977.33	\$315,097.11	103.49%	\$326,093.99
Battery Processing				
Other Costs	\$26,988.62	\$27,258.51	103.49%	\$28,209.83
Other Tip Fees:				
Net Composting Cost	\$897,941.01	\$906,920.42		\$925,058.83
Misc. Materials C&D Wood Other	\$181,215.04	\$183,027.19		\$186,687.73
Diesel Fuel	\$26,013.02	\$26,273.15	101.00%	\$26,535.88
CNG Fuel	\$349,756.64	\$353,254.20	111.70%	\$394,584.95
General & Administrative Costs:				
General & Admin	\$1,564,978.25	\$1,580,628.03	103.49%	\$1,619,595.99
Total General & Administrative Costs	\$1,564,978.25	\$1,580,628.03	3.49%	\$1,619,595.99
Total Annual Costs of Operations	\$12,830,236.77	\$12,979,072.51		\$13,353,584.44
Operating Ratio	\$1,425,581.86	\$1,442,119.17	4.08%	\$1,483,731.60
Disposal Fees:				
Solid Waste Disposal Costs	\$1,892,622.41	\$1,911,548.63	3.00%	\$1,949,401.08
Net Recyclables Processing Costs	\$1,372,692.33	\$1,402,876.20	2.20%	\$1,402,876.20
Interest Expense	\$306,727.97	\$336,159.36		\$306,727.97
Cost-Based Method Example	A	B	C	D

Costs Categories	Rate Period Two	Audited Costs Year Ending June 30, 2021	Indices	Rate Period Three
Total Pass-Through Costs	\$3,572,042.71	\$3,650,584.19	2.43%	\$3,659,005.25
Total Calculated Costs Before City Fees	\$17,827,861.35	\$18,071,775.87	3.75%	\$18,496,321.30
City and Regulatory Fees:				
Franchise Fees	\$1,798,003.02	\$1,820,587.65		\$1,863,557.13
Revenue Neutrality Fee	\$121,064.13	\$133,170.55	103.84%	\$138,284.30
County Fees	\$920.83	\$930.04	103.84%	\$965.75
Total City Fees	\$1,919,987.99	\$1,954,688.23	4.31%	\$2,002,807.19
Total Calculated Costs	\$19,744,830.95	\$20,026,464.11	3.82%	\$20,499,128.48

APPENDIX F1
NET RECYCLABLES PROCESSING COST ADJUSTMENT METHODOLOGY

1. General

The purpose of this Appendix F1 is to describe and illustrate the method by which the Contractor will calculate the annual adjustment to Net Recyclables Processing Costs under Exhibit F, regardless of the adjustment method used for each Rate Period. The intent of the Parties is to limit the adjustment for such Processing costs to inflationary indices, but allow adjustment for both the value of Recyclable commodities and Disposal costs based on the actual operating results of the Approved Recyclable Materials Processing Facility.

2. Adjustment of Net Recyclables Processing Costs

The cost categories of the main components of Net Recyclables 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 Net Recyclables 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 Net Recyclables 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 Net Recyclables Processing Costs for the then-current Rate Period is multiplied by one plus the percentage change from one Rate Period to another resulting from the calculation in Section 2.B below.
4. **General and Administrative.** The General and Administrative Costs component of the Net Recyclables 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 Net Recyclables 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 Net Recyclables Processing Costs is one million three hundred and four thousand twelve dollars and nineteen cents (\$1,304,012.19) per year for all Rate Periods and is not adjusted.
7. **Interest.** The Interest Costs component of the Net Recyclables Processing Costs is three hundred and three thousand six hundred and forty-nine dollars and twenty-three cents (\$303,649.23) per year for all Rate Periods and is not adjusted.
8. **Total Annual Cost of Operations.** The Total Annual Cost of Operations portion of the Net Recyclables Processing Costs for the coming Rate Period equals the sum of the costs calculated in subsections (1) through (7) above.

- B. 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 Appendix F1 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 Costs for the upcoming Rate Period. 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.

- C. 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.
- D. Profit.** Contractor's profit shall equal five percent (5%) of the total Recyclable Commodity Value plus an operating ratio of ninety five percent (95%) on the Total Annual Cost of Operations calculated in subsection 2.A.8 above.
- E. Net Recyclables Processing Costs.** The Net Recyclables Processing Costs shall equal the Total Annual Cost of Operations calculated in subsection 2.A.8 above, plus the Residue Disposal Cost, less Recyclable Commodity Value, plus Profit.
- F. Per Ton Net Recyclables Processing Costs.** The Net Recyclables Processing Costs shall be divided by the total Tons Processed, from all sources, by the Approved Recyclable Materials Processing Facility.
- G. Net Recyclables Processing Costs.** The total Net Recyclables Processing Costs to be used under Exhibit F, regardless of which adjustment method is used for a given Rate Period, shall equal the Per Ton Net Recyclables Processing Costs multiplied by the Tons of Recyclable Materials Collected by Contractor during the most recently completed twelve-month period.

3. Components of Net Recyclables Processing Costs

The table below presents Contractor's proposed (annualized) cost components for the Approved Recyclable Materials Processing Facility. These values shall form the baseline for calculating all adjustments under this Appendix F1.

Cost Components of Net Recyclables Processing Costs	Most recent 12 months	Index Method	This Period	Annualized for next 12 months
Total All Tons Collected (includes sources less than 12 months)	55,337.53			67,332.21
Recyclable Commodity Value	\$3,951,741.92	Per Section 2C.		\$2,852,694.46
Recyclable Commodity Value Per Ton	<u>\$58.02</u>			<u>\$42.37</u>
Residue Disposal Cost	\$1,376,156.31	Per Section 2B	100.00%	\$1,376,156.31
Depreciation	\$1,304,012.19	Per Section 2A6.	100.00%	\$1,304,012.19
Labor-Related Costs	\$5,964,027.88	CPI-U	103.49%	\$6,172,172.45
Other Operational Costs	\$541,315.81	CPI-U	103.49%	\$560,207.73
Repairs and Maintenance	\$429,123.82	CPI-U	103.49%	\$444,100.24
Transportation	\$1,347,962.37	Per Section 2A3.	100.00%	\$1,347,962.37
Interest	\$303,649.23	Per Section 2A7.	100.00%	\$303,649.23
General and Administrative	<u>\$983,504.40</u>	CPI-U	103.49%	<u>\$1,017,828.70</u>
Total Annual Cost of Operations	\$12,249,752.01			\$12,526,089.23
Total Annual Cost Per Ton	\$179.87			\$186.03
Profit - per ton	<u>\$8.99</u>			<u>\$9.30</u>
Per Ton Net Recyclables Processing Costs	<u>\$130.83</u>			<u>\$152.97</u>
Total Net Recyclables Processing Costs Required	<u>\$8,910,497.69</u>			<u>\$10,299,699.23</u>
Net Recyclables Processing Costs - San Leandro			8,973.70	\$1,372,692.33
Total San Leandro				\$1,372,692.33