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WCCIWMA/Republic Post-Collection Services Term Sheet

I. Recitals

This term sheet memorializes the primary deal points and areas of agreement as of March 7, 2013, between the West Contra Costa Integrated Waste Management Authority ("Authority") and West County Resource Recovery, Inc., West Contra Costa Sanitary Landfill, Inc., Golden Bear Transfer Services, Inc., Richmond Sanitary Service, Inc. and Keller Canyon Landfill Company, Inc. (operating subsidiaries of Republic Services, Inc. and hereinafter collectively referred to as "Republic") for the transfer, transport, recycling, composting and disposal (Post Collection Services) of materials from a portion of the western unincorporated area of the County of Contra Costa and the cities of, El Cerrito, Hercules, Pinole, Richmond, and San Pablo (collectively the County and five member agencies of the Authority which are hereinafter referred to as "Member Agencies"). While not an official Authority member agency under the terms of the Joint Powers Agreement between Member Agencies and the Authority (as amended), the County of Contra Costa (County) is referred to as a "Member Agency" for the purpose of discussion within this Term Sheet. The County s contractual relationship with the Authority is governed by the terms of a separate Agreement between the County and the Authority.

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A. Background

Republic, by means of the services and facilities of Golden Bear Transfer Station, Keller Canyon Landfill, West Contra Costa Sanitary Landfill and West County Resource Recovery, provides existing Post-Collection Services to the Authority through certain agreements between Republic entities and the Authority. The contracts for these Post Collection Services are expiring effective December 31, 2013. The Authority solicited Requests for Qualifications and Statements of Interest for the provision of future Post-Collection Services. Republic submitted its response and entered discussions with the Authority clarifying its proposal. After consideration of the numerous proposals received, on December 12, 2012, the Board of Directors of the Authority directed staff to negotiate with Republic for the provision of these services.

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B. Relationship to Authority Agreement

It is intended that Republic and the Authority will execute a definitive agreement substantially in accordance with applicable provisions within this Term Sheet. That new agreement will supersede applicable provisions within this Term Sheet and replace the existing Post-Collection Services agreements between Republic and the Authority.

C. Relationship to Member Agency Agreements

A substantial inducement to award Post-Collection Services to Republic are the many additional collection related services offered to the Member Agencies (except for the City of El Cerrito) by Republic as part of its Post-Collection Services proposal. It is intended, therefore, that the separate agreements for collection services between Republic and each of the Member Agencies (except El Cerrito) be amended, as deemed necessary by each franchise agency, to provide for enhanced collection services described within this Term Sheet to the extent each agency decides to implement said enhanced services.

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DRAFT

WCCIWMA/Republic Post-Collection Services Term Sheet

In the event the Authority is terminated, the Post-Collection Services Agreement may be assigned to the Member Agencies individually if agreed upon by each Agency, in which case, the respective obligations of the Authority would also be assigned to each applicable Member Agency. This provision does not apply to the County unless and until the County Board of Supervisors agrees to become legally obligated to such potentially in conjunction with becoming a party to the Joint Powers Agreement or is otherwise contractually provided with at least one voting seat on the Authority Board of Directors.

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II. Conditions to Effectiveness of Agreement

A. Accuracy of Representations

Republic has made, and the Authority is relying on the accuracy of, certain representations to the Authority in its response to the Authority's SOI requirements regarding its: corporate authorization to enter the agreement; ability to do so without causing a breach of any agreement or violation of any applicable law or judicial decision; current or pending litigation; regulatory compliance with regard to its facilities; and, ability to provide the proposed services in accordance with the permitted capacity of its facilities.

Republic understands that the Authority and Member Agencies are relying upon the accuracy of Republic's representations with regard to the legal and regulatory matters described above as well as with regard to Republic's operational plans and costs for implementing the services described herein and which will ultimately be documented in the definitive agreement. Republic and the Authority acknowledge and agree that the definitive agreement will include provisions to be negotiated that would specify the terms under which Republic would be in default of said definitive agreement in the event that the Authority, in consultation with Member Agencies, were to determine that any material representation was inaccurate.

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The Authority represents and warrants that the Authority has authorization to enter this Term Sheet and a later definitive agreement, and has the ability to do so without causing a breach of any agreement or violation of any applicable law or judicial decision. The Authority and Republic Services acknowledges that each Member Agency retains their respective jurisdictional authority related to any and all amendments to their respective franchise agreements governing collection services.

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B. Representations and Warranties Regarding Negotiation of Term Sheet and Definitive Agreement

Republic represents and warrants that its negotiating team has the full right and authority to negotiate fully and in good faith with the intent to reach a mutually acceptable Term Sheet and definitive agreement.

The Authority represents and warrant that the the Authority Executive Director, in consultation with the Member Agency negotiating team consisting of representatives from the Cities of Richmond, Pinole, and San Pablo, and the County's staff representative, has the full right and authority from the Authority Board to negotiate fully and in good faith with the intent to reach a mutually acceptable Term Sheet and definitive agreement with respect to Post-collection Services.

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DRAFT

WCCIWMA/Republic Post-Collection Services Term Sheet

This Term Sheet contains all of the material Post-collection Services terms and conditions of a definitive agreement to be finally negotiated between the Authority, in consultation with the Member Agencies, and Republic. There are no other prior or contemporaneous agreements or understandings, whether oral or written, that are not set forth in this Term Sheet. With respect to the definitive Post-collection Services agreement, except with respect to a form of franchise amendment that would be proposed for adoption by each of the Member Agencies to implement proposed collection service enhancements, said definitive Post-collection Services agreement shall contain all material and required terms to be effective and there shall be no conditions precedent, conditions subsequent, or other conditions or qualifications required or imposed by the Authority.

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C. Furnishing of Insurance and Performance Surety

Republic shall furnish verification of insurance coverage, limits, deductibles and endorsements applicable to the proposed Post-collection Services as reasonably required by the Authority, and if applicable its Member Agencies, by a company or companies reasonably acceptable to the Authority, and if applicable its Member Agencies. Republic shall also provide a performance surety in the form of a letter of credit or performance bond. If a letter of credit is used, it shall be in the amount of two million dollars (\$2,000,000), otherwise a performance bond of five million dollars (\$5,000,000) shall be used to secure the performance of Republic's Post-Collection Services obligations under the Agreement.

D. Release of Claims/Acknowledgement of Authority and Member Agency Contractual Right

Upon the execution of the definitive Post-Collection Services Agreement and adoption of the associated amendments to the collection agreements between Richmond Sanitary Service, Inc. by the Member Agencies, Republic and the Authority agree that they shall release and discharge each other from all claims they each might otherwise have against the other with respect to the Authority's assertion that it has the contractual flow control right to receive and direct all solid waste and recyclables collected pursuant to the 1994 amendment to Member Agency franchise agreements with Richmond Sanitary Service, Inc. for Member Agencies other than the City of El Cerrito in the Authority jurisdictional area. The foregoing notwithstanding, the Republic participation in the Authority's procurement process of soliciting proposals (Statements of Interest) from proposers, and the execution of this Term Sheet for Post-Collection Services shall not constitute or be interpreted as a waiver or relinquishing of any rights or claims by either party. The Authority and Republic Services acknowledge that the County's franchise agreement with Richmond Sanitary Service contains provisions pertaining to the County's authority to control the waste stream collected from within the applicable unincorporated West County area.

III. Term

The term of the Post-collection Services Agreement shall be twelve (12) years, coterminous with most of the Member Agency collection Franchise agreements in 2025, with the exception of the unincorporated West County area franchised by the County of Contra Costa. With respect to the County franchise area, the definitive agreement shall not contain obligations extending beyond the term of the County's collection franchise agreement with Richmond Sanitary Service. The County of Contra Costa may, at its

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WCCIWMA/Republic Post-Collection Services Term Sheet

sole option, extend its participation in the definitive agreement through the full term without any further changes required to the agreement.

IV. Scope of Services

A. Collection Services:

The collection services described below ~~are intended to be addressed in individual amendments to each of the Member Agency collection service franchise agreements with Richmond Sanitary Service, Inc..~~

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1. Direct Customer Services

a) Residential Services:

Weekly collection of Recyclable Materials and Organic Materials: No later than October 31, 2014, Republic shall convert the current, every-other-week collection program for Residential Recyclable Materials and Organic Materials to a weekly collection program in all Member Agencies.

Pinole and Hercules Mixed Residential Organics: Beginning January 1, 2014 customers in Pinole and Hercules will be allowed to place food scraps (consistent with the materials accepted in the residential organics program in Richmond and San Pablo) in their green waste container. The Authority will provide grant funding, upon request, to each of the affected Member Agencies in the amount of \$20,000 to assist with the purchase of education and outreach collateral (e.g. stickers, mailers, food pails, etc.). Republic shall be responsible for distributing collateral materials developed and purchased through the grant at no additional charge to the Authority, Member Agency(ies), or customers.

Acceptance of Expanded Recyclable Materials beginning January 1, 2014 inclusive of the following:

- All mixed paper
- Cardboard
- #1 - #7 plastic beverage and food containers*
- Mixed rigid plastic packaging and other food containers*
- Glass containers (no Pyrex, windows, or mirrors)
- Aluminum Cans
- Tin Cans
- Scrap metal*
- Plastic film and wrapping (properly bagged)*
- All Mixed Plastics*
- Paper cartons
- Milk and juice cartons*

* Indicates new or expanded materials accepted

b) Multi-family Services:

Weekly Collection of Recyclable Materials and Organic Materials: No later than October 31, 2014, Republic shall convert the current, every-other-week collection program for Recyclable Materials and Organic Materials to a weekly collection program in all Member Agencies. This shall apply to all multi-family customers who receive Recyclable Materials and/or Organic Materials service in carts.

DRAFT

WCCIWMA/Republic Post-Collection Services Term Sheet

c) Commercial Services

Source Separated Recyclable Material Collection and Processing: Beginning January 1, 2014, Republic shall provide commercial customers (including multi-family customers receiving service in bins) with Recyclable Materials collection from carts and bins ranging from one- to six- cubic yards in capacity, at the customer's request, and shall offer such service up to three times per week, at the customer's request. No later than October 31, 2014, Republic shall convert all commercial Recyclable Materials cart customers from every-other-week to weekly collection. At a minimum, all cart and bin recycling containers will be serviced weekly.

Dry Trash Routing, Collection and Processing: Beginning February 1, 2014, Republic shall commence a review of commercial customer accounts and waste characterization with the purpose of identifying customers where the primary constituents of their garbage container are dry and recyclable. The goal for this program is to identify a sufficient volume of material for one full time equivalent route. No later than May 1, 2014, Republic shall have completed this review and shall submit a report to the Authority identifying the customers who have been selected for the dry routing program. No later than June 30, 2014, Republic shall have implemented the dry material collections from customers. All material collected under this program shall be processed in a manner that maximizes the recovery of materials and no material collected under this program shall be disposed prior to processing.

Source Separated Organics Collection and Processing: During the period between the execution of the definitive agreement and April 1, 2014, Republic shall identify, educate, and sign up restaurants, institutional kitchens, and food processors for source separated organics collection service. No later than April 1, 2014, Republic shall commence collection service for commercial source separated organics accounts. Source separated commercial organic materials accepted under this program shall include all compostable food waste and food soiled paper. Prohibited materials under this program will include hazardous materials, metals, glass, ceramics, and plastics (except certain compostable bio-plastic bags and food service ware specified by Republic). This service shall be provided to customers in 65-gallon carts and 1- and 2- cubic yard bins, based on the customer's request. Collection of source separated organics shall be provided up to three times per week, based on each customer's request. This service shall be provided at no additional charge to customers who subscribe to garbage service.

Republic, the Authority, and Member Agencies all recognize that some customers may wish to increase their level of participation in the source separated organics program beyond the six cubic yards of weekly service currently provided at no charge. In the definitive agreement, the parties will agree on a method for charging customers for service beyond the six cubic yard limit. The parties agree that such charge will represent a discount, relative to equivalent levels of garbage service.

2. Indirect Customer Services

Recycling Coordinators: Within six months of the execution of the definitive agreement, or by January 1, 2014, whichever is later, Republic shall hire two additional full time "Recycling Coordinators" who will be Republic employees dedicated to work exclusively within the Authority service area. During the process of recruiting and hiring for the individuals that will fill these positions Republic shall accept input from the Authority and Member Agencies regarding desirable qualifications of the selected candidates. At a

DRAFT

WCCIWMA/Republic Post-Collection Services Term Sheet

minimum, the selected candidates: 1) should have at least two years of experience in a similar capacity, ideally as a recycling coordinator whose responsibilities included interacting with the public (including residents, businesses, community groups, etc) and public agencies; 2) should be experienced in the management and update of websites and the use of social media for educational and marketing purposes; 3) at least one of the selected candidates must be fluent in the predominant secondary language of the service area (such as Spanish); and, 4) at least one of the coordinators should have a communications, business/economic development, or professional outreach background. .

In the event that either: (1) Republic fails to hire the two Recycling Coordinators within six months of the execution of the definitive agreement or by January 1, 2014, whichever is later; or, (2) in the event that such a position is ever vacant, during the Term of the definitive agreement, for more than three months after the employment relationship between Republic and the employee is terminated, regardless of the reason, the Authority may, at its sole discretion, engage a consultant to perform the functions of the Recycling Coordinator until such time as Republic hires the required personnel. The cost of such consultant shall be paid by Republic. The reimbursement of such costs by Republic shall be limited to \$8,333 per month (equivalent to \$100,000 per year) per coordinator that has to be replaced by the consultant. In addition, the parties shall agree (in the definitive agreement) on an annual process for reviewing the performance of the Recycling Coordinators, documenting performance problems associated with this service, and resolving those problems (including some ultimate provision for reassigning and replacing the staff person). In addition, the parties shall agree (in the definitive agreement) on the approach to dealing with serial or excessive vacancies in these positions, including the possibility of contracting jointly with a consultant specializing in performing these services or transferring the funding for the positions to the Authority.

The general scope of the Recycling Coordinators' duties include those items identified and described in the attached "Public Education and Outreach" exhibit. The specific educational and outreach priorities and campaigns to be performed by the Recycling Coordinators shall be defined cooperatively between Republic, the Recycling Coordinators, and the Authority with input from Member Agencies. These priorities and campaigns shall be documented by the Recycling Coordinator in an annual education and outreach plan (Annual Plan), including identifiable and measurable goals, to be presented to the Authority. The Authority and Member Agency staff shall be invited to provide comments. The Authority shall be responsible for reconciling any conflicting comments and making a formal request for changes to the Annual Plan. The Recycling Coordinators shall make quarterly status presentations to the Authority and collective Member Agencies, documenting their progress against the plan and goals and recommending modifications to the plan, as appropriate.

Expanded Public Information, Education and Outreach Services to Member Agencies: Beginning November of 2013, Republic will begin to provide the public education and outreach services described in the attached "Public Education and Outreach" exhibit.

{Note: The Public Education and Outreach exhibit is a draft that reflects the agreement between representatives of the Authority and Republic Services. Additional items are likely to be added to the public education and outreach exhibit(s) following further discussions between the parties and Member Agencies.}

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WCCIWMA/Republic Post-Collection Services Term Sheet

B. Post-Collection Services and Facilities

Throughout the Term of this Agreement and Member Agency collection service agreements, Authority and Member Cities shall agree to direct all Solid Waste and Recyclable Materials to Republic facilities.

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The Authority and Republic Services acknowledge that the County's franchise agreement with Richmond Sanitary Service contains provisions pertaining to the County's authority to control the waste stream collected from within the applicable unincorporated West County area.

1. Direct Customer Services

Throughout the term of the definitive agreement, Republic shall provide all direct post-collection services in compliance with applicable law, all facility permits, and best management practices for ensuring safe and efficient operations.

Solid Waste Transfer: The Golden Bear Transfer Station will receive solid waste collected under the Member Agency collection franchise agreements, load such materials into transfer trailers, and transport the waste to the Keller Canyon Landfill for disposal.

Solid Waste Disposal: The Keller Canyon Landfill will receive solid waste delivered from the Golden Bear Transfer Station and dispose of such material in compliance with applicable laws and permits

Recyclables Processing and Marketing: The West County Resource Recovery Facility and/or Newby Island Resource Recovery Park will receive recyclable materials and dry waste collected under the Member Agency collection franchise agreements for those Member Agencies served by Richmond Sanitary Service, separate the single-stream recyclable materials into marketable commodity types, prepare those commodities for market, and market those commodities for sale. Under no circumstances may Republic dispose of any material collected as recycling without first processing such material in a manner that maximizes the recovery of marketable commodities.

Green Waste and Organics Processing and Marketing: The West Contra Costa Sanitary Landfill Organics Material Processing Facility will receive organic materials collected under the Member Agency collection franchise agreements, remove obvious contaminants, pre-process (i.e. chip and grind), and compost the organic materials. Organic materials shall be converted to products for beneficial use including compost and mulch. Republic shall provide Member Agencies with finished compost and mulch products upon request at no additional charge to the agency, FOB at the WCCSL compost facility, limited to 1% of the tonnage delivered by that Member Agency under the residential and commercial organics programs. Except as provided below for West Contra Costa Sanitary Landfill, -under no circumstances may Republic use organic materials covered by this agreement for alternative daily cover, intermediate cover, slope stabilization, erosion control, or any other purpose at an active landfill nor may Republic land apply organic materials on land owned by Republic or any of its affiliates, subsidiaries, directors, officers, or employees. Such uses may be permitted at the closed/inactive West Contra Costa Sanitary Landfill, to the extent that such use prevents the importation of material to the site for that purpose.

Mixed Construction and Demolition Debris Processing: Richmond Sanitary Service receives customer calls for roll-off services and shall train all customer service representatives to identify construction and demolition boxes when work orders are placed for service and to clearly identify the work order as a

DRAFT

WCCIWMA/Republic Post-Collection Services Term Sheet

"C&D" service. All loads so identified shall be taken to the West Contra Costa Sanitary Landfill Material Processing Facility for pre-processing. Republic shall pre-process all identified C&D loads to remove contaminants and large dimensional/non-sizeable material (e.g. very large diameter tree trunks) or wet material (e.g. saturated sheet rock). Republic shall then process the remainder of each load, using its mixed C&D sorting line, in a manner that maximizes the diversion of material from the landfill. The sorting line shall be staffed with sorters in a number adequate to consistently achieve a 75% diversion rate for the material processed by this sorting line. Materials targeted for diversion shall include, but are not necessarily limited to: porcelain, cardboard, green waste, untreated wood, ferrous and non-ferrous metals, concrete, brick, plastics, aggregate, wallboard, sheetrock, plaster, lath, asphalt, base rock, dirt/soil, shingles, and carpet/pad.

Household Hazardous Waste Receiving, Processing and Disposal: Republic shall contract with a vendor acceptable to the Authority and the County for the operation of a conveniently located permanent household hazardous waste drop-off facility that will serve the Member Agencies as well as the communities of Kensington, Port Costa, Rodeo and Tormey consistent with the intent of the Household Hazardous Waste Program Agreement between the County, the Authority and Republic Services. The types of materials accepted as well as the days and hours of operation shall be determined and may be subject to change at any time by the Authority Board of Directors, if agreed upon by the County, subject to reasonable implementation lead time. Initially, the days and hours of operation shall be from 9:00 a.m. to 4:00 p.m. Thursday, Friday, and the first Saturday of each month.

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V. Compensation to Republic Services:

A. Adjustments to Post-Collection Services:

Any future adjustment to services would be treated as a Change in Scope and any necessary and appropriate compensation adjustment would be determined by mutual agreement of the Authority and Republic.

B. Contractor's Initial Compensation for Services:

The Authority and Republic Services agree that the calendar year 2014 annual proposed revenue requirement for the enhanced collection, post-collection, and HHW services described herein as well as the authority operating budget, equals \$13,982,302 including the recycling rebate of \$722,320, assumed Authority operating expenses of \$1,000,000, and estimated HHW drop-off services of \$791,144.

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Contractor's initial post-collection service compensation shall be a blended per-ton rate that is charged to each Member Agency's franchise collection contractor on all tons of material, regardless of type, delivered by the franchise collection contractor to Republic.

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The initial blended per-ton rate shall be calculated for the RSS service area by taking:

1. The total proposed revenue requirement (\$13,982,302),
2. Less the portion of the revenue requirement associated with collection costs (tentatively \$1,651,423, subject to validation of reasonableness during a review of baseline collection costs which shall be

DRAFT

WCCIWMA/Republic Post-Collection Services Term Sheet

subject to review and approval of each Member Agency pursuant to their respective rate setting practices/policies),

3. Less the portion of the revenue requirement attributed to El Cerrito (\$1,154,155),
4. Divided by the total annual tonnage of all material types in the RSS service area (126,434), and,
5. Rounding the results to the nearest penny.

$$(13,982,302 - 1,651,423 - 1,154,155)/126,434 = \$88.40/\text{ton}$$

El Cerrito is currently negotiating with Republic for the post-collection services they require. El Cerrito intends to use a similar blended rate approach based on the total revenue requirement identified here.

C. Adjustments to Contractor's Post-Collection Services Compensation:

Republic, its subcontractor, and the Authority staff shall prepare and submit a draft Household Hazardous Waste Drop-off services budget to the Authority for its review and approval no later than October 1 of each calendar year for the next calendar year's budget. The Authority Board of Directors may approve that budget as submitted or may request modifications to the budget, including requesting the either an increase in service levels or a reduction or elimination of services in order to reduce costs. Once approved, this budget shall serve as the revenue requirement for HHW drop-off services for the coming year. A balancing account approach will be applied to this portion of the total revenue requirement.

No later than October 1 of each calendar year, the Authority will establish a budget for their operations and will specifically identify the portion of that budget to be funded through the post-collection service rates. Once approved, this budget shall serve as the revenue requirement for the Authority operating expenses. A balancing account approach will be applied to this portion of the total revenue requirement.

The material-specific portion of the blended rate established for post-collection services will be adjusted annually, based on 85% of the average monthly change in the San Francisco-San Jose-Oakland All Urban Consumers CPI, with adjusted rates to be effective January 1 of each calendar year. The "material-specific" portion of the blended rate and revenue requirement is that portion of the rate or revenue requirement that is associated with the post-collection services provided directly by Republic Services and specifically excluding the HHW drop-off services (provided by a subcontractor), Authority operating expenses (managed by the Authority), and Recycling Rebate.

The maximum adjustment due to an increase in CPI to the material-specific portion of the blended rate shall be four percent (4%) in each year of the agreement; however, in the event that 85% of the average monthly change in the CPI exceeds four percent (4%) the Contractor shall be allowed to carryover the amount that exceeds four percent (4%) to the following rate period, provided that doing so does not cause the rate adjustment for that period to exceed four percent (4%). The minimum adjustment due to an increase in CPI to the material-specific portion of the blended rate shall be zero percent (0%); however, in the event that 85% of the average monthly change in CPI results in a negative value, the Authority shall be allowed to carryover the negative amount to the following rate period, provided that doing so does not cause the rate adjustment for that period to be less than zero percent (0%).

DRAFT

WCCIWMA/Republic Post-Collection Services Term Sheet

The inflated material-specific portion of the per ton blended rate shall be multiplied by the actual number of tons collected in all material categories during the preceding twelve months to determine a revenue requirement for all materials.

The material-specific revenue requirement, less the recycling rebate (see Subsection F below), shall be added together with the revenue requirement for HHW drop-off services and the revenue requirement for the Authority operating expenses to determine the total revenue requirement for the coming year. That revenue requirement will be applied to customer subscription data provided by Richmond Sanitary Service to calculate a specific post-collection surcharge to be applied to each collection service level. The specific calculation methodology will be described and examples provided in the definitive agreement, however, the parties intend that the calculation of post-collection surcharges shall be performed in a manner that is similar to the calculation of the current IRRF Surcharge, absent the detailed review of costs and budgets.

D. Adjustments to Contractor's Collection Services Compensation.

The collection revenue requirement and collection portion of the rates charged in the Member Agencies franchise areas served by Richmond Sanitary Service shall be increased in the amount of the collection services offered by Republic. Republic represents that the portion of the revenue requirement associated with collection services is \$1,651,423 for calendar year 2014 subject to validation of reasonableness during a review of baseline collection costs, including potential review and approval of each Member Agency pursuant to their respective rate setting practices/policies. This shall be a one-time increase in the revenue requirement and shall be adjusted each year in the same manner as the balance of the collection revenue requirement.

Republic represents that its estimates of the incremental additional costs required to perform the collection services are accurate and include all reasonably foreseeable costs associated with the operation of the program. In the event that the actual costs of these collection programs are less than their estimate, there shall be no consideration of those excess revenues in the Member Agency rate reviews. Similarly, if Republic has underestimated the cost of these programs and additional labor, routing, equipment, or other costs are incurred beyond Republic's initial estimate, there shall be no consideration of those excess costs in the Member Agency rate reviews.

Prior to entering into the definitive agreement, Republic shall provide documentation of its operating and cost assumptions for the collection programs along with allocations of those operations and costs among the Member Agencies serviced by Richmond Sanitary Service. The purpose of this documentation is to ensure that each agency understands what costs and revenues are expected from these programs and to specifically exclude those costs and revenues from the cost-based rate adjustment approach. Such information shall be presented in a manner that will be compatible with the cost-based rate adjustment methodology used in the Member Agencies (e.g. using the same cost pools, allocation methodologies, etc.).

Prior to the effective date of the definitive agreement, the Member Agencies (or Authority on their behalf) shall conduct a baseline cost-of-service review of RSS's operations, costs, and allocation approaches to document the cost-of-service in each Member Agency prior to the implementation of the

DRAFT

WCCIWMA/Republic Post-Collection Services Term Sheet

new collection services. RSS shall cooperate with this review and make available all information reasonably required by the reviewers.

E. Adjustment to City and other Agency Fees:

Adjustments to City and other Agency Fees shall be a direct pass-through in the rates at the time the requested increase is adequately documented to the satisfaction of the agency with applicable rate setting authority.

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F. Recycling Rebate:

The initial recycling rebate shall be negative (\$722,320). This is equal to negative \$40 per ton multiplied by the 18,058 tons per year of Recyclable Materials collected by Richmond Sanitary Service and Delivered to the West County Resource Recovery Facility. The initial recycling rebate shall be used in the establishment of rates for calendar years 2014 and 2015.

When establishing rates for each year of the contract starting with calendar year 2016, the parties shall adjust the per-ton and annual tonnage values considered in the establishment of the initial recycling rebate.

The initial per ton value of negative \$40 shall be adjusted to be twenty eight and seventeen hundredths percent (28.17%) of the monthly average (for the preceding twelve months) low side of the "Official Board Markets", "Los Angeles" index for "Mixed Paper (2) – Export to China – FAS", rounded to the nearest penny. That index value was 142 in November 2012 at the time of Republic's proposal to the Authority.

For example:

If the index values for the preceding twelve months are: Sept – 144, Oct – 143, Nov – 141, Dec – 138, Jan – 138, Feb – 144, Mar – 145, Apr – 148, May – 146, Jun – 149, Jul – 148, Aug – 147; then,

Monthly Average = 144.25×0.2817 (stated percentage of OBM) = \$40.64 Revised Per-Ton Rebate

The initial annual tonnage value shall be adjusted to reflect the actual total tonnage of source separated residential and commercial single-stream recyclable materials collected by RSS and delivered to the West County Resource Recovery Facility during the preceding twelve months.

For example:

If the recyclables tonnage values for the preceding twelve months are: Sept – 1,443, Oct – 1,421, Nov – 1,494, Dec – 1,384, Jan – 1,652, Feb – 1,644, Mar – 1,715, Apr – 1,480, May – 1,346, Jun – 1,549, Jul – 1,448, Aug – 1,547; then,

Revised Annual Tonnage = 18,123

DRAFT

WCCIWMA/Republic Post-Collection Services Term Sheet

The revised per-ton rebate value is then multiplied by the revised annual tonnage value to arrive at the recycling rebate for the coming calendar year. For example:

18,123	Revised Annual Tonnage
X 40.64	Revised Per-Ton Rebate Value
\$736,518.72	Revised Recycling Rebate

G. Adjustments to Post-Collection Rates:

Republic may request the Authority's consideration of an adjustment to post-collection rates in the event of the following circumstances. The Authority shall consider such requests and shall not unreasonably deny an adjustment to rates under the prescribed circumstances following verification that said costs are solely for post-collection services/costs and not subject to rate setting authority retained by collection franchising agencies. In the case of the enactment of new or increased government or Member Agency fees and charges assessed for post-collection services, the Authority shall approve the request as a pass-through. In the event of a special circumstances request for an adjustment to rates, Republic shall adequately document its estimate of the incremental change in costs associated with the special circumstance in a manner that is independently verifiable. The Authority may request additional information from Republic if the documentation provided is determined to be insufficient. The Authority may consider information provided by Republic along with information from other sources to estimate the cost associated with such a special circumstance.

- Enactment of new or changes to existing Federal, State and local fees and surcharges mandated to be collected or paid by Contractor specifically for post-collection processing/disposal services
- A Change in Law applicable to entire Authority service area for which Contractor compliance is mandatory and that results in documented and independently verifiable increases in the specific cost of providing Member Agency post-collection services (any changes in law resulting in changes in cost for collection services continue to fall within the rate setting purview of the applicable collection franchising agencies)
- Authority-requested changes in the scope of post-collection services provided by Republic.

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H. Ineligible Items for Adjustment of Rates:

The following items shall not be considered in the adjustment of post-collection rates:

- Changes in the price of fuel.
- Decreases in Recycling revenues due to changes in market conditions or any other factor from the sale of Recyclable Materials
- Increases in the costs of Solid Waste, Recyclable Materials, Organic Materials, or Mixed Construction and Demolition Debris processing not incurred as a result of Changes in Law
- Increases in transportation time and/or costs related to provision of Services provided under the definitive agreement

DRAFT

WCCIWMA/Republic Post-Collection Services Term Sheet

- Changes in the number of Customers due to changes in population or housing/business development or annexations
- Changes in customer subscription levels (e.g. as customers subscribe to recycling and organics services they may be able to reduce garbage service, resulting in a potential revenue loss to Republic)
- Changes in the volume or composition of materials
- Changes in the facilities used to perform services, unless those changes to facilities are the direct result of an Authority directed change in scope

I. Public Agency Fee Component of the Post-Collection Rates:

Certain fees are required to be paid to public agencies by Republic as a function of operating the facilities that provide services under this agreement. Unless noted, these fees are to be paid on tons disposed and include:

Fee Description	Current Fee Amount*
Local Enforcement Agency – Golden Bear Transfer Station & West Contra Costa Sanitary Landfill	\$1.75/ton
City of Richmond Franchise Fee	\$1.50/ton
Host Mitigation Fees (IRRF, GBTS, WCCSL BMPC)	\$3.38/ton (CPI-adjusted annually)
Contra Costa County Solid Waste Fee (AB 939)	\$0.15/ton
AB 1220 Integrated Waste Management Fee	\$1.40/ton
Contra Costa Bailey Road Surcharge	\$0.68/ton
Bailey Road Charge	\$0.32/ton
Contra Costa County Landfill Surcharge	25% of Gate Rate, net of taxes/fees
West Contra Costa Sanitary Landfill Recycling Fee – paid on all recyclable materials	\$0.91/ton (CPI-adjusted annually)
* The fees are subject to change during the Term and shall be adjusted in accordance with section G above.	

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VI. Performance Standards and Liquidated Damages:

The definitive agreement will provide for performance standards associated with the collection and post-collection services to be provided by Republic. The performance standards will consider both effort (e.g. number of meetings with customers to offer new programs) and results (e.g. tons of material recycled).

The Authority recognizes that Republic will have greater control over the effort on certain programs and greater control over the results on others. As such, the performance standards for each program will be established based on Republic's ability to control the results. The parties agree to establish effort-based performance standards for the weekly recycling and organics collection program and the source

DRAFT

WCCIWMA/Republic Post-Collection Services Term Sheet

separated commercial organics program. The parties agree to establish results-based performance standards for the commercial dry routing and mixed C&D processing programs.

The parties agree that the definitive agreement will also include liquidated damages that may be assessed, at the discretion of the Authority and/or Member Agencies, after written notice to Republic and an opportunity for Republic to cure, in the event that Republic: 1) fails to implement a program; 2) fails to perform specified services required under the agreement; 3) performs the specified service under the agreement in a manner inconsistent with the requirements of the agreement, or applicable law; or, 4) fails to achieve the performance standards defined for each program. These liquidated damages shall be in addition to any other remedy the Authority and/or Member Agencies may have, which may include, but are not necessarily limited to: a determination of breach of contract, termination of the agreement, or litigation.

VII. Special Consideration for El Cerrito

Republic and El Cerrito have met to discuss services and pricing. El Cerrito is reasonably satisfied that the pricing upon which the term sheet is predicated will ensure that El Cerrito is paying only for the services that they receive and not for the collection programs provided to Member Agencies in the RSS service area.

VIII. Reporting

Republic shall provide quarterly and annual reports, satisfactory to the Authority ~~(and Member Agency)~~ demonstrating compliance with the performance standards detailed in the definitive agreement as well as the total tonnage of recyclables, organic materials and processed or disposed solid waste under this Agreement. Reports shall be organized to separately report material received from each agency, between customer (residential, commercial, industrial) or collection (side-loader, front-loader, roll-off) types, material types, and facilities. Recycling tonnage reports shall characterize the material processed and marketed; using facility-wide averages where impractical to separately characterize material from the Authority service area, and document the residue rates. All reports shall be provided using unaltered, system-generated formats.

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IX. CEQA:

Republic shall undertake a preliminary CEQA evaluation (preparation of an Initial Study) on new service offerings and proposed actions as a whole to the extent of completing an Initial Study. The Authority will serve as Lead Agency for post-collection service project(s), if applicable, under CEQA. If the Initial Study determines the need for further environmental review, the parties shall meet and confer regarding the appropriate handling and allocation of costs associated with such a review.

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X. Remaining Terms and Conditions Unchanged:

Each franchising agency shall determine what changes are necessary to the the terms and conditions of their respective collection franchise agreements, in order to document authorization and requirements

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WCCIWMA/Republic Post-Collection Services Term Sheet

related to enhanced collection services and post-collection services approved by their respective governing boards.

Deleted: except those that must be changed to document the services and compensation provisions described in this Term Sheet shall remain unchanged.