

## ATTACHMENT D

### Summary of Contractor's Compensation Adjustment Methodology and Rate Setting

The RFP required proposers to submit costs stated in 2008 dollars. The process to adjust these costs to the start of the contract in 2011 and from 2011 forward is primarily based on using CPI type indices and the current collective bargaining agreements. The only other adjustment to the costs, besides the annual CPI type index adjustments, is related to service level changes. The proposed costs were based on customer service level data in 2008. The costs to start the contract in 2011 will be based on customer service levels in place in 2010. Then, the only other adjustment to costs based on changes in service levels will occur in 2012 when setting compensation for 2013 and subsequent years.

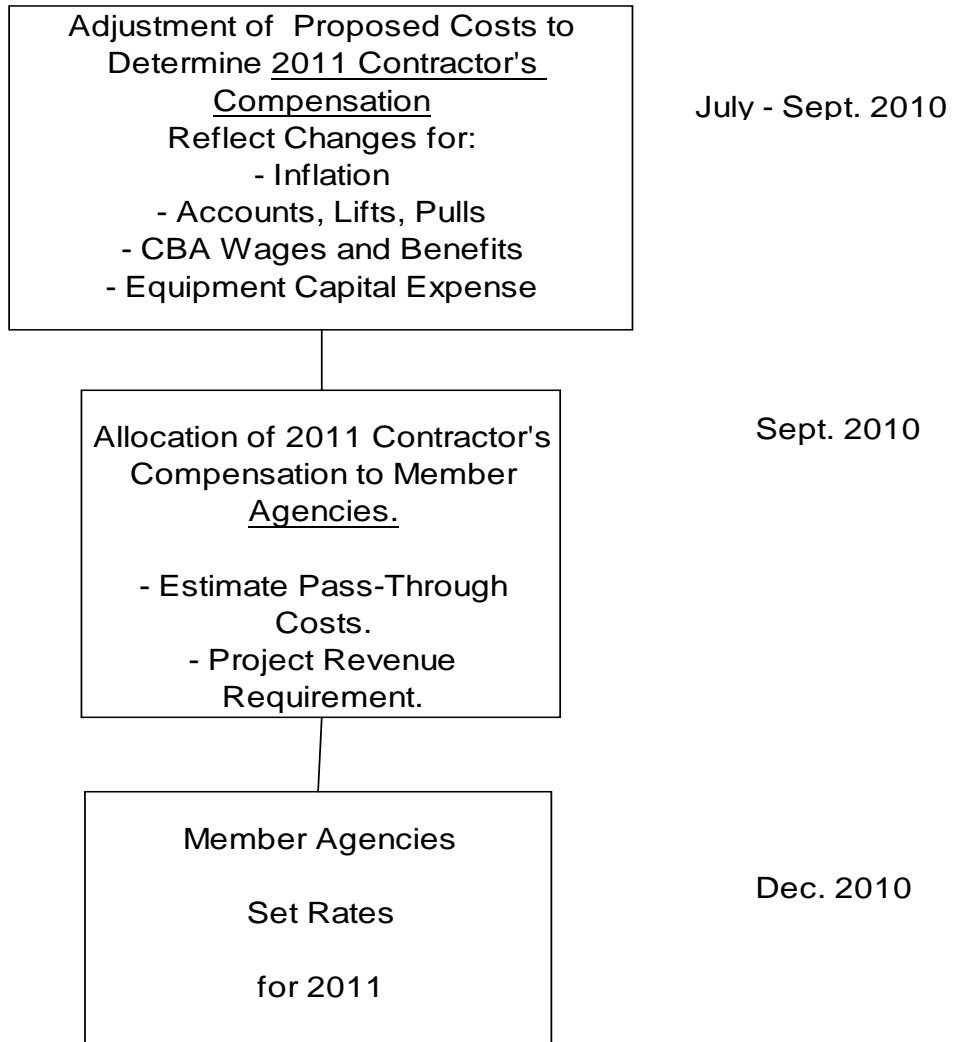
On July 1 of each year the company will submit an application for its compensation for the upcoming year. The application will adjust the company's costs based on the indices and where applicable in the early years, the changes in service levels. The application will also include estimated pass-through costs such as disposal costs and franchise fees. The allocation of costs to participating Agencies will be substantially similar to the current process. The SBWMA and the Agencies will review the application and submit comments if revisions are needed. The Agencies will then set their rates for the following year based on the revenue requirement contained in the approved application. The application will be submitted to the SBWMA Board of Directors in September for approval and transmittal to the Member Agencies for their respective meetings in October.

**Figure 1** below provides a simple flow chart of how costs will be adjusted to establish compensation for the first year of the contract. **Table 1** lists the cost categories and respective indices used to annually adjust these costs both for the first year and future years of the contract.

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Figure 1  
Determination of Contractor's Compensation for Rate Year One (2011)



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### Summary of Contractor's Compensation Adjustment Methodology and Rate Setting

**Table 1**

Cost Category	Adjustment to Proposed Costs
A. Wages and benefits for all employees represented through collective bargaining agreements (CBA).	<ul style="list-style-type: none"> <li>• Revise wage rates and benefits shown on Attachment N to reflect wage rates and benefit levels based on the collective bargaining agreements in effect on the Commencement Date.</li> </ul>
B. Wages and benefits for employees not represented through collective bargaining agreements.	<ul style="list-style-type: none"> <li>• U.S. Department of Labor, Bureau of Labor Statistics, Private Industry Employment Cost Index for Service-Producing Industries</li> <li>• Sixty five percent (65%) of the percentage change in service levels (accounts, lifts or pulls).</li> </ul>
C. Payroll taxes	<ul style="list-style-type: none"> <li>• Payroll tax expense will be calculated based on the following effective tax rates in Contractor's Proposal:                             <ul style="list-style-type: none"> <li>▪ 8.32% for Direct Labor; and,</li> <li>▪ 8.15% for Indirect Labor</li> </ul> </li> </ul>
D. Workers compensation, direct and indirect	<ul style="list-style-type: none"> <li>• U.S. Department of Labor, Bureau of Labor Statistics, Private Industry Employment Cost Index for Total All Workers</li> </ul>
E. Fuel for route and service vehicles, direct and indirect	<ul style="list-style-type: none"> <li>• U.S. Department of Labor, Bureau of Labor Statistics, Producer Price Index - Commodity Index for #2 diesel fuel</li> </ul>
F. Other costs, direct and indirect, excluding depreciation	<ul style="list-style-type: none"> <li>• U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index – All Urban Consumers, U.S. city average</li> </ul>
G. Depreciation for Collection vehicles and Containers	<ul style="list-style-type: none"> <li>• CPI Index: the U.S. Department of Labor, Bureau of Labor Statistics, Producer Price Index Industry Data for motor vehicle body manufacturing, truck, bus, car, and other vehicle bodies, for sale separately</li> </ul>
H. Allocated Indirect Depreciation Costs (related to vehicle and container maintenance equipment, shop equipment, office equipment, etc.)	<ul style="list-style-type: none"> <li>• U.S. Department of Labor, Bureau of Labor Statistics, Producer Price Index Industry Data for motor vehicle body manufacturing, truck, bus, car, and other vehicle bodies, for sale separately</li> </ul>
I. Implementation Costs	<ul style="list-style-type: none"> <li>• Same Inflation Index and method as that described for Other Costs (F)</li> </ul>