

SBWMA/Recology Model Franchise Agreement

Summary of Modifications as of April 6, 2017

| Reference | Section Description | Modifications to Model Agreement |
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| Entire Document | | <ul style="list-style-type: none"> • Changed “Authority” to SBWMA to be consistent with current use of names. • Integrated changes pursuant to the 2013 First Amendment to the current franchise agreement (2009 Franchise Agreement). |
| Recitals | | <ul style="list-style-type: none"> • Added several recitals describing the process for Amending and Restating the Agreement. • Identified a 15-year term for amended and restated Agreement (in addition to the original 10-year term of the current franchise). • Included references to recent State regulations/legislation (e.g., AB 341, AB 1826, SB 1383). |
| 2.09 | Statements and Information In Proposal | Amended this Section to reference Contractor’s proposal submitted as part of this process to amend and restate the Agreement rather than referencing the original 2008 proposal. |
| 2.10 | Iran Contracting Certification | Added a new Section for Contractor’s certification related to the Iran Contracting Act of 2010 (California Public Contract Code Section 2203 of the Iran Contracting Act of 2010). |
| 3.01 | Effective Date | Amended Effective date to June 30, 2018, which is the date the Agreement becomes binding and enforceable provided that all conditions set forth in Sections 3.04.A and 3.04.B have been satisfied or waived. Note that the services do not commence until January 1, 2021. |
| 3.02 | Term | <ul style="list-style-type: none"> • Defined the term of the amended and restated Agreement to be 15 years in addition to the 10-year term of the current 2009 Franchise Agreement for a total of 25 years. • Described that the 2009 Franchise Agreement will govern through December 31, 2020, and that the amended and restated Agreement will govern from and after January 1, 2021. |
| 3.03 | Extension of Term | <ul style="list-style-type: none"> • Added provision allowing an extension of up to 5 years (for a total maximum term of 30 years) at Agency’s discretion, but subject to Contractor’s consent. • Specified that if parties do not mutually agree on an extension, an extension of up to 1 year at Agency’s sole discretion will be allowed. The extension would be subject to a meet and confer if Contractor is experiencing a net financial loss in operations under the Agreement. • Indicated that a three year noticing period is required if Agency wants to extend the Term. |
| 3.04A | Conditions to Effectiveness of Agreement | Removed requirement for Contractor to provide a performance bond on June 30, 2018 because Contractor has a valid bond in place under the 2009 Franchise Agreement. Note that a performance bond is required on the Commencement Date (January 1, 2021) pursuant to Section 13.03. |
| 4.02 | Limitations to Scope | Amended language to include Recyclable Materials and Organic Materials as materials that may be handled by Persons other than the Contractor when the removal of such materials is an incidental service to landscaping and construction-related services. |
| 5.01 | General Collection Services | Amended language as follows: “...new programs that may impact the overall quantity or composition of Solid Waste, <u>Targeted Recyclable Materials, and/or Organic Materials</u> to be Collected by Contractor.” |
| 5.02.A | Single-Family Solid Waste Collection Service | <ul style="list-style-type: none"> • Modified language to generally provide additional clarity and improve organization of the content. • Included language that allows Contractor, on an annual basis, to request reverification of Special Handling Service eligibility from Customer. |

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| 5.02.B | Multi-Family Solid Waste Service | <ul style="list-style-type: none"> Modified language to generally provide additional clarity and improve organization of the content. Amended language regarding the service requirements to be provided at no cost to Customers and Long Distance Service and Container Relocation Service to be provided by Contractor <u>upon Customer request</u> for an additional charge. The Long Distance Service is the same as the current Distance Service, but language was amended to more clearly define the service conditions under which this applies. Added new Container Relocation Service and related Attachment Q charge that will allow Contractor to charge <u>Customers that request</u> relocation of their Containers from a location that is not accessible by the Collection vehicles or cannot be safely moved by route personnel, and that requires Contractor to dispatch a special vehicle to relocate the Container. Addressed slope access conditions, which may necessitate Container Relocation Service, if the Customer does not place Containers in an accessible location. Included language on how disputes related to slope, Long Distance Service, and Container Relocation Services will be handled. |
| 5.02.C | Commercial Solid Waste Collection Service | Clarified and streamlined language by referring to relevant sections of the Multi-Family provisions including the above slope, Long Distance Service, and Container Relocation Services. |
| 5.02.D | Agency Solid Waste Collection | <ul style="list-style-type: none"> Clarified and streamlined language by referring to relevant sections of the Multi-Family provisions including the above slope, Long Distance Service, and Container Relocation Services. Removed public recycling Container service from this Section on Solid Waste and added it to Section 5.03.D on Agency Recycling Collection. |
| 5.03 | Targeted Recyclable Materials Collection | <ul style="list-style-type: none"> Clarified and streamlined language generally. Deleted requirements that pertained to the initial contract roll-out in 2010, including universal implementation of recycling to all Customers. |
| 5.04 | Organics Material Collection | <ul style="list-style-type: none"> For Single-Family, clarified that additional Organic Materials Carts and weekly service thereof is available for an extra charge specified in Attachment Q. Eliminated the option of Customers renting or purchasing their own Containers. Added clarification that standard Organics service for Single-Family is a 96-gallon Cart. Deleted requirements that pertained to initial contract roll-out in 2010. Shifted the start of holiday tree collection from December 26 to January 2. Streamlined language generally by deleting provisions that were redundant with other sections (by referencing the relevant sections). |
| 5.05.A and 5.05.B | Single-Family and Multi-Family Bulky Item Collection Service | <ul style="list-style-type: none"> Added for clarification that Contractor shall provide two Bulky Item Collections at no cost to the Customer annually and shall charge Customers that request additional Bulky Item Collection service at Agency-approved charges in Attachment Q. This clarification allowed for elimination of Section 5.12, Fee for Service Bulky Collection, as it was redundant. Amended acceptable materials to allow residents to set out up to three large items of their choice whereas they were previously limited to one each of appliance, bulky items, or e-scrap (for example, the amended language allows for three appliances). Eliminated requirement that a route supervisor will visit each residence prior to the bulky pick-up to assess the materials. Removed specification of the type of vehicle Contractor shall use, allowing Contractor its choice. Established a maximum “daily limit” of 150 Bulky Item Collection pick-ups for the SBWMA Service Area to align with program costs included in Contractor’s Compensation. Included a meet and confer process with SBWMA and Agency when the average number of pick-ups is approaching the daily limit in order to discuss |

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| | | strategy on handling increasing number of events. Identified that liquidated damages will not apply when the pick-ups are not scheduled within 10 days due to reaching the maximum number of pick-ups limit. |
| 5.06 | Agency Facility On-Call Bulky Item Collection Service | <ul style="list-style-type: none"> • Added for clarification that Contractor shall provide one Bulky Item Collection event for each Agency facility at no cost to Agency and may charge for additional events. • Amended acceptable materials to allow facilities to set out up to three large items of their choice; whereas, they were previously limited to one each of appliance, bulky items, or e-scrap (for example, the amended language allows for three appliances). |
| 5.07 | Confidential Document Destruction Event Service | Amended language to clarify that the SBWMA coordinates these events (not Recology) and Recology will pay up to \$1,200 per year per Member Agency for one event (which is consistent with the 2013 Amendment to the 2009 Franchise Agreement). |
| 5.08 | Collection for Large Venues and Events | <ul style="list-style-type: none"> • Changed “Events” to “Community Events” to avoid confusion with “events” used in other context in the Agreement and amended related definition in Attachment A. • Specified that Contractor services the Agency-sponsored Venues and Community Events listed in Attachment C, which may be modified as part of the Three-Year Public Education Plan (in accordance with Section 7.03.B). |
| 5.09.A | Abandoned Waste Clean Up | <ul style="list-style-type: none"> • Established a “daily limit” of 30 abandoned bulky pick-ups per day for the SBWMA service area to align with program costs in Contractor’s Compensation. Included requirement to notify the SBWMA and Agency when the average number of clean-ups reaches 25 daily events and meet and confer to discuss strategy on handling increasing number of events. • Clarified that Contractor is only required to Collect the types of materials defined for the On-Call Bulky Item Collection program. • Documented that Contractor shall Collect in public right of ways and not be responsible for any Collection of abandoned waste materials that are on private properties or easements where ownership of properties are in question or shared. • Included new provision that an Agency has the option of requiring Contractor to interface with an Agency-specific, web-based application for reporting completion of abandoned waste collections. Also identified that Agency shall compensate Contractor on an annual basis for this additional effort in the amount specified in Attachment Q. |
| 5.10 | Coats for Kids | Edited language to clarify a 60-day advanced noticing requirement to Agency prior to the start and end date of the program. |
| 5.11 | Compost Give-Away | Identified that Contractor shall only attend compost give-away events if their attendance is specifically required in the Three-Year Public Education Plan. Edited other language to provide more clarity. |
| 5.12 | Fee for Service On-Call Bulky Collection | By amending Section 5.05 to address fee for service Bulky Item Collection, this Section could be deleted. |
| 5.14 | Week Long Agency-Wide Bulky Item Collection | Deleted this entire service requirement because it was not used by Agencies. |
| 5.14 | Mixed Use Building | <p>Included new section for Mixed Use Buildings specifying the following services:</p> <ul style="list-style-type: none"> • Solid Waste, Recyclables, and Organic Collection services like Commercial Customers; • 96-gallons of Recycling capacity per residential unit per week at a minimum; • Residential units of Mixed Use Buildings to receive cell phone and battery collection service, recycling totes, and recycling program promotion like Multi-Family Customers; • Two on-call Bulky Item Collection pick-ups to be provided at no cost and additional pick-ups at a charge; • Recycling technical assistance like Commercial and Multi-Family Customers; and, |

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| | | <ul style="list-style-type: none"> Development of a method for coding Mixed Use Buildings in the Contractor's customer service and routing databases to allow for various reports to be generated. |
| 6.02 | Limitation on Contamination | <ul style="list-style-type: none"> Acknowledged that recent State regulations/legislation (e.g., AB 341, AB 1826, SB 1383) may impact diversion. Revised Single-Family and Commercial Targeted Recyclable Materials maximum contamination levels in Table 1 to align with the 2013 Amendment to the 2009 Franchise Agreement. Removed the quarterly contamination testing requirements (and related Attachment E-2) since contamination has not been an issue and the quarterly testing process was time consuming and costly. Note that SBWMA still has right to test single loads for contamination. Removed maximum contamination level provisions related to initial contract implementation in 2010. Added clarification in the event an entire load is sorted to determine contamination, then Contractor or its representative shall have the right to be present at, observe, and photograph and video all aspects of the sort (which is consistent with the current rights of Attachment E-1). Deleted Section 6.02.F, Agency-Directed Change in Controlling Contamination, which considered the SBWMA directing a reduction in Contractor's efforts to manage Contamination and SBWMA paying Contractor for the resulting increase in Contamination. Streamlined contract language generally throughout Section 6.02. |
| 6.04 | Processing of Other Materials | Added clarification that an Agency request to process additional materials will be a change in scope and may include adjustment of Contractor's Compensation. |
| 7.01.C | Local Office | <ul style="list-style-type: none"> Indicated that if space is not available at SRDC, that Contractor shall provide an office in the SBWMA Service Area and such change will be handled as a change in scope. Revised number of allowable holidays in which the office may close from 2 to 9 holidays. |
| 7.02.A | Customer Service | Same as Section 7.01.C changes. |
| 7.03.B | Three-Year Public Education and Technical Assistance Plan | <ul style="list-style-type: none"> Revised the entire section to specify a collaborative process of developing a Public Education and Recycling Technical Assistance Plan every three years that allows the SBWMA and Contractor flexibility in determining (for the coming three Rate Years) the focus of the education and recycling technical assistance efforts, goal, specific tasks, and reporting needs and how resources and staffing will be used. Reduced the number of Waste Zero Specialist (WZS) from 8 to 6 full-time equivalents as part of the proposed 2021 Contractor's Compensation. Such change is shown in Attachment O. Agreed that future changes in WZS staffing levels can be handled as a change in scope. Acknowledged that reporting requirements will be defined in the three-year plans. |
| 7.03.D and 7.03.E | Public Education Activities | Revised the list of public education activities to be performed by SBWMA and by Contractor to reflect current practice. |
| 7.04.A | Commercial Recycling Program Staff | <ul style="list-style-type: none"> Added requirement that if any Waste Zero Specialist position is unfilled for 90 days, the Contractor and SBWMA shall meet and confer to discuss how to remedy the employment gap. Also, Contractor shall compensate the Agency for the unfilled position as an adjustment to the Contractor's Compensation. Identified that if SBWMA requests to change the number of Waste Zero Specialists, the change will be handled as a change in scope. |
| 7.04.C | Community Events | Added for clarification that Attachment C presents a preliminary list of the Community Events, which may be modified annually through the development of the Three-Year Public Education and Recycling Technical Assistance Plan. |

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| 7.04.E | Targeted Commercial Recycling Promotion | Specified that recycling technical assistance and waste assessments shall be performed in accordance with the Three-Year Recycling Technical Assistance Plan. |
| 7.04.I | Mandatory Commercial Recycling Assistance to Agency | Amended to identify need for monitoring and reporting related to AB 341, AB 1826, and other similar applicable law. |
| 7.05 | Multi-Family Recycling Promotion | Modified language to generally provide additional clarity as well as to reflect inclusion of promotion and technical assistance related to Organic Materials Collection. |
| 7.06 | Waste Generation/ Characterization Studies | <ul style="list-style-type: none"> Amended provision to acknowledge that recent State regulations/legislation (e.g., AB 341, AB 1826, SB 1383) may impact diversion. Deleted reference to using quarterly Contamination Levels because the quarterly testing requirement has been removed from the Agreement (See Section 6.02). |
| 7.09 | MFD and Commercial Recycling Blitz | Added for clarification that in the event an Agency wants Contractor to host a recycling blitz, the change would be handled as a change in scope. |
| 7.10 | Carbon Footprint Measuring | Modified requirement to allow for Contractor to provide information upon request rather than submit annual reporting. Note that Contractor is still required to file emissions data annually with California Climate Action Registry. |
| 7.13 | Right of SBWMA to Make Changes to Other Services | <ul style="list-style-type: none"> Established quarterly meeting requirements for Contractor and SBWMA to review progress on the Three-Year Public Education and Recycling Technical Assistance Plan. Added a new section to provide flexibility to the SBWMA to request and increase or decrease the Contractor's scope of services without amendment of the Agreement related to the scope of public education and outreach, recycling technical assistance, waste generation/characterization studies, and program evaluation services. Reserved right to have other parties perform added services if Contractor and SBWMA do not come to agreement on the services. |
| 8.01.A | Collection Hours | <ul style="list-style-type: none"> Added Mixed Use Buildings to Commercial for the purpose of Collection hours. Noted that modifications to Collection hours may be mutually agreed upon. |
| 8.02.B | Servicing Containers and Missed Pick-Ups | Added clarification regarding the additional services Contractor may provide related to Long Distance and Container Relocation Services. |
| 8.02.G | Collection of Excess Materials (Overages) | Indicated that Contractor may assess an overage charge for overages in addition to the two free overage pick-ups per year if the Contractor has notified the Customer by phone or email of the overage collection. |
| 8.02.H | Care of Private Property | Added language that damage to property shall not apply to damage caused by the weight of Contractor's vehicles on public or private roads or driveways. Specified that if a Customer requests Contractor to provide services on-premises that requires driving of Collection vehicles on a private road or driveway, Contractor shall require the Customer or other responsible party to sign a reasonable waiver releasing Contractor from liability for any such damage. |
| 8.03 | Unloading Materials at the Designated Transfer and Processing Facility | Added for clarification "other materials (e.g., Batteries, Cell Phones, Used Motor Oil, and Used Motor Oil Filters)" to be unloaded at the SRDC in cooperation with the facility operator. |

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| 8.04.A | Vehicle Specification | <ul style="list-style-type: none"> • Stated the need to use an on-board computer system for tracking route information and described general requirements, but removed the specification that “Routeware” must be used. • Described that Contractor will continue to use the current fleet of Collection vehicles and will phase in the purchase of new vehicles. Agreed to adjust the vehicle depreciation and interest expense for actual vehicle acquisition costs to be effective in Rate Year 2027 for a total increase in rate payers’ costs of \$350,000, which reflects a 50/50 share of increased vehicle acquisition costs up to \$700,000 and Contractor’s agreement to pay any additional costs beyond \$700,000 (where such adjustment is describe in Attachment K). |
| 8.04.B.10 | Vehicle Specification | Specified that Contractor and SBWMA shall meet and confer before Contractor’s initial purchase of new vehicles to discuss fuel options and agree on fuel choice. Noted that the meet and confer process is not applicable for subsequent vehicle purchases unless Parties agree otherwise. |
| 8.05.B | Container Specifications | <ul style="list-style-type: none"> • Added for clarification that Contractor shall provide Customers with a choice of Container capacities specified in Attachment D, and Customers may select their preferred Container size(s). • Removed the requirement that Containers must be new to recognize that the existing Containers will continue to be used by Customers. |
| 8.05.E | Container Repair and Replacement | Documented that Contractor estimated Container replacement needs and related depreciation and interest expense over the Term, and that these expenses are included in Contractor’s Compensation in the amount specified in Attachment N and K. Stated that Contractor shall not be entitled to any additional compensation for Container replacements purchased during the Term of the Agreement. |
| 8.05.F | Agency Right to Containers | Added clarification regarding Contractor’s obligation to remove Containers in the event the Agency’s does not exercise its right to take ownership of Containers at end of Term. |
| 8.05.G | Lock Service | Included new language describing lock (key) service currently provided by Contractor and Contractor’s right to charge for the service. |
| 8.06.B | Employees of Previous Contractor | Deleted this Section as it was applicable to the initial implementation of the 2009 Franchise Agreement. |
| 8.06.C | Collective Bargaining Agreement | Removed references to “Previous Contractor” and described that Contractor’s Compensation will not be adjusted for wage and benefit costs greater than the adjustments provided though the compensation mechanism in Attachment K (which provides CPI and service level adjustments on wage and benefits). |
| 9.04.C | Reporting Submittal Schedule and Instructions | <ul style="list-style-type: none"> • Clarified requirements that Contractor provide source files for some data. Provided clarification that each quarterly report shall be in lieu of the monthly report for the third month of the relevant quarter. |
| 9.05 / 9.06 / 9.07 | Reporting | <ul style="list-style-type: none"> • Streamlined reporting requirements while generally maintaining the same reporting elements. • Added monthly abandoned waste event reporting. • Removed requirement that Contractor shall periodically conduct Multi-Family analysis if Multi-Family Tonnage data is not separately reported. • Removed several public education and outreach reporting requirements and replaced it instead with a statement that reports shall be provided as defined in the then-current Three-Year Public Education and Recycling Technical Assistance Plan. • Included acknowledgement that Agency may request additional information to support reporting related to the AB 939, AB 341, AB 1826, and SB 1383. |

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| 11 | Contractor's Compensation, Pass-Through Costs, and Rates | Updated language generally in Article 11 to shift Rate Years and dates that related to the 2009 Franchise Agreement to Rate Years and dates relevant to the amended and restated Agreement. |
| 11.02 | Determination of Contractor's Compensation | <ul style="list-style-type: none"> Identified that compensation adjustment for Rate Year Eleven (the first Rate Year in the amended and restated Agreement) will involve adjusting Contractor's proposed 2021 compensation to reflect actual changes in service levels and changes in fuel cost indices from 2016 through 2020 (in accordance with Attachment K). Described how compensation will be adjusted in subsequent Rate Years for changes in cost indices and differences in service levels. Documented that the depreciation amount for Rate Year Ten under the 2009 Franchise Agreement shall be adjusted and shall include some depreciation costs related to the new vehicles that will be purchased under the Term of the amended and restated Agreement. This is intended to smooth out rate adjustments from 2019 through 2021. |
| 11.03 | Annual Revenue Reconciliation | Amended language to provide clarification on revenues attributable to Attachment Q charges including Agency share of Backyard Collection Service revenues pursuant to the 2013 Amendment to the 2009 Franchise Agreement. |
| 11.05 | Special Compensation Review | <ul style="list-style-type: none"> Added language that allows for Contractor to request special compensation review during the regular compensation adjustment process if one or more of the "special" events occur and cause an increase or decrease to Contractor's Compensation by less than 2% for the then-current Rate Year and to compensated Contractor retroactively. Note that current language was retained that states if events cause cost increases or decreases greater than 2%, Contractor can request a special compensation review at any time. Removed language that pertained to Rate Years One and Three under the 2009 Franchise Agreement. |
| 11.07 | Rate-Setting Process | Identified that interest payment arrangements associated with revenue reconciliation process shall governed by the July 8, 2015 Memorandum of Understanding between Contractor and SBWMA, which is provided in new Attachment S. |
| 13.03 | Faithful Performance Bond | Specified that the CPI to be used in adjusting the amount of the performance bond every two years. |
| 13.06 | Indemnification related to Various State Requirements | Amended this Section, which previously focused on the Contractor's indemnification related to AB 939, to be inclusion of indemnification related to AB 939, AB 341, AB 901, AB 1826, AB 1594, SB 1016, SB 1383, and other laws, regulations or permits issued or enforced by the CalRecycle or the LEA. Note that the indemnification is applicable to the extent it relates to Contractor's failure to perform obligations under this Agreement. |
| 14.09.A | Excuse from Performance – Force Majeure | No changes have been made to the language as of this date; however, the Parties are still discussing force majeure language related to labor unrest. |
| ATTACHMENTS | | |
| Attach A | Definitions, New Definitions | Added several definitions including: 2009 Franchise Agreement, AB 341, AB 1826, Bulky Item Collection, Container Relocation Service, Mixed Use Buildings, Long Distance Service, SB 1383, and Shoreway Recycling and Disposal Facility. |
| Attach A | Definitions, Minor Clarifications | Provided minor clarifications to the following definitions: Commercial Diversion Level, Food Scraps, Holidays, Holiday Collection Schedule, Overall Diversion, Previous Contractor, Rate Year, Recycling Blitz, Residential Diversion Level, Revenue Requirement, Service Day, Targeted Recyclable Materials |

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| Attach A | Definition, Community Event | Changed "Event" to "Community Event" which means Agency-sponsored or other community events that are one (1) or two (2) days in duration and have up to 10,000 attendees per day. Community Events may include "large events" as defined by AB 939. Removed the specification that it includes any event "that serves an average of at least 2,000 attendees and workers per day, and Agency-sponsored community events." |
| Attach A | Definition, Contractor's Proposal | Deleted "Contractor's Proposal" as it referred to the original 2007 Recology proposal, which was not needed for the purpose of this Agreement |
| Attach B | Service Level of Agency Facilities | No changes were made. This is an Agency-specific Attachment to be modified by each Member Agency. |
| Attach C | Community Events | Clarified that events may be modified through Three-Year Public Education Plan process. Otherwise, no changes were made. This is an Agency-specific Attachment to be modified by each Member Agency. |
| Attach D | Container Specifications | Amended to reflect current container sizes and colors, eliminated 2009 container costs, and eliminated compactor specifications, as Recology will no longer be providing compactors to customers. |
| Attach E-1 | Contamination Measurement Methodology- Single Loads | No changes were made to this Attachment. |
| Attach E-2 | Contamination Measurement Methodology - Quarterly | This Attachment has been eliminated since contamination has not been an issue and the quarterly testing process was time consuming and costly. Note that SBWMA still has the right to test single loads for contamination pursuant to Attachment E-1 and Section 6.02. |
| Attach F | Performance Bond | Revised date from 2011 to 2021. |
| Attach G | Guaranty | Made minor changes to company and contact names and effective date. |
| Attach H | Delinquent Payment Policy | No changes were made to this Attachment. This is an Agency-specific Attachment to be modified by each Member Agency. |
| Attach I | Performance Incentives and Disincentives | Amended Attachment I as follows: <ul style="list-style-type: none"> • Eliminated language pertaining to initial contract roll-out in 2010. • Eliminated contamination disincentive language and related payments for contamination since Section 6.02 requires Recology to pay for extra processing for contaminated loads or disposal of contaminated loads • Eliminated Single-Family missed pick-up initial complaints pursuant to 2013 First Amendment to the 2009 Franchise Agreement. • Changed diversion level incentive/disincentive benchmark to be set equal to the average diversion level for the most recent 5 years. • Modified the 90 second maximum hold time provision pursuant to the 2013 First Amendment with additional clarification that measurement and LDs are calculated separately for each quarter. • Established an annual maximum disincentive and incentive payments at \$100,000. |
| Attach J | Liquidated Damages | Amended to: (i) state that monthly (rather than quarterly) reports shall be generated; (ii) eliminate language that pertained to the initial contract roll-out in 2010; (iii) update Table 2, Monthly Allowances for Each Member Agency for Select Collection Quality Standards allocating total based on the number of current single-family service opportunities. |

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| Attach K | Compensation and Rate Setting Process | <p>Removed and replaced Attachment K to present a simplified adjustment process for Contractor's Compensation. It presents the following:</p> <ul style="list-style-type: none"> • Definition and use of Bay Area cost indices (rather than U.S. indices in the 2009 Franchise Agreement) • Methodology for adjustment of Contractor's proposed 2021 compensation to reflect actual changes in service levels and changes in fuel cost indices from 2016 through 2020 • Methodology for adjustment of Contractor's Compensation for 2022 through the end of the term, which includes adjustments for changes in service levels and changes in four-different cost indices. • Description of how service level changes are calculated annually based on the percentage change in a rolling three-year average of customer subscription levels, which shall be performed separately for customer type and material type. • Inclusion of 5% cap on the annual increase in the Contractor's Compensation with explanation of how the cap is calculated and how the Contractor is made whole in following years. • Method of adjusting depreciation and interest expense to reflect actual acquisition cost of new vehicles to be effective in Rate Year 2027 for a total increase in rate payers' costs of \$350,000, which reflects a 50/50 share of increased vehicle acquisition costs up to \$700,000 and Contractor's agreement to pay any additional costs beyond \$700,000. • Removal of implementation items related to the 2009 Franchise Agreement. • Removal of contamination performance disincentives. • Inclusion of annual CPI adjustment to Attachment Q charges. • Updated language generally to shift Rate Years and dates that related to the 2009 Franchise Agreement to Rate Years and dates relevant to the amended and restated Agreement. |
| Attach L | Implementation Plan | Deleted Attachment L, Implementation Plan, as it related to the initial contract roll-out in 2010. |
| Attach M | Agency's Franchise Fee and Other Fees | Added language clarifying that the franchise fee shall be calculated on Gross Revenue Billed and specifying that fixed annual payments shall be adjusted annually by the change in the CPI-U. Note that this is an Agency-specific Attachment to be modified by each Member Agency. |
| Attach N | 2020 Compensation and Ops Stats | Removed and replaced Attachment N to reflect 2021 Contractor's Compensation and operating statistics. |
| Attach O | List of Contractor's Personnel | Revised staffing chart to: (i) reflect number of personnel projected for 2021; (ii) shift personnel that were non-CBA (collective bargaining agreement) employees in 2009 and are now CBA employees into the CBA category; (iii) rename some categories; (iv) eliminate some positions that are now reflected in the general and administrative costs; and (v) reduce number of Waste Zero Specialists from 8 to 6 full-time positions. |
| Attach P | Vehicle Specifications | No changes have been made to the language as of this date; however, the Parties are still discussing if it will be revised to reflect specifications for new vehicles during the Term of the amended and restated Agreement. |
| Attach Q | Additional Services | <p>Removed and replaced Attachment in its entirety making the following modifications:</p> <ul style="list-style-type: none"> • Renamed Attachment from "Unscheduled Services" to "Additional Services". • Changed terminology from Contractor's "costs" to Contractor's "Charges" for services. • Removed annual CPI adjustment to Charges as this is covered by Attachment K. • Grouped services for customers separately from those for Agency. |

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| | | <ul style="list-style-type: none"> • Clarified conditions under which certain rates apply and how rates are calculated. • Added two new charges for Container Relocation Service and Agency-specific reporting for abandoned waste collections. • Eliminated recycling cart rental or purchase instead specifying additional recycling cart service for a monthly fee. |
| Attach R | Secretary's Certificate | Included this new Attachment to document that the Recology representative signing the contract is authorized to do so by the company secretary. |
| Attach S | Interest Arrangements | Attached July 8, 2015 Memorandum of Understanding between SBWMA and Contractor describing interest payment arrangements related to the annual revenue reconciliation process. |