

**FIRST AMENDMENT TO THE FRANCHISE AGREEMENT
BETWEEN THE COUNTY OF SAN MATEO AND
RECOLOGY SAN MATEO COUNTY FOR
RECYCLING MATERIALS, ORGANIC MATERIALS AND SOLID WASTE
COLLECTION SERVICES**

THIS FIRST AMENDMENT TO THE AGREEMENT entered into this 10th day of September, 2013 by and between the County of San Mateo herein referred to as "County," a political subdivision of the State of California and Recology San Mateo County a California Corporation ("Recology"), having its principal place of business at 225 Shoreway Road, San Carlos, CA 94070 hereinafter referred to as "Contractor",

WITNESSTH:

WHEREAS, the parties hereto have previously entered into an Agreement for Recyclable Materials, Compost Materials and Solid Waste Collection Services ("Agreement") on October 20, 2009; and

WHEREAS, the parties hereto wish to further amend said Agreement to reduce costs and streamline or eliminate any contractual administrative provisions that are not in the Agreement;

NOW, THEREFORE, in consideration of the above premises the parties do hereby agree as follows; the parties agree as follows:

1. Section 5.05 "Twice Annual On-Call Curbside Bulky Item Collection," page 23 of 116, line 835 is amended to read: "Contractor will allow the scheduling of On-Call Bulky Item Collection Service events from February 1 through December 31 of each Rate Year."
2. Section 5.07 "Confidential Document Destruction Service Event," page 25 of 116, line 930 is amended to read: "As of January 1, 2013 the SBWMA will be responsible to schedule the document shredding events for Member Agencies. Each Agency will continue to be provided one event annually at no additional cost;
3. Section 5.10 "Coat for Kids Program," page 28 of 116, line 1031, is amended to include the following sentence: "Recology shall be required to announce when each Member Agency will be provided notice each year regarding the program start and end date sixty days prior to the start of the program. The general scope of the outreach that will be conducted in order to properly promote the program shall include, but not limited to websites and media such as flyers and press releases."
4. Section 5.11 "Compost Give-Away," page 28 of 116, line 1033-1043 is amended to read: "Commencing January 1, 2013, Recology will be the primary contact for the Member Agencies to schedule Compost Give-Away Events. The contractor will take the lead in organizing the delivery of the compost by South Bayside Recycling (SBR) to the Shoreway Environmental Center (if Recology is scheduling a Drop Box Event) or directly to the event. The compost giveaway will provide residents with free compost to enrich their gardens. In addition, one

time per Rate Year, if requested, Contractor representatives will be on hand to distribute recycling guides and other educational material promoting waste reduction and recycling. Contractor is required to deliver to Agency thirty (30) cubic yards of compost annually in one (1) or two (2) deliveries at no additional cost. Agency shall provide Contractor no later than ten (10) Business Days' notice to deliver additional compost to Agency and Contractor shall be entitled to increase Contractor's Compensation for the Rate Year that the compost is delivered to Agency based upon the costs specified in Attachment Q."

5. Section 6.02 "Limitations on Contamination," page 31 of 116, line 1169, is amended to replace Table One (1) with the following:

Table 1	
Material Category	Maximum Contamination Level (% by weight)
Commercial Source Separated or Targeted Recyclable Materials	10%
MFD and Commercial Plant Materials	5%
Single-Family Organic Materials	5%
Commercial Organic Materials	10%
Single-Family Targeted Recyclable Materials (Rate Year One)	20%
Single-Family Targeted Recyclable Materials (Years Two - Ten)	8.5%

6. Section 7.01 "Local Office," page 38 of 116, line 1435-1439, amended to read: "Contractor shall maintain a local office in the Shoreway Recycling and Disposal Center for acceptance of in-person payment of bills. At the local office, Contractor shall accept as payment personal checks, money orders, cashier's checks, and credit cards. The local office shall be open for business from 8:00 a.m. until 5:00 p.m. Monday through Friday, exclusive of the following holidays, New Year's Day, Martin Luther King Jr.'s Birthday, President's Day, Memorial Day, July 4th, Labor Day, Veterans Day, Thanksgiving Day and Christmas Day, shall operate a local office at the Shoreway Recycling and Disposal Center, located at 225 Shoreway Road, San Carlos. Office hours shall be at a minimum, from 8:00 a.m. to 5:00 p.m., Monday through Friday, exclusive of Holidays, as defined in Section 7.01C "Local Office" Contractor shall be responsible for ensuring that a qualified representative is available at the local office during office hours to communicate with the public and accept Bill payments from Customers. Contractor shall offer bi-lingual customer service at the local office by employing CSR's with English and Spanish language capabilities. The local office and customer service telephone number(s) shall either be a local or toll free call."
7. Section 7.02 "Customer Service," Section F. Quality Assurance Program, page 42 of 116, line 1601-1612, is amended to read: "Quality Assurance Program. The Quality Assurance Program is to focus on the quality of the customer service experience when interacting with the Recology customer service center. This

will be accomplished by calling customers that have recently contacted Recology via phone and spoke live with a customer service representative. The number of customers that will be contacted every month will be 200. The customers contacted each day will be randomly selected from the pool of customers that contacted Recology the prior business day and such calls shall be evenly distributed (e.g., approximately 12-13 calls per business day) throughout the month with some exceptions as follows: calls will be made during non-peak call volume days (i.e., 2nd, 3rd, and 4th weeks after billing); and no calls will be made immediately after a holiday. When placing the calls, Recology will use a standardized survey that will be completed during the phone interview of the customer. If a message is left with the customer, the message left by Recology will direct the customer to complete an online survey. Both survey instruments (for phone interviews and online survey) shall have similar questions and be subject to approval by the SBWMA. Recology employees placing the calls shall not be the same employee that spoke to the customer the prior business day; Recology employees shall be calling customers that another employee spoke to the prior business day. The reporting requirements for this program denoted in Section 9.05.Monthly Reports, Section G. Quality Assurance Program., will be such that a summary report on survey results will be provided in each quarterly report. The actual surveys will be kept by Recology compliant with the record keeping requirements of the Franchise Agreement(s) and such surveys will be made available upon request.”

8. Section 7.03 “Public Education and Promotion,” Section B. Annual Public Education Plan., page 43 of 116, line 1646-1648, is amended to read: “Annual Public Education Plan. On or before September 1st of each Rate Year, the SBWMA shall prepare the Public Education Plan and share the plan with Recology for feedback prior to finalizing it for Board.”
9. Section 7.03 “Public Education and Promotion,” Section E. Contractor Responsibilities, Item 16 and 17, lines 1741-1764, is amended to read:
 - (16.) “Each Rate Year the SBWMA shall take the lead in developing and producing bill inserts for the Member Agencies and the Service Notice per Section 7.03J. A total of nine (9) Bill inserts are specified in item 17. However, Recology will be responsible for costs associated with printing production and distributing bill inserts and the Service Notice. If Agency has specified a post card bill format, the notices described as "Bill inserts" shall be separately mailed by Contractor, in addition, if Bills (in whatever format) are mailed at intervals that do not accommodate the timely distribution of the specified notices, notices will be separately mailed as necessary by Contractor.”
 - (17.) “Each Rate Year the SBWMA shall take the lead in developing and producing and Recology will be responsible for costs associated with producing and distributing the following public education and promotional materials:
 - a. Annual On-Call Collection Services Collection notice (one (1) SFD Solid Waste Bill insert).
 - b. Annual Holiday Tree Recycling notice (separate for SFD and MFD - two (2) Solid Waste Bill inserts) or mailings to CSA-8 SFD and MFD customers.

- c. Annual “Reduce Holiday Packaging” notices (one (1) SFD and MFD Solid Waste Bill insert) or mailings to CSA-8 SFD and MFD customers.
 - d. Twice annual compost giveaway notice (two (2) SFD and MFD Solid Waste Bill inserts) or mailings to CSA-8 SFD and MFD customers.
 - e. Twice annual Commercial Recycling notice (two (2) Commercial Solid Waste Bill inserts).
 - f. Annual Commercial Recycling awards notice (one (1) Commercial Solid Waste Bill insert).
 - g. Non-collection notice (set-out correction notice).”
10. Section 7.03 “Public Education and Promotion,” Section F. Staffing, page 46 of 116, is amended to delete Section F. Staffing, lines 1783-1788. Recology has eliminated the public education manager position from the contract.
 11. Section 7.03 “Public Education and Promotion,” Section G. Meeting Requirements, page 46 of 116, lines 1790-1794, is amended to read: “Upon request from Agency or SBWMA, the General Manager or his/her designee is required to meet quarterly, and more frequently if necessary, with Agency and/or SBWMA staff to review public education and promotion activities. In addition, the General Manager or his/her designee will be required to represent Contractor at all monthly SBWMA Board of Director meetings.”
 12. Section 7.04 “Commercial Recycling Promotion Program,” page 47 of 116, lines 1821-1828, is amended to read: “Commercial Recycling Promotion Program Staff. Contractor shall maintain a Commercial Recycling promotion program staff that will be primarily responsible for supporting Commercial and Multi-Family Dwelling Accounts and Agency Facilities Recycling-related Collection services. The Commercial Recycling promotion staff for the SBWMA Service Area shall consist of a minimum of the following full-time staff: eight (8) “sales” representatives (recycling coordinators), and one (1) supervisor (commercial recycling manager), as specified in Attachment O.”
 13. Section 7.04 “Targeted Commercial Recycling Promotion,” page 48 of 116, lines 1853-1864, is amended to read “Contractor shall provide full on-site waste assessment and technical assistance to, at a minimum, 75 (75) of Agency’s largest Commercial Generators (based on weekly Solid Waste generation) annually to assist in maximizing diversion. For all other Commercial Generators, Contractor shall provide technical assistance as needed or requested. Recology shall be required to annually prepare the proposed list of customers to perform the assessment for and meet with the each Agency individually to get the Agency’s approval to proceed with the list at the Agency’s discretion. Contractor shall document the site assessments, the date of the assessment, the Person contacted, the Solid Waste, Source Separated or Targeted Recyclable Materials, and Organic Materials service levels at the time of the assessment, and recommended changes to service level(s). Contractor shall submit results of site assessments monthly, or upon request, provide copies of assessment data and recommendations for individual site assessments.”
 14. Section 8.02 “Collection Standards,” Section G. Collection of Excess Materials (Overages), page 57 of 116, lines 2236-2245” is amended to read: “Contractor

shall direct its employees to Collect an Overage on two (2) occasions each Rate Year at no additional cost to Customer. Contractor must provide a notice to Customer documenting the Overage in order to count the Overage Collection towards the allocated two (2) per Rate Year for each Customer. Customers that place an Overage for Collection for a third and subsequent events, may be assessed an Overage fee by Contractor if Contractor documents said Overage and sends the Customer a letter or directly contacts the customer via a phone call within two (2) Business Days notifying them of the Overage Collected. The Overage fee billed by Contractor to Customer for a third and subsequent Overage event is specified in Attachment Q.”

15. Section 8.02 “Collection Standards,” K. Route Books and Route Maps, page 59 of 116, line 2325-2334, is amended to read: “L. Change in Collection Schedule. Contractor shall notify Agency a minimum of two (2) weeks or ten (10) business days prior to a change in the Residential Collection service days change for minor adjustments. A minor adjustment shall be defined as less than the average size of a single route per the collection service metric delineated in the prior year’s Compensation Application. Contractor shall notify Owners and Occupants of Residential Premises not later than ten (10) Business Days prior to any change in Residential Collection operations which results in a change in the day on which Solid Waste, Targeted Recyclable Materials, and Organic Materials Collection occurs. Contractor shall not permit any Customer to go more than five (5) Business Days without service in connection with a Collection schedule change.”
16. Section 8.08 “Communication and Cooperation with Agency”, New Section D. “Requirements for Operations, Equipment and Personnel, Communication and Cooperation with Agency,” is added and amended to read: “Administrative Changes to the Franchise Agreement. The parties agree that certain aspects of services provided under this Agreement may be modified without formally amending this Agreement via an action by the County Manager or governing body of an Agency. Subject to mutual agreement by Contractor and Agency, Agency, Agency’s County Manager, his/her designee or the governing body may administratively approve modifications to the provision of services if such modifications do not materially impact the cost or quality of services delivered by Contractor. Examples of such modifications the parties deem necessary and which may arise periodically shall include, but not be limited to:
 - a. Minor adjustments to routes
 - b. Changes in the hours or days the Contractor’s customer service center is open
 - c. Minor adjustments to the collection schedule for on-call services
 - d. Clarification of language in the Agreement
 - e. Changes in reporting requirements.”
17. Section 9.05 “Monthly Reports,” Section A. Tonnage Information, page 78 of 116, line 3141-3143, is amended to read: “Contractor shall provide the Tonnage information (including tonnage report source files) requested below by Service Sector on a monthly and year to date basis. The reports shall not include Commercial Recycling reports (e.g. site assessments, net change reports, public education, community events, or internal containers delivered) this information shall be included in the Quarterly reports.”

18. Section 9.06 “Quarterly Reports,” page 79 of 116, line 3194-3196, Subsections A: Tonnage Information; B: is amended to read: “Quarterly reports shall present the information described in this Section and they shall omit the redundant information included in the monthly reports. Each quarterly report shall present the information below for the reporting months of that quarter and for each of the preceding twelve (12) months.”
19. Attachment A, “Definitions,” Targeted Recycling Materials,” page 16 of 18, line 586-600 is amended to read: “Targeted Recycling Materials’ means a subset of Recycling Materials that includes: newspaper (including inserts, coupons, and store advertisements); mixed paper (including office paper, computer paper, magazines, junk mail, catalogs, brown paper bags, paperboard, paper egg cartons, telephone books, books, colored paper, construction paper, envelopes, legal pad backings, shoe boxes, cereal and other similar food boxes); chipboard; corrugated cardboard; paper milk cartons; glass containers of any color (including brown, blue, clear, and green); aluminum (including food and beverage containers, foil, small pieces of scrap metal); small pieces of scrap metal weighing less than ten (10) pounds and fitting into the Targeted Recyclable Materials Collection Container (excluding chain, cable, wire, banding, hand tools, and automotive parts); steel, tin or bi-metal containers; plastic containers (i.e., all plastic containers stamped with the Society for the Plastics Industry (SPI) code #1 through #7; and plastic containers that are not stamped but clearly can be identified as PET, HDPE, polypropylene). For Single-Family and Multi-Family Premises, Targeted Recyclable Materials also include Used Motor Oil, Used Motor Oil Filters, Household Batteries, Cell Phones and all recycling items SBR is currently marketing that are not defined as allowable. The standard to include additional materials shall be those recyclables that SBR has been actively separating and marketing for the 120 days prior to the month which the contamination sampling event and provided in writing to Recology.”
20. Attachment I, “Performance Incentives and Disincentive of the Agreement,” is replaced with a new Attachment I, attached as Exhibit A to this Amendment.
21. Attachment Q, “Unscheduled Services,” page 1 of 4, Backyard Collection Service Distance Cost for Single-Family Dwelling Chart,” amended to read: “Backyard Collection Service Distance Cost for Single-Family Dwelling – Each Agency shall retain the revenue for the first twenty (20) percent of Backyard Service Customers that subscribe to this service.”
22. 11.04 “Application Process For Contractor’s Compensation,” page 91 of 116, line 3699, new paragraph, amended to read; “Recology shall be allowed to propose passing on cost savings to the Member Agency and upon approval by the Agency, these cost savings shall be passed on to the Agency while allowing the company to retain the calculated profit on these reduced costs. The retained calculated profit figures shall be verified by SBWMA staff and the Agency.”
23. Attachment K Contractor’s Compensation and Rate Setting Process, 1.Introduction, page 5 of 25, new paragraph, amended to read “Upon approval by the Agency Recology shall be allowed to propose passing on cost savings to the Member Agencies, and these costs savings shall be passed onto the Agency while allowing Recology to retain the calculated profit on these reduced cost. The retained calculated profit figures will be verified by the SBWMA staff and the Agency.”
24. The remaining terms of the Agreement remain in full force and effect.

County of San Mateo

Recology San Mateo County

Michael J. Sangiacomo
President & Chief Executive Officer

John L. Maltbie
County Manager/Clerk of Said Board
County of San Mateo

Print Name
President and CEO

Date: _____

Date: SEPTEMBER 3 2013

Attest:

Deputy Clerk of the Board of Supervisors

EXHIBIT A
ATTACHMENT I
PERFORMANCE INCENTIVES AND DISINCENTIVES
To be amended as follows;

“Performance incentives (in the form of increased compensation to Contractor) will be awarded for excellent performance on aspects of Solid Waste diversion, Collection service delivery and Customer service as specified in this Attachment. Any performance incentive for achieving or surpassing the performance standards specified herein shall be added to Contractor’s Compensation during the Rate Year immediately following the calculation and award of the performance incentive. Performance disincentives will be assessed for substandard performance on aspects of Solid Waste diversion, Source Separated and Targeted Recyclable Materials contamination, Organic Materials contamination, Plant Materials contamination, Collection service delivery and Customer service as specified in this Attachment. Any performance disincentives for performance falling below standards as specified herein shall be subtracted from Contractor’s Compensation during the Rate Year immediately following the calculation and assessment of the performance disincentive, with the exception of Contamination related disincentives which shall be paid by Contractor quarterly.

The performance incentives and disincentives contained herein will commence after full implementation of the roll-out of new services to Agency, with the exception of Contamination disincentives for Single-Family Targeted Recyclable Materials, which will commence after the first six (6) months of Rate Year One (2011). Agency may defer imposing some standards until after the first six (6) months of the roll-out of new services.

1. GENERAL

Agency shall provide an incentive payment to Contractor for exceeding the following two (2) performance standards:

- Overall Diversion Level
- Average Speed of Answer

Agency shall assess a disincentive payment to Contractor for not meeting the following ten (10) performance standards:

- Minimum Single-Family Diversion Level
- Minimum Commercial Diversion Level
- Maximum Contamination Level – Single-Family Targeted Recyclable Materials
- Maximum Contamination Level – Single-Family Organic Materials
- Maximum Contamination Level – Commercial Source Separated and Targeted Recyclable Materials
- Maximum Contamination Level – Commercial Organic Materials
- Maximum Contamination Level – MFD and Commercial Plant Materials
- Single-Family Missed Pick-Up Collection Events
- Average Speed of Answer
- Ninety (90) Second Maximum Hold Time

Table 1 provides a summary of the incentives and disincentives, which are described in detail in Sections 2 - 7 of this Attachment. Section 8 of this Attachment describes the incentive and disincentive payment procedures.

Summary of Incentives/Disincentives

TABLE 1			
Performance Incentive and Disincentive	Disincentive Payment Threshold	Incentive Payment Threshold	Performance Incentive/Disincentive Payment Amount
Annual Diversion Level			
Overall Diversion Level ¹	Not applicable	calculated Overall Diversion Level > targeted Overall Diversion Level	Incentive payment = \$70.00 per Ton
Minimum Single-Family Diversion Level	Level < TBD% ¹	Not applicable	Disincentive payment = \$70.00 per Ton
Minimum Commercial Diversion Level	Level < TBD% ²	Not applicable	Disincentive payment = \$70.00 per Ton
Maximum Contamination Level – Residential Targeted Recyclable Materials	Rate Year One level > 20% ³ Rate Year Two (2012) through Ten (2020) level > TBD ⁴	Not applicable	Disincentive payment = \$175.00 per Ton
Maximum Contamination Level – Residential Organic Materials	Level > 5%	Not applicable	Disincentive payment = \$70.00 per Ton
Maximum Contamination Level – Commercial Targeted Recyclable Materials	Level > 8%	Not applicable	Disincentive payment = \$70.00 per Ton
Maximum Contamination Level – Commercial Organic Materials	Level > 10%	Not applicable	Disincentive payment = \$70.00 per Ton
Maximum Contamination Level – MFD and Commercial Plant Materials	Level > 5%	Not applicable	Disincentive payment = \$70.00 per Ton
Single-Family Missed Pick-Up Collection Event	Actual > 0	Not applicable	Disincentive payment = \$50.00 per Missed Pick-Up Collection Event

TABLE 1			
Performance Incentive and Disincentive	Disincentive Payment Threshold	Incentive Payment Threshold	Performance Incentive/Disincentive Payment Amount
Average Speed of Answer	Actual > 30 seconds	Actual < 15 seconds	Incentive or disincentive payment = \$500 per second above or below the threshold
Ninety (90) Second Maximum Hold Time	Actual < 100% of all calls received are answered in ninety (90) seconds or less	Not applicable	Disincentive payment = \$5.00 per number of calls exceeding the threshold

¹ "TBD" is "to be determined. The minimum Single-Family Diversion Level for Rate Year One (2011) shall equal the calculated Single-Family Diversion Level achieved by the Previous Contractor in 2010 which shall include all Recyclable Materials Collected by Contractor during the Recycling Blitz in 2010. The minimum Single-Family Diversion Level for Rate Year Two (2012) through Ten (2020) shall equal the higher of the following: (i) the Single-Family Diversion Level achieved by Previous Contractor in 2010 including all Recyclable Materials Collected by Contractor during the Recycling Blitz in 2010 or (ii) the Single-Family Diversion Level achieved by Contractor in Rate Year One (2011).

² "TBD" is "to be determined. The minimum Commercial Diversion Level targeted for Rate Year One shall equal the calculated Commercial Diversion Level achieved by the Previous Contractor in 2010 which shall include all Recyclable Materials Collected by Contractor during the Recycling Blitz in 2010. The minimum Commercial Diversion Level for Rate Year Two shall equal the higher of the following (i) the Commercial Diversion Level achieved by Previous Contractor in 2010 including all Recyclable Materials Collected by Contractor during the Recycling Blitz in 2010 or (ii) the Commercial Diversion Level achieved by Contractor in Rate Year One (2011).

³ The Single-Family Dwelling Targeted Recyclable Materials maximum Contamination Level is twenty percent (20%) for the last six (6) months of Rate Year One (2011).

⁴ "TBD" is: "to be determined." The Rate Year Two (2012) through Rate Year Ten (2020) maximum Contamination Level will be established by calculating the arithmetic average of the quarterly results obtained from the sampling for Rate Year One (2011) conducted pursuant to Section 6.02.B and Attachment E-2.

2. DIVERSION LEVELS

Definition of Calculated Diversion Level

The Single-Family, Commercial and Overall Diversion Levels achieved shall be calculated based on the methodology shown in the following example:

Example assumptions (actual results will be based on Contractor performance):

Rate Year Two (2012) Results					
Service Sector	Material Type	Tons Collected	Contamination Percent	Contamination Tons	Net Tons
Single-Family	Targeted Recyclable Materials	35,000	7.00%	2,450	32,550
	Other Recyclable Materials	3,000	N/A	N/A	3,000
	Organic Materials	51,000	8.00%	4,080	46,920
	Total Diversion	89,000	N/A	6,530	82,470
	Solid Waste	80,000	N/A	6,530	86,530
	Calculated Single-Family Diversion Level				48.80%
Multi-Family	Targeted Recyclable Materials	8,000	9.00%	720	7,280
	Other Recyclable Materials	1,000	N/A	N/A	1,000
	Organic Materials	6,000	9.00%	540	5,460
	Plant Materials	1,000	2.00%	20	980
	Total Diversion	16,000	N/A	1,280	14,720
	Solid Waste	30,000	N/A	1,280	31,280
Commercial	Targeted Recyclable Materials	28,000	6.00%	1,680	26,320
	Other Recyclable Materials	2,000	N/A	N/A	2,000
	Organic Materials	13,000	6.00%	780	12,220
	Plant Materials	5,000	4.00%	200	4,800
	Total Diversion	48,000	N/A	2,660	45,340
	Solid Waste	147,000	N/A	2,660	149,660
Agency Facilities	Targeted Recyclable Materials	2,000	6.00%	120	1,880
	Other Recyclable Materials	500	N/A	N/A	500
	Organic Materials	500	6.00%	30	470
	Plant Materials	200	4.00%	8	192
	Total Diversion	3,200	N/A	158	3,042
	Solid Waste	9,000	N/A	158	9,158
Multi-Family, Commercial and Agency Facilities Total	Targeted Recyclable Materials	38,000	N/A	2,520	35,480
	Other Recyclable Materials	3,500		N/A	3,500
	Organic Materials	19,500		1,350	18,150
	Plant Materials	6,200		228	5,972
	Total Diversion	67,200		4,098	63,102
	Solid Waste	186,000		4,098	190,098
Single-Family, Multi-Family, Commercial and Agency Facilities ²	Calculated Commercial Diversion Level¹				24.92%
	Targeted Recyclable Materials	73,000	N/A	4,970	68,030
	Other Recyclable Materials	6,500	N/A	N/A	6,500
	Organic Materials	70,500	N/A	5,430	65,070
	Plant Materials	6,200	N/A	228	5,972
	Total Diversion	156,200	N/A	10,628	145,572
	Solid Waste	266,000	N/A	4,098	276,628
	Calculated Overall Annual Diversion Level²				34.48%

¹ Commercial Diversion includes: Multi-Family, Commercial and Agency Facility Service Sectors.

² Overall Diversion Level includes Single-Family, Multi-Family, Commercial and Agency Facility Service Sectors.

Exceptional Diversion Level Performance

For Rate Years Two (2012) through Ten (2020) Contractor shall receive an incentive payment if the calculated Overall Diversion Level achieved by Contractor in any given Rate Year exceeds (i) the highest calculated Overall Diversion Level achieved by Contractor in a prior Rate Year during the Term or (ii) the Overall Diversion Level achieved by Previous Contractor in 2010 which shall include all Recyclable Materials Collected by Contractor during the Recycling Blitz.

For example:

- If the Previous Contractor achieves an Overall Diversion Level of 36.45% (including all Recyclable Materials Collected by Contractor during the Recycling Blitz) in 2010 and Contractor achieves an Overall Diversion Level of 35.58% in Rate Year One, the Contractor must achieve an Overall Diversion Level greater than 36.45% in any given Rate Year to receive an incentive payment.
- If Contractor achieves Overall Diversion Levels for Rate Years Two, Three, Four and Five of 37.66%, 38.59%, 38.38% and 37.64%, respectively, Contractor shall receive an incentive payment for Rate Year Three only and the Overall Diversion Level that must be exceeded is 38.59% in future Rate Years, unless a higher Overall Diversion Level is achieved.

The targeted Overall Diversion Level shall be calculated based on the methodology used in the following example:

Example assumptions (actual results *will be based on Contractor performance*):

Rate Year	Diversion Level	Tons Diverted	Tons Disposed	Total Tons Collected	Disincentive Payment (\$70.00 per net Ton Diverted)	Incentive Payment (\$70.00 per net Ton Diverted)
Calculated Single-Family Diversion Level for 2013	49.42%	83,700	85,658	169,358		
Minimum Single-Family Diversion Level for 2012	48.80%	82,470	86,530	169,000		
Variance from 2012 to 2013	0.62%			1,055.30	None	N/A
Calculated Commercial Diversion Level for 2013	24.70%	62,010	189,000	251,010		
Minimum Commercial Diversion Level for 2012	24.92%	63,102	190,098	253,200		
Variance from 2012 to 2013	-0.22%			-546.21	-\$38,234.88	N/A
Calculated Overall Diversion Level for 2013	34.66%	145,710	274,658	420,368		
Targeted Overall Diversion Level for 2012	34.48%	145,572	276,628	422,200		
Variance from 2012 to 2013	0.18%			769.66	N/A	\$53,876.37
New Targeted Overall Diversion Level for 2014	34.66%					
Summary:					Net Payment Due: Positive Amount Due Contractor and Negative Amount Due Agencies	\$15,641.50
	Variance					
Single-Family Diversion =	0.62%	Positive results in no Disincentive due				
Commercial Diversion =	-0.22%	Negative results in Disincentive due				
Overall Diversion =	0.18%	Positive results in Incentive due				

Minimum Diversion Level Requirements

Minimum Single-Family Diversion Level

For Rate Years One (2011) through Ten (2020), Contractor shall be assessed a Disincentive Payment if the calculated Single-Family Diversion Level is less than the targeted (minimum) Single-Family Diversion Level.

The minimum Single-Family Diversion Level for Rate Year One (2011) shall equal the calculated Single-Family Diversion Level achieved by the Previous Contractor in 2010 including all Recyclable Materials Tons Collected by Contractor during the Recycling Blitz. The minimum Single-Family Diversion Level for Rate Year Two (2012) through Rate Year Ten (2020) shall equal the higher of the following: (i) the Single-Family Diversion Level achieved by Previous Contractor in 2010 including all Recyclable Materials Tons Collected by Contractor during the Recycling Blitz or (ii) the Single-Family Diversion Level achieved by Contractor in Rate Year One (2011).

For example:

- If the Previous Contractor achieves a Single-Family Diversion Level of 44.45% in 2010 and Contractor's calculated Single-Family Diversion Level is 43.85% in Rate Year One (2011), Contractor shall be assessed a disincentive payment for Rate Year One.
- If the Previous Contractor achieves a Single-Family Diversion Level of 44.45% in 2010 and Contractor achieves calculated Single-Family Diversion Levels of 46.85% in Rate Year One and 45.54% in Rate Year Two, the targeted Single-Family Diversion Level for Rate Years Three (2013) through Ten (2020) shall be 46.85%.

Minimum Commercial Diversion Level

For Rate Years One (2011) through Ten (2020), Contractor shall be assessed a Disincentive Payment if the calculated Commercial Diversion Level is less than the targeted (minimum) Commercial Diversion Level. The minimum Commercial Diversion Level for Rate Year One (2011) shall equal the calculated Commercial Diversion Level achieved by the Previous Contractor in 2010 including all Recyclable Materials Tons Collected by Contractor during the Recycling Blitz. The minimum Commercial Diversion Level for Rate Year Two (2012) through Rate Year Ten (2020) shall equal the higher of the following: (i) the Commercial Diversion Level achieved by Previous Contractor in 2010 including all Recyclable Materials Tons Collected by Contractor during the Recycling Blitz or (ii) the Commercial Diversion Level achieved by Contractor in Rate Year One (2011).

For example:

- If the Previous Contractor achieves a Commercial Diversion Level of 21.35% in 2010 and the Commercial Recyclable Materials Tons Collected by Contractor during the Recycling Blitz increases this Diversion level to 26.35% and Contractor's calculated Commercial Diversion Level is 25.85% in Rate Year One, Contractor shall be assessed a disincentive payment for Rate Year One.
- If the Previous Contractor's activities in 2010 and Contractor's Recycling Blitz activities combined achieve a Commercial Diversion Level of 26.35% in 2010 and Contractor achieves calculated Commercial Diversion Levels of 27.13% in Rate Year One and 25.38% in Rate Year Two, the targeted Single-Family Diversion Level for Rate Years Three through Nine shall be 27.13%.

3. CONTAMINATION LEVELS

Contamination Level Requirements

The maximum Contamination Levels shall be:

- Rate Year One (2011) Single-Family Targeted Recyclable Materials = twenty percent (20%) for the last six (6) months of Rate Year One (2011)
- Rate Year Two (2012) through Ten (2020) Single-Family Targeted Recyclable Materials = TBD%

“TBD” is: To Be Determined. The Rate Year Two (2012) through Rate Year Ten (2020) maximum Contamination Level will be established by calculating the arithmetic average of the quarterly results obtained from the sampling for Rate Year One (2011) conducted pursuant to Section 6.02.B and Attachment E-2.

- Residential Organic Materials = 5%
- Commercial Source Separated and Targeted Recyclable Materials = 8%
- Commercial Organic Materials = 10%
- MFD and Commercial Plant Materials = 5%

Contamination Disincentive Payment shall be:

- \$175.00 per Ton for Single-Family Targeted Recyclable Materials
- \$70.00 per Ton for Commercial Source Separated and Targeted Recyclable Materials
- \$70.00 per Ton for Organic Materials
- \$70.00 per Ton for Plant Materials

The Contamination Levels achieved will be determined based on the results of the Contamination Measurement Procedure conducted pursuant to Section 6.02.B and Attachment E-2.

Contamination Disincentive Payment

Contractor shall be assessed a disincentive payment for exceeding the maximum Contamination Level(s), based on the methodology shown in the following example:

Material Type	Tons Collected	Allowable Contamination Threshold	Measured Contamination Level	Variance	Tons	Payment Amount	Payment Due
Single-Family Targeted Recyclable Materials	35,000	6.20%	7.10%	0.90%	315	\$175	\$55,125
Commercial Targeted Recyclable Materials	38,000	8.00%	6.40%	-1.60%	N/A	\$70	N/A
Residential Organic Materials	51,000	5.00%	4.82%	-0.18%	N/A	\$70	N/A
Commercial Organic Materials	13,000	10.00%	8.50%	-1.50%	N/A	\$70	N/A
Multi-Family and Commercial Plant Materials	6,000	5.00%	5.60%	0.60%	36	\$70	\$2,520
						Total	\$57,645

4. SINGLE-FAMILY MISSED PICK-UP COLLECTION EVENTS

Contractor shall be assessed a disincentive payment for the actual number of Single-Family Missed Pick-Up Collection Events for Agency that occur during each month. Disincentive payments for Missed Pick-Up Collection Events will be based on the following example:

Actual number of Single-Family Missed Pick-Up Collection Events = 87

Allowable threshold of Single-Family Missed Pick-Up Collection Events = 0

Disincentive Payment = \$50 per Missed Pick-Up Collection Event

$87 \times \$50 = \$4,350$

5. AVERAGE SPEED OF ANSWER AT CUSTOMER SERVICE CENTER

Exceptionally Fast Average Speed of Answer

Contractor shall receive an incentive payment if the actual Average Speed of Answer is less than fifteen (15) seconds each month. In such cases, the incentive payment shall be calculated based on the following example:

Actual Average Speed of Answer = 14 seconds

Average Speed of Answer Standard = 15 seconds

Speed of Answer Incentive Payment = \$500.00 per second

Incentive = Actual Average < 15 seconds

$14 - 15 = -1$ second

$1 \times \$500.00 = \500

If the actual Average Speed of Answer is equal to or greater than fifteen (15) seconds each month, no incentive payment will be provided.

Maximum Average Speed of Answer

Contractor shall be assessed a disincentive payment if the Average Speed of Answer is less than or equal to thirty (30) seconds each month. If Contractor fails to achieve this maximum Average Speed of Answer, the Agency shall assess a disincentive payment based on the following example:

Actual Average Speed of Answer= 47 seconds

Average Speed of Answer Standard = 30 seconds

Speed of Answer Disincentive Payment = \$500.00 per second

Disincentive = Actual Average > 30 seconds

$47 - 30 = 17$ seconds

$17 \times \$500.00 = \$8,500$

If the actual Average Speed of Answer is equal to or greater than fifteen (15) seconds and less than thirty (30) seconds each month, neither incentives or disincentives shall be applied.

6. NINETY SECOND (90) MAXIMUM HOLD TIME

The maximum Hold Time shall be ninety (90) seconds and this disincentive payment shall apply if the quarterly average of calls exceeding this ninety (90) second threshold exceeds five-percent (5%) of the calls received in any given Rate Year quarter (e.g., January, February and March). If Contractor fails to achieve this performance standard for any quarter, the Agency shall assess a disincentive payment for that quarter and the subsequent quarters of this Rate Year only (e.g., if the threshold is exceeded in the third quarter the disincentive is applied to the third and fourth quarter only that year and not the first and second quarters), based on the following example:

Number of calls exceeding the Ninety (90) Second threshold = 312

Disincentive Payment = \$5.00 per call

312 x \$5.00 = \$1,560

7. INCENTIVE/DISINCENTIVE PAYMENT PROCEDURES

A. **Record Keeping.** In accordance with Article 9, records shall be maintained by Contractor for Agency in a manner that adequately demonstrates and documents Contractor's performance in accordance with this Agreement. The records shall be sufficient for Agency and SBWMA to determine Contractor's compliance with the specified performance standards.

B. **Determination of Achievement of Performance Standards.** In accordance with the requirements of Sections 9.06, 9.07 and 11.07, Contractor shall provide with its quarterly and annual reports, a report that identifies compliance with the performance standards listed in this Attachment and calculation of the performance incentive payments and disincentive assessments due.

Performance incentives and disincentives for Overall Diversion Level, Minimum Single-Family Diversion Level, Minimum Commercial Diversion Level, Average Speed of Answer and Ninety (90) Second Maximum Hold Time shall be calculated in aggregate for the SBWMA Service Area and Agency's share shall be proportional based on the tons of Solid Waste Collected in the previous Rate Year by Contractor or for Rate Year One (2011) by Previous Contractor in 2010. Performance incentives and disincentives for Single-Family Missed Pick-Up Collection Events shall be calculated separately for each Agency. Disincentive assessments for Contamination shall be calculated in aggregate and paid to the SBWMA quarterly pursuant to Agreement Sections 9.06 and 11.07, and Section 8.D of this Attachment.

The incentives and disincentives that will be calculated monthly include:

- Single-Family Missed Pick-Up Collection Events
- Average Speed of Answer
- Ninety (90) Second Maximum Hold Time

The disincentives that will be calculated quarterly include:

- Single-Family Targeted Recyclable Materials maximum Contamination Level

- Single-Family Organic Materials maximum Contamination Level
- Commercial Source Separated and Targeted Recyclable Materials maximum Contamination Level
- Commercial Organic Materials maximum Contamination Level
- MFD and Commercial Plant Materials maximum Contamination Level

The incentives and disincentives that will be calculated annually include:

- Overall Diversion Level
- Minimum Single Family Diversion
- Minimum Commercial Diversion Level

- C. **Amount.** The incentive and disincentive payment amounts shall be determined in accordance with the formulas presented in Sections 2 - 7 of this Attachment I.
- D. **Timing of Payment.** Payments related to performance incentives and disincentives that are calculated monthly and annually are to be included in Contractor's annual Application for adjustment to Contractor's Compensation. Contractor's Compensation for the next Rate Year will be increased or decreased by the net amount of performance incentive payments and disincentive assessments calculated. Payment by Contractor for Contamination related performance disincentives that are calculated quarterly shall be paid to the SBWMA within ten (10) days after submittal of Contractor's quarterly report. The SBWMA will review Contractor's calculations of incentives and disincentive payments and underlying data for accuracy, will confer with Member Agencies to confirm data as to each Member Agency, and will meet with Contractor to resolve any errors or inconsistencies.
- E. **Disputes by Contractor.** Contractor may, within ten (10) calendar days after receiving the Agency's or SBWMA's written notice containing Agency's or SBWMA's revised determination of incentive and disincentive payments, provide written notice to Agency and SBWMA of any disagreement with Agency's or SBWMA's determination. Contractor may present evidence in writing to support its position. Agency and SBWMA shall review Contractor's submission and within ten (10) calendar days shall schedule a meeting with Contractor to discuss Contractor's concerns. The decision of Agency or SBWMA shall be final."