

Guidance on Per Dwelling Unit Recycling Rate and Residential Recycling Stability Funds

The Per Dwelling Unit Recycling Rate provides funds that allow the MM&O Contractor to pay the RR Contractor for tons of Recyclable Materials Collected. The City establishes and provides the Per Dwelling Unit Recycling Rate to the MM&O Contractor, effective July 1st each year, and the MM&O Contractor invoices and collects the revenue generated by the Per Dwelling Unit Recycling Rate from SFD and MFD Customers.

The Per Dwelling Unit Recycling Rate comprises a RR Contractor component and a stabilization component. The RR Contractor component is the portion of the rate that the MM&O pays to the RR Contractor for provision of SFD and MFD Recycling Collection Services. The stabilization component is the portion of the rate that is allocated for recycling stability or tonnage cap stability, and is described in Section 7.21 of the MM&O Contract.

Recycling Stability Funds

At the option of the City, the Per Dwelling Unit Recycling Rate may include a stabilization component, in addition to the RR Contractor component. The City has included Recycling Stability Funds in the MM&O Contract as a contingency to mitigate the risk for the City and the MM&O Contractor related to payments due to the RR Contractor that exceed revenues collected. Such funding issues could develop from a mathematical error in converting the price per ton of Recyclable Materials Collected to the Per Dwelling Unit Recycling Rate, or when the MM&O Contractor does not collect sufficient funds from the customers due to bad debt.

The stabilization funds are for use smoothing recycling billing fluctuations, or to make up for shortfalls experienced by the MM&O Contractor when required payments to the RR Contractor exceed the RR Contractor component of the Per Dwelling Unit Recycling Rate funds collected over any calendar year. Additionally, should the RRI generate a negative rate adjustment in one year, the difference could be left in the Recycling Stability Fund to offset the following year rate adjustment

For example, in Year 1 the City may determine that \$1.00 from each dwelling unit is required to fund the RR Contractor (the RR Contractor component) and that a stabilization component of \$0.50 from each dwelling unit is also needed. The City will inform the MM&O Contractor that the SFD and MFD Per Dwelling Unit Recycling Rate for year 1 is \$1.50 per dwelling unit. The MM&O Contractor will add a Per Dwelling Unit Recycling Rate of \$1.50 for each dwelling unit in SFD and MFD invoices. The MM&O Contractor will use the RR Contractor component funds (\$1.00 per dwelling unit) that it collects from Customers to pay monthly invoices received from the RR Contractor.

Each month the MM&O Contractor will deposit the funds representing the stabilization component (\$0.50 per dwelling unit) that it collects from SFD and MFD Customers in a separate recycling stability funds interest bearing account as described in Section 7.21.1 of the MM&O Contract. These recycling stability funds may only be used as directed by the City, to address rate stabilization and revenue shortfalls as described above.

Tonnage Cap Stability Funds

Tonnage cap stability funds are established to address the use of Per Dwelling Unit Recycling Rate monies that are allocated to the RR Contractor component, but that are in excess of the amount owed to the RR Contractor. The MM&O Contractor pays the RR Contractor based on the tons of recyclable materials collected by the RR Contractor each month. However, the total tons for which the RR Contractor may request payment in any one calendar year (or initial 6-month period of July 1, 2015 through December 31, 2015) is limited to a specific number of tons (the tonnage cap). The RR Contractor component of the Per Dwelling Unit Recycling Rate is set by the City to provide sufficient funds to the MM&O Contractor to pay the RR Contractor in the event the RR Contractor meets the tonnage cap by collecting the maximum number of tons allowed for that year. In the event the RR Contractor does not collect the maximum number of tons allowed and thus does not meet the tonnage cap, the MM&O Contractor might collect more RR Contractor component funds than are needed to pay the RR Contractor.

At the end of each calendar year, the MM&O Contractor will compare the amount of monies paid to the RR Contractor for tons collected and the amount of monies collected from the RR Contractor component of the Per Dwelling Unit Recycling Rate. Any excess RR Contractor component funds are to be deposited in a separate tonnage cap stability funds interest bearing account as described in Section 7.21.2 of the M&O Contract. These tonnage cap stability funds may only be used as directed by the City and are intended for use in stabilizing residential rate fluctuations resulting from changes in the annual Tonnage cap, to subsidize the cost of changes to residential recycling programs, or for the benefit of the SFD and MFD Customers from whom they are collected, and are not available for other purposes.

