



June 10, 2020

Jill Duffy
Executive Director
Humboldt Waste Management Authority
1059 W. Hawthorne St.
Eureka, CA 95501

Re: Recycling Service Fee Adjustment for 2020-2021

Dear Ms. Duffy,

While we appreciate that the HWMA approved the “not to exceed” Service Fee and engaged an accountant to review our application, we disagree with the accountant’s recommendations and do not believe the report constitutes a reasonable effort to comply with the rate methodology in the Processing Agreement.

However, despite these objections, in the interest of maintaining a positive working relationship with the HWMA and its members for the life of the current contract and beyond, we are willing to accept the recommended 6% increase in the Recycling Service Fee for this year. We pledge to work with you to ensure that next year’s rate adjustment process is smoother, more transparent and better reflects the intent of the contract.

We have numerous objections to the accountant’s findings and recommendations and the process that he followed, including the following:

- Standard accounting practice for these types of reviews is for the accountant to engage with the company being reviewed to go over the application package, request additional documentation as needed, and discuss any differences ahead of formal recommendations. The accountant did not do any of those things, resulting in an incomplete work product.
- The accountant states that Recology has not provided the HWMA with necessary information to conduct its review. Over the last few months Recology has collaborated with the HWMA to review the application and has responded to all of the HWMA’s requests for supporting documentation. The accountant made no requests for additional documentation.
- Recology devoted an entire page of its application to explaining why projected freight to market costs should be \$42.58/ton (a number reflecting normal operations) rather than \$32.73/ton (a number reflecting facility downtime due to construction). The accountant dismissed our reasoning out of hand without asking us to clarify it or provide additional documentation, and without providing any justification why his conclusion is correct or consistent with the contract. By accepting the artificially low \$32.73 number, the HWMA should expect higher freight to market costs next year.
- The accountant seems to have misunderstood or misapplied the rate methodology in the Processing Agreement. For example, he says “The agreement does not allow for an additional CPI

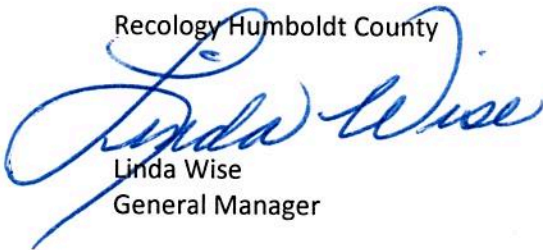
increase on top of the actual costs," when it plainly does allow a CPI adjustment or a "reasonable good faith estimate" to translate past actual costs to future periods. He also says "Any changes to this actual amount would be accounted for at true-up," when the Processing Agreement contains no true-up mechanism.

While we are disappointed with the accountant's work, we are willing to accept the recommended increase to demonstrate the value we place in our partnership with the HWMA. Our expectation for next year will be that the HWMA engages in a fair and comprehensive review of our FY21 Service Fee adjustment application, resulting in a Service Fee that is mutually acceptable.

We thank you again for your review of our application and look forward to our continued partnership to create and promote local recycling opportunities in our community. As always, we are happy to respond to any questions.

Very truly yours,

Recology Humboldt County



Linda Wise
General Manager

Cc: Sofia Pereira, City of Arcata
Elaine Hogan, City of Blue Lake
Leslie Castellano, City of Eureka
Michael Sweeney, City of Ferndale
Rex Bohn, County of Humboldt
Frank Wilson, City of Rio Dell