



USA Waste of California, Inc.
11240 Commercial Parkway
Castroville, CA 95012-3206

May 20, 2020

John Ramirez
Environmental Health
Monterey County
1270 Natividad Rd
Salinas, CA 93906

Re: Monterey County Contract Extension of the Unified Franchise Agreement

Dear Mr. Ramirez:

This letter is in response to yours dated March 2, 2020. We are pleased to announce USA Waste of California, Inc. dba Carmel Marina Corporation ("WM") has received approval from our corporate office to continue negotiations for a five (5) year extension, through June 30, 2025. Below is a summary of WM's position on the critical issues we have recently discussed:

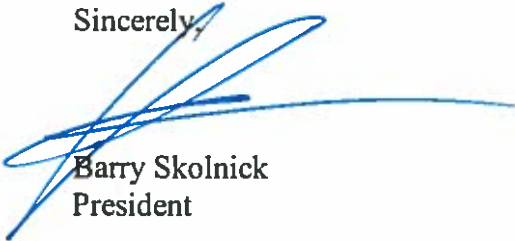
- a. **Rates Effective January 1, 2021:** WM has received internal approval for a 9% increase to the current rates. This rate increase would not go into effect until January 1, 2021, but it would apply retroactively to July 1, 2020. Therefore, on October 15, 2020, WM will submit to the County what the January 1, 2021 rate increase will be (9% + retroactive amount back to July 1, 2020).
- b. **Annual Rate Adjustment:**
 - i. As provided above, on January 1, 2021, the WM rates will be increased 9%, retroactive to July 1, 2020. There would be no additional RRI adjustment on January 1, 2021 - just the 9% increase + retroactive amount.
 - ii. Annual RRI adjustments will occur January 1, 2022 and each January 1 thereafter. The review period for each RRI adjustment will be the 12-month period ending the previous June 30. For example, the RRI adjustment for January 1, 2022 will be based upon the financial data for the fiscal year ending June 30, 2021.
 - iii. Third party financial review costs shall be recovered by WM through an increase to customer rates (direct pass through).
 - iv. Year over year changes in recyclables processing costs shall be recovered by WM through an increase in customer rates (direct pass through).
 - v. Year over year changes in bad debt shall be recovered by WM through a change in customer rates (direct pass through). The annual bad debt amount will be obtained from the annual review report conducted and compiled by WM's third party CPA firm. The adjustment to customer rates will be calculated as follows: (year over year change in bad debt/projected revenue for upcoming year) + RRI adjustment. For example, if the year over year change in bad debt/projected revenue for upcoming year = 0.001, and the annual RRI adjustment for the

upcoming year is .035 (3.5%), then said annual RRI adjustment (excluding other pass through components) will be increased to .036 (3.6%).

- vi. There will be no cap to rate increases contemplated by the agreement.

We hope this proposal meets the County's approval. Please let us know when you are available to meet to discuss this further.

Sincerely,

A handwritten signature in blue ink, appearing to read "Barry Skolnick", with a long horizontal flourish extending to the right.

Barry Skolnick
President