Processing Fee and Handling Fee Cost Survey
2010 Recycler Costs by Category and Strata

Attachment A provides the requested recycler cost data by category and strata. For comparison purposes, the data are provided for the 99 processing fee recyclers and the 94 handling fee recyclers surveyed for the handling fee cost survey, cost per container calculations. (See the Handling Fee Cost Survey Final Report for strata definitions and sample sizes).

The attached tables provide the percent of total CRV costs for both recycler types and for each strata, and for all 99 PF and 94 HF recyclers. For both types of recyclers (PF and HF), all non-CRV costs are excluded from this analysis, just as they were excluded from the cost per container calculations.

Attachment B provides general descriptions of financial line items included in each cost category. Based on these definitions, some items could be assigned to more than one category – for example auto fuel could go under General Business Overhead, Transportation, or Fuel. The final categories are assigned based on the professional judgment of the survey team and reviewers, but any financial line item is only counted once. There are several non-allowable cost categories that are not included, as identified in the attached document. Inclusion or exclusion of cost categories are based on statute (Section 14575) and/or regulation (Subsections 2960 and 2965).

Processing Fee Recyclers (PF for HF) CRV Costs by Category and Strata, 2010 Cost Survey

	Cost Category	Percent of Total CRV Costs			
	Number of Sites	Strata 1	Strata 2	Strata 3	All Sites
1	Labor	47.62%	50.60%	48.32%	48.61%
2	All Other Labor	7.93%	7.86%	7.39%	7.80%
3	General Business Overhead[a]	9.00%	9.51%	7.78%	8.91%
4	Transportation[b]	3.07%	3.98%	8.72%	4.43%
5	Rent	11.31%	10.06%	12.72%	11.22%
6	Depreciation	2.99%	1.39%	3.09%	2.56%
7	Property Taxes	0.52%	0.43%	0.51%	0.49%
8	Utilities	3.15%	2.54%	2.06%	2.76%
9	Supplies	4.12%	4.49%	3.39%	4.08%
10	Fuel	1.27%	1.87%	0.69%	1.33%
11	Insurance	2.62%	1.55%	1.48%	2.09%
12	Interest	1.00%	0.70%	1.11%	0.94%
13	Maintenance	5.40%	5.00%	2.74%	4.78%
	Total CRV Costs	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Handling Fee Recyclers (HF for HF) CRV Costs by Category and Strata, 2010 Cost Survey

	Cost Category	Percent of Total CRV Costs			
	Number of Sites	Strata 1	Strata 2	Strata 3	All Sites
1	Labor	50.17%	44.69%	41.00%	45.81%
2	All Other Labor	7.28%	8.99%	8.58%	8.10%
3	General Business Overhead[a]	9.27%	17.76%	20.40%	14.97%
4	Transportation[b]	11.53%	10.62%	12.05%	11.52%
5	Rent	8.74%	4.88%	8.48%	7.82%
6	Depreciation	3.75%	2.89%	2.52%	3.14%
7	Property Taxes	0.14%	0.33%	0.15%	0.18%
8	Utilities	1.28%	1.05%	0.79%	1.06%
9	Supplies	2.85%	4.31%	2.58%	3.07%
10	Fuel	0.39%	0.16%	0.27%	0.30%
11	Insurance	1.97%	1.74%	1.67%	1.81%
12	Interest	0.03%	0.25%	0.03%	0.08%
13	Maintenance	2.60%	2.33%	1.48%	2.14%
	Total CRV Costs	**100.00%**	**100.00%**	**100.00%**	**100.00%**

a/ There is a difference between Labor and General Business Overhead percentages for Strata 2 and Strata 3 PF and HF recyclers due to the way the data from the corporate, primarily CZ, recyclers was provided; in some cases we classified corporate office labor as General Business Overhead, rather than Labor, shifting costs from labor to the GBO category.
b/ Transportation percentages for PF recyclers tend to be lower because many of these recyclers pay for transportation through a reduced scrap value, i.e. the processor picks up the material, and pays less in scrap than they would have if the recycler had transported the material themselves. This transportation cost is accounted for in the scrap value survey.

Processing Fee and Handling Fee Cost Categories

Allowable Costs:

1. <u>Labor</u>
   Contract (or outside) labor
   Direct labor
   Officer's salary
   Overtime, holiday, vacation pay
   Owner's net income
   Temporary service (contract, office, site)
   Vacation/holidays (paid)
   Wages (administration, field supervisors, site, truck drivers)

2. <u>All Other Labor/Overhead</u>
   Accrued vacation and holidays
   Employee benefits (pension (401k), profit sharing, union)
   Employee welfare
   Group insurance
   Insurance (dental, health, legal, vision, life)
   Payroll taxes (FICA, Medicare, FUTA)
   Retirement
   Unemployment tax
   Union benefits
   Workers compensation insurance

3. <u>General Business Overhead</u>
   Accounting, bookkeeping, and audit fees
   Advertising/promotion
   Automobile (fuel, payments)
   Auto fuel
   Automobile
   Bad debt accrual
   Bank charges and fees
   Business meals
   Cash over/short
   City franchise tax
   Computer expense
   Consulting fees
   Credit card fees
   Dues/subscriptions
   Laundry
   Legal and professional services
   Licenses/permits
   Meals/entertainment/meetings

Miscellaneous
Office expense
Outside services (other than contract labor)
Payroll processing fees
Pension administrative fees
Postage/courier
Printing
Professional fees
Reproduction (faxes, printing, Xerox)
Safety awards
Security (alarms, dogs)
Service (exterminator, janitorial, lab analysis, laundry)
Site mileage – auto
Taxes/licenses/permits (business)
Telephone/fax
Training/recruiting expenses
Travel/relocation expenses
Voucher redemption fees

4. <u>Transportation</u>
   Auto/Truck expense
   Auto/Truck fuel
   Freight Out (excluding scrap value deduction)
   Fuel
   Gas, diesel, oil, and tires
   Hauling
   Insurance (auto, truck)
   Lease
   Mileage
   Permits/registration/license/taxes (auto, truck)
   Road expense (truck driver)
   Service (outside maintenance)
   Tolls
   Truck (maintenance/repair, outside service, registration)
   Weight fees

5. Rent
   Building
   Equipment
   Facilities
   Property/site
   Vehicles (trucks, autos, forklifts)

6. Depreciation
   Amortization
   Depreciation expense
   Schedule 179 deduction

7. Property Taxes
   Property tax
   Unsecured property tax

8. Utilities
   Gas
   Electricity
   Refuse collection (trash, garbage, waste, disposal)
   Sewer
   Water

9. Supplies
   Baling and packing supplies
   Parts
   Printing and stationary
   Safety equipment and items
   Shop supplies
   Small equipment
   Small tools
   Uniforms
   Yard supplies

10. Fuel
   Fluids, gas, oil, and lubricants
   Gasses
   Propane
   Yard fuel

11. Insurance
   Business
   Fire
   Group
   Liability
   Property

12. Interest
   Interest (loan, mortgage, notes payable)

13. Maintenance
   Building, facility, and property
   Equipment
   Painting
   Radio maintenance
   Repairs and maintenance
   Scale expense – repairs

Non-Allowable Costs

1. Brokering activities/commissions
2. Charitable contributions/donations
4. Exclusivity or incentive payments – (supermarket contract)
5. Litigation
6. Lobbying
7. Penalties (imposed by government/business)
8. Promotion items increasing scrap value, and other incentives
9. Royalty expense
10. Scrap value deduction
11. Scrap value paid to the consumer
12. Settlements
14. Shrink (also called shrinkage, moisture short, inventory change – refers to difference in CRV payments recycler makes to customer, and processor makes to recycler)
15. Taxes (income and sales)