

*Recology Inc.*

CORPORATE FEE ALLOCATION



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*Prepared by:*

Armanino LLP

*On behalf of:*

Recology Inc.

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## **I. Introduction**

In conjunction with a planned change in the allocation of corporate fees, Recology Inc. engaged Armanino LLP to evaluate the proposed methodology change and determine, in our professional opinion, the applicability of the new allocation methodology. Armanino has been assisting solid waste companies of all sizes with expense allocations in conjunction with rate application filings, responses to request for proposals and financial statement attestations for over 50 years. We have developed comprehensive technical expertise in this field and are more than qualified to conduct this evaluation.

## **II. Summary**

Recology Inc. has allocated expenses commonly associated with corporate services using a myriad of different methodologies from a set of weighted measures (payroll/accounts payable checks and accounts receivable customers) for information technology services to headcount for human resource services and revenues for all others such as finance, sustainability, legal and corporate administration. These various methodologies can be complicated, time-consuming and outside the established methodologies commonly used by other solid waste entities. The Company has prepared a revised allocation model that allocates all of the common corporate services based on revenues.

## **III. Conclusion**

Armanino has worked with dozens of California solid waste companies and assisted in the preparation of hundreds of rate applications, annual budgets, new contract RFP submissions and attestation engagements. Each of these would include the allocation of expenses between lines of business, contracts and inter-company. In our professional experience, using revenue as the allocation method for corporate services is one of the more common practices employed by solid waste companies, including entities as large as Recology Inc. and this practice is in line with industry standards.