



Arakelian Enterprises, Inc.

Schedule of Financial Impact of Minimum Wage and Sick Pay Law Change
(Reviewed)

City of Hermosa Beach

Fiscal Years 2016 – 2020

Contents

Independent accountant's report	1
Schedule of financial impact of minimum wage and sick pay law change	2
Note to the schedule of financial impact of minimum wage and sick pay law change	3



RSM US LLP

Independent Accountant's Report

To the Board of Directors
Arakelian Enterprises, Inc.
City of Industry, California

We have reviewed the Schedule of Financial Impact of Minimum Wage and Sick Pay Law Change for the fiscal years 2016 – 2020 (the Schedule), prepared by Arakelian Enterprises, Inc. (the Company). The Company's management is responsible for the Schedule.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the Schedule. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that the Schedule referred to above is not presented, in all material aspects, in conformity with the criteria as set forth in Note 1.

This report is intended solely for the information and use of the Company and the City of Hermosa Beach, and is not intended to be, and should not be, used by anyone other than these specified parties.

RSM US LLP

Los Angeles, California
March 18, 2016

Arakelian Enterprises, Inc.

**Schedule of Financial Impact of Minimum Wage and Sick Pay Law Change
Fiscal Years 2016 – 2020
City of Hermosa Beach**

See Independent Accountant's Report

I. Minimum Wage Labor Component of MRF Gate Rate

\$ 10.29 Minimum Wage Labor Cost per Ton

II. Minimum Wage % Increase

\$ 8.00 Minimum Wage Prior to 7/1/14

1.00 7/1/14 Increase to \$9.00

1.00 1/1/16 Increase to \$10.00

0.50 7/1/16 Increase to \$10.50

\$ 10.50 Minimum Wage as of 7/1/16

31.25% Increase (\$10.50 - \$8.00) / \$8.00

III. Sick Pay % Increase

3 Sick Days per Year

8 Hours per Day

\$ 8.00 Minimum Wage Rate

\$ 192.00 Annual Impact

2,080 Annual Hours Worked

1.15% Increase (\$192 / 2,080) / \$8.00

IV. Minimum Wage Labor Component Impact per Ton

32.40% Combined % Increase (31.25% + 1.15%)

\$ 10.29 Minimum Wage Employee Cost per Ton

\$ 3.33 Per Ton Impact

V. Hermosa Beach 7/1/16 Rate Adjustment %

685 Hermosa Beach Processed Tons into MRF

3.33 Per Ton Impact

\$ 2,283 Hermosa Beach Tonnage Impact (685 x \$3.33)

\$ 200,000 Hermosa Beach Revenue

1.14% Hermosa Beach Adjustment to Rates (\$2,283 / \$200,000)

VI. Future Rate Adjustment %

Period	Minimum Wage	% Increase	Current Labor Component	Increase per Ton	Rate Adj. To City
7/1/2017	\$ 12.00	14.29%	\$ 13.62	\$ 1.95	0.66%
7/1/2018	13.25	10.42%	15.57	1.62	0.55%
7/1/2019	14.25	7.55%	17.19	1.30	0.43%
7/1/2020	15.00	5.26%	18.48	0.97	0.32%

Arakelian Enterprises, Inc.

**Note to the Schedule of Financial Impact of Minimum Wage and Sick Pay Law Change
Fiscal Years 2016 – 2020
City of Hermosa Beach**

See Independent Accountant's Report

Note 1. Summary of Significant Accounting Policies

The Schedule of Financial Impact of Minimum Wage and Sick Pay Law Change for fiscal years 2016 – 2020 was prepared based on September 30, 2015 year-to-date minimum wage labor costs per ton at the Arakelian Enterprises, Inc. (the Company) Materials Recovery Facility (MRF), historical average monthly tonnage processed from April 2014 to March 2015, and historical average monthly revenue billings to the affected city from 2014 to 2015. The historical financial data utilized to prepare the Schedule such as labor costs and monthly revenue billings was derived from the Company's accrual-basis financial results.

The following are explanatory notes for certain information noted in the Schedule.

Part I: The \$10.29 is based on the MRF Gate Rate (per ton) charged by the Company as of July 1, 2015. The amount represents the pro rata portion of the MRF Gate Rate that is attributed to the MRF minimum wage labor.

Part II: The minimum wage increases noted in Part II are based on the actual approved minimum wage law changes in Los Angeles County and the City of Los Angeles.

Part III: The sick pay days noted in Part III are based on California's new Paid Sick Leave law (Assembly Bill 1522, operative January 1, 2015, and as amended in AB 304 effective July 13, 2015). The "Annual Hours Worked" amount of 2,080 is based on a standard 40-hour work week and a 52-week work year.

Part V: The city's "Processed Tons into MRF" of 685 is based on the average monthly tons processed during fiscal year 2014. The city's average monthly revenue billings of \$200,000 are based on actual average monthly revenue billings in 2014 and January 2015.

Part VI:

- The column titled "Minimum Wage" represents the future minimum wage rate per hour for Los Angeles County.
- The column titled "% Increase" represents the increase in the minimum wage rate from the immediate preceding rate.
- The column titled "Current Labor Component" represents the prior period's projected minimum wage labor cost per ton (e.g., as of July 1, 2017, the actual MRF Gate Fee per ton of \$10.29 from Part I plus the proposed Part IV "Per Ton Impact" increase of \$3.33, equals the \$13.62 "Current Labor Component" of Part VI).
- The column titled "Increase per Ton" is the product of the "% Increase" column and the "Current Labor Component" column.
- The column titled "Rate Adj. to City" is based on the Part V average monthly processed tons in the MRF for this city for 2014 multiplied by the Part VI projected "Increase per Ton." The result is then divided by the projected monthly revenues for the period. Projected monthly revenues are derived from the Part V monthly average revenues plus the city's "Tonnage Impact" (in dollars) at Part V.