

Hearing Packet Contents
 Refuse Rate Board
 April 13, 2023
 Hearing Room 408, City Hall
 12:30 PM – 4:30 PM

Board Members
 Carmen Chu
 Dennis Herrera

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MEETING AGENDA
Refuse Rate Board
April 13, 2023
Hearing Room 408, City Hall
12:30 PM – 4:30 PM

Committee Members
Carmen Chu
Dennis Herrera

Members of the Refuse Rate Board will attend this meeting in-person. Members of the public are invited to observe the meeting in-person or [watch live on SFGovTV](#).

Public Comment will be taken before or during the Committee's consideration of each agenda item. Speakers may address the Committee for up to two minutes.

Members of the public attending the meeting in person will have an opportunity to provide public comment on every item. Refuse Rate Board will hear up to twenty (20) minutes of remote public comment on each agenda item. Because of the twenty (20) minute time limit, it is possible that not every person in the queue will have an opportunity to provide remote public comment. Remote public comment from people who have received an accommodation due to a disability will not count toward the 20-minute limit.

Instructions for providing remote public comment by phone are as follows:

Public Comment Call in number is: 1-415-655-0001
Access Code: 2597 039 3965

Please wait for the agenda item before making a comment on that item. Members of the public making remote public comment will speak in the order they are received in the queue, as described below.

1. When the moderator announces the Committee is taking public comment, members of the public can:
2. "Raise hand" by pressing * 3 and you will be queued.
3. Callers will hear silence when waiting for your turn to speak. The operator will unmute you.
4. When prompted, each caller will have two minutes to provide comment.
5. Best practices include:
 - Ensure you are in a quiet location.
 - Speak clearly.
 - Turn off any TVs or radios around you.

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1) **Call to Order**

- Ramaytush Ohlone Land Acknowledgement

We acknowledge that we are on the unceded ancestral homeland of the Ramaytush Ohlone, who are the original inhabitants of the San Francisco Peninsula. As the indigenous stewards of this land and in accordance with their traditions, the Ramaytush Ohlone have never ceded, lost nor forgotten their responsibilities as the caretakers of this place, as well as for all peoples who reside in their traditional territory. As guests, we recognize that we benefit from living and working on their traditional homeland. We wish to pay our respects by acknowledging the ancestors, elders and relatives of the Ramaytush Community and by affirming their sovereign rights as First Peoples.

- Roll call and confirmation of quorum
- Vote to excuse current or future absences.

2) ***Opportunity for the public to comment on any matters within the Board's jurisdiction that are not on the agenda.***

3) Action Item:

Approval, with possible modification, of the Code of Conduct and Ex Parte Communications

- Motion and committee discussion
- Public comment
- Vote

4) Discussion Only

Presentation of the Refuse Rate Administrator's Report

- Presentation from the Office of the Refuse Administrator
- Board Discussion
- Public Comment

5) Discussion Only

Presentation of requests for rate-funded City Services from the Department of Public Works and the San Francisco Environment Department

- Presentation of requests from Department of Public Works
- Presentation of request from San Francisco Environment Department
- Board Discussion
- Public Comment

6) Discussion Only

Presentation of Rate Change Request from Recology

- Presentation from Recology
- Board Discussion
- Public Comment

7) Discussion/Possible Action Item

Opportunity to propose future agenda items with discussion and possible action by the Board.

- Board Discussion
- Public Comment

8) **Adjourn**

Committee staff and members can be reached at con.refuserates@sfgov.org

Explanatory Documents

Copies of Explanatory Documents listed in this agenda, and other related materials received by the Refuse Rate Board after the posting of the agenda, are available for public inspection and/or copying at City Hall room 316. Please email con.refuserates@sfgov.org to arrange pick up or review.

Public Comment

Public Comment will be taken before or during the Board's consideration of each agenda item. Speakers may address the Board for up to two minutes. During General Public Comment, members of the public may address the Board on matters that are within the Board's jurisdiction and are not on today's agenda.

Members of the public attending the meeting in person will have an opportunity to provide public comment on every item. In addition to in-person public comment, the Refuse Rate Board will hear up to twenty (20) minutes of remote public comment on each agenda item. The Refuse Rate Board will hear remote public comment in the order that commenters add themselves to the queue to comment on that item. Because of the twenty (20) minute time limit, it is possible that not every person in the queue will have an opportunity to provide remote public comment.

Remote public comment from people who have received an accommodation due to a disability (as described below) will not count toward the 20-minute limit.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decision in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For information on your rights under the Sunshine Ordinance (San Francisco Administrative Code, Chapter 67) or to report a violation of the ordinance, contact by mail Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102; phone at (415) 554-7724; fax at (415) 554-5163; or by email at soft@sfgov.org. Citizens may obtain a free copy of the Sunshine Ordinance by printing the San Francisco Administrative Code, Chapter 67, on the Internet at <https://www.sfbos.org/sunshine>.

Disability access for regular meetings when the Board is meeting in person

City Hall, 1 Dr. Carlton B. Goodlett Place, is wheelchair accessible. This meeting will be broadcast and captioned on SFGovTV. Remote public participation is available upon request for individuals who cannot

attend in person due to disability. Making a request to participate remotely no later than one (1) hour prior to the start of the meeting helps ensure availability of the meeting link. Sign Language Interpretation is also available upon request.

If requesting remote Sign Language Interpretation, please submit an accommodation request a minimum of 4 business hours prior to the start of the meeting. Allowing a minimum of 48 business hours for all other accommodation requests (for example, for other auxiliary aids and services) helps ensure availability. To request accommodation, please contact Ben Becker at ben.becker@sfgov.org or by phone (628) 239-1087 or Jay Liao at jay.liao@sfgov.org or by phone at (628) 239-1221.

The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #47 Van Ness, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 415-351-7053 / TTY: 415-351-3942 or visit online at <https://www.sfmta.com/accessibility-all>

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

To accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical-based products.

Cell phones, pagers, and similar sound-producing electronic devices

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair or the Vice Chair may order the removal from the meeting of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

City and County of San Francisco Refuse Rate Board Member Code of Conduct

As required with the passage of Proposition F (June 2022) and as codified in the San Francisco Health Code Section 209.6(b)2, the Refuse Rate Board shall adopt and adhere to a code of conduct, including limitations on ex parte communications during the rate setting process.

Code of Conduct Provisions

- 1) Guiding Principles
- 2) Ex Parte Communications
- 3) Ethics Rules

Guiding Principles

Proposition F establishes that Refuse Rate Board members shall (a) work to adopt rate orders that promote cost-effective refuse service that meets established service standards and environmental goals; (b) work to determine a rate structure that will encourage rate stability and ensure rates and reasonable and fair; (c) ensure that the process for establishing refuse rates is transparent, accountable, and publicly accessible; and (d) conduct their work with high professional ethical standards and exercise their public duties and conduct all meetings in a manner that ensures and promotes public trust.

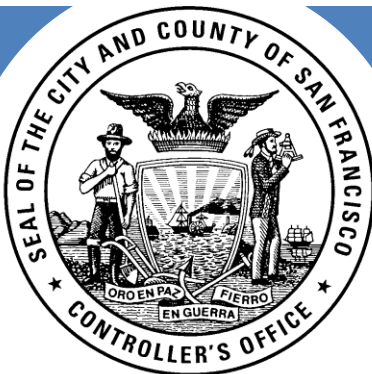
Ex Parte Communications

It shall be against the policy of the Refuse Rate Board for members to communicate with refuse companies on matters within the subject matter jurisdiction of the Refuse Rate Board, either directly or through intermediaries, except in duly-noticed Rate Board Hearings, Commission Hearings, or other public hearings that are open to the public. This policy shall apply to communications starting on the date that either the Refuse Rate Administrator or a refuse company, whichever comes first, notices the Refuse Rate Board of an intent to request changes to the rate; and until such time as the Refuse Rate Board has adopted a final rate order. However, the policy shall not apply to communications regarding the refuse service a member receives in their individual capacity (e.g., ordinary service requests). This policy also shall not apply to communications between a refuse company and a member with respect to City business distinct from the actual rate-setting process, except that in such case, the member shall disclose the nature of the communications on the record at the start of the next Refuse Rate Board hearing.

Ethics Rules

Members shall comply with state and local ethics rules, including those concerning actual and potential conflicts of interest, and must publicly disclose such matters as required by City law and policy. Each member shall also receive regular training on state and local ethics rules. Members may consult with the City Attorney's Office regarding any questions in this regard.

Refuse Rate Board Hearing: Refuse Rate Administrator's Report



CITY & COUNTY OF SAN FRANCISCO

Office of the Controller, Office of the Refuse
Rates Administrator

April 13, 2023

Under Proposition F:

- The Refuse Rate Board is responsible for adopting a rate order.
- The Refuse Rate Board must adopt performance standards for refuse companies while taking into consideration the City's environmental goals.
- The Refuse Rate Board is responsible for setting residential refuse rates and is allowed, but not required, to set commercial rates.



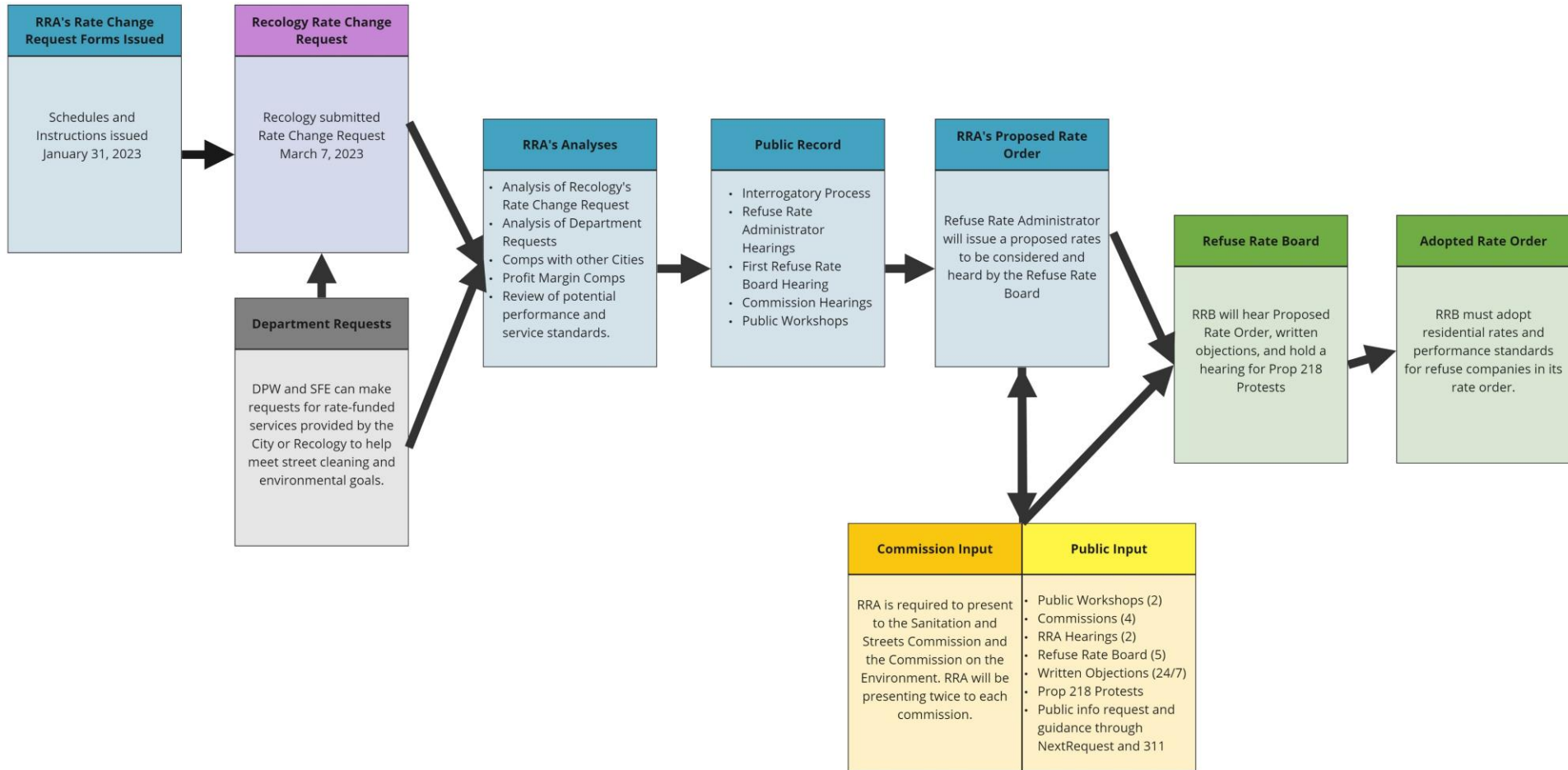
- Summary of Refuse Rate Administrator's Analytical Review and Administrative Interrogatories
- Review and Analysis of Department Proposals
- Review and Analysis of Recology's Rate Change Request:
 - Recology filed a Rate Change Request submission on March 7, 2023 for rate years starting October 1, 2023 and October 1, 2024, which we will refer to as RY 2024 and RY 2025.
 - Recology's proposal seeks an increase in rates for residential and apartment customers of 3.90% in RY 2024 and 2.17% in RY 2025. Recology's request assumes the same increase for uniform commercial rates.
- Next Steps

Refuse Rate Administrator's Rate Process

V3 4/11/2023 1:15 pm

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Interrogatory Process

- The RRA has issued a series of requests to Recology, based on analysis of Recology's Rate Change Request.
- These requests and Recology's responses are posted publicly on a weekly basis.
- There are three categories requests:
 - ***Schedule Requests:*** These requests track the status of completion and validation of the schedules issued by the RRA
 - ***Exhibits:*** Some parts of Recology's submission require additional detail or explanation that is not captured in the schedules.
 - ***Questions:*** These are generally clarification questions or requests for answers/justifications for certain assumptions made in Recology's submission.

As of 4/7/23	Requests	Responses
Schedule Requests	17	9
Exhibits	14	0
Questions	68	59

The Refuse Rate Administrator is utilizing public hearings as part of the record building process. The hearing format allows for real-time questions and answers and additional public participation.

Refuse Rate Board Hearing

Utilize First RRB Hearing to focus on rate and program requests from SFE, DPW and Recology

Refuse Rate Administrator Hearings

RRA will conduct two hearings. Focus on Recology's operational assumptions and any other items relevant to the rate order, such as reporting requirements and performance standards.

Commission Hearings

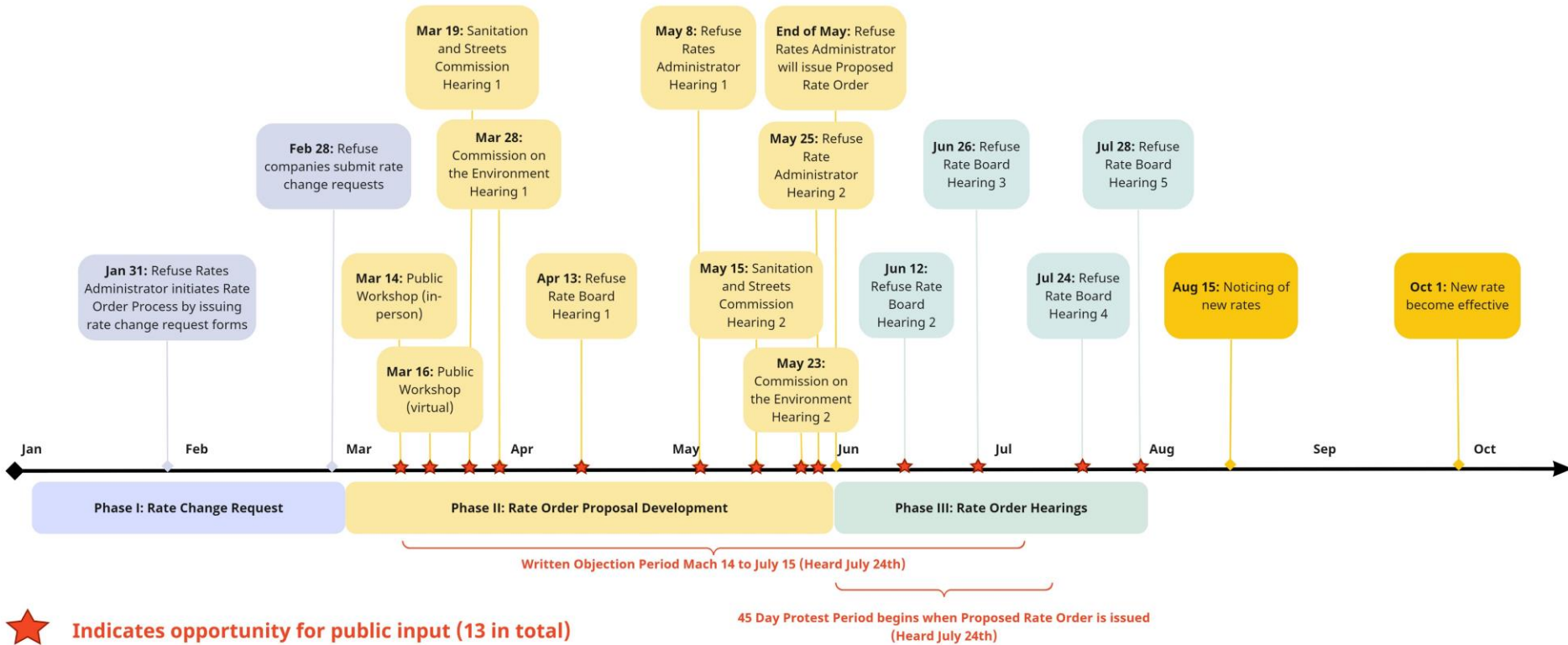
Final two commission hearings will be used to ask additional questions of Recology and department requests, as well as to receive input from Commissioners.

Public Input and Outreach

V3 4/11/2023 1:15 pm

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Written Comment or Objection

- 8 Written Comments or Objections have been submitted. 7 are related to residential rates, 1 related to both residential and commercial rates.
- All comments object to any increase in rates.
 - Recology has been raising rates for years already and contributes to high cost of living in context of other utility price increases
 - Customers should receive credit for recycling material sales to offset costs.
 - Recology should not be trusted to receive increase in ratepayer funds after corruption scandal
 - Recology received COLA in January 2023 already, should not increase rates again.
- One customer doesn't produce enough for weekly pickup and would like options for less frequency

Hearing and Public Workshop Comments

- Request for more information on impound accounts
- Concerned about nexus and proportionality and use of impound account funds from rates.
- Want to see reasonable and fair rates and good value or ratepayers.

COMPLETED & ONGOING

Public Website



sf.gov/refuserates explains the rate-setting process and lists all past and upcoming public meetings.

Email Campaigns



Call for public input and list of public meetings sent to 1,700+ recipients, including City departments, Board of Supervisors, local press, and subscribers of Controller's Office updates.

Social Media



Public meeting notices posted on Twitter to remind public of upcoming opportunities for comment. Related City agencies and local press are asked to help share.

Public Records Automation



Alert created in NextRequest (departmental records request software) that directs users to the Refuse Rates Administration website if select keywords are part of their request. We have 1,670+ instances of users being directed to the Refuse Rates website.



Neighborhood Papers

Targeted outreach to local news outlets, specifically neighborhood papers (like Potrero Hill and Richmond Review/Sunset Beacon).



Neighborhood Groups & Districts

Targeted outreach to registered neighborhood organizations in San Francisco with reminders of opportunity to submit Written Objections and all upcoming public meetings. Board Members also asked to help inform constituents.

UPCOMING



Press Releases

Encourage reporters to integrate public meeting reminders and opportunity for the public to submit Written Objections into coverage on Recology and other related topics.



Additional Email Campaigns

Additional email campaigns to encourage public comment and participation in rate-setting process.

The Refuse Rate Administrator will propose a rate order that will include the following:

- **Background/Context**
- **Summary of Procedures**
- **Rate Proposal**
 - This section will include comparisons of rates, costs, revenues, and tonnage between current state, Recology's request, and RRA's proposal.
 - It will also include results of the jurisdictional comparisons, profit margin analysis, and will take into account input from the public and commissions.
 - This section aims to tie any recommendations on programs changes, operational changes, and special account proposals to the public record.
- **Recommended Performance Standards**
- **Administrative Provisions** (e.g. reporting requirements, noticing, etc.)
- **Items for Future Rate Cycles** (e.g. capital infrastructure, commercial/residential cost allocation, etc.)
- **Proposed Schedule for Next Rate-setting Process**

Purpose of remaining Rate Board Hearings:

- Hear Proposed Rate Order and consider comments from Commissioners and the public related to the Proposed Rate Order.
- Adopt a Refuse Rate Order and set rates for upcoming rate years
- Set performance standards for refuse companies
- Hear Prop F Written Objections
- Hear Prop 218 Protests

Solid Waste Fee Impound Account (SWIA)

This account funds select services at the City's Department of Public Works and the Environment Department, which include Citywide refuse-related cleaning services at Public Works and services to support meeting the City's Zero Waste Goals at Environment Department.

- Total Solid Waste Fee Impound Account Request: \$24.2 Million in FY 2024 and \$24.6 Million in FY 2025
 - Recology's request assumes \$23.8 Million
- As of July 1, 2022 approximately \$12.5 million of previously appropriated unspent funds plus \$6.0 million of unappropriated available fund balances totaling \$18.5 million was recorded in the SWFIA funds.
- Additionally the current year is on track to reflect underspending, which will be projected and updated later this month in the 9-Month Report,
- Refuse Rate Administrator will consider uses of unspent funds for one-time expenditures, and for ways it can be used to lower rates.
 - Cost Allocation Studies
 - Mailers for 218 noticing

Initial Findings for DPW Proposal

- DPW is requesting a budget of \$9.5 million annually for the Solid Waste Fee Impound Account.
- The funding would support three existing ongoing programs:
 - Outreach and Enforcement (OnE) Team
 - Litter Patrol
 - Trash can Cleaning
- This funding would support 27 FTE, including a request for one new position– Trash Can Manager (1824)

Use of Fund Balance

- DPW is also requesting the use of \$15 million in unspent fund balance for the procurement of new Trashcans and Sensors.

Memorializing Roles and Expectations

- DPW is requesting certain agreements made with Recology in the past are memorialized in the rate order (e.g. removing liter and illegal dumping within 5-foot area around trash cans, frequency of trash service, etc.)

Requests and Questions to DPW for Hearing

- Table showing expenditures and FTE for prior year actuals, current year projections, and proposed budget for FY 2024 and FY 2025 related to the SWIA.
- Description of programs including level service provided and how impact is being measured.
- Trash Can Cleaning: How was the decision made to use a nonprofit to provide trash can cleaning services? Was there consideration combining existing street cleaning service with the trash can cleaning service?
- Trash Can Pilot Questions:
 - Is it reasonable to expect use of all funds over the next 2 years?
 - Have you considered amortizing the costs across more years?
 - In presentations, DPW stated that this program is not expected to be near \$15 million. What is the lowest cost estimate?
 - How do the new cans compare in capacity to existing City Cans?
 - What are the expected maintenance and replacement costs compared to existing City Cans?
 - What is the expected life compared to existing City Cans?

Initial Findings SFE Proposal

- SFE is requesting a budget of \$14.7 million for RY2024 and \$15.1 million for RY2025 for the SWIA.
- This funding would support 49.75 FTE across six programs:
 - Zero Waste
 - Toxics
 - Climate
 - Environment Justice
 - Green Building
 - Outreach

Zero Waste Incentive Account

- SFE has restructured the waste diversion incentive account that Recology could draw down on if certain targets are met. This account generates approximately \$8 million per year. Meeting all targets would equal an additional 2% profit margin.

Reporting Requirements

- SFE is requesting that certain reports agreed upon in the past are memorialized within the rate order.

Requests and Questions to SFE for Hearing

- Table showing expenditures and FTE for prior year actuals, current year projections, and proposed budget for FY 2024 and FY 2025 related to the SWIA.
- Description of programs, how they relate to the Climate Action Plan, how impact is measured, and which programs or activities are statutorily required.
- Zero Waste Incentive Account
 - Describe the Zero Waste Incentive Account
 - How were targets set?
 - Did SFE consider mandatory diversion rather than monetary incentives?
 - What is the likelihood of achieving the proposed targets over the next two rate years?
 - What is the justification for allowing Recology to use unearned Tier 3 and Tier 4 funds for new diversion programs? Has SFE considered proposing that any new diversion program be funded through the rates directly, rather than through unearned funds?

Initial Findings

Rate Change Request	RY 2024	RY 2025
Residential Collection Rates Increase	3.90%	2.17%
Assumed Allowable Profit Margin	9.0%	9.0%
Calculated OR Expense	\$208.5M	\$213.7M
Net Revenue Requirement	\$375.5M	\$383.9M

Rate Change Request	RY 2024	RY 2025
Tipping Fee Increase	16.36%	0.08%
Assumed Allowable Profit Margin	9.0%	9.0%
Calculated OR Expense	\$125.5M	\$125.8M
Net Revenue Requirement	\$137.9M	\$138.2M

Recology assumes the same percentage increase for Uniform Commercial Rates as Residential Rates

Balancing Account: Proposes that the notional balancing account be adjusted for 100% of the difference between actual net profits or losses in each quarterly rate report with a target profit resulting from applying the 91% OR. (December 2022 Settlement Agreement create a balancing account with a 50% adjustment which provides some incentive to manage costs)

Zero Waste Incentive Account: Structured to match SFE proposal

Impound Account: Request includes \$23.8M for both RY2024 and RY2025, which is 400k and 800k below department requests over the same two years.

March 2021 Settlement Balance: Remaining \$4.25M used to reduce rates.

Cost-of-Living Adjustment: Proposes a COLA adjustments for subsequent rate years until a new rate is set.

Major Assumptions

- The current rate year 2023 projection is mostly extrapolated based on 1st Quarter actuals.
- Tonnage and Revenue for RY 2024 and RY 2025 is generally projected to grow by 2% each year.
- Most operating costs are projected to grow by an inflation factors of 3.68 % in RY 2024 and 3.05% in RY 2025 (projections are from the City's Five-Year Financial Plan)
- Landfill Disposal Agreement cap is exceeded and proposal assumes extension of the agreement, which includes an automatic CPI escalator.
- Ratepayer funded pension fully funded by RY 2025. (Unclear on ER or EE contribution requirement)
- 2 year request (Prop F allows minimum of 2 year, maximum of 5)

Changes

- Aside from regular growth, Recology is requesting some program changes as well as some operation changes.
- In addition, for certain costs and revenues, Recology makes assumptions outside of the Major Assumptions outlined above.

Requests and Questions to Recology for Hearing

Summary of Business Structure and Operations

- Description of business, operations, and programs. High-level breakdown of

Summary of Rate Proposal

- Description of rate changes, comparisons to current rates, and assumed profit margin
- Description impact to ratepayers by Ratepayer Type
- Description of COLA proposal
- Description of Balancing Account Proposal
 - Other considerations (e.g. maintaining settlement agreement, lowering profit margin to match risk-free rate of 3.48%, etc.)

Summary of Cost and FTE Variances

- Description of program enhancement and operational changes and how they contribute to projected year-over-year cost and FTE variances.

Program Enhancement Questions

- Description of program enhancements (i.e. costs, FTE, service changes compared to current), by program and description of how decisions were made to enhance programs. Additional questions by program:
- ***Abandoned Material Collection:*** Are response time goals not being met? How does this change frequency of pickups?
- ***City Can Service:*** How are routes and pickup frequency changing compared to current? What are proposed additional routes and frequency? How much tonnage is being generated by City Cans and how is this expected to change?
- ***Outreach and Education:*** How often are outreach activities occurring and what will be expanded or added?
- ***Apartment Diversion:*** Describe current levels of engagement. How will enhancements change levels of engagement?
- ***Clean-Up Events:*** How are operational, setup, and coordination with the City currently handled? Described current level of labor support being provided and what is being enhanced.
- ***Contamination Program and Fees:*** How is contamination currently identified? What are the on-board camera costs? What is the expected headcount?

Operational Change Questions

- How were decisions made for these operational changes. Show how costs to stated operational changes tie to expenditure line items and how they impact FTE. Additional questions:
- ***Pandemic Changes:*** What changes were made in response to the pandemic, and have any of these changes been reversed due to the end of the Public Health Emergency Declaration?
- ***Facility Maintenance:*** How does the closure of Sustainable Crushing impact the need for facility maintenance support?
- ***Fleet Maintenance:*** How does assumed lower tonnage impact the need for additional fleet maintenance?
- ***Tenderloin Coverage:*** Describe current coverage and how this is changing.
- ***Sustainable Coverage:*** What happens to positions supporting Sustainable Crushing?
- ***Region Finance:*** How was the decision made to increase positions?
- ***Black Cart Processing:*** How will this impact diversion goals? If Recology were to implement, where could this be done?

Other Cost Changes

- Summarize other cost and FTE changes excluding program enhancement and operational changes. Additional Questions:
- **Labor and Benefits:** Describe wage increases determined by collective bargaining. Describe pension costs and determination of contribution levels. Were the considerations for other funding levels for pension costs, given the projection to be fully funded by RY 2025?
- **Truck Operations and Other Assets:** How were projections for fuel prices determined?
- **Disposal and Process:** Describe freight costs and expected changes?
- **Facility and Operations Maintenance:** Describe intercompany property rentals. What is the status of the Pier 96 agreement?
- **Other:** Describe how intercompany costs are eliminated for rate-setting purposes. Describe C2C and decision to implement. What improvements to the customers will this provide? How will this improve reporting?
- **Capital:** How was the projected lease rate determined? Describe depreciation methodology.

Tonnage Assumptions

- Describe recent tonnage trends.
- Describe methodology for tonnage assumptions.

Revenue Assumptions

- Describe methodology for revenue assumptions.
- Describe recent trends in recycling revenue and describe methodology projections.
- Describe recent trends in disposal revenue and describe methodology for projections.

- Refuse Rate Administrator will continue interrogatory process, conduct Refuse Administrator Hearings, and present at Sanitation and Streets Commission and Commission on Environment.
- Rate Order to be drafted upon completion of analyses, record building, and public hearings. Anticipating a 2-year rate cycle request.
- Additional areas for review and analysis will be identified based on Refuse Rate Board, Commission, and Public Input during this rate cycle, which will be staged over the coming 18-24 months.

San Francisco Environment Refuse Rate Priorities

Refuse Rate Board Hearing
April 13, 2023

SAN FRANCISCO
ENVIRONMENT
DEPARTMENT



2021 Climate Action Plan



ENERGY
SUPPLY



TRANSPORTATION
& LAND USE



HOUSING



BUILDING
OPERATIONS



RESPONSIBLE
PRODUCTION &
CONSUMPTION



HEALTHY
ECOSYSTEMS

SFClimateAction.org

Zero Waste Targets

Reduce generation by 15%
by 2030

Reduce disposal by 50%
by 2030



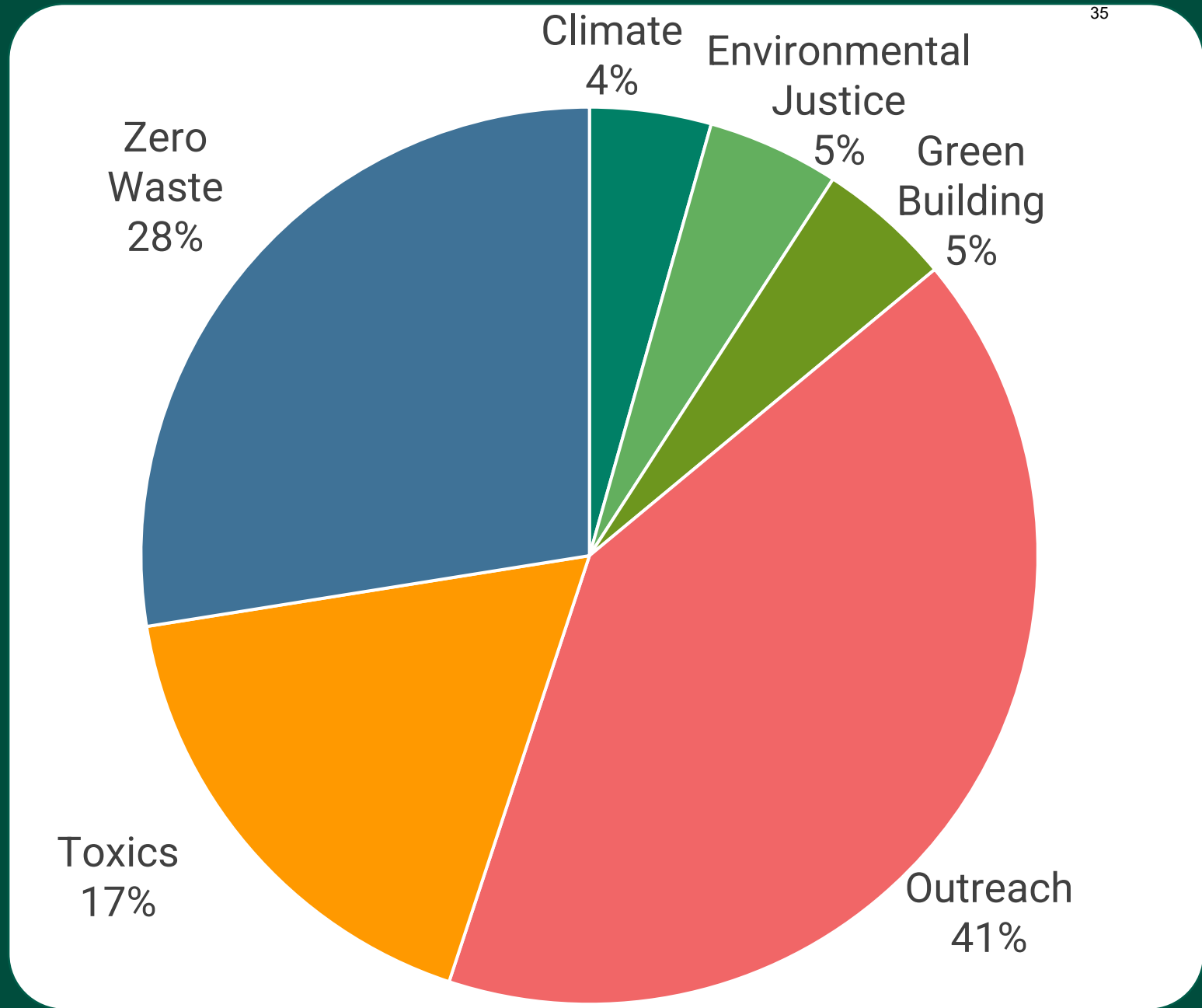
Credit: Larry Strong courtesy of Recology

Refuse Rate Impound Budget for SFE

Rate Year Ending* 2024
(RYE 24): \$14.7M

RYE 25: \$15.1M

*Rate Year = Oct 1-Sept 30



Impound Budget for FY 2022-2025

	FY 2022 Actual	FY 2023 Projected	FY 2024 Budgeted	FY 2025 Budgeted
Salaries & Benefits	\$ 7,243,973	\$ 5,428,807	\$ 7,099,723	\$ 7,331,009
Indirect	\$ 4,005,431	\$ 4,265,600	\$ 4,686,727	\$ 4,780,462
Zero Waste	\$ 881,565	\$ 1,459,063	\$ 1,064,418	\$ 1,064,418
Toxics Reduction	\$ 101,519	\$ 182,187	\$ 190,670	\$ 190,670
Green Building	\$ 44,426	\$ 38,495	\$ 71,586	\$ 71,586
Env. Justice	\$ -	\$ 2,500	\$ 2,500	\$ 2,500
Climate	\$ 18,252	\$ 26,384	\$ 30,000	\$ 30,000
Outreach	\$ 1,205,355	\$ 1,177,962	\$ 1,294,055	\$ 1,296,451
TOTAL	\$ 13,500,521	\$ 12,580,998	\$ 14,439,679	\$ 14,767,069

	RYE 2024 and 2025	% of Staff Impound Funded
Zero Waste	11.75 FTE	70%
Toxics Reduction	11 FTE	80%
Green Building	2.5 FTE	33%
Env. Justice	3 FTE	70%
Climate	2.5 FTE	40%
Outreach	19 FTE	85%
TOTAL	49.75 FTE	

Priorities for Recology

- State and local policy compliance
- Improved outreach
- In-language customer service
- Reduce contamination and increase recovery
- Zero Waste Incentive
- Trash Processing Testing





Audits for Compliance and Outreach

Credit: Recology



Upgraded Camera Monitoring on Collection Trucks



Zero Waste Incentive

- Financial incentive to progress toward city's 2030 targets
- Incentive targets to change from tons disposed to recovery rate
- Recovery rate = % of total tons handled that are not disposed
- Recology at 39% recovery rate
- 70% recovery rate to meet city 2030 disposal target



Zero Waste Incentive

Tier 1-4 recovery rate targets based on Recology's annual tonnage and recovery reports

Achieving a tier target allows additional 0.5% profit

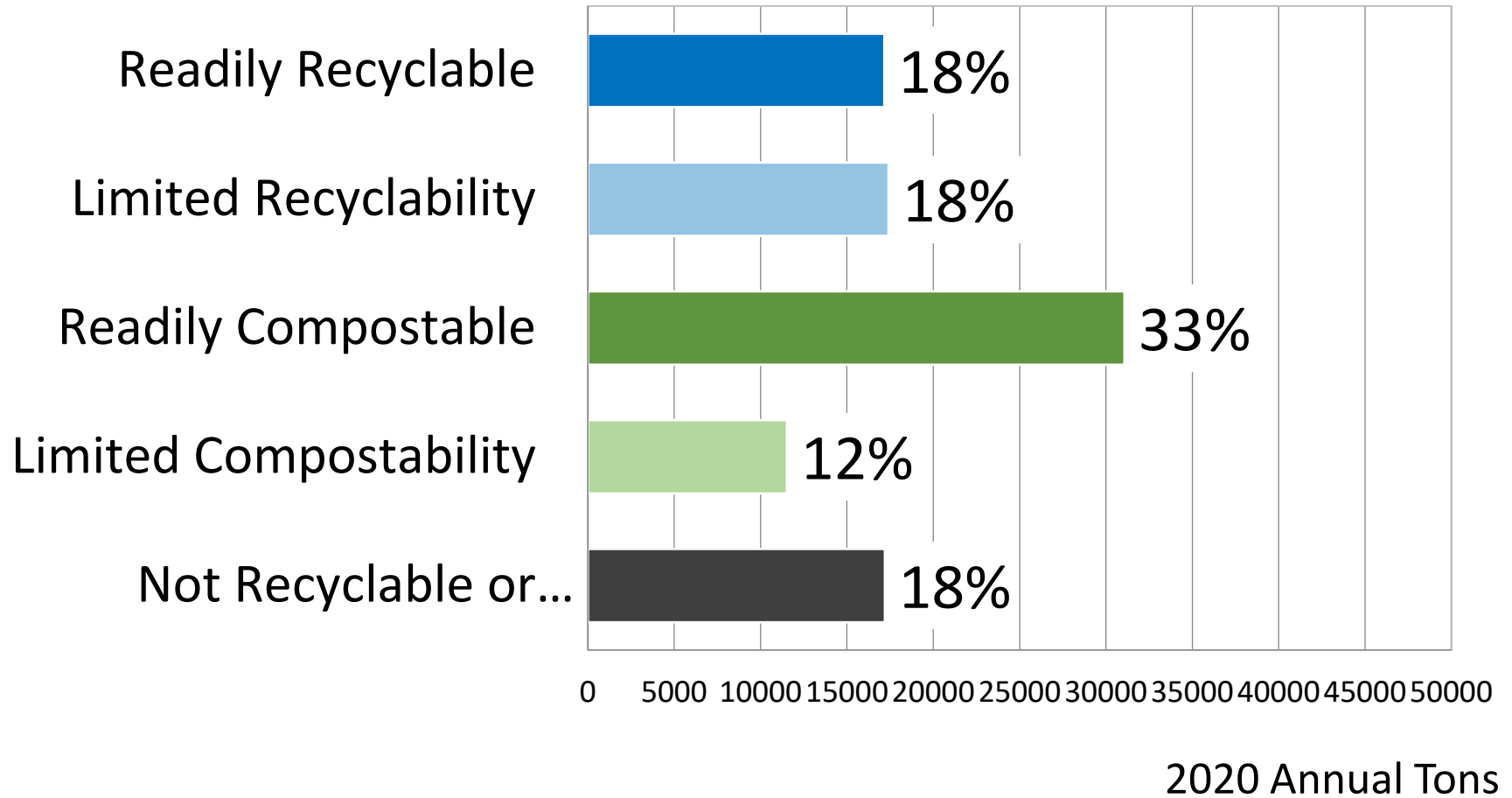
Rate payer credit for Tier 1 and Tier 2 if not met

Rate Year	Tier 1	Tier 2	Tier 3	Tier 4
2024	41%	42%	43%	44%
2025	44%	45%	46%	47%



Zero Waste Incentive

- If Tier 3 and Tier 4 are not met, Recology can propose investments to increase recovery
- Past upgrades allowed for Recology to implement critical upgrades allowing them to meet changing recycling market demands





Trash Processing Testing and Plan for Future Processing

Thank you!

Jack Macy

Zero Waste Program Manager

San Francisco Environment Department

[SFEenvironment.org](https://www.sfeenvironment.org)



**SAN FRANCISCO
ENVIRONMENT
DEPARTMENT**

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Refuse Rate Board Hearing

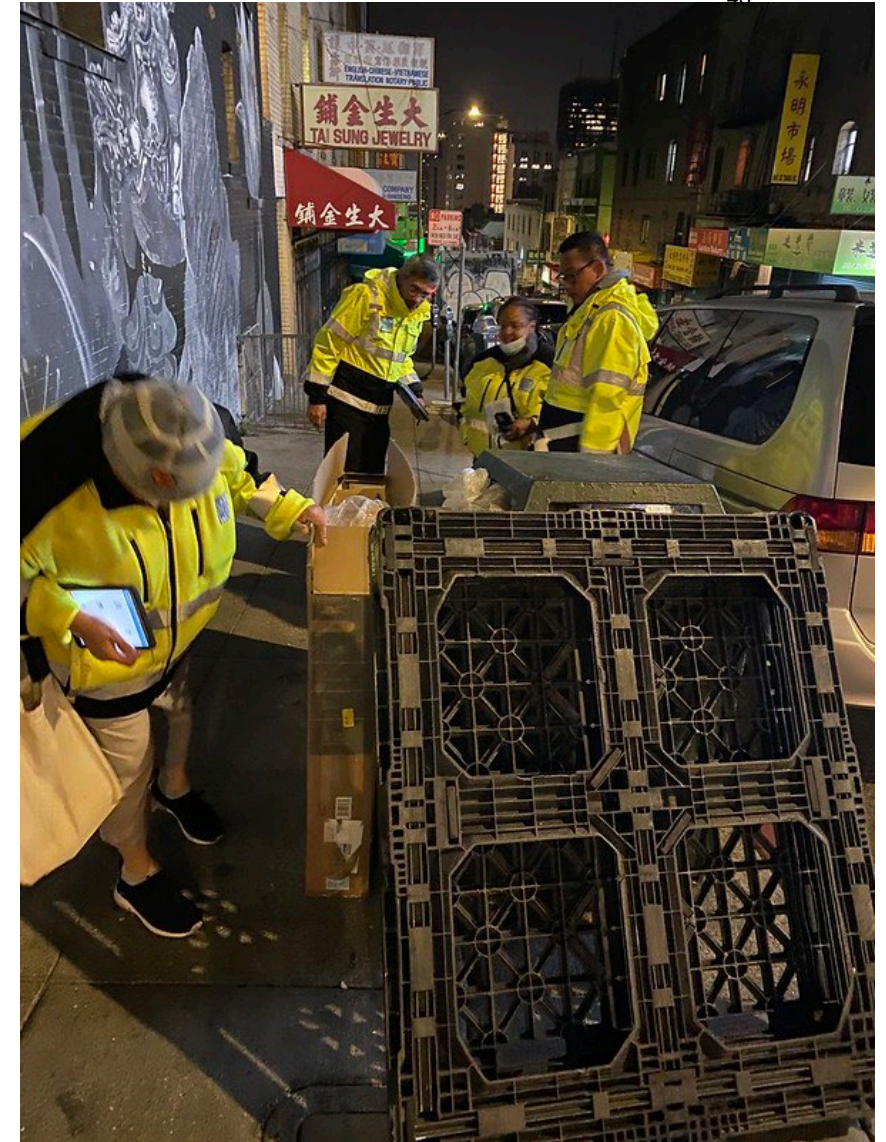
Bruce Robertson

Deputy Director for Financial Management and Administration

April 13, 2023

Public Works Refuse Rate Overview

- **Existing Combined Efforts to Keep the City Clean**
 - Abandoned materials (sidewalk & streets)
 - Proactive illegal dumping operation (Bayview)
 - City Trash Can Collection
- **Continued Funding for Ongoing Programs**
 - Approximately \$9.5M annually
 - Outreach and Enforcement (OnE) Team (10.0 FTE)
 - Litter Patrol (16.0 FTE)
 - Trash can cleaning
- **One New Refuse Rate Position Request**
 - Trash Can Manager Position
- **Repurposing Prior-Year Savings**
 - Procurement of new trash cans
 - No refuse rate impact in future years



Public Works Refuse Rate Funding

Program	FY 2022 Actuals	FY 2023 Projected Actuals	FY 2024 Budget	FY 2025 Budget
Outreach and Enforcement (OnE) Team	1,292,524	1,213,475	2,768,524	2,768,524
Street Cleaning - Litter Patrol	4,034,788	4,109,073	3,951,760	3,951,760
Trash Can Maintenance & Replacement	477,088	187,336	15,940,536*	940,536
Trash Can Cleaning	1,554,161	1,797,000	1,679,528	1,679,528
Trash Can Manager	-	-	167,953	167,953
Total Budget	7,358,561	7,306,884	24,508,301	9,508,301

* Use of fund balance and prior year savings. Amount directly from Refuse Rates is \$9,508,301 for FY24.

Public Works Refuse Rate Proposal

- **Outreach and Enforcement (OnE) Team**
 - No change in staffing levels
 - 10.0 FTE
 - Started in 2013
- **Litter Patrol Staff**
 - No change in staffing levels
 - Included in refuse rates since 2005
 - 16.0 FTE
 - Responsible for litter patrol and block cleaners
- **Trash Can Manager**
 - New request for 1824 Principal Administrative Analyst
- **Trash Can Steam Cleaning**
 - No change in funding level
 - Scheduled steam cleaning for all 3,300 trash cans
- **Procurement of New Trash Cans**
 - No impact on 2023 refuse rates
 - Use of fund balance and prior-year savings



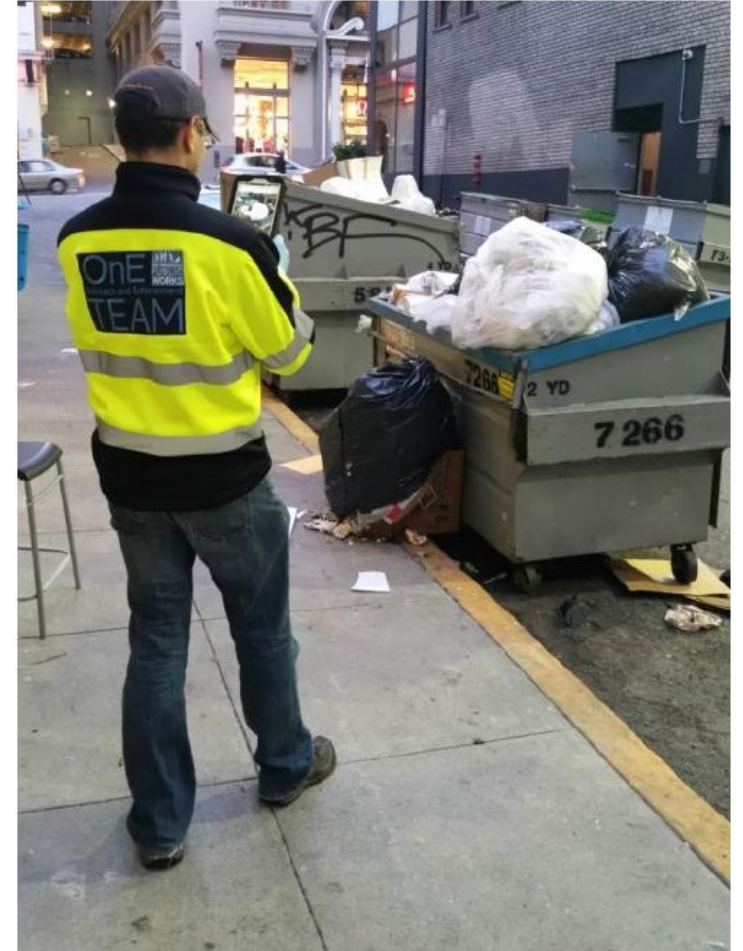
Public Works Refuse Rate Overview

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Public Works Refuse Rate Proposal – OnE Team

- **Outreach and Enforcement (OnE) Team**
 - Goal:
 - Educate the public on acceptable waste disposal methods and related code compliance
 - Door-to-door and multi-lingual outreach efforts
 - Repeat violators held accountable through the administrative citation process.
 - OnE Team Work
 - Guided by 311 service request response
 - Regular collaboration with Public Works street cleaning personnel
 - Engagement with neighborhood and community groups
 - Proactive outreach on key commercial areas during scheduled evening and early-morning inspections and weekly CleanCorridorsSF operations in neighborhood commercial corridors.

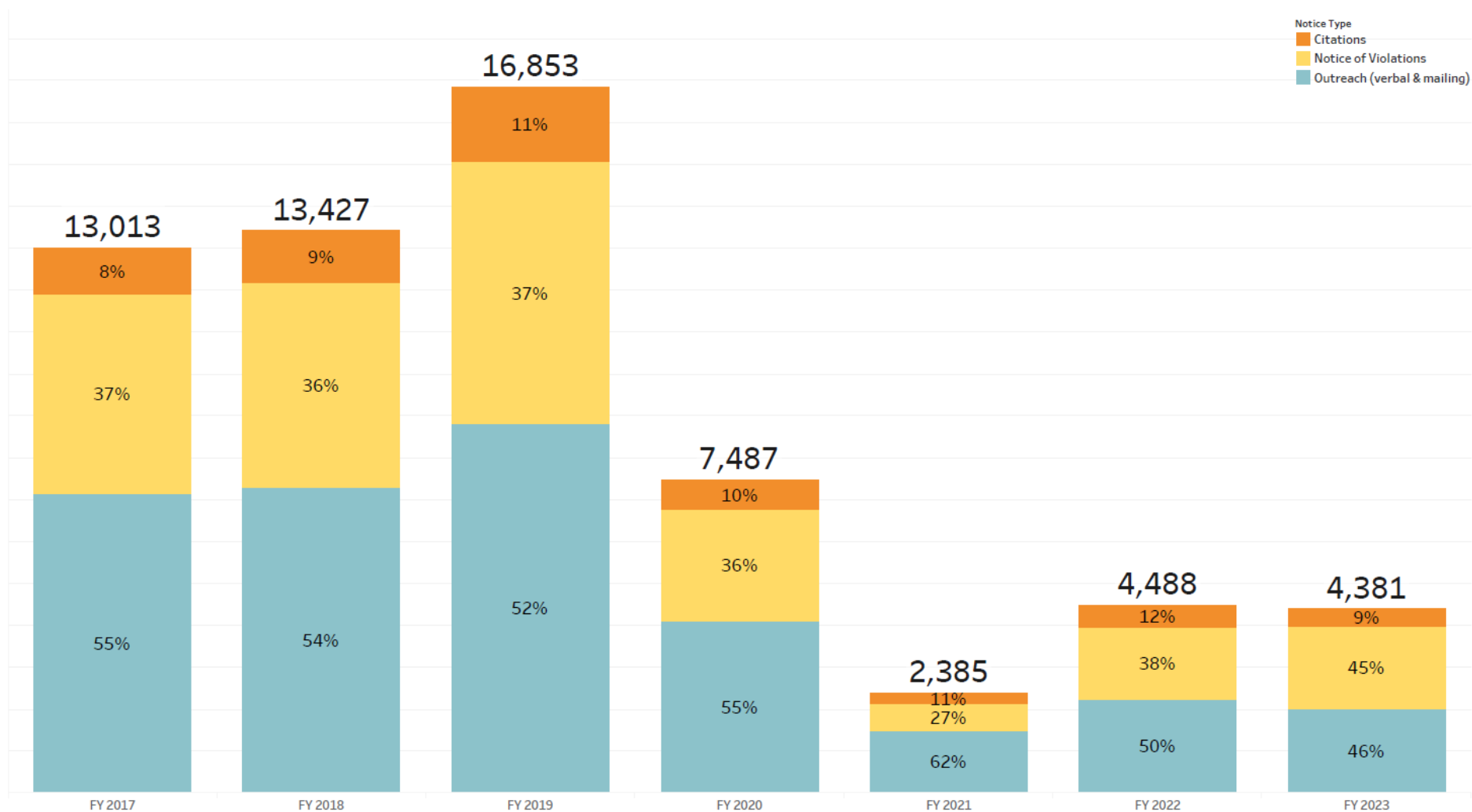


Overflowing dumpster

Public Works Refuse Rate Proposal – OnE Team

- COVID-19 pandemic impact shown
- All OnE Team deployed to assist COVID efforts
- Current staff vacancies impacted OnE Team output
- Prioritized Chinatown, the Mission and other impacted neighborhoods
- New staff hires underway

Annual Total Actions by Type

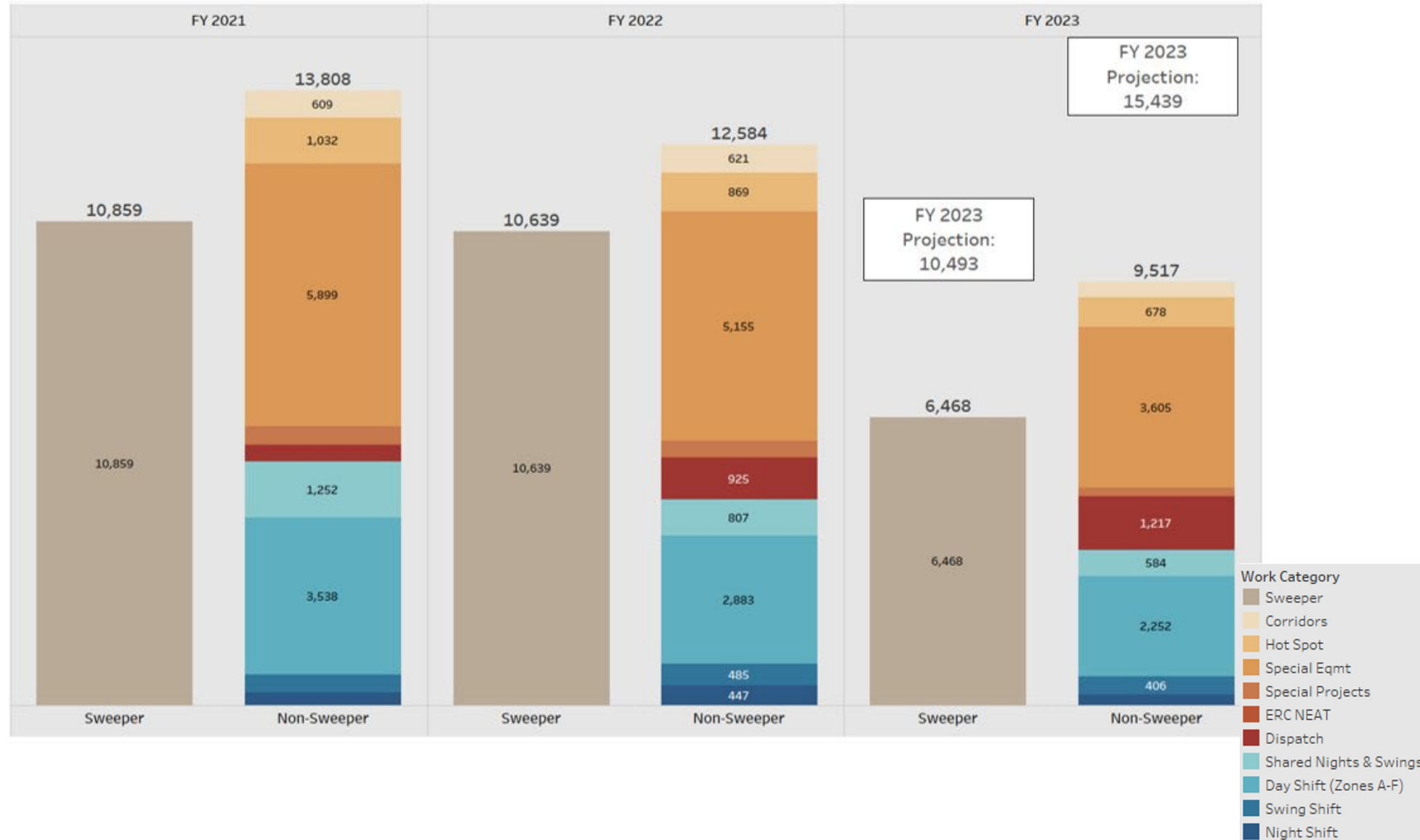


Public Works Refuse Rate Proposal – Debris Collected in Tons

V3 4/11/2023 1:15 pm

54

- Efforts of Litter Patrol and other street cleaning operations
- Tonnage continues to increase from non-sweeper, litter patrol and other staff
- Non-mechanical sweeper tonnage increase in FY23 is from more proactive manual litter pickup
- Funding cuts for Litter Patrol would result in more trash on sidewalks and streets



Public Works Refuse Rate Proposal – Trash Can Steaming

- **Trash Can Steam Cleaning**

- No requested change
 - Started in 2017 rate process
 - \$1.7M in funding for routine cleaning trash cans citywide
 - Work performed by Community Youth Center of San Francisco (CYC)
 - Services include:
 - Pressure wash and clean trash cans and surrounding area
 - Remove litter and sweep sidewalk around trash cans
- Notify Public Works of graffiti and malfunctioning and damaged trash cans

- **Driving factors for Trash Can Cleaning Program**

- Increases operational efficiency
- Helps address growing demand in street cleaning service requests
- Frees up Public Works crews to focus on street cleaning
- Provides workforce development, pre-apprentice program opportunities



Public Works Refuse Rate Proposal – Trash Can Manager

- **Trash Can Manger Position**
 - New 1824 Principal Administrative Analyst Position
 - \$168K
 - Included in Public Works FY24 budget proposal
 - Request in new Refuse Rate Application
 - Trash Can Manager Roles & Responsibilities
 - Manage implementation of new trash cans citywide
 - Develop trash can pickup schedule with the aim of minimizing overflowing cans to keep surrounding sidewalks clean
 - Monitor scheduled servicing to ensure contractual obligation is being met
 - Analyze trash can pickup data and adjust schedule as needed
 - Ensure trash cans are routinely power washed
 - Facilitate requests to have trash cans removed or added from specific locations, with decisions informed by 311 service request data
 - Ensure damaged cans are repaired or replaced



Public Works Refuse Rate Proposal – New Trash Cans

- **Trash Can Replacement Efforts**

- Old trash cans at end of useful life
- Established performance criteria for new trash cans
 - Rummage-resistant and tamper-proof
 - Easy to service and maintain
 - Sensor-ready
 - Accommodates the same 32-gallon rolling liner
 - Durable, incorporates a recycling exchange
- Developed a pilot
 - 52 locations, 6 designs
 - Two-month outreach strategy
 - 1,027 responses
 - 66K responses on social media
- Stakeholder feedback
 - Recology
 - Public Works
 - Community Benefit Districts

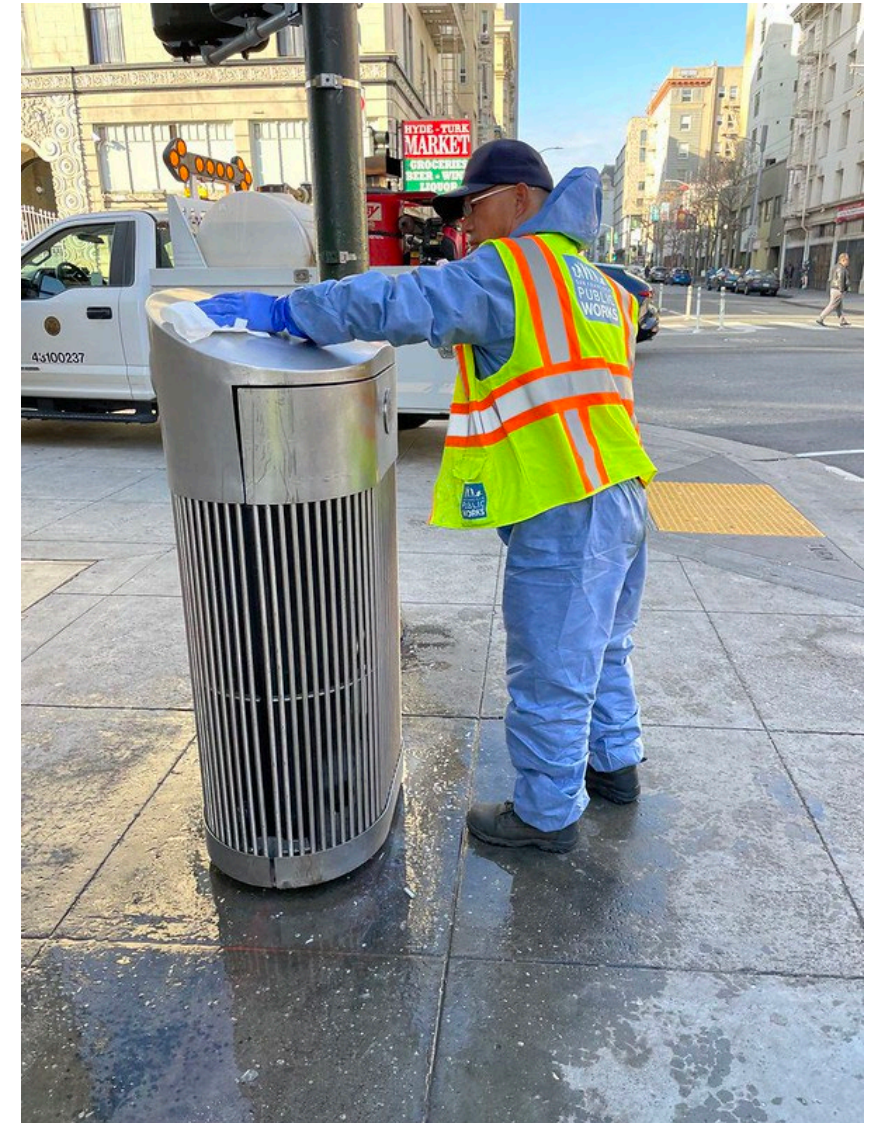


- **Selected Design**

- Slim Silhouette

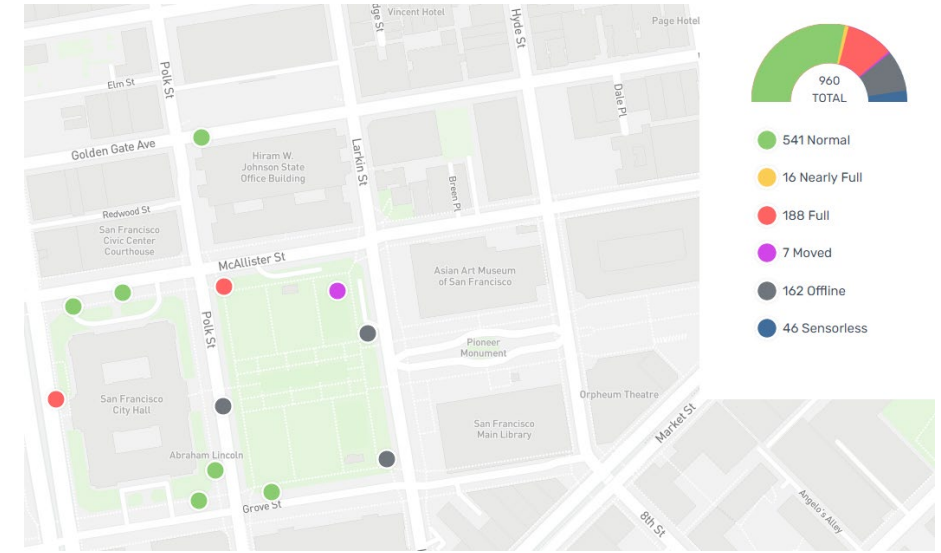
Public Works Refuse Rate Proposal – New Trash Cans

- **Funding - \$15M**
 - No additional impact on future rates
 - Use of fund balance (\$3.1M)
 - Use of prior-year savings (\$11.9M)
 - Will need full funding for contract encumbrance
 - Estimated cost is \$13.2M (approximately \$4,545 per can)
 - Cost includes shipping, installation, manufacturing
- **Next Steps**
 - RFP process underway
 - Modelling RFP after New York City method
 - RFP will contain detailed design specifications
 - Manufacturer will do shop drawings
 - Manufacturer most likely will need to build prototypes and have an iterative design process related to fabrication methods
 - Seek Approvals
 - Board of Supervisors (Contract more than \$10M)
 - Phase 3 Civic Design Review (Phases 1 & 2 approved)
 - Historic Preservation Commission (underway)



Public Works Refuse Rate Proposal – Trash Can Sensors

- New Trash can will include trash can sensors
- Public Works has implemented 960 trash can sensors throughout the City in major commercial corridors.
- Sensors monitor bin fullness, temperature and fill rates to identify fill rates and identify rubbish-generation patterns
- Goal is to mitigate container overflow, reduce number of collections, optimize operations and improve efficiency.



1016898

Municipal Solid Waste

0 yd³

18%

102 Grove Street
94102 San Francisco

Opening Hours
Always Open



Public Works Refuse Rate Proposal – Service Levels

- In the 2023 rate application, Recology included Public Refuse Receptable Collection (City cans) program details.

“Sometimes referred to as the “city can” program, the Collection Companies collect from over 3,000 City-owned public trash receptacles around the City. Each can is emptied between one and three times per day. Cans emptied more than once per day are emptied outside of regular route service and on demand within two hours of notification by the City. The Companies are expanding weekday and weekend service in response to the dynamic needs of each neighborhood. The SF Recology Companies replace liners in City-owned public trash receptacles, as needed¹.”

- Recology is proposing extra weekday and weekend service, but the specific service is not outlined.
- As part of the 2023 Rate Application, Public Works would like to evaluate collection frequency and memorialize City trashcan collection frequency for each specific trash can location.
- Clarification of other program service levels

1) Source: Request for Changes to Refuse Rates Narrative Summary, March 7, 2023, pg. 8 (<https://sf.gov/sites/default/files/2023-03/2023%20Rate%20Application%20-%20Narrative%20Summary.pdf>)

Questions?





Rate Change Request

Refuse Rates Board Hearing #1

April 13, 2023



Commitment to San Francisco



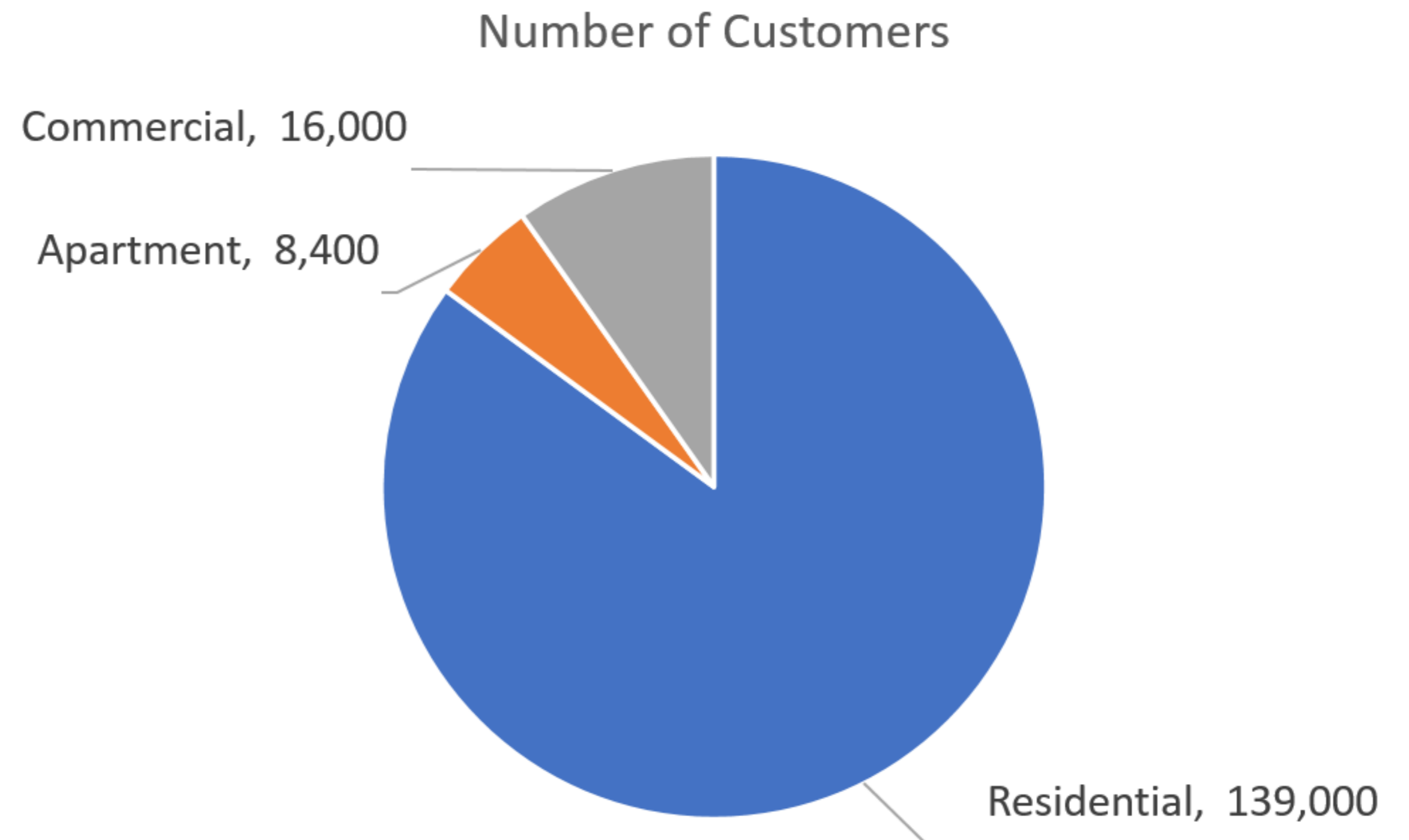
Provide excellent service at fair and competitive rates and enhance the programs that help keep San Francisco clean and support the City's climate action goals.



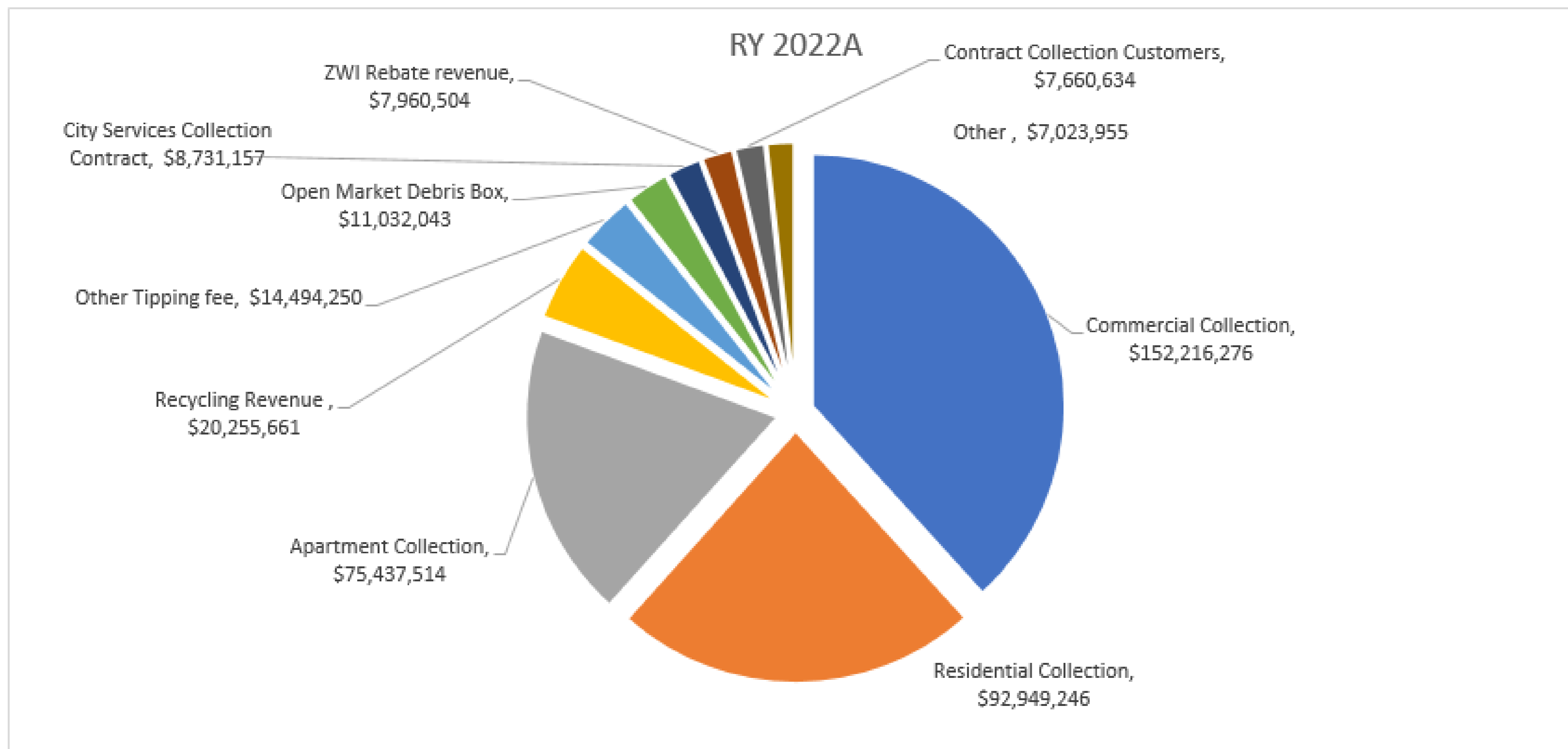
1. Business Overview
2. Rate-Setting Methodology
3. Key Rate Components
4. Rate Change Proposal
5. Programs
6. Questions and Answers

Business Overview

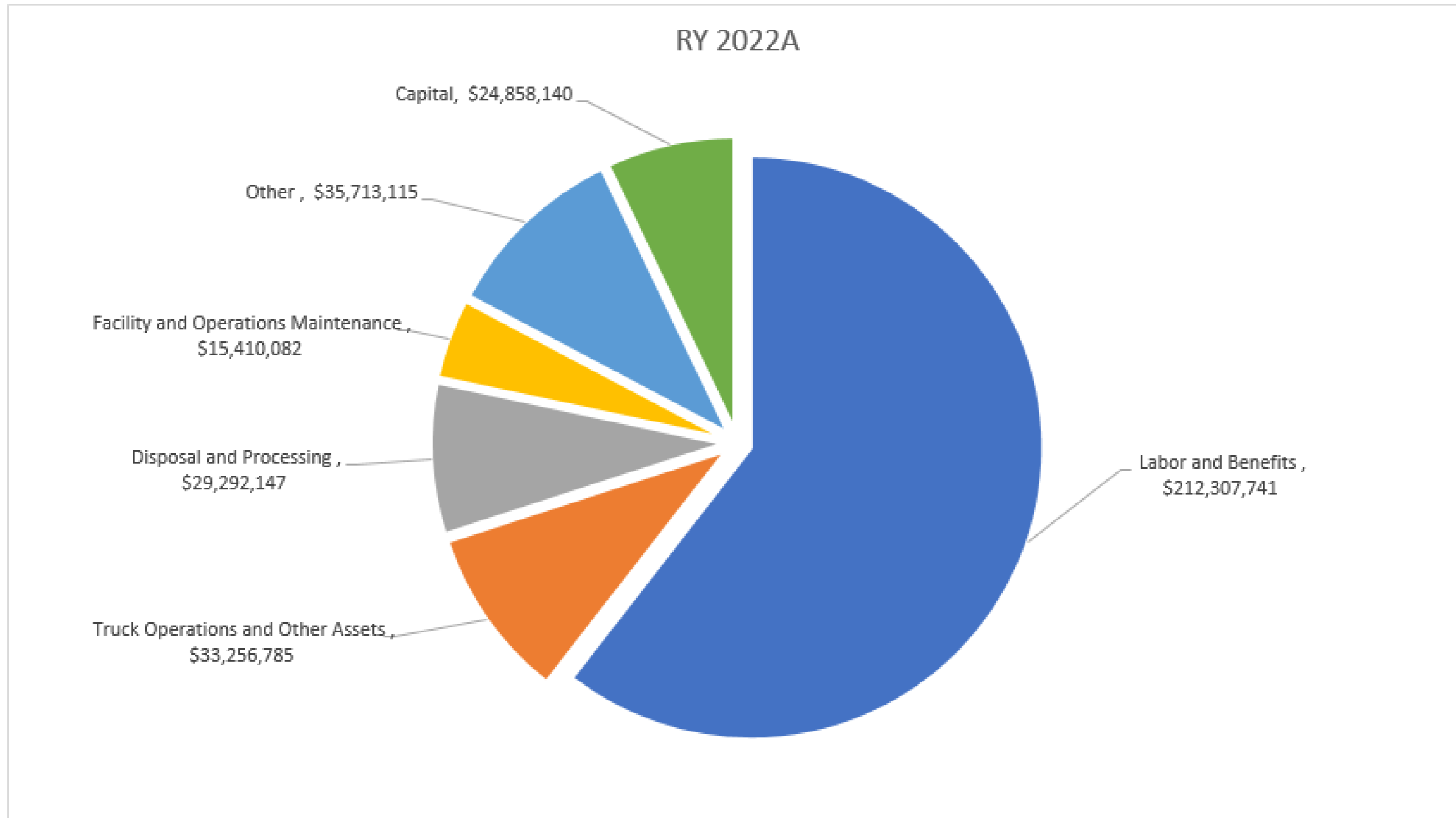
- Collections provided by Recology Sunset Scavenger (“RSS”) and Recology Golden Gate (“RGG”)
- Disposal and processing provided by Recology San Francisco (“RSF”)
 - Recycle Central
 - iMRF
 - Transfer Station
 - Organics
 - Public reuse and recycling area
 - Household hazardous waste



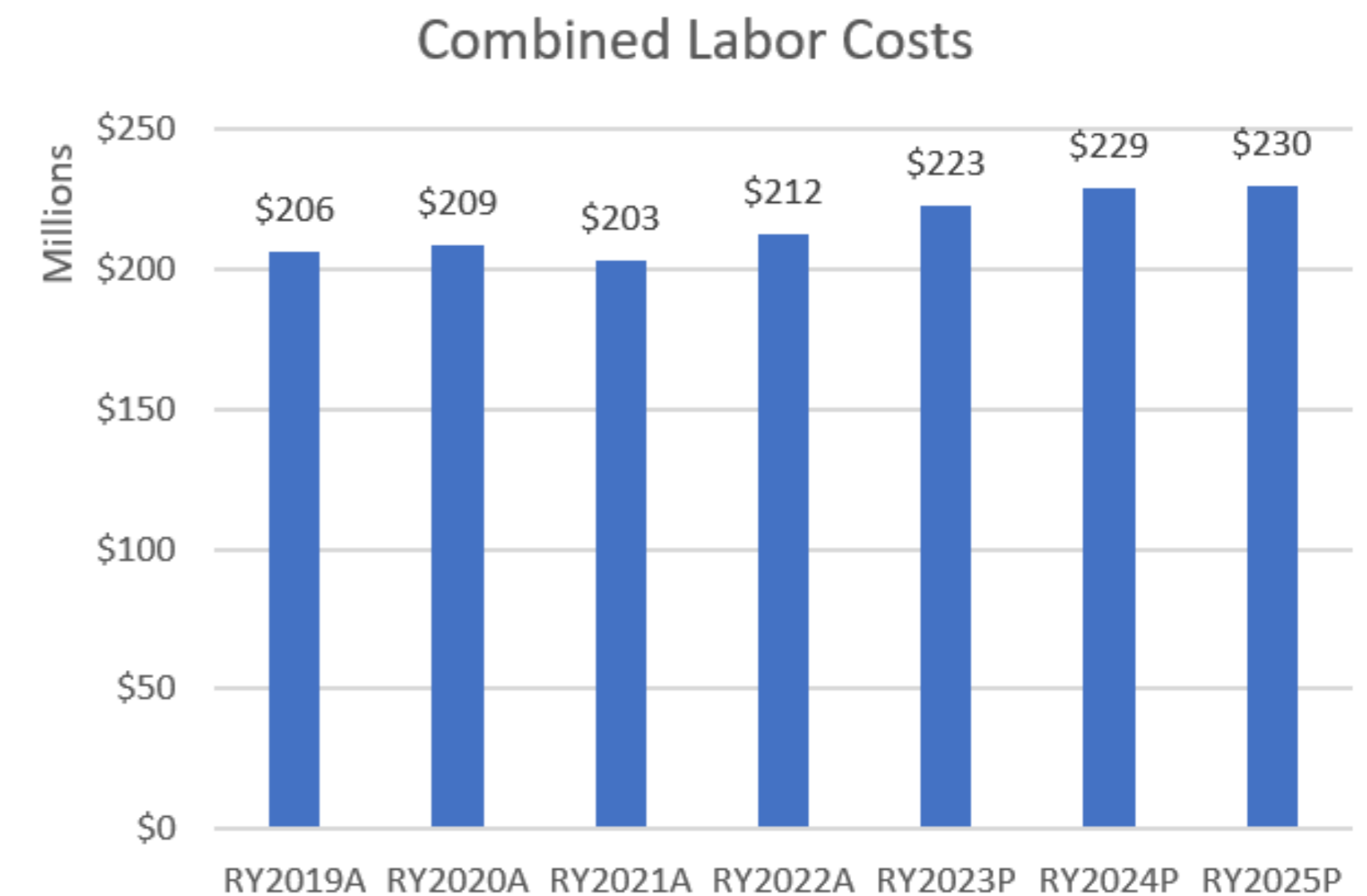
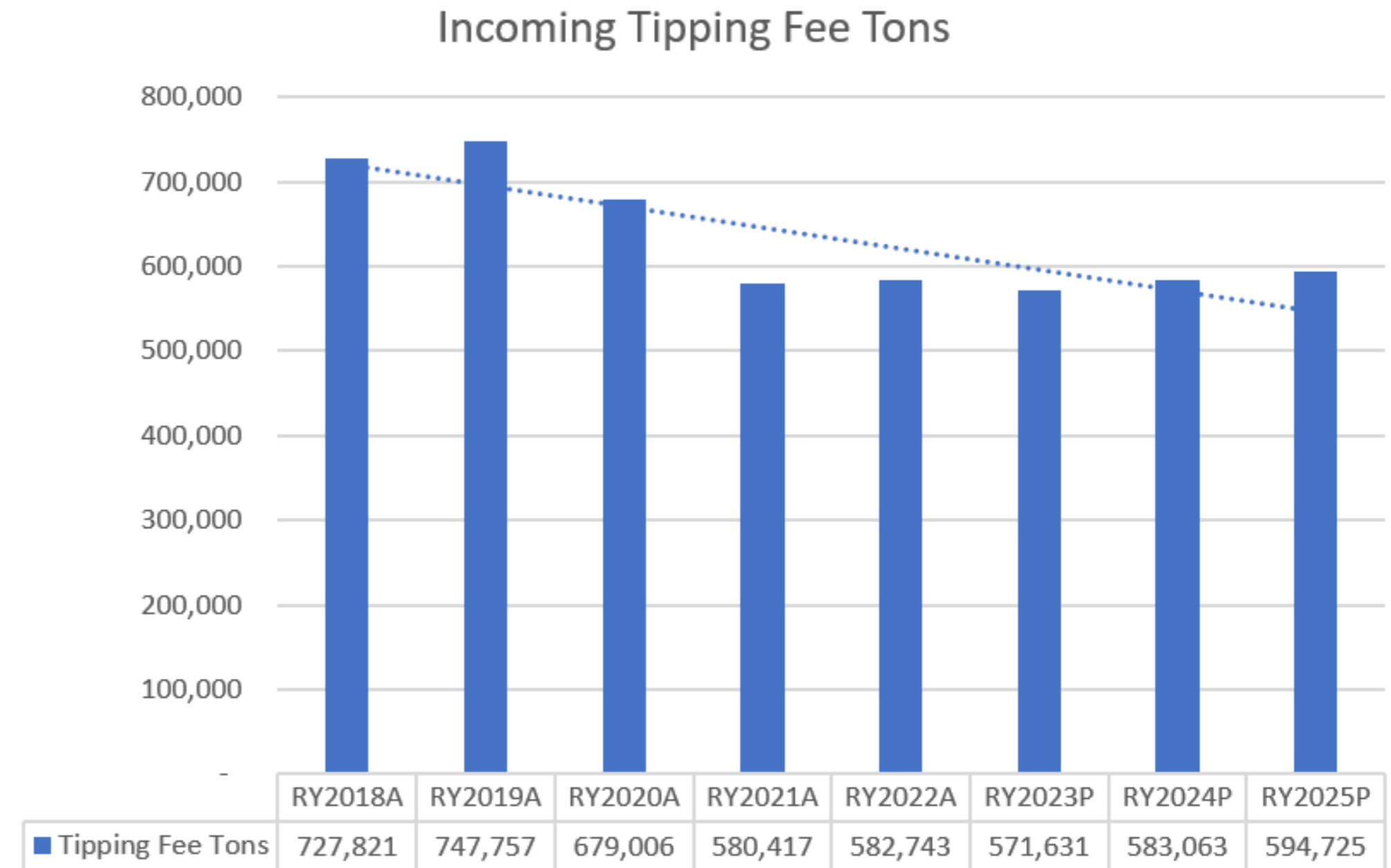
Consolidated SF Recology Companies Revenues



Consolidated SF Recology Companies Costs



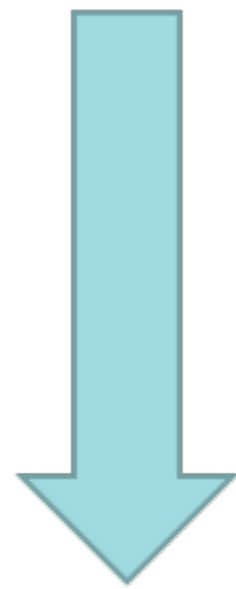
- Reduction in commercial activity
 - San Francisco’s ongoing commercial / economic recovery
- Lower tonnage collected
- Cost increases
 - Pandemic-related increases in headcount
 - Collective Bargaining Agreement and other labor cost increases
 - Truck replacements



- Reduction in commercial activity and lower tons collected drives a rate increase



Fewer tons collected by RSS / RGG



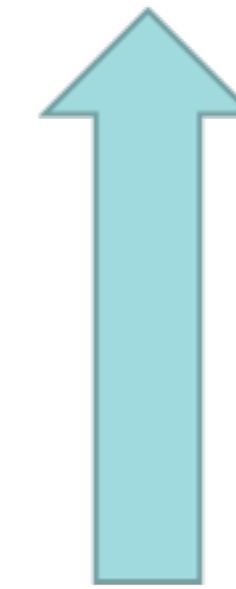
Lower revenue at RSF



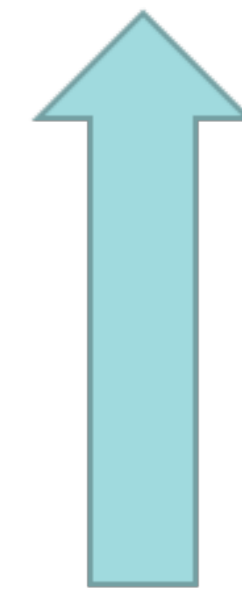
Same fixed costs at RSF



Higher per-ton processing costs



Higher tipping fee needed



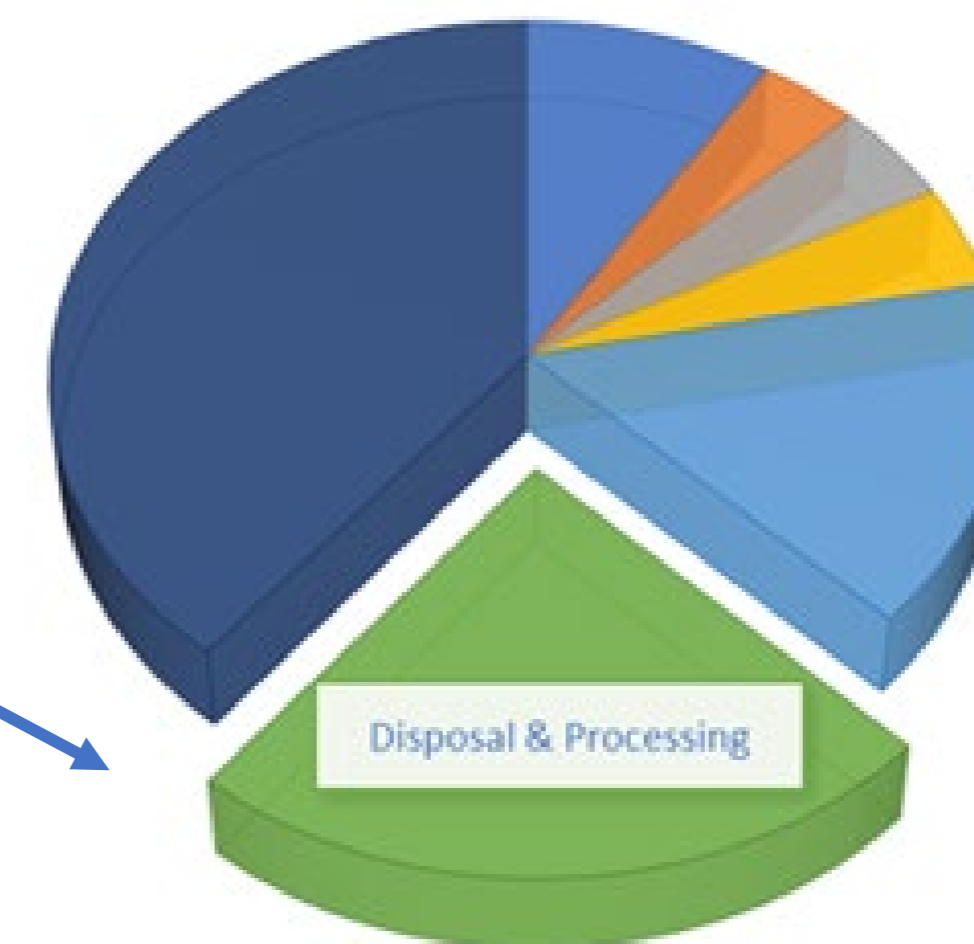
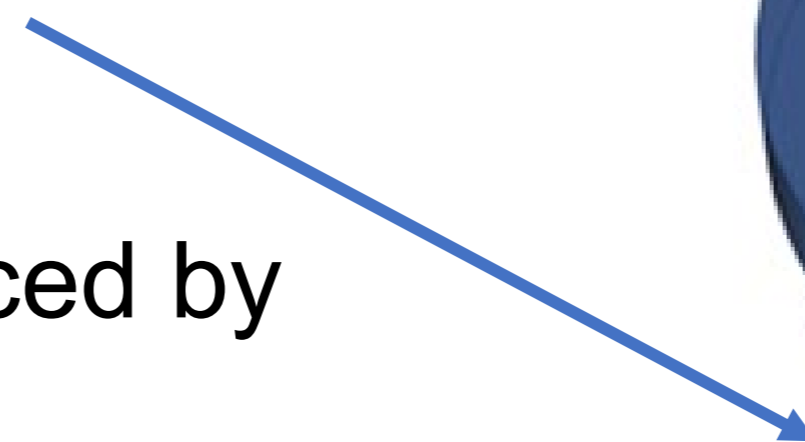
Results in higher RSS / RGG rates

	RY 2024	RY 2025
Collection increase	3.90%	2.17%
Tipping fee increase	16.36%	0.08%

RY2024 RATE @\$48.71

Impact of tipping fee increase on ratepayer:

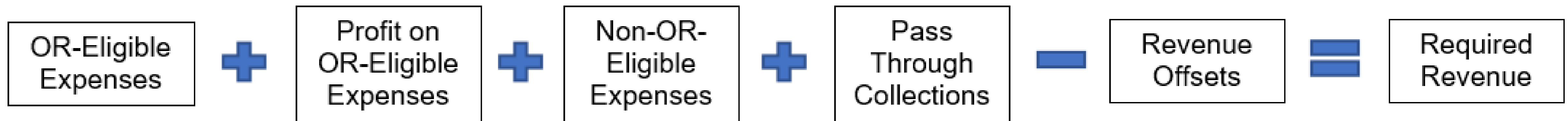
- ~30% of collection expenses are due to tipping fee
- $16.36\% \times 30\% = 4.90\%$, which is reduced by revenue offsets



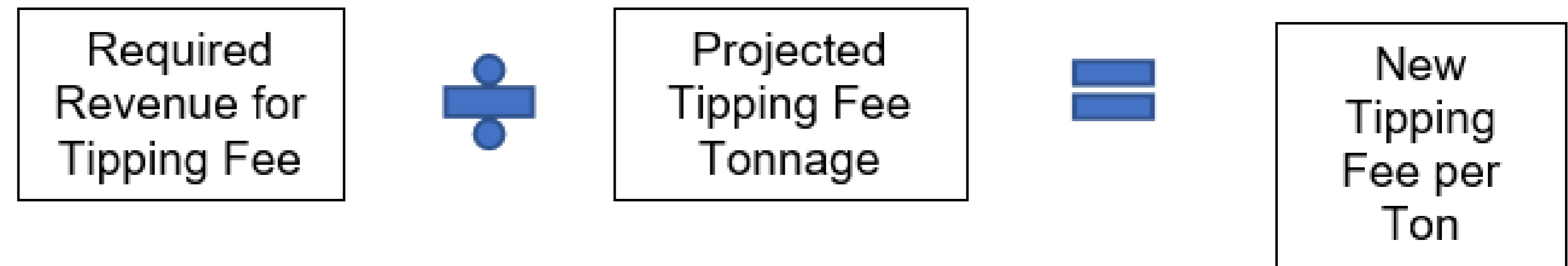
Rate-Setting Methodology

- Standard mechanism in waste industry to calculate target profit
- 91% OR generates low profit levels by industry standards
 - High OR = low profit
- Calculation example:
 - OR-eligible expenses of \$1,000.00
 - \$1,000.00 divided by 91% equals \$1,098.90
 - \$1,098.90 less \$1,000.00 equals \$98.90 in profit
- Applied only to a portion of expenses (“OR-eligible expenses”)
 - Effective profit margin lower
- OR-eligible expenses are approximately 65% of RSS / RGG expenses and approximately 80% of RSF expenses

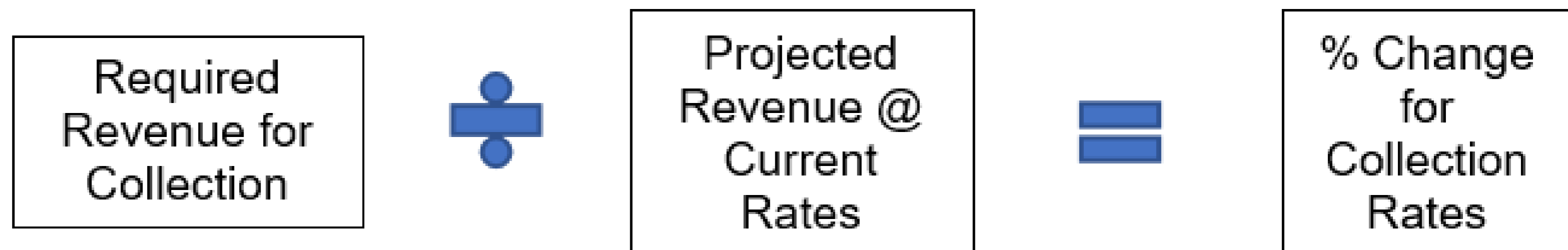
- Rate change calculation:



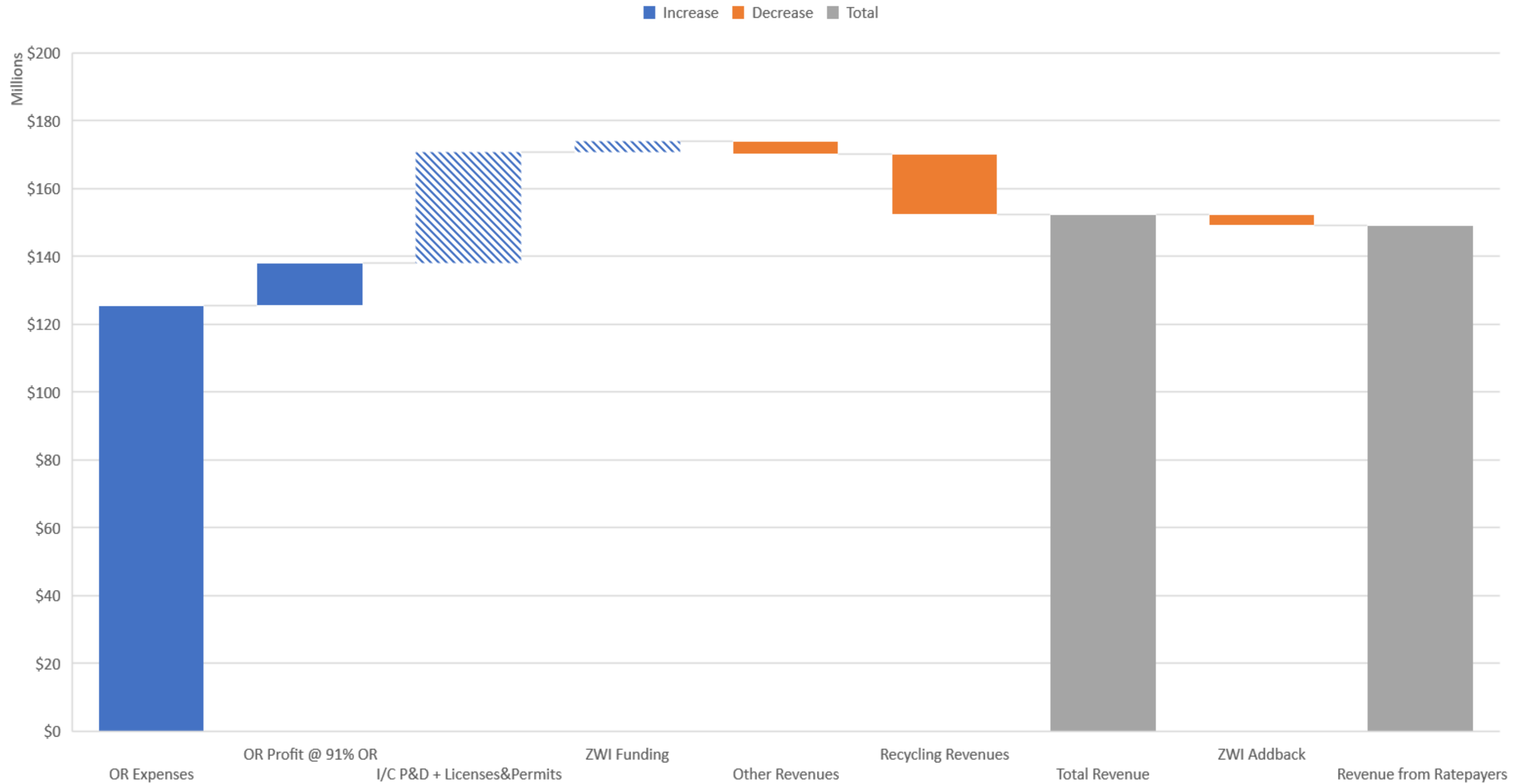
- RSF tipping fee:



- RSS / RGG rates:



R.Y 2024 RSF Revenue Requirement

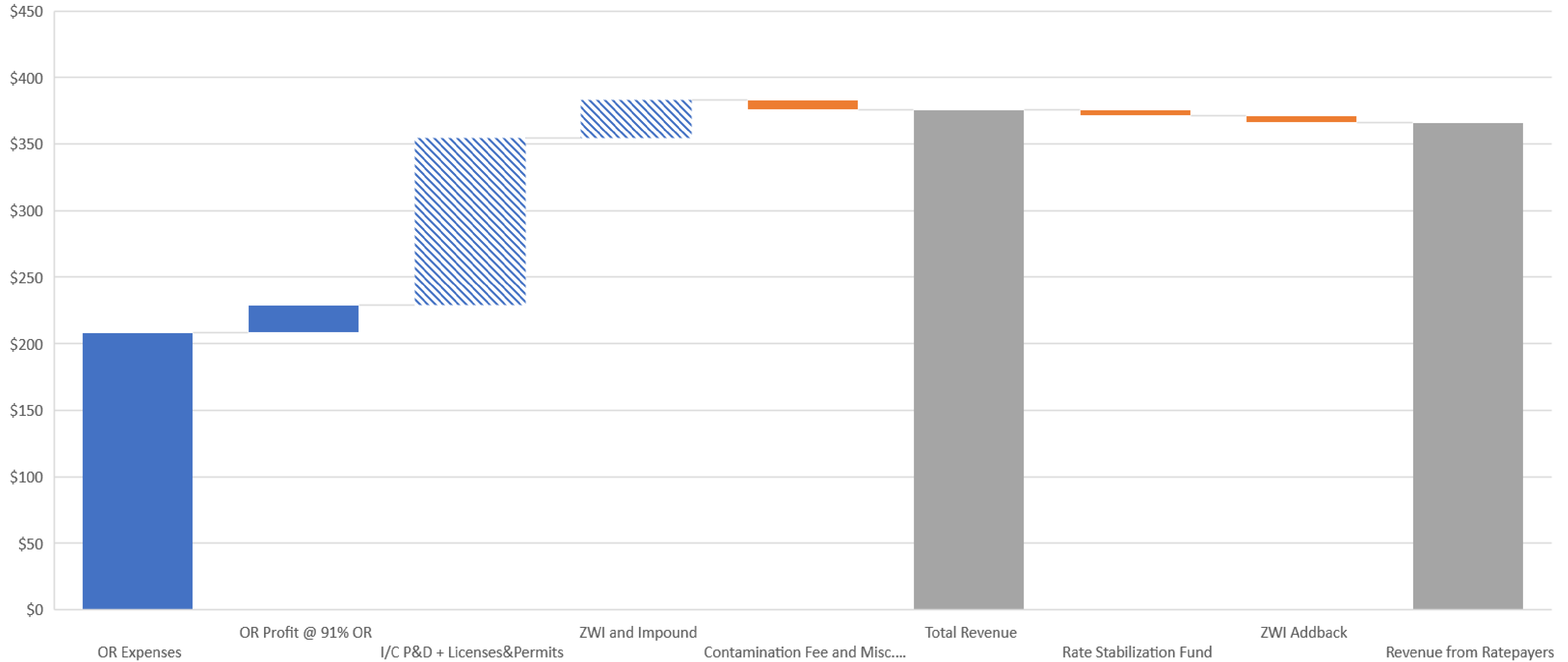


- RSF tipping fee

Recology San Francisco	RY 2024	RY 2025	
Operating Ratio Expenses	\$ 125,521,082	\$ 125,781,488	[a]
Operating Ratio Profit @ 91% OR	\$ 12,414,173	\$ 12,439,927	[b] = [a] / 0.91 - [a]
<u>Non Operating Ratio Expense</u>			
Intercompany Processing and Disposal	28,092,680	29,511,394	[c]
Licenses & Permits	4,685,676	4,820,307	[d]
Zero Waste Incentives @ 2% OR on OR Expenses	3,099,669	3,106,099	[e] = [a] / 0.89 - [a] - [b]
<u>Other Revenue</u>			
Other Commercial Revenues	(3,639,266)	(3,649,443)	[f]
Recycling Revenues	(17,842,450)	(18,194,791)	[g]
Net Revenue Requirement before Offsets	\$ 152,331,564	\$ 153,814,981	[h] = sum [a] to [g]
Total Projected Revenue Tons (assumes 2% growth)	583,063	594,725	[i]
Current Tipping Charge per Ton	\$ 219.86	\$ 255.82	[j] RY25 = RY24 adjusted tipping free
Proposed Tipping Charge per Ton before Offsets	\$ 261.26	\$ 258.63	[k] = [h] / [i]
Percent Increase before Offsets	18.83%	1.10%	[l] = ([k] - [j]) / [j]
Net Revenue Requirement Offsets			
RY 2023 ZWI Addback (4 Tiers)	3,172,268		[m]
RY 2024 ZWI Addback (2 Tiers)		1,549,834	[n]
Net Revenue Requirement After Offsets	\$ 149,159,296	\$ 152,265,146	[o] = [h] + [m] + [n]
Adjusted Tipping Fee	\$ 255.82	\$ 256.03	[p] = [o] / [i]
Adjusted Percent Increase	16.36%	0.08%	[q] = ([p] - [j]) / [j]

RY 2024 SSGG Revenue Requirement

■ Increase ■ Decrease ■ Total



- RSS / RGG rates

Sunset Scavenger / Golden Gate	RY 2024 Adjusted	RY 2025 Adjusted	
Operating Ratio Expenses	\$ 208,479,995	\$ 213,720,134	[a]
Operating Ratio Profit @ 91% OR	20,618,901	21,137,156	[b] = [a] / 0.91 - [a]
<u>Non Operating Ratio Expense</u>			
Disposal Cost	55,688,560	56,819,239	[c]
Processing Cost	67,225,568	68,571,494	[d]
Impound Account	23,847,771	23,847,771	[e]
Licenses & Permits	2,439,330	2,495,900	[f]
Zero Waste Incentives (2% OR)	5,148,290	5,277,692	[g] = [a] / 0.89 - [a] - [b]
<u>Other Revenue</u>			
Revenue not subject to rate increase	(2,917,723)	(2,917,723)	[h]
Contamination Charges	(5,000,000)	(5,000,000)	[i]
Net Revenue Requirement before Offsets	\$ 375,530,691	\$ 383,951,663	[j] = sum [a] to [i]
Net Revenue Requirement Offsets			
Rate Stabilization Fund	4,250,000	-	[k]
RY 2023 ZWI Addback (4 Tiers)	5,313,635	-	[l]
RY 2024 ZWI Addback (2 Tiers)	-	2,574,145	[m]
Net Revenue Requirement After Offsets	\$ 365,967,056	\$ 381,377,518	[n] = [j] - sum [k] to [m]
Revenue @ Current Rates [1]	\$ 352,224,256	\$ 373,286,397	[o]
Difference	\$ 13,742,799	\$ 8,091,121	[p] = [n] - [o]
RY 2024 & RY 2025 Net Increase	3.90%	2.17%	[q] = [p] / [o]

[1] RY 2025 Revenue @ Current Rates = Net Revenue Requirement After Offsets plus 2% growth

- Annual rate adjustment for RY 2026 and beyond
- COLA applied except for years when Rate Board sets new rates
 - Helps align rates with cost changes
 - Factors to approximate most recent cost structure
 - Weighting adjusted annually based on actual costs
- Additional components of the annual rate adjustment
 - ZWI rebates to ratepayers
 - Changes in projected pension contributions
 - Balancing account adjustments

- Mechanism to adjust rates based on actual profits earned above or below target profit
- Balance increased for 100% of profits earned above target
 - Results in rate decrease in next following rate year
- Balance decreased for 100% of profits earned below target
 - Results in rate increase in next following rate year

Key Rate Components

- Recology used a blended 2% growth assumption for RY 2024 and RY 2025
 - Commercial is 48% of total collections revenue
 - Residential is 52% of total collections revenue
- City’s 5-year Plan growth assumptions from Table 7
 - Business growth is 5.0% in RY 2024 and 4.1% in RY 2025
 - Residential growth is -0.4% in RY 2024 and flat in RY 2025

	City Data Projected Growth	City Business Projected Growth (Table 7)	City Residential Projected Growth	Recology Projection
FY 2024	3.56%	5.00%	-0.40%	2.00%
FY 2025	2.62%	4.10%	0.00%	2.00%

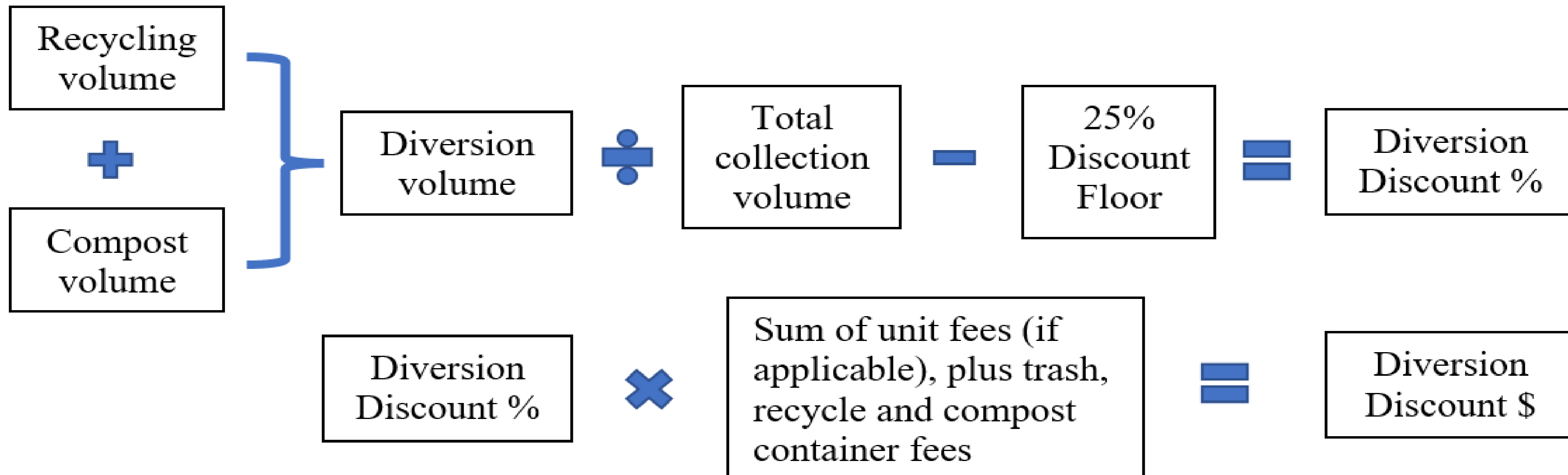
- Pension cost largely consists of contributions to Recology Inc. defined benefit pension plan (“Plan”)
- Rate application includes \$23.5M for RY 2024 and \$17.6M for RY 2025 for Plan contributions
- 100% funding projected by June 2025 - no contributions in RY 2026 unless Plan funding falls below 98%
- RY 2026 rates will be adjusted downward for reduction of pension costs
- Balancing account to capture changes in contributions, as needed, to maintain funding at 100%

- Recology funds accounts that are not part of OR-eligible costs
 - Impound Account
 - Funds supporting Public Works and SFE
 - \$23.8M included in each of RY 2024 and RY 2025
 - Does not reflect changes requested by Public Works and SFE
 - Fixed dollar amount
 - ZWI Account
 - Equal to 2.0% OR: \$8.2M in RY 2024 and \$8.4M in RY 2025

Rate Change Proposal

	RY 2023	RY 2024	RY 2025
Standard residential monthly increase		\$1.83	\$1.07
Collection increase		3.90%	2.17%
Tipping fee	\$219.86	\$255.82	\$256.03
Tipping fee increase - \$		\$35.96	\$0.21
Tipping fee increase - %		16.36%	0.08%

- Residential
 - Diversion incentive built into residential rates
- Apartment
 - Diversion discounts available
- Commercial
 - Diversion discounts available



Single Unit Residential Account

	RY 2023 Rates	RY 2024 Rates	RY 2025 Rates
Services	Charge (Current)	Charge (3.90% increase)	Charge (2.17% increase)
Monthly charge	\$46.87	\$48.70	\$49.77
Monthly change		\$1.83	\$1.07

4-Unit Multifamily Residential Account

	R.Y. 2023 Rates	R.Y. 2024 Rates	R.Y. 2025 Rates
Services	Charge (Current)	Charge (3.90% increase)	Charge (2.17% increase)
Monthly charge	\$177.19	\$184.11	\$188.10
<i>Per unit equivalent – Monthly charge</i>	<i>\$44.30</i>	<i>\$46.03</i>	<i>\$47.03</i>
Monthly change		\$6.92	\$3.99
<i>Per unit equivalent – Monthly change</i>		<i>\$1.73</i>	<i>\$1.00</i>

100-Unit Apartment Account

- collection once per week
- 43% diversion discount

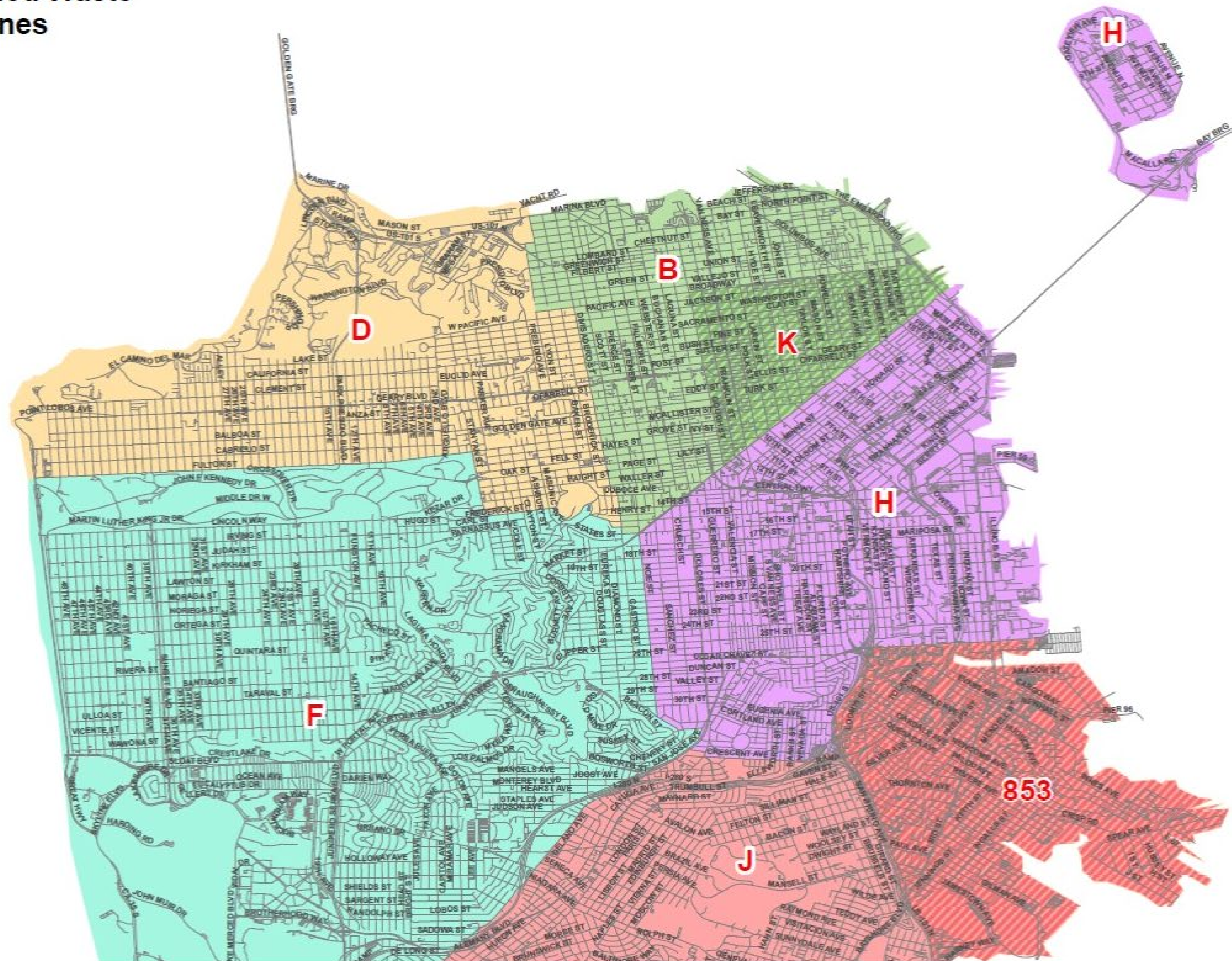
	RY 2023 Rates	RY 2024 Rates	RY 2025 Rates
Services	Charge (Current)	Charge (3.90% increase)	Charge (2.17% increase)
Monthly charge	\$4,393.25	\$4,564.59	\$4,663.64
<i>Per unit equivalent – Monthly charge</i>	<i>\$43.93</i>	<i>\$45.65</i>	<i>\$46.64</i>
Monthly change		\$171.34	\$99.05
<i>Per unit equivalent – Monthly change</i>		<i>\$1.71</i>	<i>\$0.99</i>

Programs

Keeping San Francisco clean and supporting the City's climate action goals

- | | | |
|--|---|---|
| <ol style="list-style-type: none"> 1. Recyclables Collection (Blue bin) 2. Organics Collection (Green bin) 3. Trash Collection (Grey bin) 4. Bulky Item Recycling (BIR) 5. Public Refuse Receptacle Collection 6. Abandoned Materials Collection 7. Disposal of Street Sweeping and Abandoned Waste 8. District Clean-up Events 9. Battery Recycling 10. Christmas Tree Recycling | <ol style="list-style-type: none"> 11. Construction and Demolition Debris Recycling 12. Public Reuse and Recycling Area 13. Household Hazardous Waste Drop-off 14. Door to Door Household Hazardous Waste Collection 15. Household Hazardous Waste Retail Take-back Program 16. Very Small Quantity Generator Program 17. E-waste Recycling 18. Safe Needle Program | <ol style="list-style-type: none"> 19. Perfectly-good Reuse Program 20. Mattress Recycling 21. Toilet Recycling 22. Tire Recycling 23. Styrofoam Drop-off 24. Film Plastic Drop-off 25. Litter Collection from Community Benefit Districts 26. Event Recycling 27. Artist in Residence 28. Educational Tour Program 29. Compost Giveaway |
|--|---|---|

Abandoned Waste Zones



Current Service Levels

Collecting abandoned material (furniture, mattresses, etc.) in the public right of way

- 13 driver headcount with 5 zones, 2 sweep routes covering San Francisco
- Target response time within 4 hours
- Estimated direct program cost = \$5.4M per year

Current Service Analysis

- Existing zones are experiencing service requests at 117% of estimated service capacity
- Service requests increased 2.89% from CY 2022 to CY 2023
- Response time eroded 33% from CY 2022 to CY 2023

Enhancement: One Additional Abandoned Materials Zone

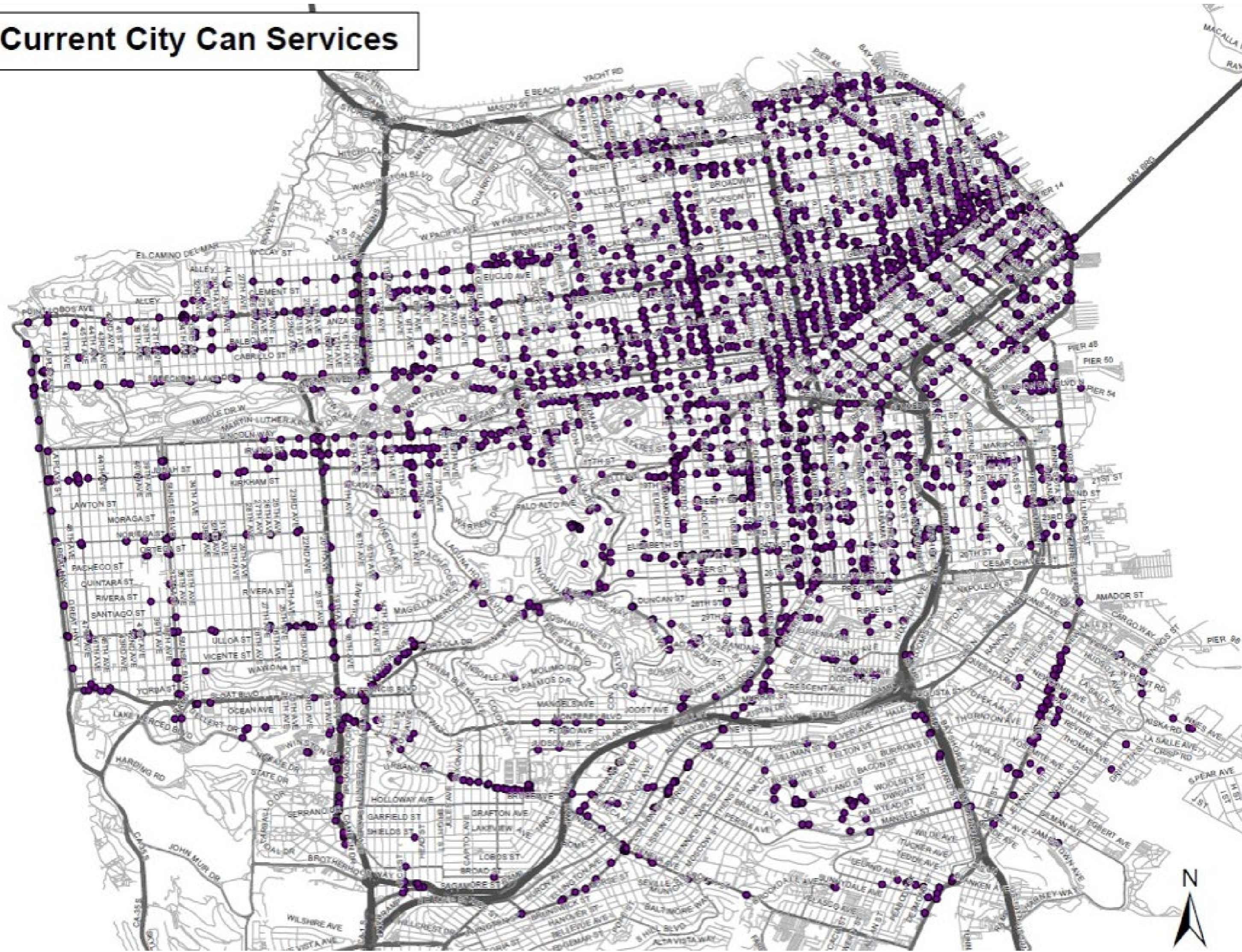
Goal

- To respond to ongoing increases in service requests above current service capacity and provide proactive service capability to all zones covering San Francisco
- With the additional service capability, all zones will be able to more quickly respond to 311 service requests and will be able to proactively drive streets within their zones to collect abandoned material before a 311 call is received

Rate Requirements

- 2 additional driver FTE = \$476K per year
- 2 additional collection vehicles = \$493K truck acquisition cost

Current City Can Services



Current Service Levels

Dedicated public receptacle routes for additional service of high use cans

- 10 driver FTE and 10 route trucks
- Routes are scheduled to begin service after standard collection routes
- Estimated direct program cost = \$4.1M per year

Current Service Analysis

- Commercial corridors outside of the downtown area are requiring additional service of public receptacles
- 7 out of 10 311 calls come in during the afternoon hours
- Installation of sensors is projected to increase the frequency of service requests and need for dynamic routes, which requires additional capacity
- 311 calls for overflow requests for CY 2023 are on pace to increase by 137% over CY 2022

Enhancement: Two Additional Dedicated Public Receptacle Routes

Goal

- To provide the additional resources needed to meet increased public receptacle service requests and future scheduling flexibility for sensor deployment
- Additional dedicated public receptacle routes will add capacity for approximately 150,000 additional stops annually

Rate Requirements

- 2 additional driver FTE = \$476K per year
- 2 additional collection vehicles = \$410K truck acquisition cost

Enhancement: 22 Weekend Clean-up Events Across San Francisco

Goal

- To restart the weekend clean-up events to provide additional opportunities for residents to dispose of bulky, miscellaneous, and other items

Background

- These events support proper disposal and reduce material left in the public right of way
- In addition to the two Bulky Item Recycling pickups each resident and apartment unit receives per calendar year

Rate Requirements

- Estimated direct program costs for 22 events = \$559K per year

Ongoing Education and Outreach Programs



Recycling & Composting in San Francisco
- Apartment Property Managers

Mon, Apr 10, 2023 11:00 AM PDT + 2 more events

Free

In alignment with SFE goals:

- Conduct site visits, presentations, and service recommendations to maximize diversion.
 - Provide kitchen compost pail to residents and tenants upon request
 - Mail welcome letters with information on proper sorting to all newly started customers
 - Provide assistance to 1,250 commercial and 600 apartment customers per year through phone calls, email, letters, direct trainings, and support
 - Contact customers with frequent contamination to offer training, signage, and ensure service levels match waste stream
 - Conduct audits of large refuse generators and provide results to SFE, per Refuse Separation Ordinance
- Events and educational support
- Tours
- Presentations and trainings

Current Waste Zero and Diversion Auditor Team is 11 FTE

Education and Outreach Programs

Goal: Prevent contamination at the source

In alignment with SFE priorities:

- Distribute Recology service guides to all residential and apartment customers every other year
- Provide Recology service guides for commercial customers detailing what goes where, how to avoid/remove contamination charges, and additional services such as locking and indoor services to discourage illegal dumping
- Targeted Outreach – Contact all new apartment and commercial accounts above 2 yards of service, with low diversion (less than 50%)

Breakdown of annual costs

- Cost = \$393K per year
- Printing, production, and distribution of service guides for approximately 320K customers
- 1 additional FTE to conduct focused outreach to low diversion customers
- Automated email distribution of newsletter

Residual Reduction and Quality Compost

Goal: Reduce contamination to improve diversion and product quality

Starting with outreach and education

- Onsite trainings, posters and signage plus one-on-one site visits
- Information about importance of sorting correctly and potential for contamination charges

At point of collection

- On-board technology - identify contamination at source
- Targeted outreach and education
- Cost = \$468K per year
 - 1 additional FTE to evaluate photos, conduct trainings, manage customer account data, contamination warnings, and process
 - Onboard technology and cameras installed on 38 units



Point of collection: Photo of recycling truck hopper, from on-board camera pilot program

Contamination Charge Process

Goal: Hold contaminators accountable with a clearly defined process

Apartment and Commercial Process

1. **First instance:** Tag cart and send letter to customer
 2. **Second instance:** Tag cart, send letter to customer, and charge to dump contaminated bin as extra trash
 3. **Third instance:** Send letter to customer, add 50% contamination fee to monthly bill
 4. **Ongoing contamination:** Monthly contamination fees added to account and escalated over time from 50% up to 100% and removal of diversion discount
- ✓ A clean inspection will result in removal of all contamination charges

Residential Process

- Tag cart and charge to dump contaminated bin as extra trash

Additional projected contamination fees:

- \$5 million additional revenue per year

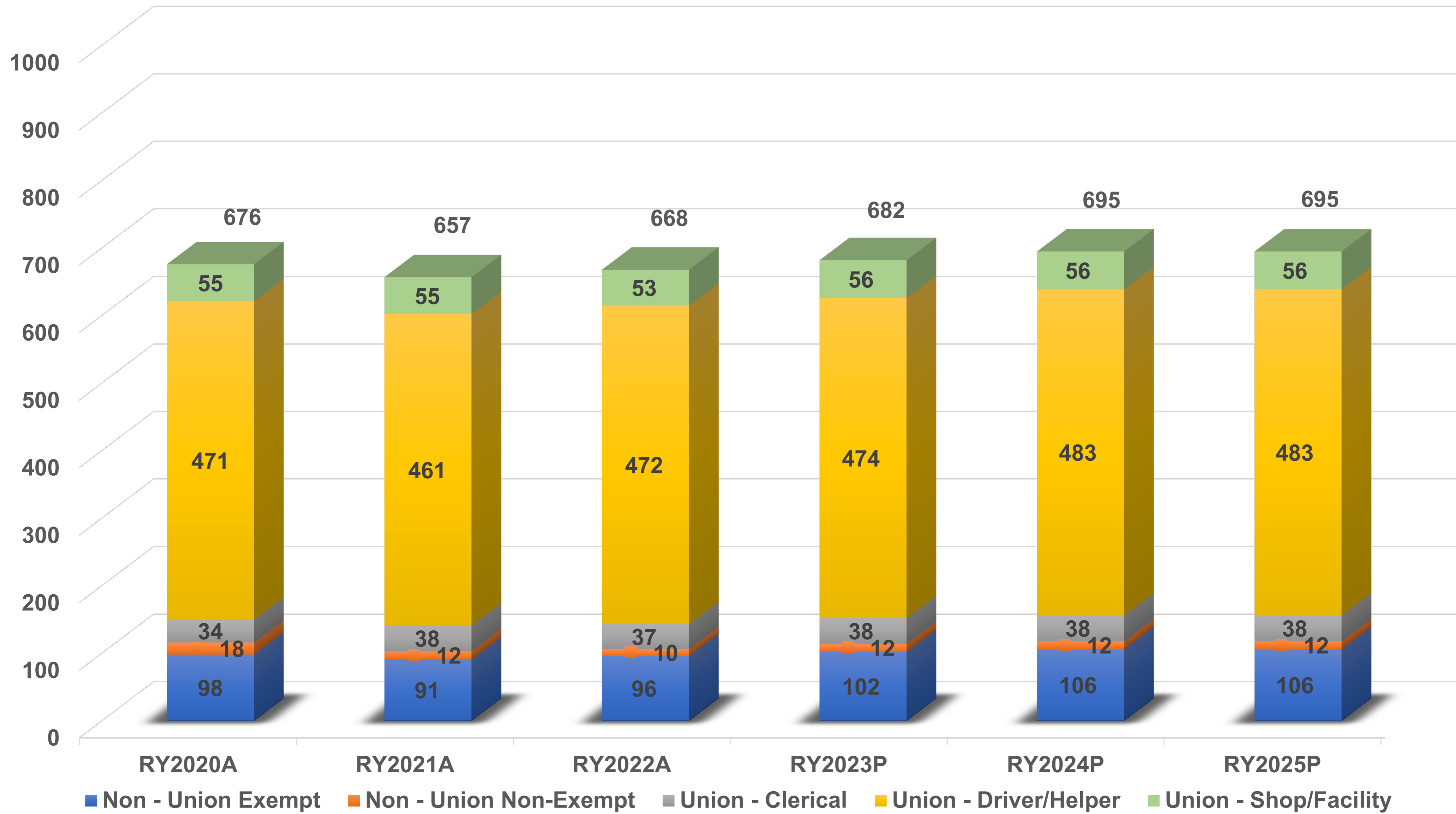


Interference with safe service

- Recology and Union collaborating with City departments
- Implemented changes to address frequency and severity of incidents
- Established two-person routes where needed
- Increased supervision to improve presence and response times
- Increased training

Cost

- 3 additional drivers: \$714K per year
- 1 additional supervisor: \$146K per year



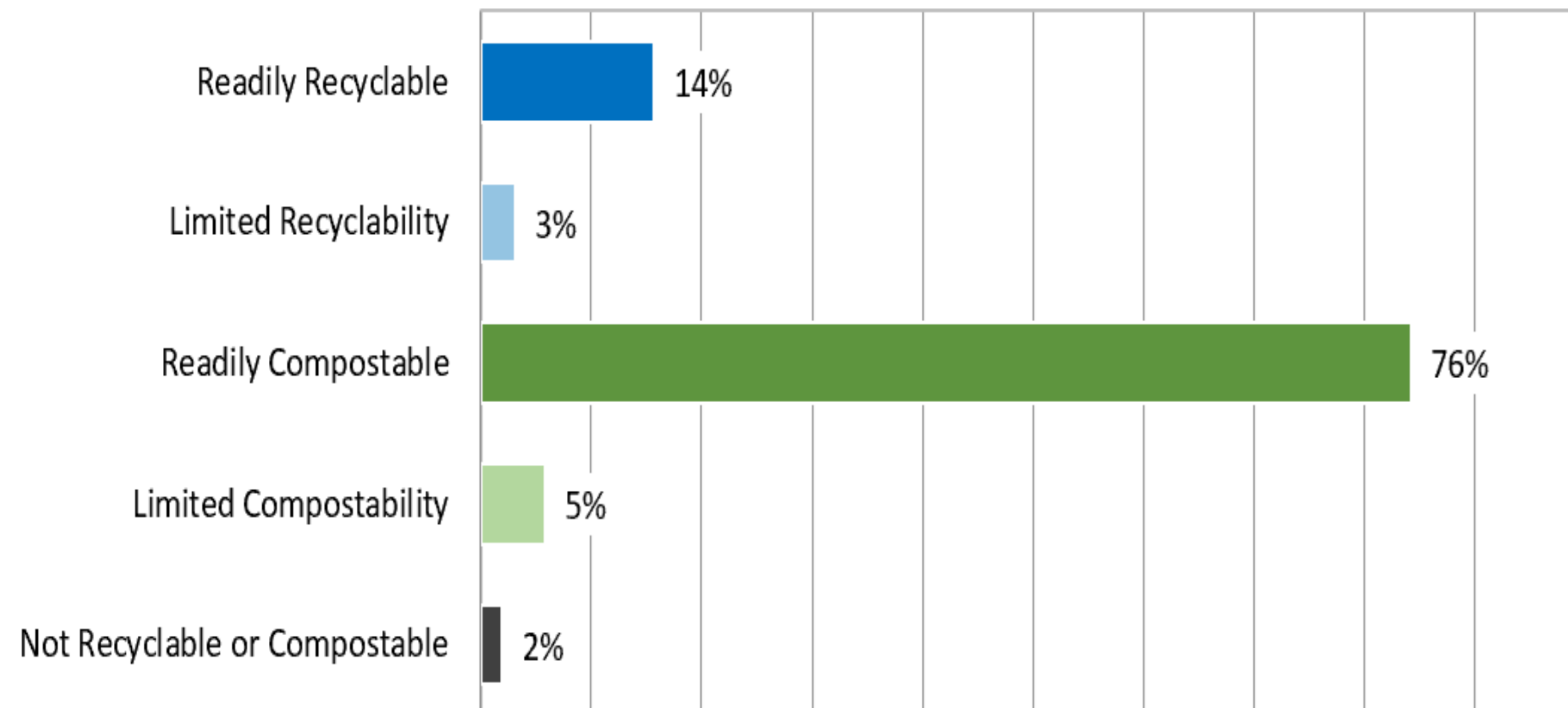
Category	Job Type	FTE	Open Headcount or New Hire	Operational Requirement
Non-Union Exempt	Rate Analyst	2	New hire	Prepares and analyze rate schedules and models. Ensures the rate structure is applied appropriately across the organization and quarterly rate reporting adheres to regulations.
Non-Union Exempt	Finance Manager	1	Open headcount	Oversees the rate reporting requirements and ensures compliance with regulations.
Non-Union Exempt	Assistant Controller	1	Open headcount	Supports the Regional Controller in managing financial reporting, month-end close, and development of policies, while overseeing the day-to-day operations of the accounting department.
Non-Union Exempt	Senior Human Resource Generalist	1	New hire	Supports the Human Resources department with additional regulatory responsibilities associated with PHELO and Proposition G.
Non-Union Exempt	GIS Supervisor	1	Open headcount	Replacement GIS Supervisor
Non-Union Non-Exempt	Payroll Coordinator	1	New hire	Supports the regional payroll team in executing new payroll regulatory and new collective bargaining agreement requirements. All union employees are moving to a weekly payroll.
Non-Union Non-Exempt	Liens Collection	1	New hire	Supports Accounts Receivable team to send delinquent accounts to third-party collections agency if the account cannot be liened. Point of contact to work with third-party agency to reduce the Region's bad debt.
Union – Clerical	Diversion Auditor	1	Open headcount	Monitors data from on-board cameras to assess and document contamination for contamination charges and quality monitoring.
Union – Driver/Helper	Driver	2	New hire	Additional relief drivers needed to provide route coverage due to Proposition G regulatory change.
Non-Union Exempt	Maintenance Supervisor	1	New hire	Supports the maintenance manager and department's 24-hour window of operation
Union – Shop/Facility	Mechanic	1	Open headcount	Retirement
Union – Shop/Facility	Shop Person	1	Open headcount	Retirement
	Total	14		

Category	Job Type	FTE	Open Headcount or New Hire	Operational Requirement
Non-Union Exempt	Operations Supervisor	2	New hire	Supports operations in the Tenderloin, Special Event coordination, and public receptacle supervision.
Non-Union Exempt	Waste Zero Specialist	2	New hire	Supports additional outreach to commercial customers generating two or more yards per week, with less than 50% diversion rates.
Union Driver/Helper	Driver	9	New hire	Two public receptacle drivers for increased service demands. Two abandoned materials drivers for increased service demands. Three drivers for the Tenderloin routing changes. Two drivers for cardboard collection in high demand areas.
Total		13		

Note: FTE is projected to remain constant from RY 2024 to RY 2025.

Organics Contamination

Subtotals by Recoverability



- Currently, 24% of total organics tonnage collected by SF Recology Companies is non-compostable or has limited compostability
- Stanislaus County has notified Recology it has until December 2023 to clean up organics feedstock from San Francisco
- Recology working with SFE on steps towards removing plastics, including bio-bags, from the organics feedstock

Contamination Concerns & Objectives

- At current contamination levels, we are in jeopardy of losing the ability to deliver San Francisco organics to the current organics processing facility
- SB 1383 has created a market capacity issue and currently unclear if alternative markets can accept our tonnage
- Regulatory and industry standards consider bioplastics to be contamination that must be removed from the organics stream; SFE has indicated that bioplastics are key to the success of organics participation
- Current standards for certifying compostable plastics do not align with actual facility conditions, including processing times
- The organics processing facility cannot state that these materials can be “processed and recovered”
- Proposing to install and operate a pre-processing system to remove contaminants from the organics feedstock prior to delivering to the organics processing facility

Organics Pre-Processing System

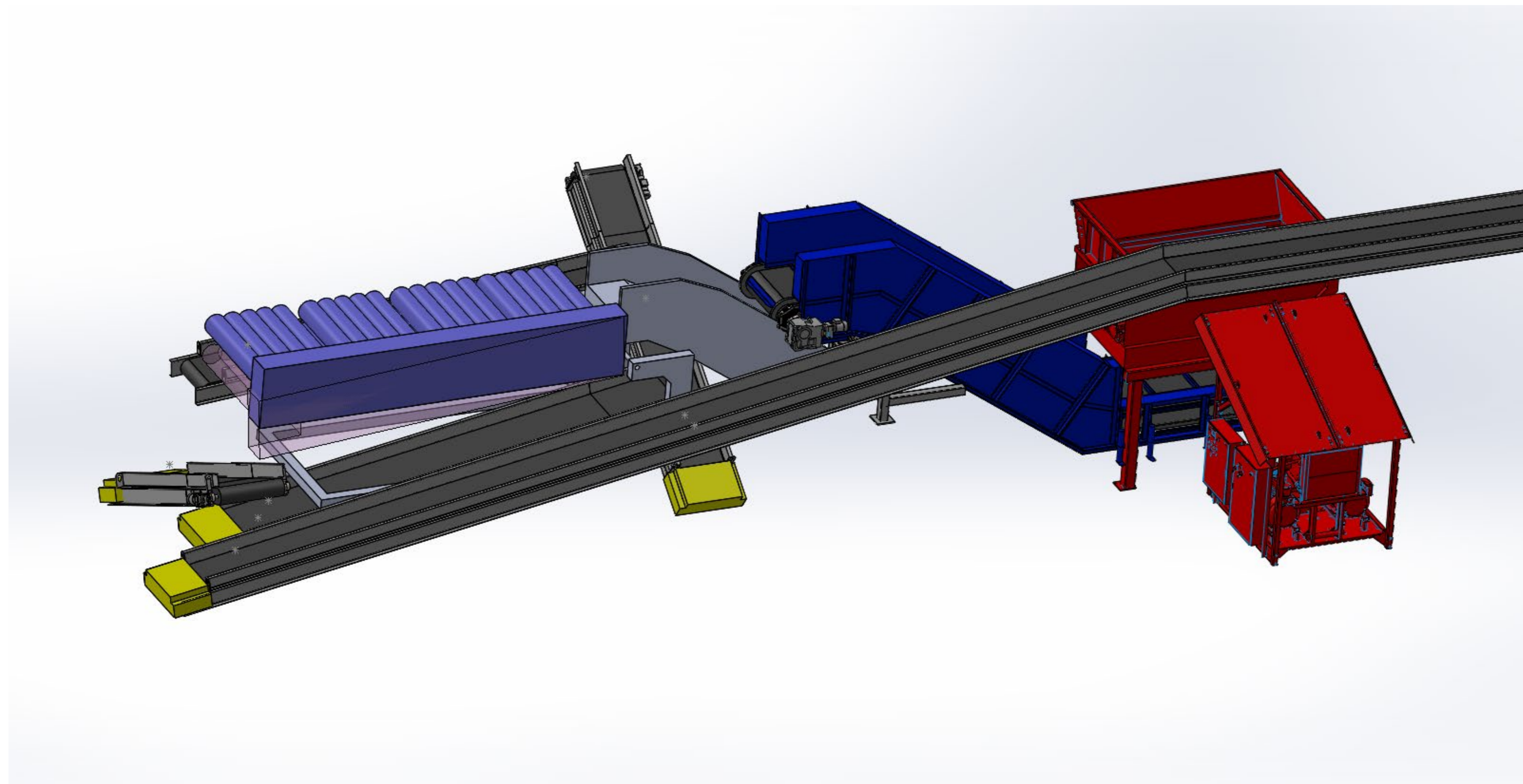
- Removing contaminants from organics feedstock creates challenges with yield loss and product quality

System Cost Estimate

Bag Breaker/Opener	\$ 725,000
Separation Screen	405,000
Installation and Conveyors	898,000
Electrical Service and Connections	503,000
PG&E Transformer Upgrades	<u>750,000</u>
Total Project (w/o sales tax)	\$3,281,000

- \$2.5M is included in leases over 10 years, and the rest will be depreciated over 10 years resulting in approximately \$196,000 in RY 2025 and \$392,000 per year in future rate years

Organics Pre-Processing Conceptual Design



Large Scale Trash Processing Test

- SFE requested that Recology deliver 1,200 tons of unsorted municipal solid waste (MSW) to Davis Street Organics Materials Recovery Facility (OMRF)
- SFE estimated a 46% recovery rate for the MSW that is run through the OMRF based on reports presented to Oakland by the facility operators in 2022

Test Objectives

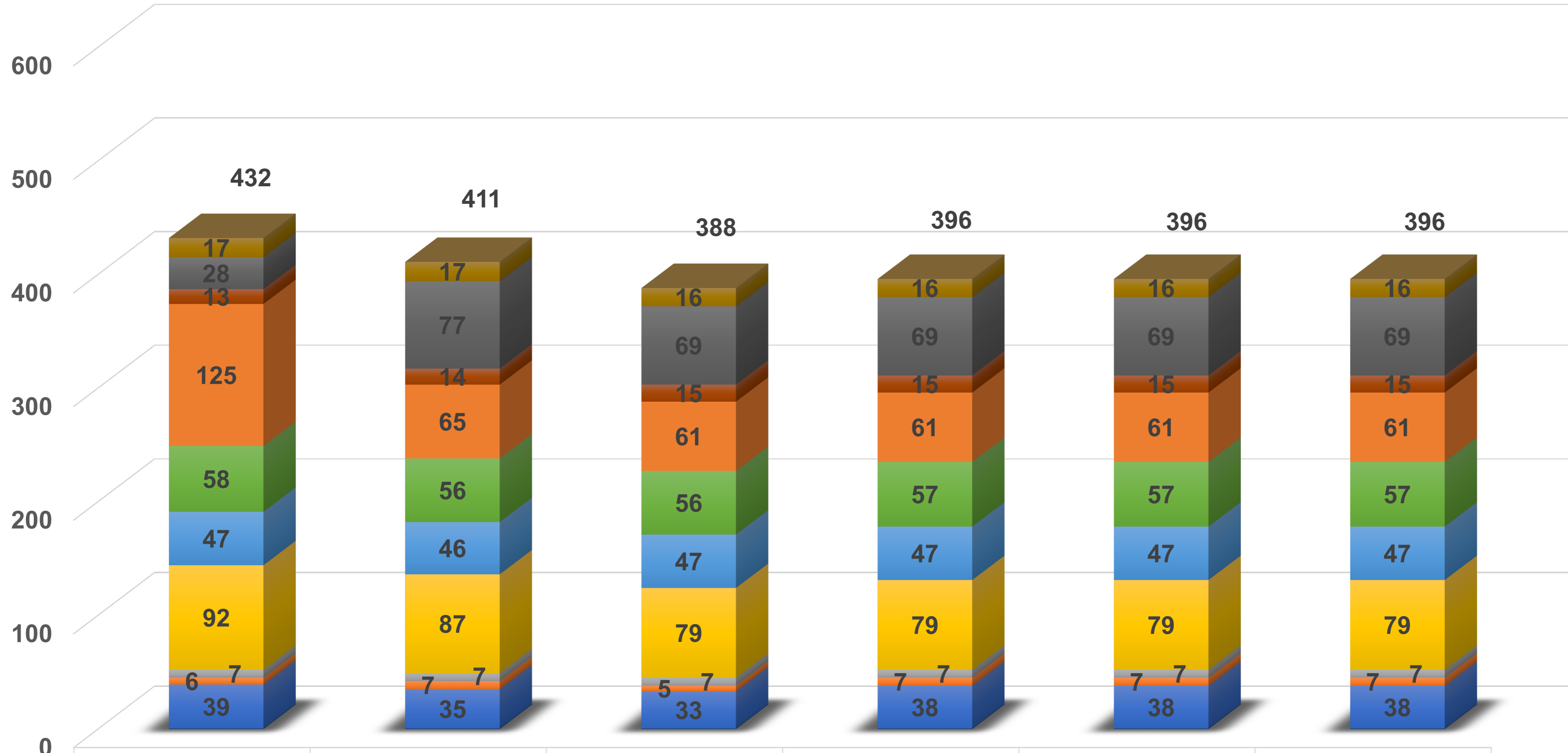
- Intent is to determine feasibility of processing trash for San Francisco to recover organic and recyclable materials that can then be composted and recycled
- MSW will be processed at OMRF
- Urbaser Environment will perform a detailed analysis of the recovered organic fraction, recyclable commodities, and non-recyclables
- Organic material recovered from the trash processing test will then be composted at the adjoining Organics Material Composting Facility (OMCF)

Incremental cost of MSW processing test

- \$479,970 or \$400 per ton

		<u>Hay Rd</u>	<u>Davis St. OMRF</u>	<u>Difference</u>
Truck & Labor Cost per Hour	\$	193.00	\$ 193.00	
Number of Loads		47.06	54.55	
Time per load		5.00	2.50	
Total Freight	\$	45,412	\$ 26,318	
Tip Fee at Hay Rd. Landfill	\$	37.80	\$ 452.10	
Tons		1,200	1,200	
Total Disposal/Processing Cost	\$	45,360	\$ 542,521	
Total Cost	\$	90,772	\$ 570,741	\$ 479,970

- Sustainable Crushing operation at Pier 94 closed in 2021; site will be cleared by August 2023
- No Sustainable Crushing costs included for RY 2024 and beyond
- RY 2023 costs:
 - \$3M freight to clear site
 - \$90K / month lease
- In RY 2023, 2 FTEs: scalehouse weighmaster and equipment operator
- By RY 2024, 2 FTEs will return to RSF, backfill existing vacancies and offset overtime



- Non - Union Exempt
- Union - Driver/Helper
- Union - Sorter/Material Handler
- Union - Weightmaster/Dispatcher
- Non - Union Non - Exempt
- Union - Equipment Operator
- Union - Technician
- Union - Clerical
- Union - Shop/Facility
- Union - Utility Person

Category	Job Type	FTE	Open Headcount or New Hire	Operational Requirement
Non-Union Exempt	Human Resources Manager	1	Open headcount	Supports the employee population at Pier 96 and RSF.
Non-Union Exempt	Environmental Specialist	1	Open headcount	Supports Regional Compliance Manager with Environmental and Operational Permit Compliance.
Non-Union Exempt	Operations Manager - Transportation	1	New hire	Manages RSF Transportation Department. Currently this business unit is overseen indirectly by the Senior Operations Manager.
Non-Union Exempt	Operations Supervisor - Transportation	1	New hire	Reports to the Operations Manager to have appropriate structure and coverage.
Non-Union Exempt	Operations Supervisor - Shop	1	New hire	Covers the swing shift and provides shift coverage for the graveyard shift.
Non-Union Non-Exempt	Artist in Residence/Environmental Program Specialist	1	Open headcount	Primarily supports the Educational Tour programming and Artist in Residence Program at a minor level as needed. Leads onsite student and adult tours and offsite school presentations. Develops and implements curriculum, workshops, and educational materials.
Non-Union Non-Exempt	EIR Coordinator	1	Open headcount	Coordinates environmental studies and deliverables between the San Francisco and Brisbane Planning Departments, environmental consultants, land use attorneys, and Recology management.
Union – Shop/Facility	Lube Tech	1	New hire	Performs maintenance on the iMRF C&D processing line.
	Total	8		

Note: FTE is projected to remain constant from RY 2023 to RY 2025.

Even after proposed increases, residential rates are below nearby comparable cities

	Current monthly residential rate	RY 2025 proposed residential rate
San Jose	\$55.24	
Oakland	\$54.69	
San Francisco	\$46.87	\$49.79

Appendix

Single Unit Residential Account

		RY 2023 Rates	RY 2024 Rates	RY 2025 Rates
Services	Units	Charge (Current)	Charge (3.90% increase)	Charge (2.17% increase)
Dwelling Unit	1	\$17.55	\$18.23	\$18.63
Trash (grey) 16 Gal	1	\$7.33	\$7.62	\$7.79
Recycling (blue) 64 Gal	1	\$14.66	\$15.23	\$15.56
Organics (green) 32 Gal	1	\$7.33	\$7.62	\$7.79
Monthly charge		\$46.87	\$48.70	\$49.77
Monthly change			\$1.83	\$1.07

4-Unit Multifamily Residential Account

		RY 2023 Rates	RY 2024 Rates	RY 2025 Rates
Services	Units	Charge (Current)	Charge (3.90% increase)	Charge (2.17% increase)
Dwelling Unit	4	\$70.20	\$72.94	\$74.52
Trash (grey) 64 Gal	1	\$29.32	\$30.46	\$31.12
Trash (grey) 96 Gal	1	\$43.98	\$45.70	\$46.69
Trash Premium	1	\$11.70	\$12.16	\$12.42
Recycling (blue) 64 Gal	1	\$14.66	\$15.23	\$15.56
Organics (green) 32 Gal	1	\$7.33	\$7.62	\$7.79
Monthly charge		\$177.19	\$184.11	\$188.10
Monthly change			\$6.92	\$3.99

100-Unit Apartment Account – collection once per week

		RY 2023 Rates	RY 2024 Rates	RY 2025 Rates
Services	Units	Charge (Current)	Charge (3.90% increase)	Charge (2.17% increase)
Dwelling Unit	100	\$583.00	\$605.74	\$618.88
Trash (grey) 2 YD	6	\$2,129.10	\$2,212.13	\$2,260.13
Recycling (blue) 2 YD	12	\$4,258.20	\$4,424.27	\$4,520.28
Organics (green) 64 Gal	6	\$337.32	\$350.48	\$358.09
Diversion Discount		\$(2,914.37)	\$(3,028.03)	\$(3,093.74)
Monthly charge		\$4,393.25	\$4,564.59	\$4,663.64
Monthly change			\$171.34	\$99.05



Thank you



Request for Changes to Refuse Rates Narrative Summary



March 7, 2023

**Recology Sunset Scavenger
Recology Golden Gate
Recology San Francisco**

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EXECUTIVE SUMMARY

This refuse rate change application proposes rate increases that will allow the SF Recology Companies to maintain and improve services that help keep San Francisco clean and achieve the City's climate action goals. This rate application also includes the labor and equipment investments needed to sustain San Francisco's world-class waste diversion programs.

We have targeted our programs to meet the needs of our customers, San Francisco Public Works, and San Francisco Environment Department (SFE). And, as part of our ongoing commitment to increased transparency in rate-setting and rate-reporting, we are eager to work with the City Controller's Office to enhance our public disclosures.

There have been a number of key developments since the last rate-setting process more than six years ago. Since then, economic pressures have challenged the SF Recology Companies' revenue outlook and cost structure. Those pressures were exacerbated by the COVID-19 pandemic and persist today. The most significant changes in revenues and costs include:

- **Reduction in commercial collection revenues.** San Francisco has seen the slowest commercial recovery of any major U.S. city. Office vacancy rates remain stubbornly high. Recology Sunset Scavenger (RSS) and Recology Golden Gate (RGG) (together, the Collection Companies) saw a 20% drop in commercial revenues during the early years of the pandemic. Their revenues remain down by more than 10% as of the end of Rate Year (RY) 2022.
- **Markedly lower tonnage** at Recology San Francisco's (RSF) facilities. Reduced economic activity in San Francisco – fewer construction projects, fewer visitors, fewer workers in downtown offices, to name but a handful of pandemic-related changes – has reduced the volume of material received at RSF by about 30% compared to pre-pandemic levels. RSF's revenues have declined sharply as a result.
- **Labor cost increases.** Meanwhile, labor costs have continued to increase with market conditions. In addition to inflationary pressures, pandemic-related changes in the labor market and compliance with new employee leave regulations have driven labor costs upward.

At the same time, the SF Recology Companies are committed to partnering with the City to achieve its climate action goals. This application identifies additional investments designed to reduce waste and increase diversion from landfills, including:

- **Increased outreach.** The SF Recology Companies will increase their engagement with customers, especially regarding organic materials. Additional education, audits, and increased enforcement of contamination fees will all encourage San Francisco customers to separate their organic materials. Outreach has proven to be a cost-effective and high-impact way to help the City achieve its climate goals.
- **Contamination removal.** The SF Recology Companies propose investment in new machinery at the Tunnel Avenue Transfer Station to reduce contamination before material is transported to Recology's organics processing facility. Doing so will improve the quality of compost produced at the processing facility and help control transportation costs by removing contamination before material is shipped.

Investments in these and other areas will continue to improve San Francisco's nationally recognized organics program, keep the City clean, and achieve its ambitious climate action goals.

Given higher costs of doing business and our expanded environmental efforts, future rate adjustments are needed. The SF Recology Companies propose an average net increase in collection rates of 3.90% in RY 2024 and 2.17% in RY 2025. Individual rate increases will vary by level and type of service.

Meanwhile, the SF Recology Companies have begun and will continue enhanced reporting measures to increase public visibility into revenues, expenses, and profits. Major initiatives in this area include:

- **Aligning the rate year** and Recology's fiscal year to facilitate comparisons between rate reports and audited financial statements;
- Annual combined **audited financial statements** for the SF Recology Companies, which will be posted on the Refuse Rate Administrator's website;
- A **reconciliation** between rate reports and audited financial statements, promoting increased traceability;
- Establishment of and reporting on a **balancing account** that will be used to stabilize rates over time; and
- Reporting on **intercompany property rents for properties** used to serve San Francisco ratepayers.

Recology looks forward to continuing its longstanding service to the people and businesses of San Francisco to achieve our shared goals. We remain committed to supporting the City's nationally renowned climate action goals and to meeting the City's critical needs through a strong and dedicated partnership.

I. OVERVIEW

A. The SF Recology Companies

Recology envisions a world without waste. We trace our roots to the 1920s, when immigrants to San Francisco performed work few others wanted to do. They collected the City's waste and sorted through it to salvage and resell what they could, pioneering recycling long before the industry had a name.

As the City's priorities have changed, the SF Recology Companies – RSS, RGG, and RSF – have adapted their business to meet those needs. They partnered with the City to implement a first-of-its-kind organics program, build a world class recycling facility, and achieve the highest diversion rate of any major U.S. city. Today, the SF Recology Companies provide comprehensive recycling, organics, and solid waste collection, processing, and disposal services to 138,000 residential and 24,000 commercial and multi-family customers in San Francisco. Annually, the Collection Companies collect over 640,000 tons of material in the City.

Recology is one of the only – and by far the largest – 100-percent employee-owned companies in its industry. Recology is committed to paying fair wages to its hardworking employee-owners while charging competitive rates to its customers – all while keeping the City's streets clean and achieving our shared climate action goals.

The SF Recology Companies have demonstrated an unmatched ability to provide consistently high-quality service to San Francisco. Since the pandemic stay-at-home orders in March 2020, we have continued to serve San Francisco residents and businesses without interruption, even as many other companies shut down locally and nationwide. We are proud of our legacy and look forward to continuing to provide San Francisco with world-class service and sustainability programs.

B. Refuse Collection and Processing

Collection

The Collection Companies provide refuse collection services to residential and commercial customers in San Francisco. The Collection Companies hold the route permits and collection licenses issued under the Refuse Collection and Disposal Ordinance to collect and transport refuse within San Francisco City and County limits.

Transfer and Recyclables/C&D Processing

RSF provides disposal and processing for the materials collected by the Collection Companies. RSF owns and operates a transfer station at Recology's Tunnel Avenue facility to receive organics and trash from the Collection Companies and others. It then transports these materials to composting or disposal facilities. The Transfer

Station also serves the public directly as a drop-off location for, among other things, household hazardous waste, construction and demolition debris (C&D), and general refuse. A co-located C&D processing facility (the iMRF) processes C&D to recover reusable material. In addition, RSF operates the Pier 96 Materials Recovery Facility (MRF), known as Recycle Central, on property leased from the Port of San Francisco. RSF has partnered with the City on a program to increase the number of local residents employed at the company, and today 58% of the employee-owners at Recycle Central live in the adjacent neighborhoods. Most recyclable materials collected in the City are sorted and processed at Recycle Central and from there shipped to end markets.

Organics Processing

Materials collected in the organics container (green bin) are processed at Recology's Blossom Valley Organics – North facility (BVON) in Vernalis, California. In recent years, high levels of contamination – non-organic material, particularly plastics, mixed with organics – in the organics stream have hampered processing. This application includes new investment in machinery at the Transfer Station to remove contamination from the inbound organics stream, which will improve the quality of the compost and reduce greenhouse gas emissions associated with trucking contaminants to the landfill.

California's Short-Lived Climate Pollutant Reduction Strategy (SB 1383) seeks to mitigate methane emissions by reducing the amount of organics sent to landfill by 75% from 2014 levels by 2025. This application proposes enhanced customer education on proper sorting techniques and increased audits to assist customers in monitoring their performance. In addition, the application includes contamination fees and penalties for improper placement of materials so that the cost of contamination is borne by those generating the contamination rather than by all ratepayers. The Collection Companies and SFE have agreed to modify the contamination fee procedure to make it more effective. The audits and contamination fees are designed to encourage ratepayers to reduce organics contamination. Doing so will help the City comply with SB 1383 and ensure that its longstanding universal compost program remains at the forefront of efforts to increase diversion.

* * *

The SF Recology Companies provide competitively priced services to San Francisco because they benefit from the synergies of an integrated system. The SF Recology Companies seek specific rate adjustments for (1) the tipping fee collected by RSF at the Tunnel Avenue and Recycle Central facilities, and (2) the rates charged by the Collection Companies to residential, apartment, and commercial ratepayers. This narrative summary provides a thematic overview of the rate application. More detailed information on the specific assumptions used to develop this submission is included in the Summary of Assumptions.

C. Changes to Rate Regulation

The Refuse Collection and Disposal Ordinance regulates rates charged in San Francisco. In June 2022, San Francisco voters adopted Proposition F, which made several changes to the Ordinance, including to the procedure for proposing new rates. The City Controller serves as Refuse Rate Administrator, a new position established by Proposition F, and is responsible for proposing new rates to the Refuse Rate Board. The Refuse Rate Board may authorize adjustments to rates following a public hearing.

D. Proposed Rate Adjustments

The SF Recology Companies seek just and reasonable rates that will account for increased costs and will fund activities designed to support San Francisco's climate action goals. As the stewards of the programs and services covered by this submission, the Companies aim for the highest environmental impact at the lowest cost.

The program changes, enhancements, and costs detailed in this application are principally driven by inflationary increases and the ongoing impacts of the COVID-19 pandemic. For instance, pandemic-related changes in the labor market and compliance with new employee leave regulations have pushed up labor costs. Changes in worldwide recycling markets, including international shipping costs, have increased processing and other expenses.

This application includes information necessary to set rates for RY 2024 and RY 2025. As in past rate proceedings, the SF Recology Companies propose maintaining the existing Cost of Living Adjustment (COLA) mechanism, a tool used to adjust rates between rate application periods. Here, because the application proposes rates for both RY 2024 and RY 2025, a COLA would be applied to set rates for RY 2026 and until a new rate order is adopted. These annual adjustments keep the rates aligned with costs and help smooth rates over time. A COLA applied annually, as is proposed for RY 2026 and later years, reduces the likelihood of large rate increases when new rates are set. It also provides a timely benefit to ratepayers when costs decrease.

A detailed description of the calculation of rate adjustments and resulting rates is included in the separate Summary of Assumptions.

For RSF, the application seeks a 16.36% increase in the tipping fee for RY 2024, from \$219.86 to \$255.82 per ton and a 0.08% increase for RY 2025, from \$255.82 to \$256.03. This change is driven by lower tonnage due to the post-pandemic reduction in business activity and by lower recycling commodity prices. The rates requested for the Collection Companies incorporate and are primarily driven by this tipping fee increase. The tipping fee increase is net of certain revenue offsets available in RY 2024 and RY 2025.

For the Collection Companies, the rate application proposes an average net increase in collection rates of 3.90% for RY 2024 and 2.17% for RY 2025. These increases would apply to all collection customers covered under this rate-setting process. The changes are net of certain revenue offsets available in RY 2024 and RY 2025.

The information submitted by the SF Recology Companies follows the guidance contained in the Refuse Rates Change Request Instructions and in the forms published by the San Francisco Controller's Office on February 1, 2023 as Controller's Refuse Rate Order 2023-01. Additional supporting materials and responses to questions and inquiries will be provided during the review process.

E. Website

To promote transparency in the rate application review process, Recology maintains a website with information on the current rates that is easily available to San Francisco ratepayers at <https://www.recology.com/recology-san-francisco/rates/>. The website contains information about programs and services offered. It also includes a tool that allows residential and apartment customers to calculate their rates. Through the website, customers can also contact us to schedule service, find updates on events and service impacts, and review educational resources.

II. PROGRAMS INCLUDED IN THE PROPOSED RATE

The SF Recology Companies maintain an integrated suite of critical programs and services that help keep San Francisco clean and achieve the City's climate action goals. These programs and services have been developed through dialogue with the City and community to understand the initiatives that best serve their needs.

The core of the collection system in San Francisco is the three-stream collection of recyclables (blue bin), organics (green bin), and trash (grey bin) from residential and commercial customers. These services are offered on a subscription basis to three categories of customers: residential, apartment, and commercial. Residential service is generally weekly; apartment and commercial service is weekly or more frequently as subscribed by the customer. In addition, a suite of services complements this collection system to respond to the City's and ratepayers' needs.

In this rate application, program enhancements include:

- **Increased abandoned materials collection.** The SF Recology Companies propose additional service in areas with debris in the public right of way. The proposal includes additional vehicles and personnel needed to meet the service demand and continue to maintain the responsiveness required for this program. Reports of abandoned materials are made through the City's 311 system and material is usually picked up within four hours of a call.
- **Increased "city can" service.** The SF Recology Companies propose extra weekday and weekend service to public trash receptacles (also known as "city cans") by increasing the frequency of service. The increase expands the Companies' ability to implement service adjustments that match the dynamic needs of each neighborhood.

The full list of programs and operations is:

1. **RECYCLABLES COLLECTION (Blue bin):** Collection of comingled recyclables, including paper, bottles, cans, and hard plastics (e.g., cups, tubs, lids, buckets), from residential, apartment, and commercial customers.
2. **ORGANICS COLLECTION (Green bin):** Collection of food scraps, plant materials, and soiled paper from residential, apartment, and commercial customers.
3. **TRASH COLLECTION (Grey bin):** Collection of non-recyclable and non-organic materials from residential, apartment, and commercial customers.

4. **BULKY ITEM RECYCLING (RecycleMyJunk.com):** Curbside collection and recycling of bulky items is offered to residential and apartment customers through scheduled on-call pick-ups. Acceptable items include appliances, electronics, furniture, scrap metal, and wood.
5. **PUBLIC REFUSE RECEPTACLE COLLECTION:** Sometimes referred to as the “city can” program, the Collection Companies collect from over 3,000 City-owned public trash receptacles around the City. Each can is emptied between one and three times per day. Cans emptied more than once per day are emptied outside of regular route service and on demand within two hours of notification by the City. The Companies are expanding weekday and weekend service in response to the dynamic needs of each neighborhood. The SF Recology Companies replace liners in City-owned public trash receptacles, as needed.
6. **ABANDONED MATERIALS COLLECTION:** The SF Recology Companies collect non-hazardous abandoned materials identified through the City’s 311 reporting system or by Recology personnel. The Companies typically respond to abandoned materials requests within four hours.
7. **DISPOSAL OF STREET SWEEPING AND ABANDONED WASTE:** Public Works may self-haul certain nonhazardous materials it collects to the Transfer Station and dump them at no charge. These materials consist of street sweeping and abandoned waste delivered to the Transfer Station in Public Works’ street sweeping vehicles and designated Public Works pick-up, bucket, and packer trucks used for abandoned waste collection.
8. **DISTRICT CLEAN-UP EVENTS:** Special clean-up events will be held at least annually in each of the City’s eleven Supervisorial Districts to allow residents to drop off items too big to fit in the regular collection bins. Motor oil, batteries, and fluorescent lamps will also be accepted.
9. **BATTERY RECYCLING:** Residential and apartment customers place household batteries in orange bins or in bags on top of their black bins. Collectors put the batteries in a special container in the collection truck. Workers at the Tunnel Avenue facility then sort the batteries according to Department of Transportation rules and ship them to battery recycling facilities. The SF Recology Companies are working with SFE to consider updates to this program.
10. **CHRISTMAS TREE RECYCLING:** Christmas trees are collected at the curb during the first two weeks of January, chipped, and composted.
11. **CONSTRUCTION AND DEMOLITION (C&D) DEBRIS RECYCLING:** The Recology iMRF, located at the Transfer Station, receives and processes C&D to recover metal, wood, sheetrock, rigid plastic, and other materials. This

operation is registered under the City's Construction and Demolition Debris Recovery Ordinance.

12. **PUBLIC REUSE AND RECYCLING AREA (PRRA):** The Tunnel Avenue facility receives self-haul trash, organics, recyclables, and reusable items from San Francisco residents and businesses. Material hauled by the public is weighed and processed on a Ptarmigan Sorting line, as needed.
13. **HOUSEHOLD HAZARDOUS WASTE DROP-OFF:** RSF operates the San Francisco Household Hazardous Waste Collection Facility (HHWCF), where residential customers can drop off household hazardous wastes (e.g., paint, oil, pesticides, household chemicals) three days per week for safe recycling and disposal. This facility has been open since 1987 and was among the first permanent HHWCFs in the nation.
14. **DOOR-TO-DOOR HOUSEHOLD HAZARDOUS WASTE COLLECTION:** The Collection Companies collect household hazardous wastes directly from homes using specialized trucks for handling and transporting these materials.
15. **HOUSEHOLD HAZARDOUS WASTE RETAIL TAKE-BACK PROGRAM:** The Collection Companies use the same specialized trucks to collect paint, fluorescent lights, and household batteries at San Francisco retailers who partner with SFE and volunteer to "take-back" small quantities of these common hazardous wastes from San Francisco residents. Retail "take-back" hazardous wastes are transported to the HHWCF and consolidated and repackaged there for safe recycling and disposal.
16. **VERY SMALL QUANTITY GENERATOR PROGRAM:** Qualifying small business generators of hazardous waste located in San Francisco may use the HHWCF by appointment for a fee on designated days each month.
17. **E-WASTE RECYCLING:** Most electronic waste is banned from landfill in California. Computers, monitors, televisions, computer peripherals, and other electronic devices are collected from bulky item recycling appointments and at Tunnel Avenue. The material is then shipped to facilities specializing in recycling specific types of e-waste.
18. **SAFE NEEDLE PROGRAM:** The San Francisco Safe Needle Disposal Program (SFSNDP) provides San Francisco residents with safe, convenient disposal of home-generated sharps at participating pharmacies throughout the City. Residents can pick up empty sharps containers at participating pharmacies, fill them, and return them for disposal as medical waste. The Collection Companies pick up these filled sharps containers.
19. **PERFECTLY-GOOD REUSE PROGRAM:** The SF Recology Companies pull items that are in good condition for reuse (e.g., bicycles, furniture, clothing) from loads brought to the PRRA by individuals and small businesses. The

reusable items are either donated directly or given to organizations such as St. Vincent de Paul that process them for distribution in thrift stores.

20. **MATTRESS RECYCLING:** Mattresses from residents, hotels, PRRA drop-offs, and designated collection trucks are loaded onto trailers at the Tunnel Avenue facility and transported to a local company specializing in mattress recycling.
21. **TOILET RECYCLING:** Old toilets are segregated from the waste stream and transferred to a company that specializes in porcelain recycling. Prior to shipment, toilet seats and lids are removed and baled with other rigid plastics for recycling.
22. **TIRE RECYCLING:** Used tires are handled separately at the Tunnel Avenue facility and then taken to a company that shreds and recycles the rubber.
23. **STYROFOAM DROP-OFF:** Residents and businesses can drop off clean expanded polystyrene (EPS) at the PRRA for recycling. RSF operates a special densifier that compacts loose pieces of EPS into cubes, which are recycled into products such as baseboards and moldings.
24. **FILM PLASTIC DROP-OFF:** Residents and businesses drop off clean polyethylene film plastic (e.g., plastic bags) at Recycle Central and the PRRA for recycling. The film plastic is baled and shipped to plastic recycling markets.
25. **LITTER COLLECTION FROM COMMUNITY BENEFIT DISTRICTS (CBDs):** Certain CBDs collect litter, sweep sidewalks and gutters, and “top off” public refuse receptacles in their areas. The Collection Companies collect eligible material from these activities at no additional charge to the CBDs. The City and the SF Recology Companies have agreed on terms for this program to ensure the service is used only for the intended purpose and that CBDs are treated consistently. CBDs will only be charged if commercial/residential refuse or other ineligible material is found in the CBD’s material.
26. **EVENT RECYCLING:** The Collection Companies provide recycling, organics, and trash collection services to neighborhood festivals and major functions such as the Chinese New Year Parade and the Pride Parade.
27. **ARTIST IN RESIDENCE:** Recology’s Artist in Residence program is a unique art and education program that provides Bay Area artists with a four-month residency during which they create unique works of art from material scavenged from Recology’s public disposal area. Artists also receive a stipend and a large studio space at Recology’s facilities. By supporting artists who work with reused materials, Recology hopes to encourage people to conserve natural resources and promote new ways of thinking about art and the environment. Since 1990, over 200 artists and 50 students have completed residencies.

28. EDUCATIONAL TOUR PROGRAM: Recology provides educational tours to children and adults and is aiming to return these tours to pre-pandemic levels. The focus of the tour is recycling, composting, reuse, and resource conservation. The tour includes visits to Recycle Central and the Tunnel Avenue facility.

29. COMPOST GIVEAWAY: Periodically, the SF Recology Companies provide free compost to San Francisco residents at various locations. In addition, free compost is provided at District clean-up events. The compost is derived from food and garden materials generated in San Francisco and composted at one of Recology's composting facilities.

The SF Recology Companies and the City have worked as partners for many years to educate the public on the importance of increasing diversion from landfills and achieving our shared climate goals. The Companies will continue to provide general and targeted outreach as part of an ongoing effort to raise awareness of these programs and help meet the City's Zero Waste goals by 2030.

Recology's Waste Zero Specialists act as liaisons to the community, helping to educate on diversion services and programs. The SF Recology Companies propose to add Waste Zero staff to distribute and publicize new information with introductory letters, follow-up postcards, cart-hanger notices, website information, and other resources. Waste Zero staff will continue to focus on waste audits and teach customers proper use of the system. The SF Recology Companies will continue through the rate period and beyond to work with SFE to reach City residents and businesses to explain programs and encourage greater participation.

Except as otherwise stated in this application, the proposed rates assume no significant increase above current levels in utilization of services provided at no additional charge. Any such increase would impact the balancing account and could increase the likelihood of a future rate adjustment request.

III. RATE-SETTING METHODOLOGY

A. Rate-Setting Calculation

Collection Companies

Collection rates are based on rate-eligible expenses plus an allowed profit on the profit-eligible portion of those expenses. For some rate-eligible expenses – intercompany disposal and processing costs, licenses, permits, the Impound Account, and Zero Waste Incentive (ZWI) funding – the Companies earn no profit and simply pass through those costs. The allowed profit on all other costs is calculated using an operating ratio, which is a standard waste industry mechanism used to determine appropriate profit. As in past rate applications, an operating ratio of 91% is used in this application. This operating ratio generates a low profit by industry standards.

Rate-eligible expenses on which profit may be earned are divided by the 91% operating ratio to produce a revenue requirement necessary to cover those expenses and generate a profit. Rate-eligible expenses on which profit is excluded are added to that calculated revenue requirement to produce a total revenue requirement. The total revenue requirement is then measured against projected revenue at current rates to calculate a required rate adjustment percentage. That percentage is then adjusted by revenue offsets and the final percentage change is applied to all components of the rate structure to obtain future rates for each element of the rate structure. Because rates are then rounded to two decimal places, percentage changes from RY 2023 to RY 2024 rates and from RY 2024 to RY 2025 rates may appear to vary insignificantly from the required rate adjustment percentage.

In contrast to past rate applications, non-rate activity, including open market debris box and contract customer service, is now separated from rate activity before the required rate adjustment percentage is calculated. Non-rate-related revenues for open market debris box and contract customer service (with an estimate of associated expenses for these services) are removed before performing the calculations described above.

The application assumes that the City Services contract will end June 30, 2024. Revenues and expenses from the City Services contract are treated the same as for other contract customer service – that is, they are separated from rate activity – for the first nine months of RY 2024. After that time, the application no longer separates from rate activity the portion of fixed costs previously allocated to the City Services contract. The application assumes that, after June 30, 2024, the material collected under any new City Services contract would continue to be delivered to RSF's facilities. If that does not occur, RSF's revenues would decline, leaving a smaller revenue base to cover its fixed expenses.

RSF

As with collection rates, tipping fees are based on rate-eligible expenses plus an allowed profit on the profit-eligible expense categories. The rate-eligible expenses on which profit may be earned are divided by a 91% operating ratio. The rate-eligible expenses on which profit may not be earned are added to that result to produce a total revenue requirement. The total revenue requirement, adjusted for revenue offsets, is then divided by the projected tonnage to be received by RSF to determine the required per ton tipping fee. This new tipping fee is then measured against the existing tipping fee to calculate the tipping fee adjustment percentage.

* * *

As in past rate applications, an additional 2% operating ratio (i.e., for a total 89% operating ratio) is included in the rates to be set aside in a ZWI account. These funds incentivize Recology to achieve certain diversion targets, described below. If Recology does not meet these diversion targets, the funds are used to offset future rate increases or may be used to further the City's environmental goals.

B. Total Operating Costs

The following categories comprise a large majority of the total combined operating costs (see Schedule G.1) of the SF Recology Companies:

- **Labor and Benefits.** Labor and benefits amount to nearly 59.6% of combined operating costs for RY 2024, the largest single category. For RY 2024, labor and benefits costs are projected to increase 2.9% over RY 2023 costs. For RY 2025, labor and benefits costs are projected to increase 0.3% over RY 2024 costs. These increases are due to the collective bargaining agreement recently negotiated with Teamsters Local 350 and to additional costs associated with the impact of COVID-19, including compliance with the emergency leave requirements of Proposition G. A decrease in pension contributions in RY 2025 offsets nearly all increases in this category.
- **Disposal and Processing.** Disposal and processing costs (exclusive of labor and benefits costs) account for about 8.6% of combined operating costs for RY 2024. Disposal costs include landfill disposal for materials that are not recycled or otherwise processed. Processing costs primarily represent the cost of processing organic material. Disposal and processing costs are projected to decrease 4.2% in RY 2024, primarily due to extra hauling costs associated with vacating Pier 94 in RY 2023 that will not be incurred in RY 2024. This decrease more than offsets increased costs at the organics facility associated with improved environmental controls and the costs of managing plastic and glass contamination in the organics stream.
- **Truck Operations and Other Assets.** Truck operating costs represent approximately 9.4% of combined operating costs for RY 2024. Truck

operating costs include fuel, oil, repair and maintenance, licenses, and City permits. Truck operating costs are projected to increase 2.4% in RY 2024 and 2.3% in RY 2025.

- **Capital.** Capital cost recovery accounts for approximately 8.4% of combined operating costs for RY 2024. Capital cost recovery includes lease costs and depreciation. Lease costs are costs to lease equipment to the Companies for use in providing service to ratepayers and transporting and processing materials collected in San Francisco. Lease costs have increased since 2022 due to vehicle replacements required by California Air Resources Board rules on vehicle emissions. Depreciation is recognized for building projects and leasehold improvements. Capital costs are projected to increase 15.4% in RY 2024 and 6.3% in RY 2025, largely due to required vehicle replacements.
- **Facilities and Operations Maintenance.** Facilities operating and maintenance costs represent about 3.8% of combined operating costs. Facility costs include operating costs of Recycle Central and the Tunnel Avenue facility, including the iMRF, Public Reuse and Recycling Area, Household Hazardous Waste Collection Facility, scale facilities, administrative offices, and maintenance and related operational facilities. Facilities operating and maintenance costs are projected to decrease 4.6% in RY 2024 and increase 1.9% in RY 2025. The decrease is largely due to savings from vacating Pier 94.
- **Other.** The remaining 10.2% of combined operating costs includes, supplies, corporate services, general and vehicle insurance, professional services and bad debt, among other costs. Additional detail is available in the Summary of Assumptions. These costs are projected to increase 8.2% in RY 2024 and 5.2% in RY 2025. These increases are largely due to corporate IT, engineering, accounting, and other professional services increases.

C. Projected Revenues at Current Rates

At projected service levels, the Collection Companies are projected to generate \$352 million in collection revenue from ratepayers in RY 2024 (at RY 2023 rates). The Collection Companies are projected to generate \$373 million from ratepayers in RY 2025 (at RY 2024 rates). This revenue at current rates is used to determine the necessary rate change to meet projected cost and profit requirements.

D. Revenue Offsets

The proposed rate increase includes two offsets to the revenue requirements:

- **ZWI.** This application proposes to use all ZWI funds, described in more detail below, from RY 2023 to offset the RY 2024 rate increases. For RY 2024, this offset is projected to equal \$3.2 million for the RSF tipping fee and \$5.3 million

for the Collection Companies. This application assumes that the RY 2024 ZWI goals will not be achieved. For RY 2025, Tiers 1 and 2 only of the RY 2024 ZWI funding would be used to offset RY 2025 rate increases, projected to equal \$1.5 million for the RSF tipping fee and \$2.6 million for the Collection Companies.

- **Rate Stabilization Fund.** Under the terms of a March 2021 settlement agreement with the City, any undistributed payments to ratepayers were placed in a fund to offset future rate increases. The approximately \$4.25 million in this fund would partially offset the RY 2024 revenue requirements for the Collection Companies.

E. Recycling Revenues

The recycling commodity price assumptions for materials processed at Recycle Central are based on actual prices for the first three months of RY 2023 and on the average price received over the last three years. Recycling revenue has been volatile over the last several years, as changing markets, changing consumer demand and changes in international freight prices have all affected prices of recycled materials. Recycling revenue projections for RY 2024 and RY 2025 are calculated based on the projected tons of each commodity multiplied by the projected price per ton. Recycling revenues offset a portion of operating costs.

F. Balancing Account

To promote long-term stabilization of rates, the SF Recology Companies propose the ongoing use of a notional balancing account.

Prior Period Earnings

Under the December 2022 settlement agreement with the City, any notional balance remaining as of the end of RY 2023 will be applied to offset rates beginning in RY 2025. Once that remaining notional balance is determined during RY 2024, 20% of the balance will be applied to reduce RY 2025 rates. This application makes no assumptions regarding this amount.

Earnings in RY 2024 and Subsequent Rate Years

The SF Recology Companies propose the ongoing use of a notional balancing account with some modifications. Beginning with periods regulated under the new Rate Order, the SF Recology Companies propose that the notional balance of the balancing account be adjusted for 100% of the difference between actual net profits or losses reported in each quarterly rate report during RY 2024 and after and the target profit that results from applying a 91% operating ratio to actual operating ratio-eligible expenses. The following equation illustrates this calculation:

$$\text{above/below target profit} = \text{actual net profits} - \left[\frac{\text{expenses}}{0.91} - \text{expenses} \right]$$

Each quarterly rate report will include a schedule showing all new activity in the balancing account. With the submission of Recology's audited financial statements to the Refuse Rate Administrator, Recology will submit at the same time a schedule of the activity in the notional balancing account since the previous rate year-end.

After each rate year-end, the notional balance will be available to assist in long-term rate stabilization. If the notional balance due to profits earned in a rate year is positive, 100% of that balance will be used to offset rates charged in the second subsequent rate year. If the notional balance due to profits earned or losses incurred in a rate year is negative, 100% of that negative notional balance will be used to increase rates charged in the second subsequent rate year. For example, if the notional balance due to RY 2024 profits earned is \$1 million, RY 2026 rates will be offset by an amount necessary to reduce Recology's revenue derived from rates by \$1 million.

These rate adjustments will be applied at the same time as regularly scheduled rate increases or COLAs.

IV. RATE STRUCTURES

A. Residential Rate Structure

The Collection Companies' rate structure continues the current practice of base and volumetric charges. For residential customers, i.e., those occupying single-family dwellings and 2-5 unit multifamily dwellings with shared service, the Companies propose to increase the base "unit charge" from \$17.55 to \$18.23 in RY 2024 and \$18.63 in RY 2025.

This application also proposes to increase the volumetric service charge from \$7.33 to \$7.62 in RY 2024 and \$7.79 in RY 2025 per 32 gallons of capacity for the recycling and organics streams. The application proposes an increase from \$7.33 to \$7.62 in RY 2024 and \$7.79 in RY 2025 for the default trash size of 16 gallons. (There is a penalty for trash above 32 gallons.) Charges for collection more frequent than once per week and for different sized containers would also increase accordingly.

The rate increase for individual residential customers will vary depending on their service levels. The table below shows a comparison of sample current and proposed rates for RY 2024 and RY 2025:

Component	Default Service Levels and RY 2023 Rates		Default Service Levels with New RY 2024 Rates		Default Service Levels with New RY 2025 Rates	
	Volume (gallons)	Charge	Volume (gallons)	Charge	Volume (gallons)	Charge
Unit charge	N/A	\$17.55	N/A	\$18.23	N/A	\$18.63
Trash (grey)	16	\$7.33	16	\$7.62	16	\$7.79
Recycling (blue)	64	\$14.66	64	\$15.24	64	\$15.58
Organics (green)	32	\$7.33	32	\$7.62	32	\$7.79
Monthly charge	--	\$46.87	--	\$48.71	--	\$49.79

These rates, even after the projected RY 2024 and RY 2025 increases, compare favorably to those in other major Bay Area cities. Oakland's current comparable residential service rate is \$54.69 per month; San Jose's is \$55.24 per month.

B. Apartment Rate Structure

Apartment rates apply to multi-family dwellings with six or more units (but not more than 600 rooms) that have shared service and are not serviced with a compactor or any container larger than two cubic yards. The current apartment rate structure is designed to encourage diversion by charging all three container types (recyclables, organics, and trash) at the same rate and providing a diversion discount as described below. There are no changes proposed to the diversion discount structure.

The proposed adjusted rates include volumetric charges from \$28.12 to \$29.22 for RY 2024 and to \$29.85 for RY 2025 per 32 gallons of once-a-week weekday service, regardless of the type of service (i.e., trash, recycling, or organics). The proposed increase to the base “unit charge” is from \$5.83 to \$6.06 in RY 2024 and \$6.19 in RY 2025.

The diversion discount is calculated by taking the customer’s subscribed-for weekly container volume of recyclables and organics containers, dividing it by the subscribed-for weekly container volume of recyclables, organics, and trash containers, and subtracting 25%. To illustrate, if an apartment customer has three one-cubic-yard bins – one each for recyclables, organics, and trash – each collected on a weekly basis, the customer’s diversion discount would be 42% (67% minus 25%). If the customer replaced the one-cubic-yard recyclables bin with a two-cubic-yard recyclables bin, also collected weekly, the diversion discount would increase to 50% (75% minus 25%). The diversion discount is calculated based on recurring (i.e., at least weekly) recyclables, organics, and trash service only, and the discount is only applied to the volumetric charges.

C. Commercial Rate Structure

Commercial rates apply to all premises that are not residential or apartment premises, including all non-residential premises, all premises serviced with a compactor or any container larger than two cubic yards, and any premises with more than 600 rooms.

The current commercial rate structure, like the apartment rate structure, is designed to promote diversion by charging all three container types at the same rate, and then providing a diversion discount. The diversion discount is calculated the same way as for apartment customers. Unlike apartment customers, there is no “unit charge” for commercial customers. No changes are proposed to that structure.

The proposed adjusted rates include volumetric charges from \$52.60 to \$54.65 for RY 2024 and to \$55.83 for RY 2025 per 32 gallons of once-a-week weekday service, regardless of the type of service (i.e., trash, recycling, or organics).

D. Disabled Service

This rate application continues the disabled service program for residential customers. The program provides a waiver of access, distance, and elevation charges for disabled and elderly infirm persons if no able-bodied person resides at the residence.

E. Low Income Discounts

This rate application continues the low-income discount program. The program will charge low-income customers 75% of the regular service rates based on their service configuration. Eligibility documentation for customers and verification procedures for the Collection Companies will remain the same.

F. Debris Box Service

The Collection Companies provide both regulated and open-market debris box services. Rates for customers who subscribe to debris box service instead of container service because of their service configuration or other special service needs are regulated. All other debris box services are priced at competitive open-market rates. Revenues and expenses associated with open-market debris box services are not included in the rate calculation.

G. Other Services

The Collection Companies offer compactor and related equipment sales and maintenance in the San Francisco region. Customers who wish to acquire compactors or related equipment may purchase or lease them. The Collection Companies also provide maintenance services for compactors and related equipment. These revenues and an estimate of associated expenses are not included in the rate calculation. The Companies also generate revenue for CalRecycle incentive payments, start up and returned check fees, and other miscellaneous revenue.

H. Discount for E-Bill Customers

To reduce paper use, e-bill customers will continue to receive a \$1.00 credit for each bill presented and paid electronically. Costs associated with providing this discount to existing customers are included in the rate application as a reduction to existing revenue. Costs for discounts provided to additional customers who sign up for paperless billing will be borne by the SF Recology Companies, as the cost will be partially offset by savings in printing and postage

I. COLA

This rate application proposes the rates that would apply for RY 2024 and RY 2025. For subsequent rate years—until a new rate is set—the SF Recology Companies propose to use a COLA formula to smooth rate changes over time.

Beginning in RY 2026 and continuing until new rates are set, an annual COLA would be applied to the rates at the beginning of the rate year to help keep rates aligned with the Companies' cost structures. The SF Recology Companies propose to use the COLA methodology that has been used to adjust rates between rate applications but with annual adjustments to the relative weights of the COLA cost components. The cost components would be adjusted annually based on the actual costs reported for the 12 months ending June 30. For example, cumulative actual costs for the period July 1, 2024 – June 30, 2025 would be used to determine the relative weighting of the cost components in the COLA calculation to be applied for RY 2026.

The proposed COLA ensures that both the SF Recology Companies and ratepayers receive a fair benefit from cost structure changes after RY 2025 and until a new rate is established through ratemaking proceedings. Inflationary pressures (for instance, labor) as well as deflationary trends (for instance, a fuel price decline or a reduction in the pension contribution) would be captured in the COLA. By allowing rates to adjust gradually between rate proceedings using an objective methodology, the COLA mechanism helps reduce the likelihood of sharp rate increases and eliminates the need for a new rate application absent significant changes, thereby saving the City and ratepayers the time and expense of the ratemaking process.

V. ZERO WASTE INCENTIVES

Under the 2017 Rate Order, a portion of the SF Recology Companies' revenues is deposited in a Zero Waste Incentive (ZWI) account. This account serves two purposes: it incentivizes the Companies to reduce landfill disposal and it funds investments to increase diversion from landfill.

Under the 2017 Rate Order, if the SF Recology Companies achieved a disposal goal by disposing fewer tons of waste at RSF than a prespecified amount, they could earn funds deposited in the ZWI account. Four tiers of progressively more difficult goals provided four benchmarks that the SF Recology Companies would need to beat to earn the funds associated with each tier. Meeting the goals of any tier earned the Companies an incentive payment equal to an additional 0.5% operating ratio, for a total possible additional 2.0% operating ratio in a year.

If, however, the Companies did not achieve these disposal goals, unearned Tier 1 and 2 funds were rebated to ratepayers while unearned Tier 3 and 4 funds were typically made available to fund diversion projects approved by Public Works and SFE. In RY 2022, all unearned funds were rebated to ratepayers.

This application proposes to continue the ZWI program with several modifications.

First, the application proposes to use all ZWI funds from RY 2023 to offset the RY 2024 rate increases. The rate adjustments proposed in this application assume that ZWI funds from RY 2023 are applied in this manner. ZWI funding from RSF would be used to offset the tipping fee increase. A lower tipping fee will result in a lower rate increase for the Collection Companies. ZWI funding from the Collection Companies would be further used to offset RY 2024 collection rate increases. In RY 2025, Tiers 1 and 2 only of the RY 2024 ZWI funding would be used to offset RY 2025 rate increases in the same manner as for RY 2024 if the Tier 1 and/or Tier 2 goals are not met.

Second, the tiers would be set using target diversion percentages rather than target disposal tons. The SF Recology Companies have discussed using diversion percentages with SFE. For RY 2024, SFE proposes that Tier 1 would equal 41% of waste diverted from landfill; Tier 2, 42%; Tier 3, 43%; and Tier 4, 44%. For RY 2025, Tier 1 would equal 44%; Tier 2, 45%; Tier 3, 46%; and Tier 4, 47%. Actual diversion percentages are reported in Table 3 of the rate reports. In RY 2022, the actual diversion percentage was 40.1%. Recology proposes that the ZWI program continue in rate years after RY 2025 until a new rate order is issued.

Third, the SF Recology Companies propose greater flexibility in the use of ZWI funds when the goals are not met. Since the City's Zero Waste objectives, and consequently ZWI goals, are necessarily more ambitious in future years, the Companies propose that when goals for any of the four tiers are not achieved after

RY 2025, the Companies could use those funds for new diversion programs, subject to approval from the Refuse Rate Administrator and SFE. The SF Recology Companies also recommend that, before the completion of a rate year, they be permitted to propose the use of unearned ZWI funds from that rate year. For example, any unearned RY 2024 ZWI funds from any tier could be rebated to customers as an offset to the RY 2025 rate increases and any unearned RY 2025 ZWI funds could be rebated to customers as an offset to the RY 2026 COLA. If the rebated funds exceed any COLA, the funds would remain available to the Companies for investment in diversion programs.

The collection of ZWI funds and their distribution when targets are met would remain unchanged.

VI. IMPOUND ACCOUNT

Under the 2017 Rate Order, the rates include a fixed-dollar amount for the Impound Account. This account provides funding for SFE and Public Works to support programs that benefit ratepayers, including the City's Zero Waste program, the City's toxics reduction program, and City litter patrol and block sweeping. The SF Recology Companies do not earn profit on any funding of the Impound Account. In RY 2023, funding for the Impound Account is \$23.4 million. The application includes funding for the Impound Account of \$23.8 million in each of RY 2024 and RY 2025.

VII. REPORTING

The rate year begins on October 1. The SF Recology Companies will file rate reports with the Refuse Rate Administrator 60 days after the conclusion of the three months ending December 31, six months ending March 31, and the nine months ending June 30. After the conclusion of the rate year on September 30, Recology will file an annual rate report for the twelve months ending September 30, by January 31.

As part of an effort to increase transparency in the rate-setting and rate-reporting processes, the rate year now corresponds to Recology's fiscal year, which ends September 30. This realignment facilitates comparisons between audited financial results and rate reports. The SF Recology Companies will file with the Refuse Rate Administrator the audited combined financial statements for the Collection Companies and RSF within 15 days of their issuance. They will file at the same time as the audited financial statements a reconciliation between the annual rate report and the audited financial statements or, if the annual rate report has not yet been filed at the time of issuance of the audited financial statements, as soon as practicable afterward.

Request for Changes to Refuse Rates Summary of Assumptions



March 7, 2023

**Recology Sunset Scavenger
Recology Golden Gate
Recology San Francisco**

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This summary describes Rate Year 2024 (RY 2024) and Rate Year 2025 (RY 2025) projected revenues and expenses for Recology Sunset Scavenger (RSS), Recology Golden Gate (RGG) (together, the Collection Companies), and Recology San Francisco (RSF) and the assumptions underlying those projections. The three companies are collectively referred to as the “SF Recology Companies” in this rate application.

I. GENERAL ASSUMPTIONS

Accounting Methodology

The SF Recology Companies use accrual accounting and U.S. GAAP for the amounts reported in this rate application except for the costs of the Recology Inc. Pension Plan, which are based on the actual cash contributions to the Plan. The SF Recology Companies do not use modified accrual accounting.

Certain expenses incurred by the SF Recology Companies are excluded for rate purposes, from rate reporting, and from this rate application. An example is advertising expenses. These expenses are not included in the reported actual costs for RY 2020, RY 2021, and RY 2022 nor are they included in the projections for RY 2023, RY 2024, and RY 2025.

Growth Assumptions

As San Francisco recovers from the COVID-19 pandemic, the revenue from residential and commercial customers is projected to grow by 2% for RY 2024 and RY 2025 compared to the prior year. This growth increases the revenue at current rates and consequently reduces the rate increase needed to meet the revenue requirement.

Likewise, the tonnage for RSF is projected to grow by 2% for RY 2024 and RY 2025 compared to the prior year. This growth reduces the projected increase in the tipping fee as the additional tons generate more revenue for RSF.

Inflation Assumptions

Many of the operating costs are projected to increase for RY 2024 and RY 2025 compared to the prior year by an inflation factor. The general inflation factor consists of a blended ratio based on the CPI forecasts for the San Francisco MSA published by the State of California Department of Finance and the San Francisco City projections from the City's five-year financial plan. The general inflation factor for RY 2024 is 3.68% and for RY 2025 is 3.05%.

RY 2023 Projections

The projections for RY 2023 were determined either by adding the forecast for nine months ending September 30, 2023 to the actuals for the three months ending December 31, 2022 reported on March 1, 2023 in the Q1 RY 2023 Rate Report or by annualizing the actuals in the Q1 RY 2023 Rate Report, depending on which methodology was more representative of the expectations for the full rate year.

Non-Rate Activity

As described in the Narrative Summary, in contrast to past rate applications, non-rate activity, including open market debris box and contract customer service, is now separated from rate activity before the required rate adjustment percentage is calculated for the Collection Companies. Non-rate-related revenues for open market debris box and contract customer service (with an estimate of associated expenses for these services) are removed before performing the calculations in Schedule B.1.

The application assumes that the City Services contract will end June 30, 2024. Revenues and expenses from the City Services contract are treated the same as for other contract customers – that is, they are separated from rate activity – for the first nine months of RY 2024. After that time, the application no longer separates from rate activity the portion of fixed costs previously allocated to the City Services contract. The application assumes that, after June 30, 2024, the material collected under any new City Services contract would continue to be delivered to RSF's facilities. If that does not occur, RSF's revenues would decline, leaving a smaller revenue base to cover its fixed expenses.

II. COLLECTIONS

A. Overview

At the start of the last rate cycle in July 2017, the SF Recology Companies began an ambitious program to increase diversion and further progress toward the City's environmental goals. Over the last few years, the Collection Companies have directed single chamber trucks to collect recyclables and dual chamber trucks to collect trash and organics in separate compartments. This greater focus on recyclables collection required routing updates. In addition, the Collection Companies rolled out a new cart configuration for residential customers, replacing the existing 32-gallon trash (grey) cart with a 16-gallon option and increasing the default cart size for recyclables (blue) from 32 gallons to 64 gallons. The Collection Companies also rolled out a new onboard route management system to better monitor service.

The upcoming rate cycle will see continued efforts in these key focus areas. The Collection Companies will maintain their focus on providing excellent service while working with our City partners and customers to continue to increase diversion and to help keep the City clean. As part of this effort, several initiatives are designed to enhance existing programs, including increased outreach and education, and investment in preprocessing to remove contamination from the organics stream. The Companies are also increasing abandoned material collection and "city can" service.

B. Commercial Recycling and Composting

The Collection Companies currently operate dedicated commercial recycling and organics routes. Commercial customers are, and will continue to be, encouraged to increase their diversion rates through outreach and a diversion discount. The Collection Companies anticipate additional commercial migration to recycling and organics services. Ongoing routing efficiencies should allow the Collection Companies to manage these changes without the need to add commercial diversion routes in RY 2024 or RY 2025.

C. Apartment Diversion

Apartments are the lowest-performing customer class for diversion. Lower tenant participation, container inaccessibility, and quality control challenges all contribute to lower diversion rates. Because there are approximately 9,500 apartment building accounts (about 1,000 of which are classified as commercial), working with these customers to improve diversion is one of the best ways to achieve the City's Zero Waste goals.

During RY 2024 and RY 2025, the Collection Companies propose continuing the apartment diversion program with the goal of further decreasing the amount of material

sent to the landfill, reducing contamination, and increasing recycling and composting tonnage. This program will focus on apartment buildings with larger volumes of divertible material. In collaboration with the San Francisco Environment Department (SFE), the Collection Companies have identified a significant opportunity to improve diversion in this category by focusing on these customers. The City has seen rapid growth in the number of properties that fall in these categories, which provides a significant opportunity for Recology to encourage greater diversion.

The Collection Companies will work closely with SFE, the Professional Property Management Association of San Francisco (PPMA), and the San Francisco Apartment Association (SFAA) to implement this initiative. The proposed program enhancements focus on tenant engagement, especially those with currently low diversion rates and the greatest potential for improvement.

D. Outreach and Education

Customer education is essential to increasing diversion and helping to achieve the City's ambitious climate action goals. Residents and businesses need to be aware of collection options and the resources available to them. The SF Recology Companies therefore propose one additional full-time employee and a renewed emphasis on diversion. The additional employee and the existing team will focus on targeted outreach and education materials to the largest customers by volume with the lowest diversion. Outreach and education will focus on partnering with customers to enhance their diversion through site visits, presentations and training.

E. Contamination Program and Fees

The organics collection program collects material from residential, apartment, and commercial customers. The program has been negatively affected by the relatively high level of contaminants, primarily plastics, in the organic material collected in carts and bins. The impacts of that contamination include higher transportation costs, increased efforts to clean the incoming material, and lower quality finished compost. Local regulators in Stanislaus County, where the organics processing facility is located, have notified the processing facility that it needs to clean up incoming materials.

To address this issue, the SF Recology Companies propose to increase outreach and education, invest in equipment and programs to pull contaminants before material is shipped to the processing facility, and increase contamination fees to ensure the costs are borne by those who create the contamination. The Collection Companies, in conjunction with SFE, propose to offer enhanced 64-gallon locking compostable carts for commercial customers to assist in minimizing contamination as the carts await service. Purchase of these enhanced locking bins is included in this rate application.

The Collection Companies propose to streamline the process used to communicate and bill customers for contamination. The proposal includes automating the customer communication process, reducing the number of warnings before fees are charged, and removing diversion discounts as necessary. The Collection Companies also propose to

install 38 additional on-board cameras for material characterization to better capture contamination at the point of service. The addition of this technology will greatly expand available data on contamination and therefore will require an additional headcount to monitor and process the information. As a result of the above enhanced contamination program, it is expected that the Collection Companies will generate an additional \$5 million of revenue in contamination charges in RY 2024 and RY 2025.

F. Bulky Item Recycling

The Bulky Item Recycling (BIR) program is available to single family households, multi-family building owners, and tenants. The program accepts appliances, electronics, mattresses, furniture, scrap metal, wood, and other large items.

The BIR program continues to be very popular. During the last rate cycle, to meet demand, two additional routes were added, which includes four trucks and four drivers, for a total of 14 trucks and drivers to meet program demands. No program changes are expected for RY 2024 or RY 2025.

G. Abandoned Materials Collection

The Collection Companies collect abandoned materials throughout San Francisco. Abandoned materials to be serviced are identified through the City's 311 reporting system and by Recology personnel. There are five zones and six routes, with each zone having a rear loading vehicle and box van to collect the materials. Drivers within each zone are dispatched via 311 calls in addition to completing sweeps to service abandoned material. All stops and collections are documented, and material is diverted as appropriate.

The Abandoned Materials Collection program also provides support for City events, such as parades, festivals, and holidays. Recology and Public Works propose an additional zone be created for a new total of six zones to provide enhanced coverage and response time throughout San Francisco. This rate application includes all newly proposed and existing program costs. Additional supervision, administrative support, vehicle costs, and disposal costs corresponding to the expanded program and projected tonnage are also included.

H. City Can Service

The pandemic changed distribution of waste in public receptacles throughout the City. The Collection Companies propose the addition of two "city can" routes to provide service to impacted mixed residential and commercial areas of San Francisco. These areas continue to experience high levels of foot traffic and require additional city can service. The Collection Companies have and will continue to identify impacted areas and deploy resources to meet city can service needs. Additional driver labor, supervision, administrative support, and vehicle costs corresponding to the expanded program are included in this application.

I. Clean-Up Events for Residents

In an effort to provide additional opportunities for residents to dispose of bulky items and alleviate illegal dumping, the Collection Companies propose Saturday clean-up events to be held throughout San Francisco. These events allow San Francisco residents to bring their material to a nearby centralized location for appropriate separation and diversion or disposal. To handle the operational set up, coordination with the City, and other tasks associated with these events, an additional supervisor is proposed. This new events supervisor would also work closely with event producers and SFE to ensure successful operational and service level planning and execution of Zero Waste events in the City. Working with the Recology Waste Zero events coordinator, the employee would consult with event producers on increasing diversion, decreasing contamination, and ensuring program compliance. The additional driver labor, supervision, site logistics, marketing, and disposal costs corresponding to the clean-up events are included in this application.

J. Other Programs

A complete list of programs included in the proposed rates is included in the Narrative Summary. Except as otherwise stated in this application, the proposed rates assume no significant increase above the current levels for services provided at no additional charge. For instance, the application includes approximately \$75,000 per month in costs for services provided to CBDs at no charge, which reflects CBDs' current service levels.

To provide additional diversion opportunities for large generators, the Collection Companies propose one additional commercial/multifamily recycling route on Sundays. The addition of recycling service on Sundays would provide more customers with the opportunity to increase their recycling volume by offsetting their refuse service.

III. PROCESSING AND DISPOSAL

RSF operates materials processing facilities at Tunnel Avenue and at Pier 96. At the Tunnel Avenue facility, RSF operates a transfer station, a construction and demolition debris recovery facility (iMRF), an enclosed Public Reuse and Recycling Area (PRRA) with an adjacent covered sort line, an organics transfer area (West Wing), a household hazardous waste facility, and scales. At Pier 96, RSF operates a large-scale material recovery facility (Recycle Central) that processes residential and commercial recyclables. RSF's sustainable crushing operation, currently at Pier 94, has ceased operation as the Company works to clear the site by August 2023. The revenues and expenses associated with this operation appear through RY 2023 but have not been included in any projections for RY 2024 and beyond.

A. Incoming Tons

Total tonnage is based on incoming tons for the three months ended December 31, 2022 and annualized for RY 2023. The RY 2023 tons are grown by 2% for each of RY 2024 and RY 2025. Detailed tonnage projections are provided in Schedule D.5. Overall, total tons are expected to remain consistent with current levels. Trash and iMRF tons are slightly lower, while organics and Recycle Central tons are up slightly.

The volume of various recyclable materials processed at Recycle Central has changed in recent years. These changes include evolving manufacturing practices (such as the development of lighter-weight plastic bottles and cans), manufacturers' increasing preference for glass containers over plastic, and consumer spending habits (such as increased consumption of digital media and online shopping) that have reduced volumes of newspaper and mixed paper and have increased volumes of cardboard.

At the Tunnel Avenue facility, material volumes have also changed. Today, incoming organic tons have stabilized at approximately 370 tons per day, recovering slightly from a large drop at the start of the COVID-19 pandemic. While this volume is expected to remain constant through RY 2025, the volume diverted from landfill will decrease slightly as new efforts to remove contaminants will result in lower volumes shipped to the organics processing facility. Volumes of construction and demolition debris received at the iMRF have declined significantly since the start of the pandemic and are down by approximately 66% from the pre-pandemic volumes.

Some material, including material from City-owned public trash receptacles and street sweeping, is excluded from the RSF revenue base used for rate setting based on a longstanding agreement to accept certain material gathered by Public Works without charge. The projected volume of this material is therefore not included in the calculation of projected revenue derived from tons of material received at RSF.

B. Disposal Tons

Disposal tons are defined as the volume of material delivered to landfill. Disposal tons are delivered to the Hay Road landfill under the San Francisco Landfill Disposal Agreement. Projected disposal tons for RY 2024 and RY 2025 have increased just under 2% due to expected growth, partially offset by increased diversion.

C. Diverted Tons

Diverted tons are defined as incoming tons that are diverted from disposal. Diverted tons include commodities recovered at Recycle Central and the Tunnel Avenue facility. Projected diverted tons for RY 2024 and RY 2025 are higher due to increased incoming tons, increased outreach and education, and other efforts to promote diversion.

IV. COSTS

The following table summarizes the major rate-allowed operating cost categories of the SF Recology Companies, after elimination of intercompany disposal and processing costs at the Collection Companies, for RY 2023, RY 2024, and RY 2025:

Expense Category	RY 2023	RY 2024	RY 2025
Labor and Benefits	\$ 222,959,372	\$ 229,321,060	\$ 230,020,633
Truck Operations and Other Assets	35,424,741	36,264,281	37,100,014
Disposal and Processing	34,526,666	33,071,494	34,083,104
Facility and Operations Maintenance	15,250,286	14,543,379	14,826,510
Other	36,398,913	39,395,067	41,442,979
Capital	27,841,111	32,133,018	34,165,672
TOTAL	\$ 372,401,088	\$ 384,728,298	\$ 391,638,912

A. Labor and Benefits

1. Salaries and Wages

Union wages reflect increases detailed in the collective bargaining agreements, effective as of January 1, 2022. Wage increases for calendar year 2023 equaled 4% and increases for calendar years 2024 – 2026 are 3.5%. Non-union wages are expected to rise at the same rates over RY 2024 and RY 2025.

Payroll expenses are computed based on the projected employee count and wage increases, as described above. Headcount has been adjusted to address business changes as a result of the pandemic. In addition to the new positions described above, positions have been added since RY 2022 to improve supervision and better manage facility and fleet maintenance as well as provide new cardboard collection services, improve coverage in the Tenderloin District, and improve Bulky Item Collection service. Additional employees to support accounting, rate analysis, and rate reporting are also included.

2. Payroll Taxes

Payroll taxes are projected based on current city, state, and federal tax rates and are calculated as a percentage of wages.

3. Pension and 401(k)

Pension costs consist primarily of projected cash contributions within the Employee Retirement Income Security Act (ERISA) pension plan funding guidelines, as calculated by Recology's pension plan actuary for the Recology Inc. Pension Plan.

The SF Recology Companies' share of Plan contributions is expected to be \$23,532,442 in RY 2024 and \$17,599,530 in RY 2025. Based on analysis from Recology's pension plan actuary, the Plan will be 100% funded before the end of RY 2025. The rate projections reflect a lower contribution in RY 2025 as the Plan is projected to reach full funding during RY 2025. Market volatility, affecting plan assets, and any pension obligation changes could affect that projection, and further contributions may be required in the future based on actual Plan asset returns and changes to service levels or benefits.

RSF also provides pension benefits for employees represented by the Operating Engineers Local 3 under a separate multi-employer union-sponsored plan. This plan is funded as a cost per hour for each participating employee. The contribution per hour for that plan is \$11.01 as of January 2023 and is expected to remain the same for RY 2024 and RY 2025.

Pension costs also include matching contributions to a Recology-sponsored 401(k) plan for non-union employees. The estimated contributions to that plan for RY 2024 and RY 2025 is \$328,628 for both years and are based on projected contributions for RY 2023, adjusted for increased headcount.

4. Health Insurance

Health and welfare programs are offered to Recology employees through several service providers. Programs include medical, prescription drug, dental and vision coverage, long-term disability, life insurance, and employee assistance programs. The programs are managed by Recology Inc., and the costs are allocated to the operating affiliates based on their specific participation and programs offered. No profit is included in the allocated costs in the rate calculation.

The projected health and welfare benefit costs contained in this rate application are based on anticipated RY 2023 costs, inflated by 4.7% for calendar 2024 and 6.2% for calendar 2025. The inflation factor was developed by third-party actuaries and is based on specific program demographics and historical cost changes.

Post-retirement costs in this rate application reflect the cost of participation in the Retirement Security Plan (RSP), sponsored by the Teamsters Benefit Trust. The RSP provides post-retirement medical benefits to union members who qualify under the terms of the applicable collective bargaining agreements. The RSP cost is paid monthly for each eligible employee. These costs have remained relatively flat over the last two years and are not expected to increase in RY 2024. These costs are projected to increase using the general inflation factor in RY 2025.

5. Workers' Compensation

Workers' compensation covers the costs associated with workers injured on the job. These costs arise from temporary and permanent disability, medical evaluation and care, claims administration, insurance premiums, legal fees, and ancillary administrative functions. These costs reflect the share allocated to the SF Recology Companies in a pooled risk program for all Recology companies. The allocation follows standard actuarial practices and reflects payroll, participant company risk, and historical claims performance. No profit is included in the allocated costs in the rate calculation.

B. Truck Operations and Other Assets

1. Repairs and Maintenance, Parts, Tires, and Tubes

Equipment and vehicle repairs and maintenance costs are based on historical costs adjusted for inflation and specific items identified by the maintenance teams. Outside repair costs reflect costs for major repairs to vehicles and costs of towing and other third-party support services. Parts, tires, and tubes are projected for RY 2024 and RY 2025 based on actual costs for the three months ending December 31, 2022 and forecasted costs for the nine months ending September 30, 2023. These costs are adjusted for inflation and partially offset by the lower cost of maintenance for the replacement vehicles purchased in RY 2023, RY 2024, and RY 2025.

2. Fuel and Oil

Fuel costs continue to be volatile and have risen sharply in the recent past. Fuel costs are based on volumes consistent with current use and projected to remain the same for RY 2024 and RY 2025. Prices per gallon for various fuel types are based on current prices per gallon, adjusted to account for expected inflation and adjusted to reduce the impact of any temporary seasonal variations. The price of liquified natural gas (LNG), used to power the majority of the long-haul fleet, experienced a significant (3X) increase in January and February 2023. The rate projection assumes that for RY 2024 and RY 2025 the LNG price reverts to the long-term average, adjusted for inflation.

3. Taxes and Licenses and Permits

Taxes listed include personal property taxes on equipment and other assets and San Francisco business taxes based on revenue. Projected tax costs are based on estimates of asset costs, revenue, headcount and other measures that are used to calculate taxes.

Licenses and permits include costs for Department of Motor Vehicle registrations, Department of Public Health license fees, and Public Works debris box permits. Costs for the Department of Public Health license fees are based on the actual amount paid in RY 2023, adjusted for general inflation. Licenses and permits costs also include the cost of over-the-road vehicle licenses and a permit for the City of Brisbane, currently estimated at \$4.3 million for RY 2024 and \$4.4 million for RY 2025. This fee covers

required permits for recycling operations that take place on Recology properties within Brisbane. Costs for other licenses and permits for RY 2024 and RY 2025 are expected to increase with general inflation from RY 2023 levels.

C. Disposal and Processing

1. Disposal and Hauling Costs

Disposal costs for RY 2024 and RY 2025 are based on projected tonnage and the disposal rates, adjusted using the general inflation rate, in the San Francisco Landfill Disposal Agreement. Disposal tonnage, which is increasing with projected revenue growth, includes residual from Recycle Central and tonnage from the Tunnel Avenue transfer station. In addition, concrete, dirt, and other small bits of material recovered from the iMRF, including materials that can be used at the landfill for cover, construction, and facility maintenance activities are also hauled to the Hay Road Landfill. The RY 2024 projections include an expense of \$540,000 for a pilot program on black cart processing.

External freight costs for hauling to recycling markets have risen dramatically in recent years due to increases in fees at the Port of Oakland. These increased fees are due to higher fuel costs, California AB5 compliance, and higher labor charges due to increased wait times at the Port. In addition, freight costs have increased due to the need to haul to more distant ports. Freight costs in RY 2023 projections include approximately \$3.7 million of costs related to hauling material from Sustainable Crushing to the Hay Road Landfill as part of winding down that operation. There are no freight costs associated with Sustainable Crushing in projections for RY 2024 or RY 2025.

2. Organics Processing Fees

Organic material is hauled by RSF, primarily to Recology Blossom Valley Organics – North (BVON), located in Vernalis, California. The material is processed to remove contaminants and then moved through the composting process to create finished compost, which is then sold. The proposed BVON tipping fee for organic material for RY 2024 and RY 2025 is based on the current tipping fee, adjusted for general inflation. The BVON tipping fee includes the cost of disposal of contamination removed from the feedstock and credit for the revenue generated from the sale of finished compost.

D. Facility and Operations Maintenance

1. Property Rental

Intercompany property rental costs are derived from lease costs for properties owned by Recology Properties and used by the SF Recology Companies to serve San Francisco ratepayers. There is no change in RY 2024 and RY 2025 for any intercompany property rental cost. The rents are based on the cost of properties, a cost of capital, and a fixed recovery period. No profit is included in these rental costs in the rate calculation.

Intercompany rentals are the subject of the December 2022 settlement agreement between Recology and the City. Under that agreement, intercompany property rental costs are no longer included in the rates once the total rental amount described in the preceding paragraph has been recovered. In addition, if any property is no longer used to serve ratepayers, the cumulative rents recovered through rates for that property will be placed in a balancing account.

Outside property rental costs for leasing off-site office space for customer service and administrative operations are included and are expected to increase with inflation from 2023 levels. Outside rental costs also include lease payments to the Port of San Francisco for Recycle Central at Pier 96. The Pier 96 rent was increased by 4.88% on January 1, 2023. RSF expects to enter a new agreement with the Port, the terms of which are yet to be agreed. A rental cost increase of 3% per year is included based on initial discussions.

Payments to the Port for the concrete and asphalt recycling operations at Pier 94 are expected to end in RY 2023. The operation has ceased and the Company is currently working to clear and vacate the property. There are no rental costs for Pier 94 in projections for RY 2024 or RY 2025.

2. Utilities

Utilities costs for RY 2024 and RY 2025 at Recycle Central and the Tunnel Avenue facility are projected based on forecasted costs per unit for electricity and water, adjusted for general inflation.

E. Other

1. Professional and Contract Services

Cost projections for RY 2024 and RY 2025 for professional and contract services are based on current experience and expected future needs for services during these rate years. Accounting costs have increased due to new reporting requirements under the December 2022 settlement agreement between Recology and the City. Projections of engineering costs for RY 2024 and RY 2025 have been adjusted for anticipated costs for facility development projects including engineering and permit work related to new preprocessing equipment at the West Wing, environmental impact report development for the Tunnel and Beatty site, and structural and geotechnical studies at Pier 96.

2. Corporate Services

The SF Recology Companies are subsidiaries of Recology Inc. Certain services, for example, Human Resources (HR) and Information Technology (IT), are managed centrally by Recology Inc. to provide cost efficiencies to Recology's operating subsidiaries. The costs of these centrally managed services are allocated to the SF Recology Companies based on their outside net revenue as a percentage of the total net revenue across the allocation base. Intercompany revenue is eliminated for this

calculation. Since the majority (77%) of RSF's net revenue is intercompany, received from the Collection Companies, the allocation percentages are low relative to the size of RSF's operations. There is no profit included in the allocation.

Human Resources provides management of benefits, employment law, employee training, and other employee management support services. The cost projections for RY 2024 and RY 2025 are based on RY 2023 projected costs for Recology Inc.'s HR Department, adjusted for general inflation.

Corporate Administration provides general operations and corporate support services. Corporate Administration cost projections for RY 2024 and RY 2025 are based on RY 2023 projected costs for these services provided by the corporate office, adjusted for general inflation.

Environmental Compliance provides planning, permitting, and compliance support services. Environmental Compliance cost projections for RY 2024 and RY 2025 are based on RY 2023 projected costs for Recology Inc.'s Environmental Compliance Department, adjusted for general inflation.

Information Technology provides systems support for all digital technologies, including computers, phones, etc. Increased costs in RY 2023 reflect hiring and technology investments to modernize Recology's digital infrastructure. IT cost projections for RY 2024 and RY 2025 are based on RY 2023 projected costs for Recology Inc.'s IT Department, adjusted for general inflation.

Commitment to Customer (C2C) is a customer service, operations, and billing system modernization project currently underway. A pilot project is up and running. C2C is expected to roll out to San Francisco operations in RY 2025. Implementation of the new system will allow for improvements in customer experience and better integration of customer service, operations, and billing.

Corporate Finance provides audit, treasury, tax, and other financial services. Projected Corporate Finance costs for RY 2024 and RY 2025 are based on RY 2023 projected costs of Recology Inc.'s Finance Department, adjusted for general inflation. Costs associated with specific activities for the SF Recology Companies, including those required by the December 2022 settlement agreement and new reporting requirements expected with the new rate order, are reflected in professional services and payroll costs for the SF Recology Companies and not here.

Internal Audit provides internal audit services. Projected internal audit costs for RY 2024 and RY 2025 are based on RY 2023 projected costs of Recology Inc.'s Internal Audit Department, adjusted for general inflation.

Sustainability provides support for sustainability issues, initiatives, and practices. Sustainability cost projections for RY 2024 and RY 2025 are based on RY 2023 projected costs, adjusted for general inflation.

3. Operating Supplies, Office Supplies, and Telephone

Costs in RY 2024 and RY 2025 for operating supplies and office supplies at are projected based on actual costs for the three months ending December 31, 2022, annualized for RY 2023 and adjusted for general inflation. Costs related to telephone are based on actual costs for the three months ending December 31, 2022, annualized for RY 2023 and adjusted for general inflation.

4. General and Vehicle Insurance

The SF Recology Companies participate in a risk pool with all other Recology operating companies to manage insurance costs. Insurance premium projections for RY 2024 and RY 2025 are based on information provided by Recology's insurance brokers and actuaries, including projected claims costs associated with fleet operations. Costs for claims, reserves and program administration managed by Recology Inc. are allocated to the SF Recology Companies based on these Companies' claims experience. Other costs are allocated based on a series of measures developed to reflect the SF Recology Companies' relative size and risk profile. No profit is included in the allocated costs in the rate calculation.

5. Other Expenses

Other expenses include community outreach, medical expenses, shoes and uniforms, bank service charges, and other miscellaneous items. Community outreach costs include the costs of working with community groups to promote Zero Waste initiatives and Recology and City recycling and organics programs.

F. Capital

1. Leases

Requirements for trucks, equipment, and leasehold improvements are projected for RY 2024 and RY 2025 based on a replacement schedule and anticipated facility and program needs. Lease costs are added as equipment is acquired and leased over specified lease terms. These costs are managed by Recology Leasing and include the cost of the asset plus a cost of capital, net of any salvage value. No profit is included in lease costs. Lease terms are assigned as follows:

Trucks and rolling equipment:	7 years
Stationary equipment:	10 years
Furniture and fixtures:	8 years
Facility improvements:	15 years

Lease rates are based on the asset lives shown above using an implicit interest rate based on available lease line quotes and interest rates under Recology Inc.'s credit facility. For RY 2024 and RY 2025 projections, the rate used was 6.0%. The actual interest rate will be set for each new lease as it is entered into, on a monthly basis,

based on Recology Inc.'s borrowing costs at that time. Lease additions for RY 2024 and RY 2025 consist primarily of trucks acquired to comply with the California Air Resources Board regulations, other rolling stock, and processing equipment for improved contamination management.

2. Depreciation

Property and equipment, including major capital improvements, are depreciated on a straight-line basis over the estimated useful lives of the assets.

Additions of property and equipment and major capital improvements for RY 2024 and RY 2025 projections consist primarily of processing equipment for improved contamination management and various leasehold improvements at Pier 96 and other properties. The projections assume the depreciation will begin mid-year.

Refuse Rate Administrator's Interrogatory Tracker

As of April 7, 2023

Schedule Requests

Item	Request date	Schedule	Status	RRA Notes	Response Date	Recology Timing Response
1.01	3/24/2023	A.2 Total Sources and Uses	In Review	Breakdown of Total Uses needed. Missing Residential Multi-Family, 5 units or less.	4/2/2023	Provided 4/2/2023 response: "As discussed with the Refuse Rate Administrator during the development of the Refuse Rate Change Request forms, the allocation of costs and other information between residential, apartment and commercial customers is being deferred. We agreed that allocation is not possible at this time due to the integrated nature of operations, the need to update Recology's underlying data collection and the need to develop agreed upon allocation methodologies and models. Apart from billed revenue, which is organized by customer class due to differing rate structures, all other rate activity, including all costs, is presented in aggregate, without separation by customer class."
1.02	3/21/2023	C.1 Ratepayer Revenue	In Review	Reconcile commercial revenue with rate reports (i.e. debris box?)		
1.03	3/15/2023	C.2 Waste Collection Revenue Detail	Missing	Recology has said they will be able to provide this schedule		Will provide April 3-7
1.04	3/21/2023	C.3 Other Ratepayer Revenue	Missing	Include line-item for Contamination Fees		Will provide April 3-7
1.05	3/15/2023	D.2 Revenue Offsets	Missing			
1.06	3/24/2023	D.3 Recycling Revenue	In Review	Revenue by Customer Type missing, i.e., rows 34-78. Actuals would have to exist in order to have done accurate billings.	4/2/2023	Provided 4/2/2023 response: "As discussed with the Refuse Rate Administrator during the development of the Refuse Rate Change Request forms, the allocation of costs and other information between residential, apartment and commercial customers is being deferred. We agreed that allocation is not possible at this time due to the integrated nature of operations, the need to update Recology's underlying data collection and the need to develop agreed upon allocation methodologies and models. Apart from billed revenue, which is organized by customer class due to differing rate structures, all other rate activity, including all costs, is presented in aggregate, without separation by customer class."
1.07	3/24/2023	D.4 Disposal Revenue	In Review	All but 2 rows missing from rows 13-129	4/2/2023	Provided 4/2/2023 response: "As discussed with the Refuse Rate Administrator during the development of the Refuse Rate Change Request forms, the allocation of costs and other information between residential, apartment and commercial customers is being deferred. We agreed that allocation is not possible at this time due to the integrated nature of operations, the need to update Recology's underlying data collection and the need to develop agreed upon allocation methodologies and models. Apart from billed revenue, which is organized by customer class due to differing rate structures, all other rate activity, including all costs, is presented in aggregate, without separation by customer class."
1.08	3/24/2023	D.5 Processing Tonnage	In Review	Rows 46-48 Missing, and important for policymaker and public sightline, to know the impact on the Landfill Disposal Agreement's time-to-cap exceedance.	4/5/2023	Provided 4/5/2023
1.09	3/15/2023	D.6 Toxics Collection	In Review	RY23-RY25 projections not included. Recology has said they will be able to provide projections.	3/16/2023	Recology provided RY23-25 HHHW tonnage and collections
1.1	3/15/2023	E.1 Operating Expense Summary	Missing			Will provide April 3-7
1.11	3/15/2023	F.1 Service Apportionment	Missing	Recology has said they are working on a cost allocation methodology and will provide identification of Fixed/Variable cost, and Combined and Eliminations columns are missing.		Will provide April 3-7
1.12	3/15/2023	G.1 Refuse Collection Detail	In Review	Include columns to disaggregate RSF from SS/GG	3/28/2023	Recology provided revised refuse collection detail allocated to RSF and SS/GG, not by audit expenditure category.
1.13	3/15/2023	J.3 Depreciation Expenses	In Review	Actuals are missing	3/28/2023	Recology provided actuals
1.14	3/15/2023	K.1 Insurance Expenses	Incomplete	Recology submitted cost of coverage actuals on 4/3. RRA has requested written response for type of coverage, incurred vs. claims made, and value of coverage. Recology verbally conveyed all insurance is claims-made, that D&O insurance from 2020-2021 is not included as a cost for rate payers. Recology will adjust the value column to say "limit of coverage" and complete.	4/3/2023	Initial provided 4/3/2023
1.15	3/15/2023	L.2 Intercompany Processing	In Review	Some categories of recyclables are missing	4/2/2023	Provided 4/2/2023
1.16	3/15/2023	O.1 Professional Services Expenses	Incomplete	FTE and performing and requesting companies are missing		Recology will provide by March 24th
1.17	3/15/2023	O.2 Corporate Services Expenses	In Review	FTEs for RY20 and RY21, as well as all years for performing and requesting companies are missing	4/5/2023	Provided 4/5/2023

Refuse Rate Administrator's Interrogatory Tracker

As of April 7, 2023

Exhibits

Item	Request Date	Exhibits	Notes	Response Date	Recology Timing Response
2.01	3/15/2023	Outreach	What are current services and costs associated with outreach. What changes to outreach are being made, and what are the associated cost changes?		
2.02	3/15/2023, amended 3/31/23	Abandoned Materials Collection	What is the current level of service for abandoned materials collections and what are the associated costs? What changes to abandoned materials collections are being made and what are the associated costs? How were decisions made to propose enhanced service?		
2.03	3/15/2023, amended 3/31/23	Increased "City can" service	What is the current level of service for "City can" service and what are the associated costs? What are the current routes and schedules for "City can" service and how will this change? What are the associated cost changes? How were decisions made to propose enhanced service?		
2.04	3/15/2023	Changes to FTE count	Please specify what the additional FTE will support.		
2.05	3/15/2023	List of Fees and Charges	Please provide list of all fees and charges. Please identify any fees not included in one of the 6 rate schedules		
2.06	3/15/2023	Pension Costs	For the 2 year rate period, please explain what the annual cost is assumed for the cash-funded portion of the pension contribution, and what it is by month for each of the 24 month periods.		
2.07	3/21/2023	Contamination Fees	Please provide current charges and procedures as well as proposed charges and procedures outlining changes, identify impacted populations and impact to customer waste collection costs.		
2.08	3/31/2023	Balancing Account	Please provide a justification for the proposed 100% adjustment for the difference between actual net profits or losses.		
2.09	3/31/2023	Sustainable Crushing at Pier 94	Please describe the service provided at Pier 94. What are the associated costs with this service? What are the impact to revenues and costs related to this closure? What are the impacts to labor needs and other material needs related to this closure?		
2.10	3/31/2023	Programs included in proposed rate (Programs 4-29 in Narrative Summary)	Please provide current and proposed labor and costs associated with these programs.		Recology to assess what data is available and had planned to respond on April 5th with understanding of limitations/ability
2.11	4/4/2023	Cost Accrual Basis	Please provide a summary of which costs have been and are proposed to be: 1) (Full) Accrual Basis, 2) Cash Basis, or 3) Otherwise, e.g. Modified Accrual Basis (along with the recognition period, if modified accrual, i.e., 30-days following the RY end, 60-days, etc.).		

2,12	4/4/2023	Profit on Equipment Purchasing vs. Leasing	Please explain why certain assets are being depreciated (Full Accrual Basis Cost) vs. others like equipment are Leased-to-Own (Cash Basis). What is Recology's policy to lease or to own? For leased-to-own, is Recology Leasing earning a profit on the assets and is Recology SS/GG also earning a Profit Margin on the cash-basis lease cost charged to them by Recology Financing or other Recology entities? What is the difference in cost for leasing equipment from Recology entities plus profit margin on lease profit for Recology entities compared with Recology SS/GG directly purchasing equipment and then depreciated over the useful life of 7-10 years?		
2.13	4/4/2023	Basis for Revenue Offsets	What is the basis for assumed revenue offsets? Please detail which market analyses and pricing sources are being used and assumed by Recology for revenues associated with Organics, Recyclables, etc. to ensure SF Ratepayers are benefitting from and having some costs of service covered by those parts of the waste stream? How do Recology revenue offset prices for these products compare with competitors in California?		
2.14	4/6/2023	AUP	AUP expected Monday April 17		

Refuse Rate Administrator's Interrogatory Tracker

As of April 7, 2023

Questions

Item	Request Date	Schedule	Question from Refuse Rate Administrator	Response Date	Response from Recology	Recology Timing Response
3.001	3/21/2023	C.1 Ratepayer Revenue	What are assumptions for account growth/tonnage growth tied to these revenue projections for base FY23 and the 2% assumption for the rate years?	4/4/2023	RY2023 revenue is based on Q-1 times 4, with Jan - Sep increased by the 8.86% Cost of Living Adjustment (COLA) effective 1/1/2023. RY2023 Customers were fixed at 12/31/22. Customers grew in 24 and 25 as revenue per customer was held constant in those years. Tonnage was fixed at 12/31/22 for RY 2023 and was increased by the growth factors in 24 and 25.	Provided response
3.002	3/21/2023		What is the relationship between revenue, accounts, and tonnage?	4/4/2023	same explanation as 3.001	Provided response
3.003	3/21/2023	D.3 Recycling Revenue	What are assumptions for account growth/tonnage growth tied to these revenue projections for base FY23 and the 2% assumption for the rate years?	4/4/2023	RY2023 is based on Q1 2023 actual tons extended for the rest of the year. RY2023 price per ton is actual price per ton in Q1 and an average price per ton of the last three rate years (ie. 2020 - 2022) for the last three quarters of 2023. For subsequent years, tonnage, and consequently revenue, grew by the 2% growth factor, while holding price per ton constant	Provided response
3.004	3/21/2023	D.4 Disposal Revenue	What are assumptions for account growth/tonnage growth tied to these revenue projections for base FY23 and the 2% assumption for the rate years?	4/4/2023	RY2023 is based on Q1 2023 extended for the rest of the year. Tonnage level was set based on Q1. Revenue assumptions for subsequent years uses a 2% growth factor for tonnage and the adjusted tip fee at RSF for that year.	Provided response
3.005	3/21/2023	G.1 Expense Detail	Indicate line-items where enhancements have been included and amount (i.e. Pier 96 Study, Black Can Processing Pilot, Abandoned Material enhancement, outreach, City Can enhancement, etc.)			
3.006	3/21/2023	L.1 Intercompany Disposal	Bulky item tonnage went up 159% and 42% in RY20 and RY21. Any idea what caused this?	4/4/2023	The COVID-19 pandemic sparked a mass exodus from San Francisco which resulted in an increase in bulky item and abandoned materials. The recovery percentage of bulky item and abandoned materials has also gone down as a majority of the tonnage being picked up is considered MSW.	Provided response
3.007	3/21/2023		iMRF treated wood tonnage decreased 49% and 97% in RY20 and RY21. What was the cause?	3/31/2023	The significant decline in construction projects around the City during the pandemic resulted in a drastic decrease in pressure treated wood in the subsequent years. We are still seeing pressure treated wood coming in small amounts and have projected forward based on recent activity.	Provided response
3.008	3/21/2023	L.2 Intercompany Processing	What is driving the 16% increase in recyclable processing charges n RY24?	3/31/2023	Increase percentage on the GGSS intercompany processing charges are driven by RSF's proposed tipping fee for RY24.	Provided response
3.009	3/21/2023		Recyclable processing tonnage has dropped 31% from RY20-25, but cost is only down 10%. What causes this discrepancy?	4/4/2023	The decrease in tonnage by 31% is offset by the increase in tipping fee by about 32% resulting in the cost being down about 10% when comparing RY25 to RY20. Since the cost of the processing facilities are largely fixed, the decreased tonnage does not result in a decrease in costs. Variable labor costs, disposal costs and some minor costs (supplies, etc.) are lower.	Provided response
3.01	3/21/2023		Why doesn't wood have figures for RY24-25?	4/5/2023	Our recovered wood has no value. The wood we recover does not meet the standards needed by BVON and Hammett for use in retail landscaping.	Provided response
3.011	3/21/2023		RY20-25 compostable, brush, sheetrock, and wood tons are 12% down and cost 11% up. What's driving this?	4/6/2023	Increase in tipping fee of the compostable, brush, sheetrock, and wood more than offsets the decrease in tonnage for these commodities. See reconciliation for additional details.	See response and reconciliation
3.012	3/21/2023	M.1 Repair expenses	Why did iMRF parts/tires/tubes cost increase 473% in RY22?	3/31/2023	iMRF parts/tires/tubes increased roughly \$67k due to an upgrade to the iMRF processing system. The upgrade included but not limited to large size reducers (shredders), robots, optical sorters, density separation screens. Additionally, there was replacement for certain parts such as control computers, motor starters for shredders, belts, and electric motors which does not get replaced annually.	Provided response
3.013	3/21/2023		Why did Recycle central parts/tires/tubes cost increase 249% in RY22?	3/31/2023	Recycle Central parts/tires/tubes increased \$6.2k, which represents approximately 0.1% of the total parts cost, due to replacement of a broken computer panel. The computer is used to run the Supervisory Control and Data Acquisition (SCADA) system which is how Recology manages the recycling plant at Pier 96. There was no similar replacement in prior years.	Provided response
3.014	3/21/2023		Why do you project transfer station parts/tires/tubes cost will increase 68% in RY24?	3/31/2023	Projection of tires will increase \$2k in RY2024 compared to RY2023 due to a delay in tire expense for the transfer station.	Provided response
3.015	3/21/2023		Why have repair costs for bulky/abandoned ceased in RY21?	3/31/2023	Repair costs on trucks that collect bulky items/abandoned materials has been phased into the truck and garage business unit in recent years.	Provided response
3.016	3/21/2023		Why have repair costs for public cans ceased in RY22?	3/31/2023	Repair costs on trucks that service Public cans have been realigned to the truck and garage business unit in recent years.	Provided response
3.017	3/21/2023		What are the repairs to gen admin that increased 86% in RY22?	3/31/2023	The \$25k increase in costs is for forklift certification training for the Sunset Scavenger and Golden Gate facilities. OSHA certification is required for handling heavy duty material with forklifts.	Provided response
3.018	3/21/2023		What are the repairs to rear loaders that increased 84% in RY21?	3/31/2023	The \$120k increase is due to the realignment of route support fees from other business units to the rear loaders business unit.	Provided response
3.019	3/21/2023		What are the repairs to iMRF that increased 118% in RY21 and 52% in RY23?	4/2/2023	The \$20k increase in RY2021 is repairs to the equipment belts used in the iMRF-facilities. The \$17k increase in RY2023 is due to fire extinguisher installations along with repairs to the building's ventilation system in Q1 2023, we expect routine costs to occur more often starting Q2 2023.	Provided response
3.02	3/21/2023		What are the repairs to the transfer station that increased 37% in RY21 and 86% in RY22?	4/2/2023	The \$3k increase in RY21 repair costs is for incremental pressure washers and fire extinguishers inspections. The \$10k increase in RY22 when compared to prior year is related to the fire pump and other equipment repairs at the transfer station.	Provided response

3.021	3/21/2023		What are the repairs to Organics Annex that increased 37% in RY21 and 77% in RY23?	4/2/2023	The Organics Annex repair costs increased \$2k due to increased service calls to repair equipment at the West Wing. The \$5k increase projected for RY23 is due to non-routine replacements of press effluent discharge that occurred in Q1 2023, we expect routine costs to occur more starting Q2 2023.	Provided response
3.022	3/21/2023	M.2 Fuel Expenses	Why do you project fuel units will increase 6.1% in RY23?	4/4/2023	The 6% increase is due to the run rate of Q1 2023 fuel costs. We will have additional visibility in the units of fuel used once Q2 actuals flow through and realign, if needed.	Provided response
3.023	3/21/2023		Why don't submitted fuel costs match Rate Reports or Audited Financials?	3/29/2023	See reconciliation to reconcile between financial statements, the rate report, and rate application. There was a shift of compressed natural gas from the Utilities line to Fuel for better alignment during the rate-making process. The accounting / reporting change will become effective with RY 2024.	Provided response and Reconciliation
3.024	3/21/2023	N.1 Contract Services Expenses	Is the Artist In Residence included in rates? Likely not prop 218 compliant, art products and education not provided to ratepayers as a whole, no/weak nexus to service. What are components of this contract (costs and services)?	3/31/2023	Recology's educational outreach helps the public understand the importance of reuse and recycling and shows in a concrete way why they should care about San Francisco's diversion/zero waste goals. Our Facility Tour and Artist in Residence Programs visually reinforce Recology's and the City's outreach efforts by showing residents how to reuse materials, use our recycling systems properly and reduce consumption. Each year, several thousand kids and adults participate in or interact with these programs. Deborah Munk, the Program Manager, has put together a narrative summary and is available to make a presentation on the Programs.	See response and powerpoint slides
3.025	3/21/2023		What was the RY22 increase in General and Administrative?	3/31/2023	The increase in General and Administrative is temporary labor due to increased regulatory compliance. In addition, there was renewed focus on A/R collection efforts in certain areas of the business.	Provided response
3.026	3/21/2023		What is the Fantastic 3 contract?	3/31/2023	Fantastic 3 labor charges consist of retired drivers that Recology hires on a temporary basis to train new drivers. Active drivers are not available to train and training is needed to limit service disruption.	Provided response
3.027	3/21/2023		Contract Expenses decreased YoY until the current Rate Year, now expected to increase. Why?	3/31/2023	The increased need to contract with third parties to train new Recology drivers to limit service disruptions to rate payers. Additionally, there will be staffing requirements for educational outreach programs and facility tours for the Artist in Residence program.	Provided response
3.028	3/21/2023		Where would these expenses appear in the Audited Financial statements?	3/28/2023	Temporary labor and subcontractor costs in schedule 1.	Provided response
3.029	3/21/2023		Submission total in RY21 is 33% lower than the total in RY21 Rate Report. Why? The subtotal for all RY21 contract services expenses in Recology's submission is \$643,664, but the total from the RY21 rate report is \$954,356 (\$733,162 + \$221,194). That's about a 32.6% difference. Please explain why the two figures differ so much in RY21, but match in RY20 and RY22.	3/30/2023	The RY2021 contract services line in the rate application includes T&G maintenance allocation credit of (\$310,692). Historically, we reported T&G maintenance allocation as a separate line for rate reporting purposes. See reconciliation	Provided response and Reconciliation
3.03	3/21/2023	O.1 Professional Services Expenses	Why is there a 71% increase in external Accounting fees in RY23?	3/28/2023	Reconciliation AUP, balancing account AUP and Property file AUP per the settlement agreement.	Provided response
3.031	3/21/2023		Why is there a 593% increase in external engineering fees in RY23 and anticipated 368% further increase in RY24?	3/29/2023	Costs associated with facilities had no comparable costs in prior years. Health risk assessment of \$100k in 2023 and a seismic study of \$1M split between two years in RY24 and RY25.	Provided response
3.032	3/21/2023		Why was there a 60% increase in legal fees in RY21, 51% decrease in RY22, and estimated 53% increase in RY23?			
3.033	3/21/2023		What are the other professional fees that are anticipated to increase 34% in RY24 and 81% in RY25?	3/28/2023	Environmental impact report (EIR) legal consultant for \$200k in RY2024 and RY2025. In addition, there is a Facility Conceptual Design of \$715k in RY2025.	Provided response
3.034	3/21/2023	O.2 Corporate Services Expenses	Recology has underprojected corporate allocations by over 50% in the last 3 rate years. Why have these exceeded projections? What has been done to correct projection methodology?	3/28/2023	The projections was prepared in 2016 and included in the 2017 rate application. Since the time that the projections were prepared, there have been a number of significant issues that changed the needs of the organization, including the pandemic, identified need to improve technology and the launch of the Commitment to Customer system upgrade project, increase in internal audit focus and increased support for oversight. In addition, there was a change in allocation methodology based on a change in GAAP that occurred after the 2017 rate was approved. Due to a change in the way that franchise fees were recorded, the allocation to Sunset/Golden Gate increased and the allocation to RSF decreased.	Provided response
3.035	3/21/2023		Corporate services expenses are projected to increase by 21.6% in RY23 but only 3.7% in 24 and 3.1% in 25. What is driving this projection and why does RY23 differ so much from RY24 and RY25?	4/6/2023	Commitment to Customer is increasing largely due to increased fees to address complex data conversions from legacy systems and resolve complex integrations to and from Recology systems. The Information Technology increase is due to a few reasons: addressing technical under-investment as shown by an assessment of Recology spend vs peers, new software focused on compliance and environmental, social, and corporate governance reporting (ESG), increased cybersecurity software and compliance audits, etc. RY2024 and RY2025 increases are due to application of inflation factors.	Provided response

3.036	3/21/2023		Why did RY22 increase only 3% while RY21 increased 13%?	4/6/2023	RY21 increase is mainly driven by the Commitment to Customer department ramping up during the year. RY22 is generally an average operating environment for Recology.	Provided response
3.037	3/21/2023		Submission totals are 4-8% lower than Audited Financials but 3-5% higher than Rate Reports.	3/29/2023	This is a two part question. First part - Submission totals are lower than audited financials because the financials include non-rate allowed costs in the corporate allocations, which we pull out for rate reporting. Second part - Submission is higher than rate reports because the submission includes all corporate allocations, including Environmental Compliance, which we have reported historically on a separate line for rate reporting. The reconciliation between the financial statements and rate reports/rate submission will be reflected on the Recon AUP	Provided response and Reconciliation
3.038	3/21/2023		In RY22, Corporate Administration increased by 140% and Sustainability increased by 4671% YoY. What drove these changes? What does Sustainability include?	4/6/2023	The increase in the Sustainability department is due to absorbing the Communications department to help Recology's environmental, social, and corporate governance reporting (ESG) efforts. Corporate Administration increased in RY22 due to a top-line adjustment of \$2M being made in RY21 to reflect the revenue reduction from the rate miscalculation.	Provided response
3.039	3/21/2023		In RY23, Commitment to Customer, Sustainability and Internal Audit are projected to increase 41-54%. What are the specific services that are being added or increased? What does Commitment to Customer include?	4/6/2023	Commitment to Customer costs reflect the expenses related to implementation of a new ERP system to manage customer service, operations, scales and billing / receivables. Internal Audit's increase is due to the inception of this department, with RY2023 taking on a full years staffing of an internal audit employee and Internal Audit Manager. Sustainability's increase is due to the two additional headcount when compared to the prior year. In addition, there is consulting work to aid in Recology's environmental, social, and corporate governance reporting (ESG) and efforts (ie.SASB reporting, Greenhouse Gas inventory, target setting).	Provided response
3.04	3/21/2023	P.1 Residential Rates Comparison	Why is population of SF 3.6M?	3/31/2023	Armanino response: Per the census info, the correct residential population should be 874,000.	Provided response
3.041	3/21/2023		Are rates averages or are they the lowest price available to ratepayers in that jurisdiction?	3/31/2023	Armanino response: The rate we used is the set standard rate for the gallonage serviced. It is not the average and typically there is only one charge, the standard rate	Provided response
3.042	3/21/2023		Why does SF not show breakdown for dwelling unit charge, trash collection, recycling, and compost fees?	3/31/2023	Armanino response: We did not include the specific additional charges associated with San Francisco because other cities included due not have the same breakdown of fees nor do they offer the unique services San Francisco does. Trying to present a comparison tends to complicate the evaluation given the differences in services provided.	Provided response
3.043	3/21/2023		Why are breakdowns not shown for same categories for most other jurisdictions where available?	3/31/2023	Armanino response: We did not show breakdown for other cities requested because we do not believe it is an "apples to apples" comparison. Most other cities simply charge one rate for 3 cans (trash, recycling and greenwaste/compost). The "additional" charges are for extra can collection and do not represent the rate for a stand-alone collection option for say greenwaste or recycling. In most cities the 3 cans are mandatory service and the rate includes collection of all three. As noted in the response in #3, trying to present these variances in a comparable fashion tends to confuse the reader as the services and options are not similar.	Provided response
3.044	3/22/2023	H.1 Salaries, Wages and Payroll Headcount	Non-union staff had dropped in RYs 20-22, but are now increasing. What is driving this trend, what additional tasks will Recology achieve with these FTE?	4/3/2023	The downtrend was due to unfilled open positions, primarily in Accounting and Finance, due to turnover during the pandemic. These additions will ensure that the company has the necessary staffing levels to effectively manage its financial operations. In addition, the company is also in the process of re-aligning various departments to ensure the community reaches zero waste goals.	Provided response
3.045	3/22/2023		There's a 42% increase in gen admin union clerical staff from RY20-24. 7 FTEs reduced from refuse collection and debris box, but 11 FTEs (42%) added in General Admin. What was the decision behind this reorganization and what additional activities will the 4 FTEs provide for rate payers?	4/3/2023	The reorganization was done to better reflect the responsibilities of the customer service representatives, these team members support the the entire company, thus shifting their roles to the general and administrative business unit would provide additional transparency. The four additional FTE's include shifting of two diversion auditors from non-bargaining unit employees to union - clerical. The remaining two union - clerical FTE's are increases are two additional customer service representatives. An increase in call volumes led to additional positions to maintain service levels.	Provided response

3.046	3/22/2023		After a drop in RY21, union drivers/helpers are back to RY20 levels, but tonnage is down 14.2% RY20-22 and 19.8% down since RY2018. Why are the same number of helpers and drivers still needed to collect 14-20% less tonnage? This amounts to \$16.7M difference in RY24 payroll. For debris box and processing these positions are still down 30% and 14% from RY20, but for refuse collection these FTEs have actually increased 5.8% since RY20 despite the drop in tonnage and FTEs needed elsewhere. Recycling tonnage is also down 0.5% during this time, but Driver/Helper FTEs are up from 3 to 4 in RY23 and 5 in RY24 (33% and 67% increase in FTEs).	4/7/2023	The union drivers/helpers FTE should be viewed in its entirety. Pandemic related absences and leaves and ongoing increases in absenteeism has required additional headcount to support the same FTE requirement in order to limit service disruptions to the ratepayers. For RY23, two relief drivers are needed to provide route coverage due to the regulatory change of Proposition G and absenteeism coverage. For RY24, nine additional drivers is recommended, two public receptacle drivers for increased service demands, two abandoned materials drivers for increased service demands, three drivers for the Tenderloin routing changes and two drivers for cardboard collection in high demand areas.	Provided response
3.047	3/22/2023		Union sorter FTEs have halved since RY20. How does this impact our ability to sort and manage contamination? Are the new proposed contamination fees and policies compensating for these reduced FTEs in any way? Please identify any sorting machines which were added to compensate for the loss of these FTEs.	4/4/2023	An agreement was reached in the previous Collective Bargaining Agreement to realign union - sorters to union - utility. There has been no FTE impact to sorting contamination, only a realignment has occurred.	Provided response
3.048	3/22/2023		Why did union utility person FTEs more than double after RY20?	4/4/2023	An agreement was reached in the previous Collective Bargaining Agreement to realign union - sorters to union - utility.	Provided response
3.049	3/22/2023		Total payroll saw a 4% reduction in FTEs during RY20-RY21, and a 1% reduction in RY21-22. RY22-23 projects a 2% FTE increase and 1% increase in 23-24. What is driving these changes in headcount?	4/3/2023	Please refer to the "2.04 - Changes to FTE count" exhibit	Provided response
3.05	3/22/2023	H.2 Non-Salary and Wage Personnel Expenditures	Why has workers comp grown as a % of payroll by 10% in RY22 and 6% RY23? Why did it drop by 6% in RY21?	3/31/2023	Workers compensation expense at the San Francisco entities is an allocated portion of a shared cost program. The shared cost program saves considerable money through improved buying power and efficient use of third-party administrators and other program professionals. The cost allocated to San Francisco (and all other participating companies) is based on payroll by job category and historical loss experience. The allocation methodology has not changed and was reviewed by the Controller's Office during the integrity review last year. The percentage of payroll shown in the rate submission was calculated from each year's respective payroll and allocated Workers Compensation cost. Activity in RY 2021 was impacted by the pandemic and was an outlier. RY 2022 was more indicative of the long-term trend and ongoing cost.	Provided response
3.051	3/22/2023	I.2 Property Description	What is APN 0005-152-310 (505 Tunnel) used for?	3/29/2023	505 Tunnel is used by Sunset Scavenger Operations. It includes safety and other operations personnel.	Provided response
3.052	3/22/2023		What is 595 Tunnel used for? What is the lot size?	3/29/2023	595 Tunnel is a property along Tunnel road approximately ¼ mile from the Tunnel Beatty complex. It was an old lumber yard that is currently used for debris box and vehicle storage. The parcel includes a warehouse of approximately 35,000 ft2 and parking of approximately 20,000 ft2	Provided response
3.053	3/22/2023		What are the houses at 466 Tocoloma and 465 Wheeler used for?	3/31/2023	The houses at 465 Wheeler and 466 Tocoloma were originally purchased as buffer properties for the Tunnel Beatty complex. Both properties are rented to third party unaffiliated tenants. Tocoloma has no intercompany rent. The Wheeler property was included in the submission. The rent should terminate during RY 2024. A revision will be made as part of the April update for Q-2 results.	Provided response
3.054	3/22/2023	J.1 Depreciation and Lease	What is driving the increase in lease expenses? 6%-7% change in RY20-21 and 21-22, but 14% change in RY22-23, 18% the next year, 11% the following. Total depreciation saw a 19% increase from RY20-21, and then leveled off until RY24-25, with a 21% decrease. What is driving/drove those changes?	4/7/2023	The increases in lease expense for RY20 through RY22 is mainly due to vehicle leases coming online (ie. Split body, side body, split rear load, side load, etc.) RY23 through RY25 increases are due to truck replacements consistent with our vehicle replacement schedule, including those required by CARB regulations. In addition, there are operational capital (ie. Cat dozer, organics film screening system @ the West Wing, etc.) to improve efficiency, see tab J.2 Detailed Capital and Lease Expenses tab in the rate application for additional details.	Provided response
3.055	3/22/2023					
3.056	3/22/2023	J.2 Detailed Capital and Lease Expenses	Many items in Refuse Collection Operating Equipment are duplicated, but with different costs in the same rate year. Examples are CARB vehicles, carts, containers, etc. Why are they duplicated and what are the quantities for each item which has a price but no quantity?	4/7/2023	CARB vehicles will broken out for additional visibility on the next draft. The remaining items (ie. Carts, Containers and Debris box) help the reader identify which collection companies (Golden Gate or Sunset Scavenger) these types of assets belong to, in lieu of being duplicative. Quantities for these assets not listed due to the varying operational needs of the company.	Provided response
3.057	3/22/2023		What number of split loaders, single loaders, autocars, flatbeds, pickups, rear loaders, etc. was Recology operating at the end of RY21 and RY22? What will the numbers be in RY23, 24, and 25?			

3.058	3/22/2023		how many CARB compliance vehicles are being leased? What are the vehicle makes/models and which CARB regulations are the current vehicles not in compliance with?		
3.059	3/22/2023		how many containers are being leased in RY23? What were the numbers in RY21 and 22? What are the projections for RY24 and 25?		
3.06	3/22/2023		how many carts are being leased in RY23? What were the numbers in RY21 and 22? What are the projections for RY24 and 25?		
3.061	3/22/2023	J.3 Depreciation Expenses	What is the daily capacity of the West Wing organics film screening system and how many contaminants per minute is it rated to screen?		
3.062	3/28/2023		Why did Machinery/Equipment depreciation increase 33% in RY21 and why would it decrease 42% in RY25?		
3.063	3/22/2023		How many vehicles will the 3rd eye camera system be installed in at the beginning of each rate year? Will this cover all residential and commercial collections?	3/31/2023	Cameras will be installed on 38 units between the two collection companies during the middle of RY2024. This will cover 10% of the routes, predominately on the commercial side and will touch on a mixture of residential routes. Provided response
3.064	3/22/2023	K.1 Insurance Expenses	What are the actuals for RY20 and RY21?	4/3/2023	See revised Insurance Expense K.1 tab Provided response
3.065	3/22/2023		For each insurance expense, please list whether they are incurred or claims-made.	4/4/2023	See revised Insurance Expense K.1 tab Provided response
3.066	3/22/2023		For each insurance expense, please report the coverage amounts.	4/4/2023	See revised Insurance Expense K.1 tab Provided response
3.067	3/22/2023		Pollution insurance is projected to drop 76% from RY22-23, then increase 336% from RY23-24, then stabilize. What is causing these swings?	4/3/2023	See revised forecast. The expectation is pollution insurance should remain constant YoY. Provided response
3.068	3/22/2023		Cyber risk and other costs increased 61% from RY22-23. What are the specific costs included in these figures? What caused the increase?	4/3/2023	See revised forecast. Cyber risk & Other Insurance is going to increase by 46% in FY2023 due to market losses and conditions, which translates to higher cyber risk premiums. Provided response

Recology Rate Hearing 1 Questions for Departments and Recology

4/4/23

Department of Public Works Refuse Rate Board Hearing Requests

Expenditures and FTE for FY 2022 Actuals, FY 2023 Projections, and proposed FY 2024 and 2025 budget for ratepayer funded programs:

- Outreach and Enforcement (OnE) Team
- Litter Patrol
- Trash can cleaning
- Procurement of Trashcans and Sensors
- Trash Can Manager

Questions for DPW Proposal

- Outreach and Enforcement Team: Describe the level of outreach being conducted through this program (e.g. how many merchants, property owners, and residents does the OnE Team reach). How is impact measured?
- Litter Patrol: Describe what level of service is currently being provided. How is impact measured?
- Trash can cleaning: How was the decision made to use a nonprofit to provide trash can cleaning services? Was there consideration combining existing street cleaning service with the trash can cleaning service?

Trash Can Pilot

- Is it reasonable to expect use of all funds over the next 2 years?
- Have you considered amortizing the costs across more years?
- In presentations, DPW stated that this program is not expected to be near \$15 million. What is the lowest cost estimate?
- How do the new cans compare in capacity to existing City Cans?
- What are the expected maintenance and replacement costs compared to existing City Cans?
- What is the expected life compared to existing City Cans?

San Francisco Environment

Expenditures and FTE for FY 2022 Actuals, FY 2023 Projections, and proposed FY 2024 and 2025 budget for ratepayer funded programs:

- Zero Waste
- Toxics Reduction
- Green Building
- Environmental Justice
- Climate
- Outreach

Questions for SFE Proposal

- How are these programs related to the Climate Action Plan?
- How are impacts of these programs measured?
- Which programs or activities in these programs are statutorily required?
- Zero Waste Incentive Account
 - Describe the Zero Waste Incentive Account
 - How were targets set?
 - Did SFE consider mandatory diversion rather than monetary incentives?
 - What is the likelihood of achieving the proposed targets over the next two rate years?
 - What is the justification for allowing Recology to use unearned Tier 3 and Tier 4 funds for new diversion programs? Has SFE considering proposing that any new diversion program be funded through the rates directly, rather than through unearned funds?

Recology Refuse Rate Board Hearing Requests

I. Business Structure and Operations

- Describe business structure
- Describe collection, processing, and disposal services provided
- Describe other programs and services provided
- Who are the customers?
- % Breakdown of costs
- % Breakdown of revenue (e.g. collections revenue, revenue from other charges/fees, recycling revenue, etc.)

II. Rate Proposal

Describe Rate Proposal Changes

- Compared to current rates
- Assumed allowable profit margin
- % Changes

Ratepayer Impact

Average Monthly Bill per Ratepayer Type (include per-unit cost for multi-unit buildings):

- Single Family
- Residential (2-5 units)
- Apartment 6+ units

How will proposed commercial rates by different ratepayer types including:

- Apartment with 600 units or more
- Restaurants with 3 times a week pickup

Describe Balancing Account Proposal

- What is the % adjustment being proposed?
- Did you consider maintaining the settlement agreement terms?
- The current risk-free rate/10-Year Treasury Rate is 3.48%. Did you consider changing allowable profit margin proposal given the Balancing Account proposal fully guaranteeing your profit margin?

Describe COLA proposal

- Describe the COLA proposal

III. Summary of Cost and FTE Variances

- Based on the Narrative Summary and Summary of Assumptions, Recology describes a set of program enhancements as well as operational changes. In addition, Recology projects changes to labor costs, pension funding, and other cost items. Show how each of these types of changes contribute to the projected year-over-year cost and FTE variances for Sunset Scavenger/Golden

Gate and separately for Recology San Francisco. Use Tables 1-4 formats in attached spreadsheet, modify if needed.

- Provide breakdown of variance due to program enhancements, operational changes, and other cost changes.
- Program enhancements identified by the Refuse Rate Administrator include:
 - Abandoned Materials Collection, City Can Service, Outreach and Education, Apartment Diversion, Clean-Up Events, Contamination Program and Fees
- Operational Changes identified by the Refuse Rate Administrator include:
 - Pandemic changes, facility and fleet maintenance, coverage for Tenderloin, Sustainable Crushing, Corporate Services (Accounting, rate analysis, rate reporting), Black Cart Processing Pilot

IV. Program Enhancements Questions

Show how costs to program enhancements tie to your expenditure line items. Show how program enhancements change FTE. Use Table 5 and 6 format in Excel attachment, modify if needed. (For presentation, summary table of costs and FTE?)

Describe how these services will be enhanced (e.g. for abandoned material, what is the change in frequency of pickup, what is the change in expected tonnage picked up, what is the expected change in total pickups, expected change in response time etc.).

Abandoned Materials Collections

- How was the decision made to enhance this program? Are response time goals not being met?
- What does this mean for frequency of pickups? i.e. How many pickups were in 2022, and how is this expected to change in 2023? How are the enhancements expected to change frequency of pickups in Rate years 2024 and 2025?
- What does this mean for expected change in tonnage?

City Can Service

- How was the decision made to enhance this program?
- What does this mean for routes and pickup frequency? What are the current routes and frequency? What are the proposed additional routes and frequency?
- How much tonnage do City Cans generate? How is this tonnage expected to change?

Outreach and Education

- How was the decision made to enhance this program?
- Describe current outreach and education activities. How often are these activities occurring?
- What outreach and education activities will be expanded with this enhancement? What outreach and education activities will be added with this enhancement?

Apartment Diversion

- How was the decision made to enhance this program?
- Describe current levels of tenant engagement and what activities Recology is conducting?
- How will this enhancement change tenant engagement?

Clean-Up Events

- How was the decision made to enhance this program?

- How are operational setup, coordination with the City and other event tasks currently handled and why is an additional supervisor needed?
- Describe current level of driver labor, supervision, site logistics, marketing, and disposal being provided for events? What is being included in the enhancement?

Contamination Program and Fees

- How was the decision made to enhance this program?
- What is the current methodology for identifying contamination?
- Describe the on-board camera enhancement.

V. Operational Changes

Show how costs to stated operational changes tie to your expenditure line items. Show how stated operational changes impact FTE. Use Table 7 and 8 format in Excel attachment, modify if needed. Provide detail on corporate services FTE and costs for new positions (Table 9).

Describe the purpose of these operational changes.

Pandemic Changes

- How did the pandemic impact operations?
- What changes were made in response to the pandemic?
- Have any of these changes been reversed?

Facility Maintenance

- How was the decision made to add additional facility maintenance support?
- How does the closure of the Sustainable Crushing impact the need for facility maintenance support?

Fleet Maintenance

- How was the decision made to add additional fleet maintenance support?
- How does the assumed lower tonnage impact the need for additional fleet maintenance?

Coverage for Tenderloin

- How was the decision made to increase coverage for Tenderloin?
- Describe current level of coverage and how that coverage is changing.

Sustainable Crushing

- What happens to FTE supporting Sustainable Crushing?

Corporate Services

- How was the decision made to increase corporate and professional services?

Black Cart Processing Pilot

- Describe the purpose of black cart processing?
- How is this expected to impact diversion goals?
- If Recology were to implement Black Cart Processing, where would this be done?

VI. Other Costs Changes

Summarize other cost and FTE changes excluding Program Enhancements and Operational Changes. Use Table 10 and 11 format in Excel attachment, modify if needed.

Labor and Benefits

- Describe wage increases that are determined by the collective bargaining agreements.
- Pension Costs: How did Recology determine 100% funding by Rate Year 2025? Has Recology considered funding level targets below 100% by Rate Year 2025? Has Recology considered lowering annual contribution levels given the assumption that at current funding levels reach 100% funding by Rate Year 2025?

Truck Operations and Other Assets

- How were projections for fuel prices determined?

Disposal and Processing

- Describe freight costs and expected changes.

Facility and Operations Maintenance

- Describe intercompany property rentals.
- What is the status of the Pier 96 rental agreement?

Other

- Corporate Services
 - Describe how intercompany costs are eliminated for rate-setting purposes.
 - Describe C2C and the decision to implement this system? What improvements to the customer will this provide? What improvements to reporting will this provide?

Capital

- How was the projected lease rate determined?
- Describe depreciation methodology

VII. Tonnage Assumptions

- Describe recent tonnage trends.
- Describe methodology for tonnage assumptions.

VIII. Revenue Assumptions

- Describe methodology for revenue assumptions.
- Describe recent trends in recycling revenue and describe methodology projections.
- Describe recent trends in disposal revenue and describe methodology for projections.

Table 1: SS/GG Cost Variance Summary

SS/GG	2022	2023	2024	2025
Rate Eligible Expenses			\$208,479,995	\$213,720,134
YoY % Change				2.51%
YoY Variance				\$5,240,139
Program Enhancements				
Stated Operational Changes				
Labor (excluding, program enhancements and Stated operational changes)				
<i>Pension</i>				
Other Assumed Cost Increases				

Table 2: RSF Cost Variance Summary

RSF	2022	2023	2024	2025
Rate Eligible Expenses			\$125,521,082	\$125,781,488
YoY % Change				0.21%
YoY Variance				\$260,406
Program Enhancements				
Stated Operational Changes				
Labor (excluding, program enhancements and Stated operational changes)				
<i>Pension</i>				
Other Assumed Cost Increases				

Table 3: SS/GG FTE Variance Summary

SS/GG	2022	2023	2024	2025
FTE				
YoY % Change				
YoY Variance				
Program Enhancements				
Stated Operational Changes				
Other FTE Changes				

Table 4: RSF FTE Variance Summary

RSF	2022	2023	2024	2025
FTE				
YoY % Change				
YoY Variance				
Program Enhancements				
Stated Operational Changes				
Other FTE Changes				

Union - Weighmaster/Dispatcher								
Sub-Total								
Apartment Diversion								
Non-Union Exempt								
Non-Union Non-Exempt								
Union - Clerical								
Union - Driver/Helper								
Union - Equipment Operator								
Union - Shop/Facility								
Union - Sorter/Material Handler								
Union - Technician								
Union - Utility Person								
Union - Weighmaster/Dispatcher								
Sub-Total								
Clean-Up Events								
Non-Union Exempt								
Non-Union Non-Exempt								
Union - Clerical								
Union - Driver/Helper								
Union - Equipment Operator								
Union - Shop/Facility								
Union - Sorter/Material Handler								
Union - Technician								
Union - Utility Person								
Union - Weighmaster/Dispatcher								
Sub-Total								
Contamination Program and Fees								
Non-Union Exempt								
Non-Union Non-Exempt								
Union - Clerical								
Union - Driver/Helper								
Union - Equipment Operator								
Union - Shop/Facility								
Union - Sorter/Material Handler								
Union - Technician								
Union - Utility Person								

Union - Weighmaster/Dispatcher								
Sub-Total								

Union - Weighmaster/Dispatcher								
Sub-Total								
<i>Fleet Maintenance</i>								
Non-Union Exempt								
Non-Union Non-Exempt								
Union - Clerical								
Union - Driver/Helper								
Union - Equipment Operator								
Union - Shop/Facility								
Union - Sorter/Material Handler								
Union - Technician								
Union - Utility Person								
Union - Weighmaster/Dispatcher								
Sub-Total								
<i>Tenderloin Coverage</i>								
Non-Union Exempt								
Non-Union Non-Exempt								
Union - Clerical								
Union - Driver/Helper								
Union - Equipment Operator								
Union - Shop/Facility								
Union - Sorter/Material Handler								
Union - Technician								
Union - Utility Person								
Union - Weighmaster/Dispatcher								
Sub-Total								
<i>Sustainable Crushing</i>								
Non-Union Exempt								
Non-Union Non-Exempt								
Union - Clerical								
Union - Driver/Helper								
Union - Equipment Operator								
Union - Shop/Facility								
Union - Sorter/Material Handler								
Union - Technician								
Union - Utility Person								

Union - Weighmaster/Dispatcher								
Sub-Total								
Regional Finance								
Non-Union Exempt								
Non-Union Non-Exempt								
Union - Clerical								
Union - Driver/Helper								
Union - Equipment Operator								
Union - Shop/Facility								
Union - Sorter/Material Handler								
Union - Technician								
Union - Utility Person								
Union - Weighmaster/Dispatcher								
Sub-Total								
Black Cart Processing Pilot								
Non-Union Exempt								
Non-Union Non-Exempt								
Union - Clerical								
Union - Driver/Helper								
Union - Equipment Operator								
Union - Shop/Facility								
Union - Sorter/Material Handler								
Union - Technician								
Union - Utility Person								
Union - Weighmaster/Dispatcher								
Sub-Total								

Union - Weighmaster/Dispatcher								
Sub-Total								
Facility and Operations Maintenance								
Non-Union Exempt								
Non-Union Non-Exempt								
Union - Clerical								
Union - Driver/Helper								
Union - Equipment Operator								
Union - Shop/Facility								
Union - Sorter/Material Handler								
Union - Technician								
Union - Utility Person								
Union - Weighmaster/Dispatcher								
Sub-Total								
Other Cost Changes FTE								
Non-Union Exempt								
Non-Union Non-Exempt								
Union - Clerical								
Union - Driver/Helper								
Union - Equipment Operator								
Union - Shop/Facility								
Union - Sorter/Material Handler								
Union - Technician								
Union - Utility Person								
Union - Weighmaster/Dispatcher								
Sub-Total								
Capital								
Non-Union Exempt								
Non-Union Non-Exempt								
Union - Clerical								
Union - Driver/Helper								
Union - Equipment Operator								
Union - Shop/Facility								
Union - Sorter/Material Handler								
Union - Technician								
Union - Utility Person								

Union - Weighmaster/Dispatcher								
Sub-Total								

First Name	Last Name	Residential/ Commercial/Both	Public Comment2	Comment And Objection2
Nancy	Barsotti	Residential Rates		Salvage company has already been raising rates for years. \$ for can sizes, limited extra pickup. The rates are compounded by extra rates of higher PG&E, gas prices, water...people do not make these high percentage increases. Making SF unlivable...
Martin	Almaraz	Residential Rates	Rates are too high. I don't produce enough trash for a weekly pickup yet I have to pay for it. We should be allowed to do every other week for less cost	
S	L	Residential Rates		Rate increase is not acceptable because customers have been told that when recycling materials and compost are sold they help offset the cost of the landfill but customers did not receive any benefits of these credits and now are asked to pay for cost increases.
Marc	Brenman	Residential Rates	Recology rates are too high. There should not be separate charges for use of the dump; many other places include use of the dump with garbage fees.	
		Residential Rates		Recology created a monopoly through shady means. An increase in rates is unacceptable. The city needs to offer an alternative service, or figure out a way to maintain current rates, or to reduce the rates as penance for letting Recology create a monopoly under their watch in the first place. Do better.
		Residential Rates		

My name is Maurice Rivers, and I 100% object to any and all price increases for both residential and commercial garbage service. Recology SF spent nearly \$500,000 in 2021 trying to influence City Hall officials, after a corruption scandal forced the firm to admit they had massively overcharged customers, putting their decades-old monopoly on local garbage collection at risk.

This is fiscal mismanagement of public money at its worst, and by no means should they be trusted to receive an increase of taxpayer funds. Instead of wasting their time trying to convince the public that they aren't crooks, why don't they just stop being crooks?

In light of the scandal involving Mohammed Nuru, who solicited payments from Recology for Public Works parties and admitted to using his official influence to benefit the firm's business, the general public should put the kibosh on any and all requests for rate increases.

Maurice Rivers Both Residential and Commercial Rates

I am sure that you need not be reminded of the recent Recology increase of 8.6% that went into effect January 2023. Any proposed increases in rates "COLA" or otherwise is and/or cannot be justified under any circumstances. I advise against any increase in rates. Thank you for the opportunity to submit our remarks.

Andre Bolaffi Residential Rates