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## MEMORANDUM

**To:** Jay Liao, Refuse Rates Administrator – City and County of San Francisco  
**From:** Rick Simonson, Senior Vice President – HF&H Consultants  
Dave Hilton, Senior Project Manager – HF&H Consultants  
**Date:** April 24, 2023  
**Subject:** Review of Recology's Rate Change Request for FY 2024 - 2025

At your request, we have reviewed the rate change request submission (Submission) submitted by Recology San Francisco (Recology), for the City and County of San Francisco (City). Based on our review of the Submission, we recommend the request of additional data and clarifications to better understand and verify the accuracy of the Submission.

### Scope of Work

We performed the following procedures as part of our review:

- Reviewed the provided submission for mathematical accuracy and reasonableness of assumptions.
- Reviewed supporting documentation for calculations and projections in the Submission.
- Compiled additional questions or items for clarification or additional support to be presented to Recology.

### Findings

HF&H identified a number of items that should be requested from or raised with Recology including the items listed below:

- Recology SF Tip-fee increase support. Recology SF per ton tip-fees are all increasing significantly. Recology has responded that these per ton fees reflect the tip fees at Recology with respect to recyclables processing costs, but what is the support for the increase in the tipping fee for all materials? The overall cost from tip fees is substantially higher than prior years.
- We would like to see support for the ZWI addback amounts. What is causing the change year over year?
- A copy of customer subscriptions by service level.
- A copy of any Collective Bargaining Agreement between Recology SF and its employees.

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- Headcount information – Staff headcount information (employee listings and potentially payroll information) should be provided to ensure that the requested Full-time Equivalent (FTE) funding is going to real positions. Any requested new positions should include a reason for the request for the addition. Route headcount info may be helpful as well.
- Corporate Administration and overhead charges – What is covered by the amount requested? It seems that there are a significant number of overhead staff and other supplies/charges in this contract – we need to know that this isn't "double dipping" any other services.

HF&H suggests focusing on these items and the existing outstanding questions as priority as they will account for the highest value items. By obtaining this information HF&H will be able to better understand the basis for the costs and assumptions Recology has included in their model. In the event supporting information does not align with data presented in Recology's Submission, adjustments should be requested to reflect the supporting documentation.

### **Recommendation**

After reviewing Recology's Submission, we recommend the City obtain additional information from Recology to verify the accuracy and validity of their Submission.