

May 12th 2023 Submission Updates to Recology's Initial Refuse Rate Change Request (Submitted March 7th, 2023)

Updates received by the Refuse Rate Administrator 5/05/23 – 5/12/23

This document includes all non-confidential refuse rate change request submission files which Recology has provided to the Refuse Rate Administrator (RRA) during the week of 5/05/23 – 5/12/23 in response to the RRA's ongoing review and requests. The RRA plans to post additional submissions on a weekly basis as they are received.

Recology submitted the following items and exhibits during the week of 5/05/23 – 5/12/23:

- Schedule G.1 Refuse Collection Detail
- Armanino Fixed Versus Variable Cost Analysis
- Business Overview From Refuse Rates Board Presentation
- Tenderloin Safety Incidents and Police Reports
- Recology Presentation For Refuse Rates Administrator Hearing #1
- Contamination Outreach Fees Table
- FTE Enhancements
- Program Enhancements
- Basis For Revenue Offset
- SB1383 Compostable Plastics Letter
- Stanislaus County Department of Planning and Community Development Permit for BVON Facility Improvements
- Recology Presentation to the Streets And Sanitation Commission

Refuse Collection Detail <i>Schedule G.1 <Accrual basis in accounting></i>	Schedule	Per 2024 Fixed versus variable cost analysis report prepared by Armanino LLC			
		Recology San Francisco Fixed	Recology San Francisco Variable	Golden Gate and Sunset Scavenger	Golden Gate and Sunset Scavenger
Total Profit Margin-Eligible Expenses					
Salaries and Wages	H.1	90%	10%	90%	10%
Payroll Taxes		90%	10%	90%	10%
Pension and 401 (k) - Pension is cash basis in accounting	H.2	90%	10%	90%	10%
Health Insurance	H.2	90%	10%	90%	10%
Workers' Compensation	H.2	90%	10%	90%	10%
Corporate Administration	O.2	100%		100%	
Commitment to Customer	O.2	100%		100%	
Sustainability	O.2	100%		100%	
Internal Audit	O.2	100%		100%	
Human Resources	O.2	100%		100%	
Finance	O.2	100%		100%	
Environmental Compliance	O.2	100%		100%	
Information Technology	O.2	100%		100%	
Bad Debt		20%	80%	20%	80%
O/S Billing Services		N/A	N/A	90%	10%
Office		100%		100%	
Postage		90%	10%	90%	10%
Professional Services	O.1	100%		100%	
Repairs & Maintenance		90%	10%	90%	10%
Security & Janitorial		100%		100%	
Taxes		100%		100%	
Telephone		90%	10%	90%	10%
Bridge Tolls			100%	N/A	N/A
Building & Facility Repair		100%		100%	
Depreciation	J.1, J.3	100%		100%	
Amortization of ZWI Funding For Capital Expenditures		100%		NA	NA
Freight			100%		100%
Fuel and oil	M.2		100%		100%
Lease	J.1, J.2	100%		100%	
General and vehicle insurance	K.1	100%		100%	
Licenses & Permits	M.1	100%		100%	
O/S Disposal		100%		100%	
O/S Equipment Rental		100%		100%	
Parts	M.1	90%	10%	90%	10%
I/C Processing & Disposal	L.1, L.2	20%	80%	20%	80%
O/S Processing		N/A	N/A	N/A	N/A
Outside Property Rental		100%		100%	
Intercompany Property Rental	I.1	100%		100%	
Supplies		90%	10%	90%	10%
Tires & Tubes	M.1	90%	10%	90%	10%
Utilities		100%		100%	
Contract Services		100%		100%	
Other		100%		100%	
Sub-Total Other Profit Margin-Eligible Operating					

San Francisco Rate Application

FIXED VERSUS VARIABLE COST ANALYSIS

San Francisco Rate Application

FIXED VERSUS VARIABLE COST ANALYSIS

Prepared by:

Armanino LLC

On behalf of:

Recology Sunset Scavenger, Recology Golden Gate and Recology San Francisco

May 8, 2023

I. Introduction

We are pleased to provide you with the results of our engagement to assist you in assessing the allocation of allowed expenses between fixed and variable costs in conjunction with the 2024 rate application, filed by Recology Sunset Scavenger, Recology Golden Gate and Recology San Francisco (the “Companies”). The purpose of our engagement included determining, in our professional opinion, which costs, and in which proportions, should be categorized as fixed costs or variable costs. Tables I(a), I(b) and Tables II(a), II(b) summarize the results of our analysis.

It is our understanding that the Companies will continue to include a dwelling unit charge in their proposed rate for residential and apartment customers, representing fixed costs of the refuse system. Based on our analysis, a significant portion of the cost structure of the Companies is fixed and could therefore be reasonably reflected in a dwelling unit charge.

II. Fixed versus Variable Cost

The costs of services provided in the waste industry, as in most industries, comprise both fixed and variable costs. Fixed costs refer to expenses that are typically not influenced by small changes in service levels, while variable costs are those that tend to increase or decrease with incremental changes in service levels. However, the classification of each individual cost item as fixed or variable requires some degree of judgment, as most costs may exhibit some level of variation with larger changes in service levels and remain relatively stable with smaller incremental changes.

We based our analysis on the Schedule G.1 expenses presented in the 2024 rate application. In Table II(a) and II(b), we have included the allocation percentages between fixed and variable costs. We want to note that some expense line items have an allocation split between fixed and variable costs. We did this to recognize that many costs, although mostly fixed, may have some component that can vary from year to year.

Our allocation splits are based on our understanding of the companies and our experience working with other collection companies throughout California. We provide specific explanations for these split allocations to ensure transparency and clarity in our analysis.

- Payroll & Related (90% fixed / 10% variable). A majority of payroll related costs for drivers & helpers, repairmen and all the general and administrative staff will not change due to incremental changes in service volumes and hence are considered primarily fixed for rate setting purposes. A variable component of approximately 10% of payroll costs has been included as payroll does have some direct correlation to service changes, especially with respect to overtime. Payroll & Related includes all labor costs including salaries, payroll taxes, health insurance, workers compensation and pension costs.
- O/S Billing Services (90% fixed / 10% variable). The cost associated with customer billing does not change with incremental changes in service volumes and is considered fixed. A variable component of approximately 10% has been included to account for any unexpected billing requirements.

- Truck Maintenance (90% fixed / 10% variable). A majority of parts, repairs and maintenance, tires and supplies costs are incurred in a planned truck maintenance management system and will not change due to incremental changes in service volumes. A variable component of 10% of these costs has been included to account for unexpected repairs, unusual tire wear and related issues that can occur throughout the year.
- Postage (90% fixed / 10% variable). The postage split allocation is similar to O/S billing in that the cost is tied to collection service and will not change due to changes in service. A 10% variable component was included for special mailings.
- Telephone (90% fixed / 10% variable). Consistent with O/S billing and postage, telephone costs will not vary materially throughout the year and are considered fixed for rate setting purposes. A variable component of 10% has been included as telephone usage would have some small impact with service level changes.
- Bad Debt (20% fixed / 80% variable). Historically there is a small percentage of outstanding receivables that will be consistently written off to bad debt expense. A majority is considered variable in nature due to predominately outside influences such as economic downturn and housing/commercial trends. Given these parameters, an 80% variable component was included to reflect the external drivers impacting bad debt expense .

Expense line items that have been allocated a majority of the cost to variable include disposal fees and recycling and compost processing. 20% of these costs have been allocated to fixed to account for the fixed components of these fees including building and equipment infrastructure, administrative and special programs that would not be tied to changes in tonnages. Fuel costs were allocated at 100% variable as fuel costs will vary directly with in use truck hours.

The remaining costs, primarily general and administrative that were not specifically identified as split costs, have been allocated 100% fixed as these costs will not vary materially given incremental changes in customer service levels.

Tables I(a) and I(b) use the allocation percentages from Tables II(a) and II(b) and applies those percentages to the applicable expense line items to allocate actual Schedule G.1 expenses between fixed and variable. Based on the allocators as represented, approximately 75.6% of the Recology San Francisco and 65.2% of the Recology Sunset Scavenger/Golden Gate costs associated with these services is fixed and 24.4% of Recology San Francisco and 34.8% of the Recology Sunset Scavenger/Golden Gate are variable.

III. Summary

Many costs associated with collection services do not significantly vary when customers make small incremental changes in their service levels. This holds true for general and administrative costs and the costs of the actual collection efforts. However, fuel, disposal, and processing charges are exceptions and tend to vary based on customer usage decisions and fluctuations in vehicle operations. Table I(a) provides an initial breakdown of the allocation of processing costs between fixed and variable components. Using the employed methodology, at least 75% of total processing costs are considered fixed in nature. Table I(b) provides an initial breakdown of the allocation of collection costs between fixed and variable components. Using the employed methodology, at least 65% of total collection costs are considered fixed in nature. By continuing to increase the fixed component of the rate structure, we can develop a sustainable revenue stream that aligns with the City's zero waste goals.

IV. Reliability of Information

As noted, the purpose of our engagement was to assist you in categorizing expenses included in the 2024 rate application as either fixed or variable in nature. However, it is ultimately your responsibility to assess the reasonableness of the fixed versus variable allocation splits.

In performing our engagement, we relied on the accuracy and reliability of information provided by Company personnel. We have not audited, examined, or reviewed the information provided and discussed, and express no assurance on it.

V. Use of the Report

This report is intended solely for the information and use of the management of the Companies and the City and County of San Francisco and should not be used for any other purpose. This report should not be distributed to any third party without our prior written consent. In addition, we assume no responsibility to any third party who may use or rely on this report.

Recology San Francisco
Schedule G.1 Expenses
Table I(a) - Fixed/Variable Cost Calculation - RSF

Item Description	RSF Total Costs RY 2022	RSF Fixed Costs RY 2022	RSF Variable Costs RY 2022
Salaries and Wages	\$ 45,528,404	\$ 40,975,564	\$ 4,552,840
Payroll Taxes	3,410,298	3,069,268	341,030
Pension and 401 (k)	8,742,729	7,868,456	874,273
Health Insurance	12,926,087	11,633,478	1,292,609
Workers' Compensation	3,503,623	3,153,261	350,362
Corporate Administration	89,630	89,630	-
Commitment to Customer	53,466	53,466	-
Sustainability	7,780	7,780	-
Internal Audit	5,447	5,447	-
Human Resources	40,975	40,975	-
Finance	51,799	51,799	-
Environmental Compliance	11,943	11,943	-
Information Technology	152,294	152,294	-
Bad Debt	912,011	182,402	729,609
Office	220,336	220,336	-
Postage	8,114	7,303	811
Professional Services	1,385,471	1,385,471	-
Repairs & Maintenance	863,299	776,969	86,330
Security & Janitorial	1,268,097	1,268,097	-
Taxes	2,561,830	2,561,830	-
Telephone	233,263	209,937	23,326
Bridge Tolls	983,813	-	983,813
Building & Facility Repair	904,332	904,332	-
Depreciation	4,894,141	4,894,141	-
Amortization of ZWI Funding For Capital Expenditures	(2,830,700)	(2,830,700)	-
Freight	2,850,341	-	2,850,341
Fuel and oil	3,196,580	-	3,196,580
Lease	5,910,415	5,910,415	-
General and vehicle insurance	2,424,037	2,424,037	-
Licenses & Permits	4,419,928	4,419,928	-
O/S Disposal	1,111,822	1,111,822	-
O/S Equipment Rental	482,385	482,385	-
Parts	2,120,522	1,908,470	212,052
I/C Processing & Disposal	25,208,668	5,041,734	20,166,934
Outside Property Rental	5,477,755	5,477,755	-
Intercompany Property Rental	2,174,702	2,174,702	-
Supplies	2,455,548	2,209,993	245,555
Tires & Tubes	231,091	207,982	23,109
Utilities	2,732,118	2,732,118	-
Contract Services	41,825	41,825	-
Other	646,324	646,324	-
Total Operating Expenses	\$ 147,412,543	\$ 111,482,968	\$ 35,929,575

Total Cost Allocation Percent

75.6%

24.4%

Recology Sunset Scavenger/Recology Golden Gate
Schedule G.1 Expenses
Table I(b) - Fixed/Variable Cost Calculation - SS/GG

Item Description	SS/GG Total Costs RY 2022	SS/GG Fixed Costs RY 2022	SS/GG Variable Costs RY 2022
Salaries and Wages	\$ 85,893,564	\$ 77,304,208	\$ 8,589,356
Payroll Taxes	6,428,103	5,785,293	642,810
Pension and 401 (k)	15,571,408	14,014,267	1,557,141
Health Insurance	22,203,719	19,983,347	2,220,372
Workers' Compensation	8,099,806	7,289,825	809,981
Corporate Administration	2,680,635	2,680,635	-
Commitment to Customer	1,582,703	1,582,703	-
Sustainability	178,997	178,997	-
Internal Audit	183,809	183,809	-
Human Resources	1,271,997	1,271,997	-
Finance	1,566,576	1,566,576	-
Environmental Compliance	358,108	358,108	-
Information Technology	4,566,838	4,566,838	-
Bad Debt	1,180,745	236,149	944,596
O/S Billing Services	362,369	326,132	36,237
Office	325,077	325,077	-
Postage	146,905	132,215	14,691
Professional Services	1,046,263	1,046,263	-
Repairs & Maintenance	1,867,913	1,681,122	186,791
Security & Janitorial	807,889	807,889	-
Taxes	3,802,935	3,802,935	-
Telephone	634,242	570,818	63,424
Building & Facility Repair	324,941	324,941	-
Depreciation	1,058,645	1,058,645	-
Freight	64,981	-	64,981
Fuel and oil	5,978,022	-	5,978,022
Lease	15,825,639	15,825,639	-
General and vehicle insurance	5,522,159	5,522,159	-
Licenses & Permits	2,493,066	2,493,066	-
O/S Disposal	56,335	56,335	-
O/S Equipment Rental	422,485	422,485	-
Parts	3,041,140	2,737,026	304,114
I/C Processing & Disposal	108,510,455	21,702,091	86,808,364
Outside Property Rental	904,387	904,387	-
Intercompany Property Rental	198,372	198,372	-
Supplies	2,556,896	2,301,206	255,690
Tires & Tubes	791,776	712,598	79,178
Utilities	617,489	617,489	-
Contract Services	518,690	518,690	-
Other	2,128,082	2,128,082	-
Total Operating Expenses	\$ 311,774,162	\$ 203,218,415	\$ 108,555,748

Total Cost Allocation Percent

65.2%

34.8%

Recology San Francisco
Schedule G.1 Expenses
Table II(a)- Fixed/Variable Allocation Analysis - RSF

Item Description	Recology San Francisco Fixed Costs	Recology San Francisco Variable Costs
Salaries and Wages	90%	10%
Payroll Taxes	90%	10%
Pension and 401 (k)	90%	10%
Health Insurance	90%	10%
Workers' Compensation	90%	10%
Corporate Administration	100%	
Commitment to Customer	100%	
Sustainability	100%	
Internal Audit	100%	
Human Resources	100%	
Finance	100%	
Environmental Compliance	100%	
Information Technology	100%	
Bad Debt	20%	80%
Office	100%	
Postage	90%	10%
Professional Services	100%	
Repairs & Maintenance	90%	10%
Security & Janitorial	100%	
Taxes	100%	
Telephone	90%	10%
Bridge Tolls		100%
Building & Facility Repair	100%	
Depreciation	100%	
Amortization of ZWI Funding For Capital Expenditures	100%	
Freight		100%
Fuel and oil		100%
Lease	100%	
General and vehicle insurance	100%	
Licenses & Permits	100%	
O/S Disposal	100%	
O/S Equipment Rental	100%	
Parts	90%	10%
I/C Processing & Disposal	20%	80%
Outside Property Rental	100%	
Intercompany Property Rental	100%	
Supplies	90%	10%
Tires & Tubes	90%	10%
Utilities	100%	
Contract Services	100%	
Other	100%	

Recology Sunset Scavenger/Recology Golden Gate
Schedule G.1 Expenses
Table II(b)- Fixed/Variable Allocation Analysis - SS/GG

Item Description	Sunset Scavenger and Golden Gate Fixed Costs	Sunset Scavenger and Golden Gate Variable Costs
Salaries and Wages	90%	10%
Payroll Taxes	90%	10%
Pension and 401 (k)	90%	10%
Health Insurance	90%	10%
Workers' Compensation	90%	10%
Corporate Administration	100%	
Commitment to Customer	100%	
Sustainability	100%	
Internal Audit	100%	
Human Resources	100%	
Finance	100%	
Environmental Compliance	100%	
Information Technology	100%	
Bad Debt	20%	80%
O/S Billing Services	90%	10%
Office	100%	
Postage	90%	10%
Professional Services	100%	
Repairs & Maintenance	90%	10%
Security & Janitorial	100%	
Taxes	100%	
Telephone	90%	10%
Building & Facility Repair	100%	
Depreciation	100%	
Freight		100%
Fuel and oil		100%
Lease	100%	
General and vehicle insurance	100%	
Licenses & Permits	100%	
O/S Disposal	100%	
O/S Equipment Rental	100%	
Parts	90%	10%
I/C Processing & Disposal	20%	80%
Outside Property Rental	100%	
Intercompany Property Rental	100%	
Supplies	90%	10%
Tires & Tubes	90%	10%
Utilities	100%	
Contract Services	100%	
Other	100%	

Recology San Francisco
Landfill Disposal Fee Per Ton

Hay Road	Actual	Actual	Actual	Projection	Rate Application	Rate Application
Description	RY 2020	RY 2021	RY 2022	RY 2023	RY 2024	RY 2024
MSW Disposal	\$ 26.00	\$ 26.29	\$ 27.29	\$ 28.65	\$ 29.70	\$ 30.61
Integrated Waste Management Fee	1.40	1.40	1.40	1.40	1.45	1.50
Solid Waste Business License Fee	5.00	5.00	5.00	5.00	5.18	5.34
Solid Waste Disposal Facility Fee	1.03	1.03	1.03	1.03	1.07	1.10
Solid Waste Mitigation Fee	0.21	0.21	0.21	0.21	0.22	0.22
Road Damage Fee	0.43	0.43	0.43	0.43	0.45	0.46
SCS Solid Waste Mitigation Fee	0.94	0.97	0.98	1.02	1.06	1.09
Hay Road Landfill Disposal Fee Per Ton	\$ 35.01	\$ 35.33	\$ 36.34	\$ 37.74	\$ 39.13	\$ 40.32

Tenderloin Events/Timeline					
Date	Time	Route	Event	Follow-Up	Police Report
8/8/2019	9:30 PM	239	Two Recology Drivers have person follow them into 501 Geary (gate on Shannon) and begins stealing carpets from property. Individual went on to climb fire escape, break windows.	Police notified, police report taken. Case #190-575-507	#190-575-507
8/4/2020		240	Recology driver assaulted by woman following a traffic altercation. The crew attempted to continue working when a male friend of the woman arrived at the scene attempting to provoke crew. Incident occurred at Hyde and Eddy Streets .	Police report filed and Captain Fabbri was contacted in hopes of seeking additional police presence/support. Report #200-463-210.	#200-463-210
1/15/2021	6:25 AM	240	Incident at 519 Ellis/335-391 Leavenworth where three people followed our crews and entered property. Two Recology drivers attempted to ask the individuals to leave when one of the individuals showed a driver that he had a gun. Both drivers were instructed to leave the scene/area and contact police.	Customers changed to curbside service.	
4/19/2021	4:47 AM	240	A Recology driver had a knife pulled on him at 900 Van Ness . Person followed him into building. Anthony uses cart to create distanc ebetween him and other party. Calls out for someone. Did not want to contact police.	TAW assigned to follow crew for remainder of week to offer additional support. Routeware messages sent to all crews who work in Tenderloin notifying them of incident	
6/25/2021	9:22 AM	240	As A recology driver spotted another driver backing into Redwood Alley, service location for 580 McAllister , an impatient driver hit a cart and ran over one of the drivers foot.	Drivers and managers agreed to service customer earlier than noise complaint time to have less issues with traffic.	
11/22/2021	5:30 AM	240	While in Elm Alley someone attempted to get into truck. A recology driver kept telling the person to get away from the truck and the person responded by pulling a knife. The driver used a bat to protect himself and chase the person away.		
6/15/2022	8:30 AM	240	A recology driver used pepper spray to defend himself after someone attempted to attack him with a bike chain.		
7/4/2022	5:00 AM	982	Route keys stolen from truck while driver was inside customer servicing carts on the 400 block of Leavenworth .		
7/12/2022	5:43 AM	240	A recology driver was assaulted inside of corner store (499 Eddy) while attempting to get a water from a refrigerator. The assailant then left the store and began swining his backpack at the driver before ultimately pulling out a knife. The driver attempted to create space and pushed the offender away. The driver punched the offender after previosu attempts to mitigate the situation were unsuccessful.		
7/15/2022	5:56 AM	239	Woman climbed on top of truck while employees were inside of 920 Geary on break. The woman then proceeded to twerk and dance while on top of the truck before ultimately being helped down by a Recology driver.		
9/7/2022	4:32 AM	240	Drivers reported that cars were in the Tenderloin driving around throwing pipe bombs.	Supervisor canvassed area for alleged vehicle but unable to corroborate. Police notified.	
9/21/2022	6:30 AM	240	A Recology driver reported that as he entered 747 Ellis from Willow Alley a female followed him in in an effort to gain access to the building. Bruce removed her from the property after someone inside the building said she was not welcome there. She was physical as she was being removed.	Supervisor reminded driver that if he cannot safely enter building without others rushing the door, leave the customer and go back later.	
9/26/2022	6:00 AM	982	A female climbed into the rear of truck as employee was servicing carts on the 400 Block of Leavenworth and attempted to climb into body of truck. She pulled electrical components and wiring on the truck.	Police report filed. Case #220-658-140.	#220-658-140

9/30/2022	5:22 AM	240	A recology driver was assaulted on the 400 block of Eddy after attempting to gain access to 420 Eddy . The driver was punched in the mouth and then defended himself. Recology employees were instructed to leave the scene and then taken to the Police Station with Supervisor.	Police report filed and offender was arrested. The Recology driver was placed on modified duty as a result of a torn tendon in his hand. Police Report #220-669-238	#220-609-238
10/5/2022	5:59 AM	240	Following 9/30 incident, an extra vehicle was being used to follow Route 240. An individual climbed through the window of the extra vehicle while the vehicle was at Polk and Ellis . He eventually fled and was later arrested after climbing onto a fire truck.	TAWs removed from Tenderloin, Supervisor to follow in place of TAW. Case #220-682-343.	
10/25/2022	3:00 PM	813	A recology driver had a homeless individual throw a scooter under the front of truck while it was parked at 6th and Market . The individual then accused the driver of "vehicular assault" and would not allow the driver to get back into the truck. The individual held some object that appeared to have a blade on it and threatened to hit the driver if he stepped closer. The Recology driver signaled for two Urban Alchemists to come over and help diffuse the situation, however, they were unsuccessful in doing so. The individual then went into the truck and stole they key from the ignition before getting back on his scooter.	Police report taken, Case Number 220 735 027	#220-735-027
11/21/2022	11:45 AM	813	A Recology driver had pulled over in front of 946 Geary to meet with another driver. While the driver was outside of his vehicle he observed an individual approaching his truck on the driver's side. The driver found the individual opening the driver's side door of his truck attempting to gain access to his vehicle. He told the individual to stop and to get out of the truck. As the driver attempted to secure the truck, the individual threw her drink (smoothie) at him.	Incident not reported immediately, driver reminded that he is to report all incidents in a timely manner.	
11/22/2022	2:00 PM	813	The Recology driver was parked on Eddy servicing a city can outside of the Taco Bell/KFC at Polk and Eddy . After servicing the city can, he got back into the LH side of the truck and as he did so an unknown woman entered into the RH side of the truck and was grabbing the steering wheel and other parts of the truck. The driver asked her twice to please exit the vehicle. She did not respond to this and reached for the ignition key. As the unknown woman did so, The recology driver grabbed her hand to prevent her from taking the key. The altercation escalated onto the street and the keys were eventually relinquished.		
1/24/2023	6:40 AM	240	Two Recology drivers were assigned to Route 240 and approached by the individual previously involved in an altercation with another driver. He asked if one of the drivers had been fired and stated that if he wasn't, that he would "take care of it." This happened at the same location as the 9/30/22 incident, 420 Eddy Street .	N/A	
4/3/2023	12:30 AM	312	Two drivers were working on the 100 block of 6th Street and were approached by a tall white male who asked if another driver if he was "the one that whooped the dude's a** up there." One of the drivers told the individual that he did not know what he was talking about and continued working, but escalated the situation to his supervisor. He believed the individual was referring to another Recology driver.	N/A	



Rate Change Request

Refuse Rates Administrator Hearing #1

May 9, 2023

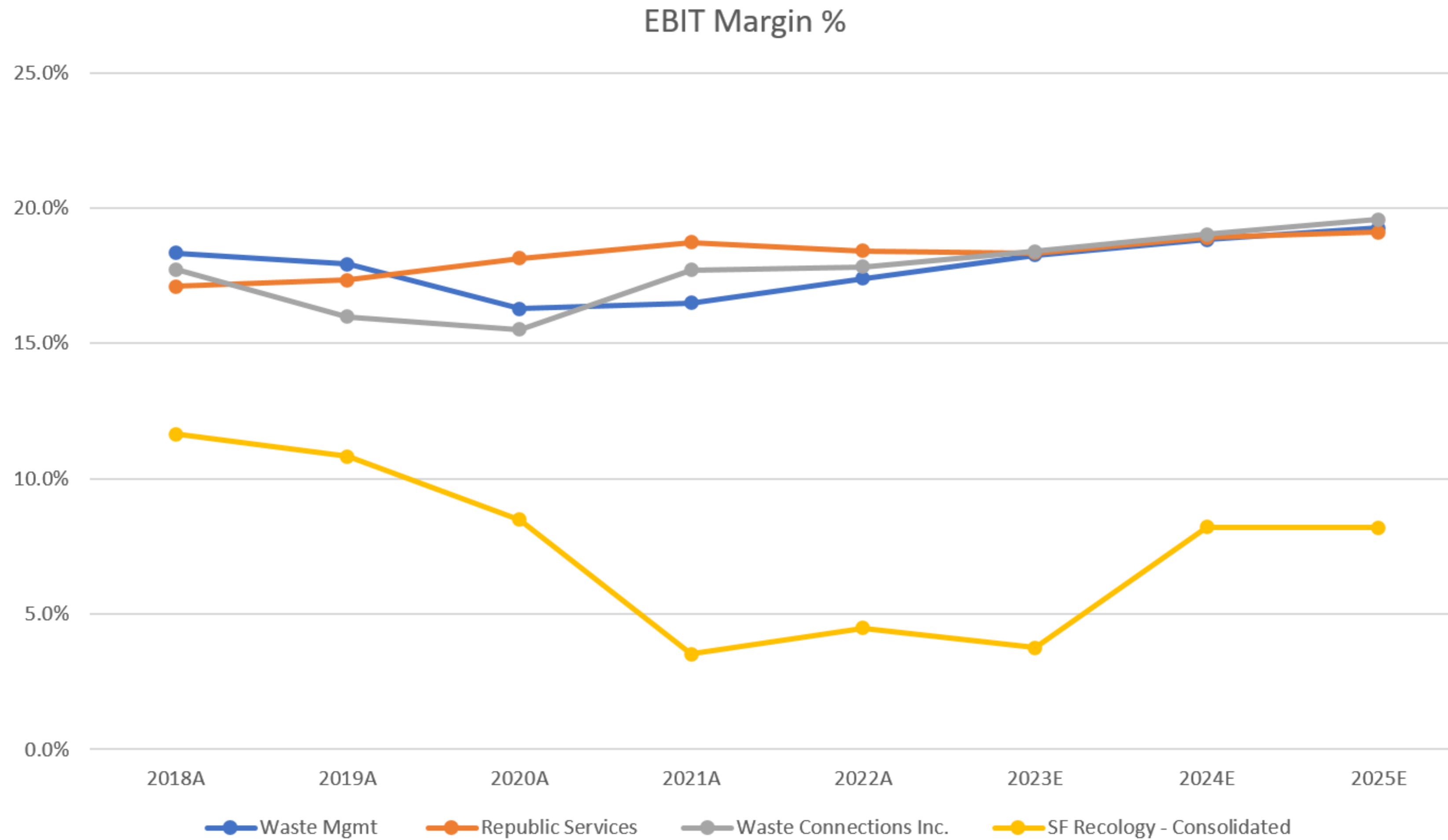


1. Profit, OR, and Balancing Account
2. Outreach and Education
3. Contamination Fees
4. Abandoned Materials Collection
5. Public Receptacles
6. Weekend Clean-up Events
7. Safe Service
8. Organics Compliance
9. Managing Costs
10. Pension Scenarios

Profit, OR, Balancing Account

- Reasonable return for risk of investing capital
 - Capital investments to serve ratepayers not risk free
- Required for financing
 - Lower profits lead to higher capital costs
- Return value to employee-owners
 - One of the few 100% employee-owned companies in industry

- Substantially lower EBIT margin than competitors



- OR applied only to a portion of expenses (“OR-eligible expenses”)
 - OR-eligible expenses are approximately 65% of RSS / RGG expenses and approximately 80% of RSF expenses
- Operating Ratio in San Francisco is high (lower profits) by industry standards
- Average OR of 29 California jurisdictions is 89.4% vs. 91% OR for San Francisco
- Effective profit margin always lower than profits on OR-eligible expenses
- Actual OR on all consolidated rate eligible expenses is projected to be 92.4%

- Mechanism designed to hold Recology to the profit level approved in Rate Order
- Profits on OR-eligible expenses consistent with OR target profit if adjustments are based on 100% of profits earned
- No guarantee of any dollar-amount of profit or any effective profit margin
 - Regulatory changes
 - Increase in non-OR expenses
 - Revenue variations

Outreach and Education

- **Recology provides the following outreach**
 - Education about local ordinances and regulations
 - Information regarding keeping sidewalks clear of excess cardboard and garbage
 - Customer service, increasing or decreasing service, extra pickups
 - Contamination monitoring, documentation, tagging
 - Website resources / social media outreach
 - Waste stream audits / Refuse Separation Ordinance compliance audits
 - Distribute signs, posters, flyers, brochures
 - Tabling / outreach at events
 - Tours and training
 - Commercial buildings outreach, large multifamily
 - Special event service coordination aimed at low / zero waste events
- **Recology coordinates with SFE and Public Works**
 - Coordinating with SFE on all outreach efforts, including reporting to SFE on RSO audits
 - Supporting Public Works' compliance efforts

- Outreach conducted (July 2022 – March 2023)
- Account level tracking
- Outreach goals / SFE Partnership

Category	Total
RSO reports sent to SFE	125
Individual RSO audits	628
Large commercial touches 808+ gallons / week	804
Apartment touches	158
New WZ Champion Commercial	34
Special events inspections	214

- Commercial accounts receiving targeted Waste Zero Team outreach improved diversion:

Customer	Apr 2015 Diversion	Apr 2023 Diversion
1	63%	79%
2	73%	82%
3	49%	82%
4	54%	64%
5	59%	72%

- Average SF diversion based on collected tons (Mar. 2023): 39.6%

Contamination Fees

- Estimate of \$5M in additional annual fees:

Contamination Revenue Estimate	
Average contamination revenue per customer with contamination per month	\$690.91
Additional accounts identified	608
Est. monthly revenue	\$420,073
Est. annual revenue	\$5,040,876

- Additional Waste Zero FTEs required to administer program and to work with affected customers to improve sorting
- Without these FTEs, lower contamination fee revenue, which means a higher revenue requirement from ratepayers

- Expect reduction in contamination from cameras and FTE
 - RY 2024 rollout
 - Will identify ~7200 annual additional instances of contamination
 - Will provide data for analysis
 - Will allow identification of other areas to target
- Ratepayer projected impacts
 - Commercial: 71.69%
 - Apartment: 18.51%
 - Compactor: 9.79%
 - Residential: 0.01%

Abandoned Materials Collection

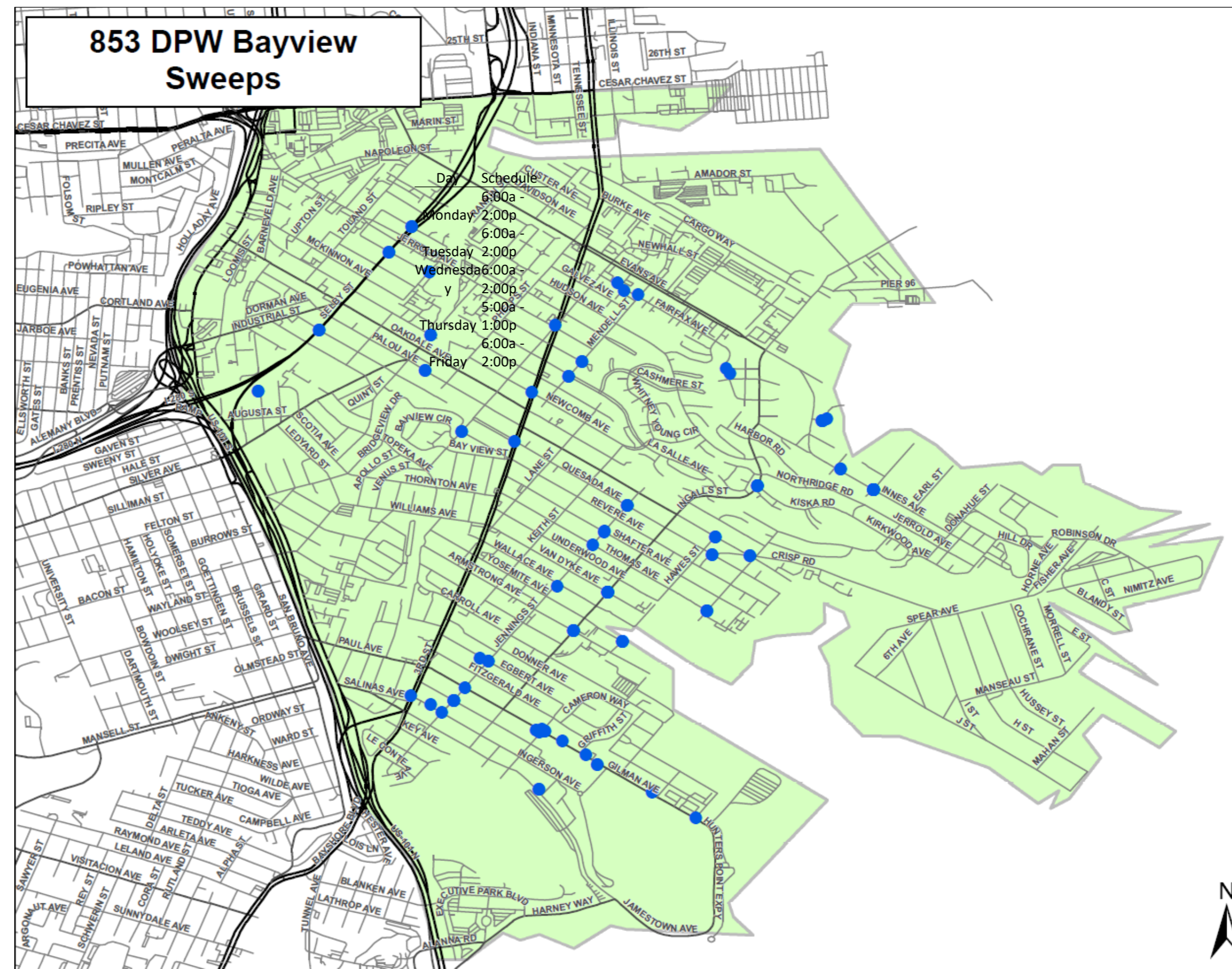
- Tonnage down slightly and vast majority of calls unique

Ry	Tons Collected	YOY Change	311 Requests	Duplicated	Adjusted 311 Requests	YOY Change
2018	4,655	—	99,804	3,793	96,011	—
2019	4,693	1%	114,816	4,363	110,453	15%
2020	5,456	16%	135,257	5,140	130,117	18%
2021	5,185	-5%	110,104	4,184	105,920	-19%
2022	4,408	-15%	113,282	4,305	108,977	3%
2022 vs 2018		-5%				14%

- Adjusted 311 requests show demand for program, not tonnage
 - Number of unduplicated service requests up by 14%
 - Tonnage down by 5%, indicating lighter material that is more dispersed
 - Requires more trucks and drivers to meet 4-hour service goal

- Cardboard collection: 2 new FTE to replace overtime currently incurred
- Bayview proactive service

Day	Schedule
Mon.	6 a.m. – 2 p.m.
Tues.	6 a.m. – 2 p.m.
Weds.	6 a.m. – 2 p.m.
Thurs.	5 a.m. – 1 p.m.
Fri.	6 a.m. – 2 p.m.



Public Receptacles

- Adjustments to reflect lower foot traffic

Period	Weekday Routes	Change	Weekend Routes	Change
Pre-pandemic	11	—	11	—
SIP phase	10	-1	4	-7
Late pandemic	10	—	10	6

- Driver from removed route used as replacement to support other routes
- Potential additional reallocation of resources to other neighborhoods
 - Initial reallocation already occurred during pandemic
 - Further reallocation will require detailed analysis working with Public Works
 - Receptacles receiving less use still require regular service
 - Moving routing resources away from downtown without analysis could create blight issues

- Potential additional receptacles to reduce new routes would need to be studied
 - City determines placement and quantity of receptacles
 - Rates based on current service levels and Public Works proposals
- Sensors
 - 285% increase in total service requests after partial rollout of sensors
 - Additional routes needed to address projected increased demand
 - Additional FTEs and truck based on initial estimates that may be subject to change as actual demand is determined

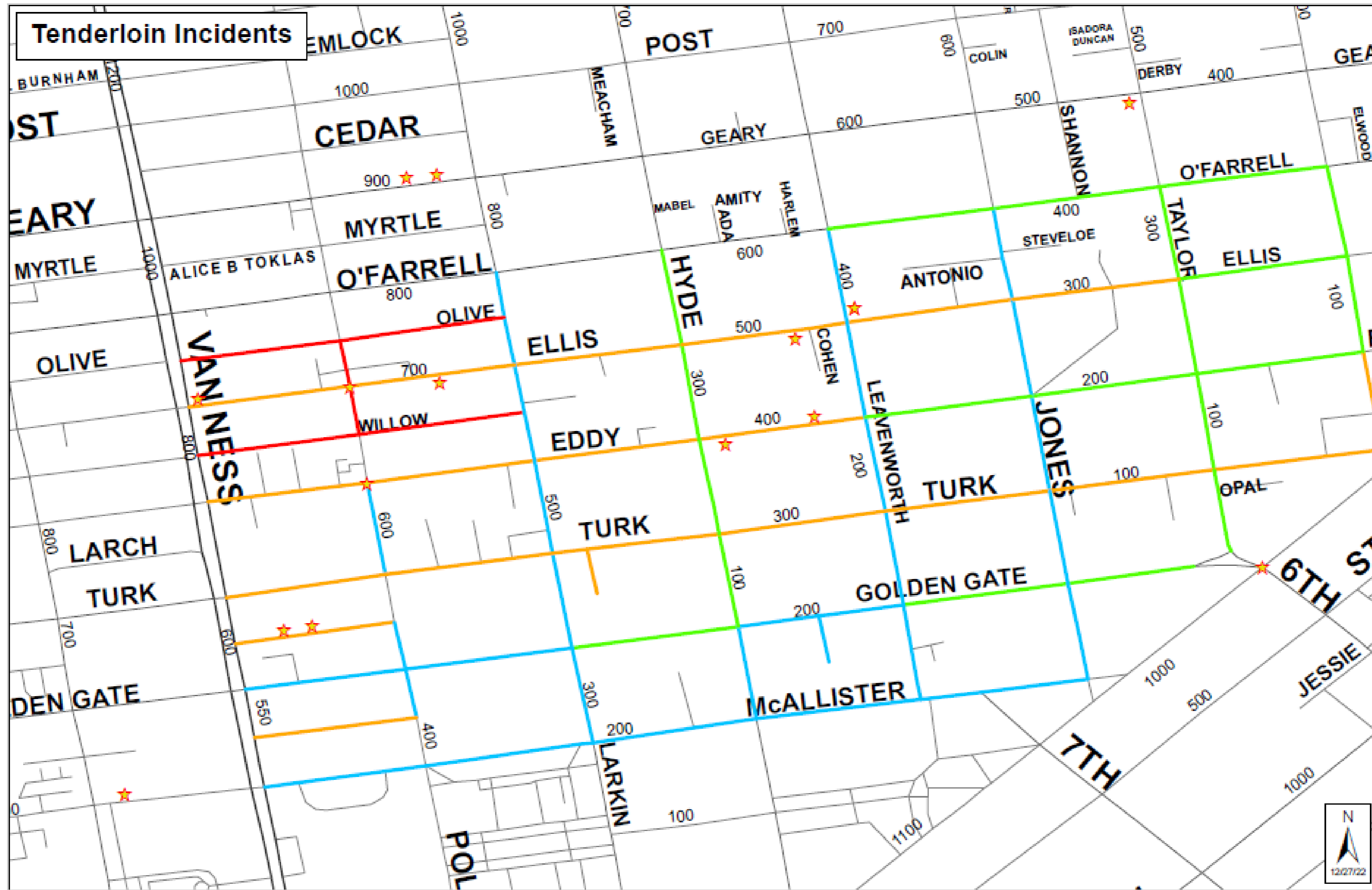
Weekend Clean-up Events

- Comparison with Bulky Item Recycling
 - Weekend Clean-up for smaller, easily transportable items
 - Weekend Clean-up reduces AMC and is not a substitute for BIR
 - BIR is run on a per-pickup, not per-ton, basis
- Public notice
 - Approx. 4,000 mailers to area residents per event
 - Number of mailers helps to size event appropriately
- Historic levels of service
 - 5 debris boxes with average weight of 2.73 tons or 13.65 total tons collected per event

Safe Service

- Safety of employees is top priority
 - Drivers have contacted company and union jointly regarding increased frequency and severity of Tenderloin incidents
 - Recology and union met with Supervisor Preston, DA, and SFPD
 - Changed start times, rerouted routes, added second person to routes, added supervisor
- Addition of a second person to route increases safety
 - Report incidents
 - Assist with de-escalation
 - Secure buildings during service when needed
 - Attend to vehicle while receptacles retrieved from building interiors
- Ongoing conversations with SFPD to provide de-escalation training to drivers serving Tenderloin

- Locations of incidents



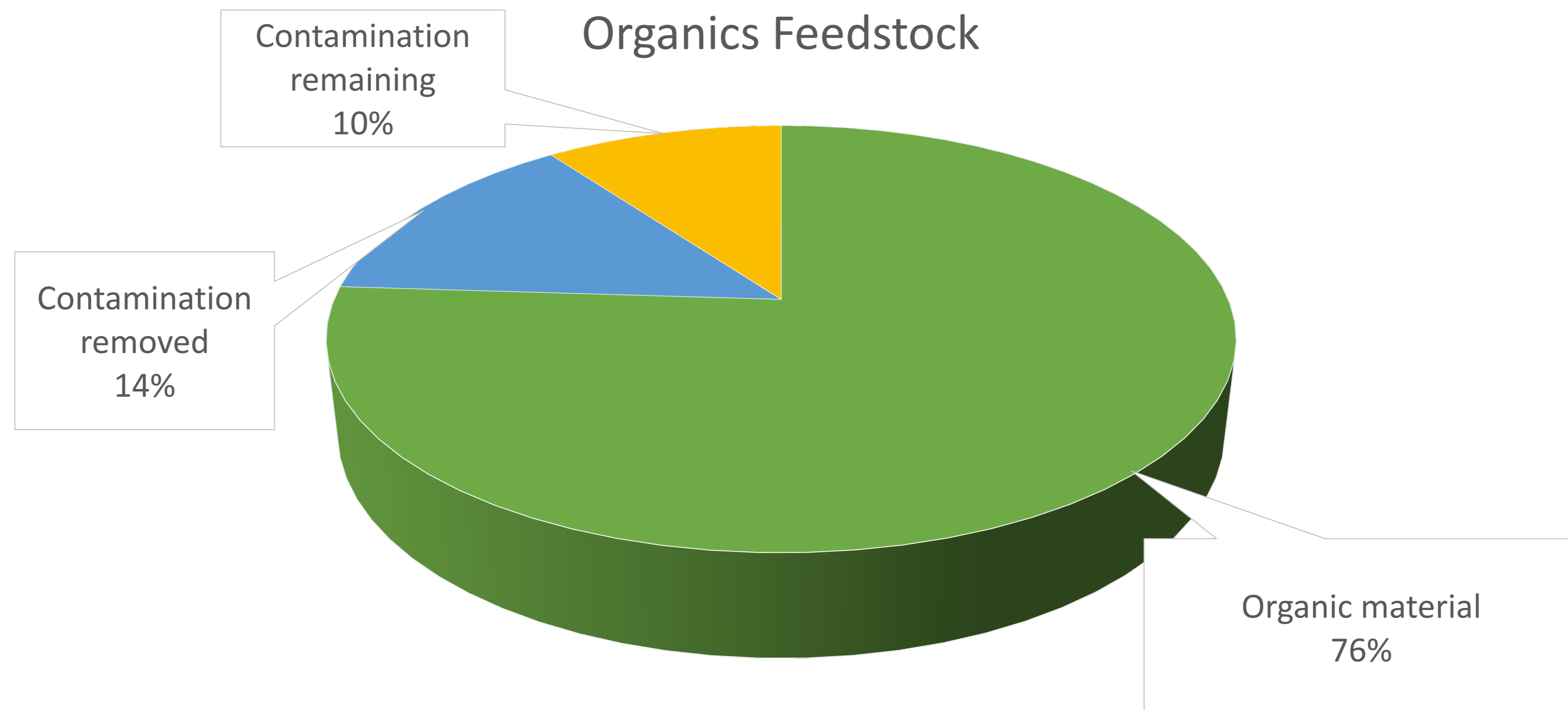
Organics Compliance

- BVON 10% contamination threshold
 - Currently 24% contamination rate
- Pre-processing system
 - Max. 50 tons/hour throughput
 - Projected need of 35-40 tons/hour (550 tons / 14-16 processing hours)
 - Projected removal of 58% of contamination in organics feedstock

- Contamination reduction

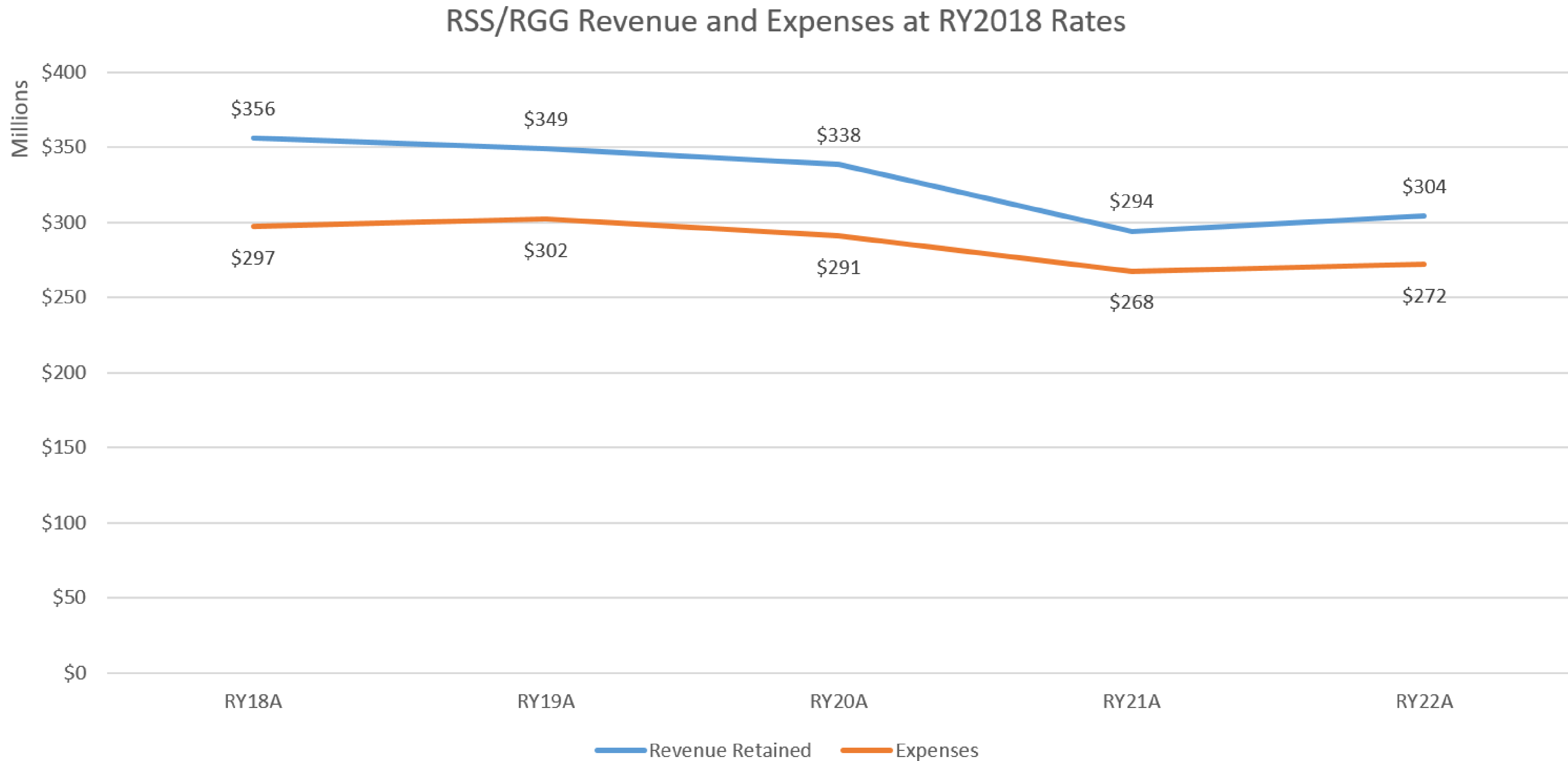
$35 \text{ tph} \times 24\% = 8.4 \text{ tph contaminated} \times 58\% = 4.9 \text{ tph removed}$

$40 \text{ tph} \times 24\% = 9.6 \text{ tph contaminated} \times 58\% = 5.6 \text{ tph removed}$



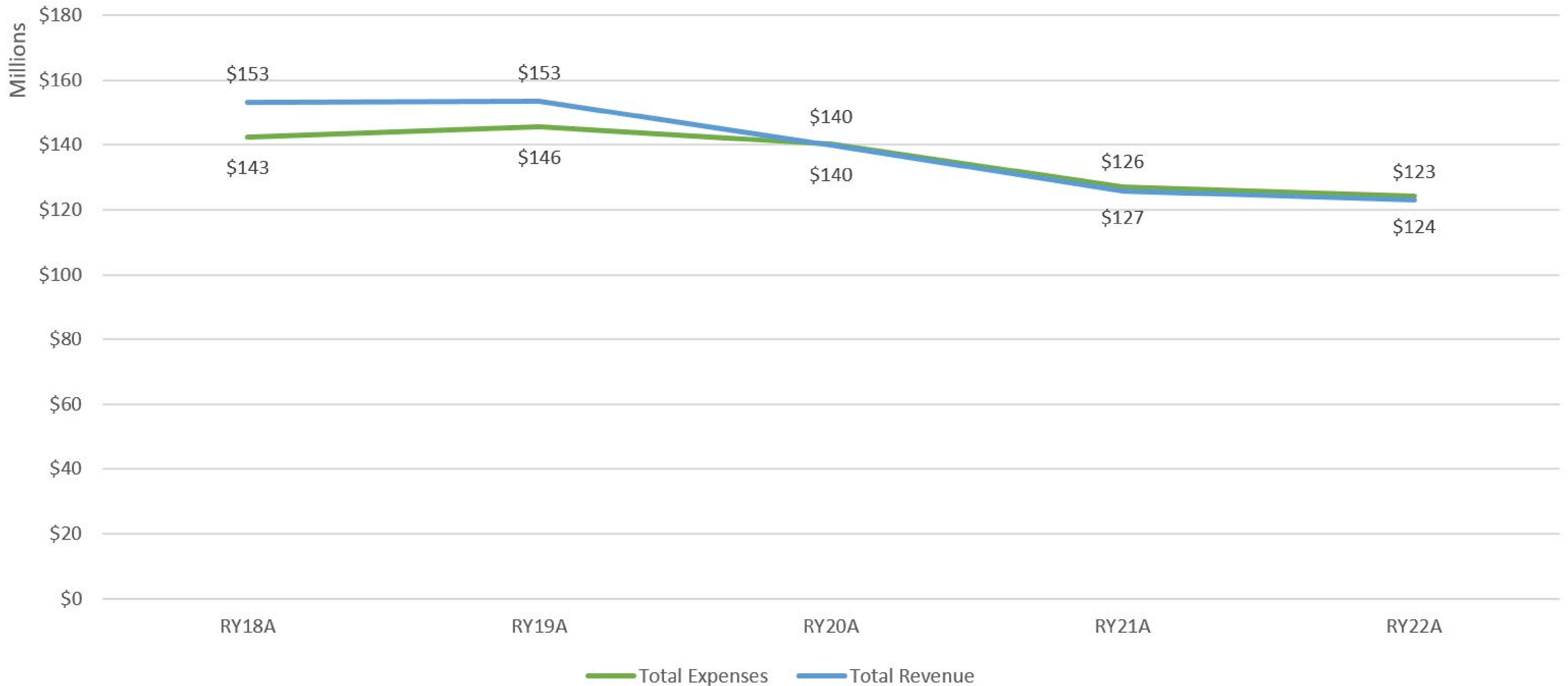
Managing Costs

- Costs managed in response to pandemic-related service changes:



- Costs managed in response to pandemic-related service changes:

RSF Revenue and Expenses at RY2018 Rates



- Recology right-sized business in response to pandemic
 - Decreased number of FTEs
 - Personnel reallocated when services reduced
 - Vacant positions not filled
 - Headcount did not change by same amount as FTEs because general workplace behavior trends required additional available personnel

	RY 2020	RY 2021	RY 2022
RSS / RGG			
FTE	551	509	513
Headcount	676	657	668
HC / FTE	1.23	1.29	1.30
RSF			
FTE	337	318	300
Headcount	432	411	388
HC / FTE	1.28	1.29	1.29

Category	Job Type	FTE	Explanation
Non-Union Exempt	Rate Analyst	2	Rate Analyst FTEs are necessary to meet new quarterly rate reporting requirements, including reporting on Balancing Account, elective expense analysis, and quarterly reconciliation to Recology financials. The current workload is beyond current staffing capacity and deadlines / reporting compliance would be impacted without these FTEs. The rate analysts will also ensure rates in our billing system are up to date and accurate. Finally, modifying and enhancing our Accounting ERP to be able to report on rate versus non-rate revenue and expenditures will be a significant project that will take place over the next two years. We expect to continue working with the Controller's Office to further modify future rate reporting and to respond to requests for information.
Non-Union Exempt	Senior Human Resource Generalist	1	The SF HR team supports over 1,000 employees, including union employees covered by nine collective bargaining agreements. Corporate HR develops policies, manages group benefits and provides training and support for local teams. As discussed in the rate hearings, there has been a substantial increase in the number of leaves and other administrative and reporting requirements. In addition, union requests for meetings and correspondence have increased with the implementation of the new CBAs.
Non-Union Non-Exempt	Payroll Coordinator	1	Currently we have one Payroll Coordinator processing the payroll for all 665 RSS and RGG employees. The current Payroll Coordinator is supported by the Accounting Supervisor who also manages the month-end close for RSS and RGG. Due to the last CBA negotiations, RSS union employees moved from a bi-weekly pay cycle to a weekly cycle thereby increasing the processing workload.
Non-Union Non-Exempt	Liens Collection	1	A Liens Collections FTE is necessary to send delinquent accounts that cannot be liened to our third-party collection agency. Duties include generating a list of delinquent accounts after each month's lien cycle, formatting and sending information to third-party collector, researching and responding to third-party and/or customer inquiries, and reconciling payments received. DPH will only lien Residential, Apartment, and Commercial customers who had service in the last 180 days. We have delinquent customers who fall outside of this 180-day service range that need to be sent to collections. The Liens Collections FTE will also manage the collection of delinquent debris box customers, a subset of customers that are not lienable by DPH. Since 2021, DPH has changed their QAQC process, which created additional workload that is not sustainable for the current AR Specialist.
Union – Driver/Helper	Driver	2	Additional relief drivers needed to provide route coverage due to increased absenteeism.
Non-Union Exempt	Maintenance Supervisor	1	Supports the Maintenance Manager and department's 24-hour window of operation. Currently there is no coverage for two-thirds of the day.
	Total	8	

Category	Job Type	FTE	Explanation
Non-Union Exempt	Operations Supervisor	2	<ul style="list-style-type: none"> - Supports the operations in the Tenderloin: additional drivers provide a quicker response from set-out time to collection. Reduces the time our drivers spend at each customer and ensures our employee-owners are not alone. These additions also reduce the amount of time our drivers are away from the truck when retrieving carts for service. The additional supervisor will be dedicated to the Tenderloin and surrounding areas to improve our presence and respond to incidents that require immediate attention. - Supervises Citywide cleanup events and public receptacle supervision.
Non-Union Exempt	Waste Zero Specialist	2	<ul style="list-style-type: none"> - Supports SFE's diversion goals with additional outreach to commercial customers generating two or more yards per week, with less than 50% diversion rates. - Increases outreach and education through additional compost related collateral, trainings, and site visits. - Partners with SFE to roll out onboard camera system in the hopper trucks, which capture contamination at the point of collection.
Union Driver/Helper	Driver	9	<ul style="list-style-type: none"> - 2 drivers to support increased service demands with public receptacles. - 2 drivers to support additional abandoned materials route. - 3 drivers to support Tenderloin routes. - 2 drivers to support cardboard collection in high demand areas through the abandoned materials program.
	Total	13	

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

Category	Job Type	FTE	Explanation
Non-Union Exempt	Operations Manager - Transportation	1	RSF had a Transportation Manager who retired just prior to the onset of Covid and the decision to not replace the position was made in order to manage operational expenses as tonnage was down significantly over prior years. Since this time, we have seen the Transfer Station tonnage rebound somewhat and the need to fill the position is apparent. Currently this business unit is overseen indirectly by the Senior Operations Manager.
Non-Union Exempt	Operations Supervisor - Transportation	1	A supervisor must be present at all times when we are operating. The manager from Sustainable Crushing has been temporarily assigned to the position to backfill the position. Recent collective bargaining efforts have complicated the dispatch process.
Non-Union Exempt	Operations Supervisor - Shop	1	This position is needed to oversee Long Haul Shop operations during swing shift (1 – 10 pm) and provides coverage for the graveyard shift. Current department is overseen by the Shop Foreman who is retiring.
Union – Shop/Facility	Lube Tech	1	C&D line maintenance position required to maintain new processing lines. Provides coverage over two shifts.
	Total	4	

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

Pension Scenarios

- Contribution required to reach 100% in 3 years
- Actuarial projection of defined-benefit Pension Plan funding status with \$17M annual contribution for 3 years:

YE26 (3 years)	YE28 (5 years)	YE32 (long-term)
100%	99%	97%

- SF Group costs ~92% of \$17M annual contribution
- Total funding to reach 100% - \$51M
- Long-term funding necessary
- If Plan funding status falls below 95%, supplemental annual contribution of \$5M until funding status reaches 100%

- Contribution required to reach 100% in 5 years
- Actuarial projection of defined-benefit Pension Plan funding status with \$12M annual contribution (service cost) for 5 years:

YE26 (3 years)	YE28 (5 years)	YE32 (long-term)
98%	100%	99%

- SF Group costs ~92% of \$12M annual contribution
- Total funding to reach 100% - \$60M
- Long-term funding necessary
- If Plan funding status falls below 95%, supplemental annual contribution of \$5M until funding status reaches 100%



Thank you



See response to RRA question 2.30 - Contamination Outreach/Fees.

- The table below shows how contaminations fees are distributed by customer type.
- We anticipate this allocation to remain consistent between the different customer categories
- Commercial customers represent over 70% of our charges. These customers can include restaurants, office buildings, large residential buildings and other businesses
- Residential customers represent less than 1% of our contamination revenue. This will increase slightly with the addition of cameras but will remain below 1%.

Breakdown by Customer Category		%
Commercial		71.69%
Apartment		18.51%
Compactor		9.79%
Residential		0.01%
Total		100.00%

Recology Proposal	New FTE	Cost per New FTE	Vacancy (Open Head Count/Replacement)	Cost per Vacancy	Existing FTE Supporting this program	How Many Months Has Position Been Vacant?	How does this proposal differ from 2018 and prior rate orders?	RSF or SS/GG	RY 23	RY 24	RY 25	Expenditure Line Item (See note below)	FTE Expense Justification
									Expenditure	Expenditure	Expenditure		
	2	\$ 172,000	N/A	N/A	1	One position filled	(1)	SS/GG	\$ 344,000	\$ 356,642	\$ 367,528	1	Rate Analyst FTE is necessary to meet quarterly rate reporting requirements, including reporting on Balancing Account, elective expense analysis and quarterly reconciliation to Recology financials. The current workload is beyond current staffing capacity and deadlines / reporting compliance would be impacted. Also, the rate analysts will work on ensuring rates in our billing system are up to date and accurate. Finally, modifying and enhancing our Accounting ERP to be able to report on Rate vs Non-Rate revenue and expenditures will be a significant project that will take place over the next two years. We expect to continue working with the Controller's office to further modify rate reporting and having the resources available to respond to request for information.
RSS/RGG 2 FTE rate analysts	N/A	N/A	1	\$ 200,000	1	Position Filled	1	SS/GG	\$ 200,000	\$ 207,350	\$ 213,679	1	The Finance Manager oversees the Rate Reporting process, Rate Application and any new Compliance requirements from Rate Reporting.
RSS/RGG 1 FTE Finance Manager	N/A	N/A	1	\$ 206,000	1	Position Filled	-	SS/GG	\$ 206,000	\$ 213,571	\$ 220,090	1	The Assistant Regional Controller oversees month-end Accounting and Accounting operations. This role takes the place of an Accounting Manager with increased responsibilities in day-to-day Accounting operations and AR.
RSS/RGG 1 FTE Assistant Controller (open headcount)	1	\$ 161,000	N/A	N/A	1	Position Filled	-	SS/GG	\$ 161,000	\$ 166,917	\$ 172,012	1	The SF HR team supports over 1,000 employees, including union employees covered by 9 collective bargaining agreements, and are employee facing. Corporate HR develops policies, manages group benefits and provides training and support for local teams.
Senior HR Generalist 1 FTE	N/A	N/A	1	\$ 155,000	1	Position Filled	-	SS/GG	\$ 155,000	\$ 160,696	\$ 165,602	1	As discussed in the rate hearings, there has been a substantial increase in the number of leaves and other administrative and reporting requirements. In addition, union requests for meetings and correspondence have increased with the implementation of the new CBAs.
GIS Supervisor 1 FTE	1	\$ 111,000	N/A	N/A	3	Position Filled	1	SS/GG	\$ 111,000	\$ 115,079	\$ 118,592	1	GIS Supervisor oversees the department that supports both collection companies with routing projects undertaken to improve route effectiveness and efficiency.
Payroll Coordinator 1 FTE	1	\$ 119,000	N/A	N/A	1	Position Filled	1	SS/GG	\$ 119,000	\$ 123,373	\$ 127,139	1	Currently we have 1 Payroll Coordinator processing the payroll for all 665 Sunset and Golden Gate employees. The current Payroll Coordinator is supported by the Accounting Supervisor who also manages the month-end close for Sunset and Golden Gate. Due to the last CBA negotiations, Sunset union employees moved from a bi-weekly pay cycle to a weekly cycle thereby increasing the processing workload.
Liens Collection 1 FTE	N/A	N/A	1	\$ 176,000	3	Position Filled	1	SS/GG	\$ 176,000	\$ 182,468	\$ 188,038	1	A Collections FTE is necessary to send delinquent accounts that cannot be liened to our 3rd party collection agency. Duties include generating a list of delinquent accounts after each month's lien cycle, formatting and sending information to 3rd party, research and respond to 3rd party and/or customer inquiries, and reconciling payments received. DPH will only lien Residential, Apartment and Commercial customers who had service in the last 180 days. We have delinquent customers who fall outside of the 180 day service range that need to be sent to collections. The Collections FTE will also manage the collection of delinquent Debris Box customers, a subset of customers that are not lienable by DPH. Comply with DPH's new QAQC process.
Diversion Auditor 1 FTE	2	\$ 238,000	N/A	N/A	319	Position Filled	(7)	SS/GG	\$ 476,000	\$ 493,493	\$ 508,557	1	Focus on contamination and review information to validate charges to customers
Relief Drivers 2 FTEs	1	\$ 155,000	N/A	N/A	0	5	1	SS/GG	\$ 155,000	\$ 160,696	\$ 165,602	1	Additional relief drivers needed to provide route coverage due to increased absenteeism.
Maintenance Supervisor 1 FTE	N/A	N/A	1	\$ 240,000	22	6	-	SS/GG	\$ 240,000	\$ 248,820	\$ 256,415	1	Supports the Maintenance Manager and department's 24-hour window of operation. Currently there is no coverage for 2/3 of the day.
Mechanic	N/A	N/A	1	\$ 232,000	11	10	2	SS/GG	\$ 232,000	\$ 240,526	\$ 247,868	1	In order to maintain our fleet and ensure uninterrupted service.
Shop Person	2	\$ 146,000	N/A	N/A	34	5	6	SS/GG	N/A	\$ 302,731	\$ 311,972	1	In order to maintain our fleet and ensure uninterrupted service.
Operations Supervisor 2 FTEs	2	\$ 139,000	N/A	N/A	6	Not yet posted	(3)	SS/GG	N/A	\$ 288,217	\$ 297,014	1	- Supports the operations in the Tenderloin. The additional drivers provide a quicker response from set-out time to collection. Reduces the time our drivers spend at each customer and ensures our employee-owners are not alone. These additions also reduce the amount of time our drivers are away from the truck when retrieving carts for service. The additional supervisor will be dedicated to the Tenderloin and surrounding areas to improve our presence and respond to incidents that require immediate attention. - Supervises Citywide cleanup events and public receptacles. - Partner with SFE for new diversion goals. Supports additional outreach to commercial customers generating two or more yards per week, with less than 50% diversion rates. •Increase Outreach and education through additional comment related collateral, trainings and site visits. •Proper ways to sort waste and reduce contamination. Educate customers on the potential charges they will receive from ongoing contamination notices.
Waste Zero Specialist 2 FTEs	2	\$ 238,000	N/A	N/A	13	Not yet posted	3	SS/GG	N/A	\$ 493,493	\$ 508,557	1	•To identify and document contamination at the source, SFE and Recology are proposing on board camera systems mounted in the hopper areas of our collection trucks. With this system and our existing onboard tablets, drivers will have the ability to capture contamination at the point of collection and notate customer accounts. Our Diversion Auditor Team will review the contamination footage and account documentation entered by the driver. Once this information is confirmed they will engage the Waste Zero staff to work with customers directly. We anticipate a steep increase in charges initially and over time a significant decrease as behaviors change. The 3rd Eye Camera systems will be installed on 38 collection trucks across the fleet and will focus on compost and recycling routes.
Abandoned Materials +2 FTE	2	\$ 238,000	N/A	N/A	10	Not yet posted	1	SS/GG	N/A	\$ 493,493	\$ 508,557	1	Respond more quickly to high volumes of 311 calls and proactively service material
Public Receptacles +2 FTE	3	\$ 238,000	N/A	N/A	9	Not yet posted	3	SS/GG	N/A	\$ 740,240	\$ 762,835	1	Increase service capacity to meet dynamic service requirement with addition of sensor technology 3 drivers to support Tenderloin routes
Safe Service 3 driver FTEs two drivers for cardboard collection	2	\$ 238,000	N/A	N/A	2	Not yet posted	2	SS/GG	N/A	\$ 493,493	\$ 508,557	1	2 drivers to support cardboard collection in high demand areas through the abandoned materials program
Human Resources Manager 1 FTE	N/A	N/A	1	\$ 188,000	1	Position Filled	-	RSF	\$ 188,000	\$ 194,909	\$ 200,859	1	Supports the employee population at Pier 96 and RSF
Environmental Specialist 1 FTE	N/A	N/A	1	\$ 139,000	1	Position Filled	-	RSF	\$ 139,000	\$ 144,108	\$ 148,507	1	Manages SF Regional environmental permit compliance backlog for retirement
Artist in Residence/Environmental Program Specialist 1 FTE	N/A	N/A	1	\$ 105,000	1	Position Filled	(2)	RSF	\$ 105,000	\$ 108,859	\$ 112,182	1	School tours were suspended during Covid Tours are now being actively conducted by Recology and SFEEnvironment
EIR Coordinator 1 FTE	N/A	N/A	1	\$ 151,000	0	Not yet posted	-	RSF	\$ 151,000	\$ 156,549	\$ 161,328	1	Need Position to coordinate between RSF and Consultants during EIR
Lube Tech 1 FTE	N/A	N/A	1	\$ 205,000	5	Position Filled	1	RSF	\$ 205,000	\$ 212,534	\$ 219,021	1	Provide full coverage over two shift. C&D line Maintenance Position required to maintain new processing lines.
Operations Manager - Transportation 1 FTE	1	\$ 196,000	N/A	N/A	6	5	3	RSF	\$ 196,000	\$ 203,203	\$ 209,406	1	RSF had a Transportation Manager who retired just prior to the onset of Covid and the decision to not replace the position was made in order to manage Operational expenses as tonnage was down significantly over prior years. Since this time, we have seen the Transfer Station tonnage rebound and the need to fill the position is apparent. Currently this business unit is overseen indirectly by the Senior Operations Manager. A Supervisor must be present at all times when we are operating. The manager from Sustainable Crushing has been temporarily assigned to the position to backfill the position. Recent collective bargaining efforts have complicated the dispatch process. Position is needed to oversee Long Haul Shop operations during swing shift (1 - 10pm) and provides coverage for the graveyard shift. Current department is overseen by the Shop Foreman who is retiring.
Operations Supervisor (Transportation) 1 FTE + Operations Supervisor (Shop) 1 FTE	2	\$ 146,000	N/A	N/A	12	5	(1)	RSF	\$ 292,000	\$ 302,731	\$ 311,972	1	

Expenditure Line Item Note

1 = Salaries and Wages, Payroll Taxes, Pension and 401(k), Health Insurance and Workers Compensation

Recology Proposal	RSF or SS/GG	RY 24		RY 25		Expense Line Item	Justification of Expense Proposal
		Expenditure	Expenditure	Expenditure	Expenditure		
Abandoned Materials +2 FTE and +2 Vehicles, zone K	SS/GG	\$ 7,800,000	\$ 8,000,000			Various	Respond more quickly to high volumes of 311 calls and proactively service material
Public Receptacles +2 routes, FTEs, vehicles	SS/GG	\$ 6,300,000	\$ 6,500,000			Various	Increase service capacity to meet dynamic service requirement with addition of sensor technology
Weekend Cleanup Events	SS/GG	\$ 640,000	\$ 660,000			Various	Provide residents more opportunities to properly dispose of bulky items and in turn support positive behavior to avoid material being abandoned on the streets
Waste Zero Enhancements	SS/GG	\$ 450,000	\$ 460,000			Various	Prevent contamination at the source
Contamination Outreach	SS/GG	\$ 530,000	\$ 550,000			Various	Reduce contamination to improve diversion and product quality
Organics Pre-processing System	RSF	\$ -	\$ 216,365			Depreciation/Lease/Utilities	Install and operate an organics pre-processing system to remove film plastics and other large contaminants from the organics feedstock prior to delivering organics to BVON.

REVENUE OFFSETS

(000's)		RY2020	RY2021	RY2022	Q1 2023	Q2 2023	6 Mos Ending 3/31/23
RSF	Minimums and Surcharge Fees charged to the public or commercial customers when loads are weighed in. The minimums and surcharges rates are posted on the Gate Rate sheet. Some of the minimum charges include a site minimum of \$50/load and surcharges for large items such as mattresses, tires and refrigerator.	\$ 1,416	\$ 2,025	\$ 990	\$ 231	\$ 190	\$ 421
RSF	Transloading Recology San Francisco provides certain contracted customers services to unload large amounts of cardboard, bale the cardboard, load it back onto a truck and drive it to the Port of Oakland. The fees are typically: - \$45/ton for re-bale and Transload. - \$214/ton for plastic bags and PP flower pots bales as trash. - \$45/containers mark up on drayage fee.	455	1,203	2,077	479	513	992
RSF	PaintCare Recology picks up paint from paint stores or otherwise obtain paint from drop off at the transfer stations. Customers are billed in arrears after each quarter for the paint pickup and recycling process done by Hazardous waste team. Rates: - Direct Reuse \$1.60/container - Latex Paint Reprocessing \$5.72/gallon - Latex Paint Bulked \$90/55-gal drum - Oil-Base Paint Bulked \$90/55-gal drum - Purchase of 55Gal Drum \$70 - Purchase of 1CY Box \$40/yard box - Internal Transport \$2.38/gallon	243	235	181	45	27	71
RSF	Haz Waste & VSQG Other hazardous waste collected are charged per our hazardous waste rate sheet published on Recology's website	33	31	26	8	7	15
SSGG	Misc (Scrap sales, RMJ, Return Miscellaneous Revenue include scrap sales of glass, wood, metal to vendors. - RMJ = Recycle My Junk, a service we charge to pick up bulky items. - Return Check Fee is the \$25 fee for a returned check or payment from customers.	319	317	311	70	66	136
SSGG	Curbside Incentive Program Annual incentive payment from CalRecycle as an eligible curbside operation. Based on volume of beverage containers reported to CalRecycle.	726	707	737	-	675	675
SSGG	Equipment/supply sales Container rental, compactor rental, compactor repairs and sale of compactors.	2,388	2,171	1,678	293	281	574
		\$ 5,580	\$ 6,688	\$ 5,998	\$ 1,126	\$ 1,759	\$ 2,885

April 6, 2022

Jack Macy
Commercial Zero Waste Senior Coordinator
San Francisco Department of the Environment
1455 Market St # 1200
San Francisco, CA 94103

Re: SB 1383 Compostable Plastics Notification

Dear Mr. Macy,

This letter is in response to your email on March 15, 2022, requesting that Recology Blossom Valley Organics North (RBVON) provide written notification that the facility can process and recover compostable plastics.

Sections 18984.1(a)(1)(A) of the regulations adopted by CalRecycle in November 2020 under Senate Bill 1383 states that compostable plastics can be placed in the green container if the material is transported to a facility that has provided written notification that the material can be processed and recovered.

As discussed with the San Francisco Department of the Environment, due to the nature of compostable plastics and the processing conditions at most industrial composting facilities including RBVON, compostable plastics do not break down. Current standards for certifying compostable plastics – such as ASTM D6400 – do not align with actual facility conditions, such as processing times. Therefore, RBVON cannot state that these materials can be “processed and recovered.”

We understand that since compostable plastics are non-recoverable, San Francisco may need to remove plastics and plastic bags marketed as “compostable” from its organics collection program to comply with this recent change in state law. Recology is happy to partner with San Francisco to help facilitate this change, understanding that it will take time to implement.

During this transition period RBVON will continue to accept the organics stream from San Francisco, though we cannot guarantee recovery of compostable plastics in this stream. A timeline should be agreed upon for this transition period to ensure progress is made within a reasonable amount of time.

SB 1335, which requires state food service facilities to serve prepared food with food service packaging that is reusable, recyclable, or compostable, may also serve as a benchmark for the allowance of compostable plastics. Under SB 1335, compostable packaging must be accepted by at least 50 percent of compost facilities to be included on the SB 1335 Materials List.

CalRecycle staff recently conducted a survey of 26 compost facilities in the state. Out of 17 responses, only 3 compost facilities responded that they accept compostable plastics. As a result, compostable plastics cannot be included on the SB 1335 Materials List and will not be allowed in state food service facilities.

The results of the CalRecycle SB 1335 survey, as well as the recent passing of AB 1201, have signaled that further action is needed to regulate compostable plastics and evaluate their full life cycle and impact on the environment.

As a statewide leader in advancing programs that support and protect the environment, we encourage the City of San Francisco to lead this paradigm shift and join with Recology and other key stakeholders to find a sustainable solution. Until this occurs, Recology urges San Francisco to join other jurisdictions across CA in disallowing these materials in their organics collection program.

If you have any questions or need further information, please feel free to contact me at GPryor@Recology.com or (707) 249-1703.

Sincerely,



Greg Pryor
General Manager
Recology Blossom Valley Organics – North



DEPARTMENT OF PLANNING AND COMMUNITY DEVELOPMENT

1010 10TH Street, Suite 3400, Modesto, CA 95354
Planning Phone: (209) 525-6330 Fax: (209) 525-5911
Building Phone: (209) 525-6557 Fax: (209) 525-7759

S 9 T 4 R 6
APP. No. PLN2023-0010

STAFF APPROVAL

(IF NOT USED IN 18 MONTHS THIS PERMIT SHALL BE VOID - SEC. 21.104.030)

GENERAL PLAN Agriculture ZONE A-2-40 DATE February 17, 2023

1. NAME AND ADDRESS: (a) Recology Blossom Valley Organics - North
Name of Person or Firm

(b) PO BOX 128 (c) Westley, 95387 (d) 415-740-8529
Address City, Zip Phone

2. TYPE OF PROPERTY USE: Allow for additional time to complete the installation of the
Aerated Static Pile system and require the installation of additional litter fencing and
"rumble" strips per the attached project description.

3. LOCATION OF USE: 3909 Gaffery Road, in the Vernalis area
Street Address - Local Name of Street, Road or Highway

4. ASSESSOR'S PARCEL NUMBER AND ACREAGE: 016-003-010, 112.45 acres

5. THIS PERMIT IS GRANTED SUBJECT TO THE FOLLOWING ATTACHMENTS

- A. Project Description and Conditions of Approval
B. Recology Blossom Valley Organics North Site Plan 01-27-23

FAILURE TO PERFORM ANY OF THE STATED CONDITIONS HEREON SHALL
CONSTITUTE GROUNDS FOR REVOCATION OF THIS PERMIT.

I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT I HAVE READ THE ABOVE
CONDITIONS AND WILL COMPLY WITH SAME IN ALL RESPECTS.

Signature of Applicant: Same as property owner - TM, Date: 2-21-23
Signature of Property Owner: [Signature], Date: 02/21/23
Signature of Person Issuing Permit: [Signature], Date: [Blank]



SAA PLN2023-0010
February 17, 2023
Attachment A

Project Description:

Request to allow facility improvements and amend the site plan and Conditions of Approval (COA) of Use Permit Application No. PLN2016-0055 – Recology Blossom Valley Organics – North, approved by the Planning Commission on December 15, 2016. COA No. 18 of the Use Permit is being amended allow for additional time to complete the installation of the Aerated Static Pile (ASP) system. Phases I through V have been installed in accordance with the Use Permit and Phase VI has yet to be installed. Proposed facility improvements include the installation of an additional 3,000 feet of four feet tall litter fencing to reduce litter traveling off site, and the installation of additional “rumble” strips at the exit of the property and near the northwest corner of the office to reduce track out onto County-maintained Gaffery Road. A Staff Approval is required in order to amend the approved conditions of approval and development plan for this site.

Conditions of Approval:

- (a) Use(s) shall be conducted as described in the applications for Staff Approval Permit No. 2023-0010 – Recology and Use Permit No. PLN2016-0055 – Recology Blossom Valley Organics – North. Any modifications to the site or to the use of the site shall be subject to review by the Planning Director and may require additional discretionary land use permitting.
- (b) All Conditions of Approval from Use Permit Application No. PLN2016-0055 – Recology Blossom Valley Organics – North, with the exception of Condition of Approval No. 18, shall remain in effect. Condition of Approval No. 18 shall be superseded by condition (e) of Staff Approval Permit No. 2023-0010 – Recology.
- (c) In addition to the seven (7) active sets of Aerated Static Pile (ASP) “pods” in use at the time of this permit being issued, additional ASP “pods” may be installed, as needed, to allow the entire on-site ASP system to handle up to the permitted 2,000 tons of feedstock, provided the “pods” are located in areas reflected for ASP development on the approved site plan for UP No. PLN 2016-0055. The removal or relocation of any fencing displaced by the installation of additional ASP “pods” shall be subject to Condition of Approval (e) of Staff Approval Permit No. 2023-0010 – Recology. The ASP (active composting) areas shall maintain a setback distance of at least 100 feet from the southern property lines.
- (d) Additional fencing and rumble strips as reflected in Attachment B - Recology Blossom Valley Organics - North Site Plan 01-27-23 of Staff Approval Permit No. 2023-0010 – Recology, shall be installed by February 28, 2023. Any modifications to fencing or rumble strips shall be submitted for review and approval to the Planning Director. The intent of the fencing is to prevent any litter from leaving the site and the intent of the rumble strip is to prevent the tracking out of any dirt/mud from the project site onto the County Road right-of-way.
- (e) The facility operator shall have until December 15, 2023, to reduce the amount of litter escaping the composting operation on the 112-acre project site to zero (0), as required by Condition of Approval No. 14 of Use Permit Application No. PLN2016-0055 – Recology Blossom Valley Organics – North. If at any time prior to December 15, 2023, it is determined by the Planning Director that incremental improvement in the maintaining of litter on-site is not occurring, the facility operator shall submit to the Planning Director a proposal for alternative means of controlling litter within 30-days of the date of written notification. Implementation of the alternative means may be subject to the submittal of an application for a discretionary permit as determined necessary by the Planning Director (i.e., Staff Approval Permit or Use Permit). The discretionary permit application shall be submitted within 30-days of written notification of the requirement. The alternative means proposal may also be subject to review by the Planning Commission, in accordance with Condition of Approval No. 17 of Use Permit Application No.

SAA PLN2023-0010
February 17, 2023
Attachment A

PLN2016-0055 – Recology Blossom Valley Organics – North, which allows the Planning Commission to amend Conditions of Approval, as necessary, as part of the annual review to address nuisance concerns.



Streets and Sanitation Commission Hearing

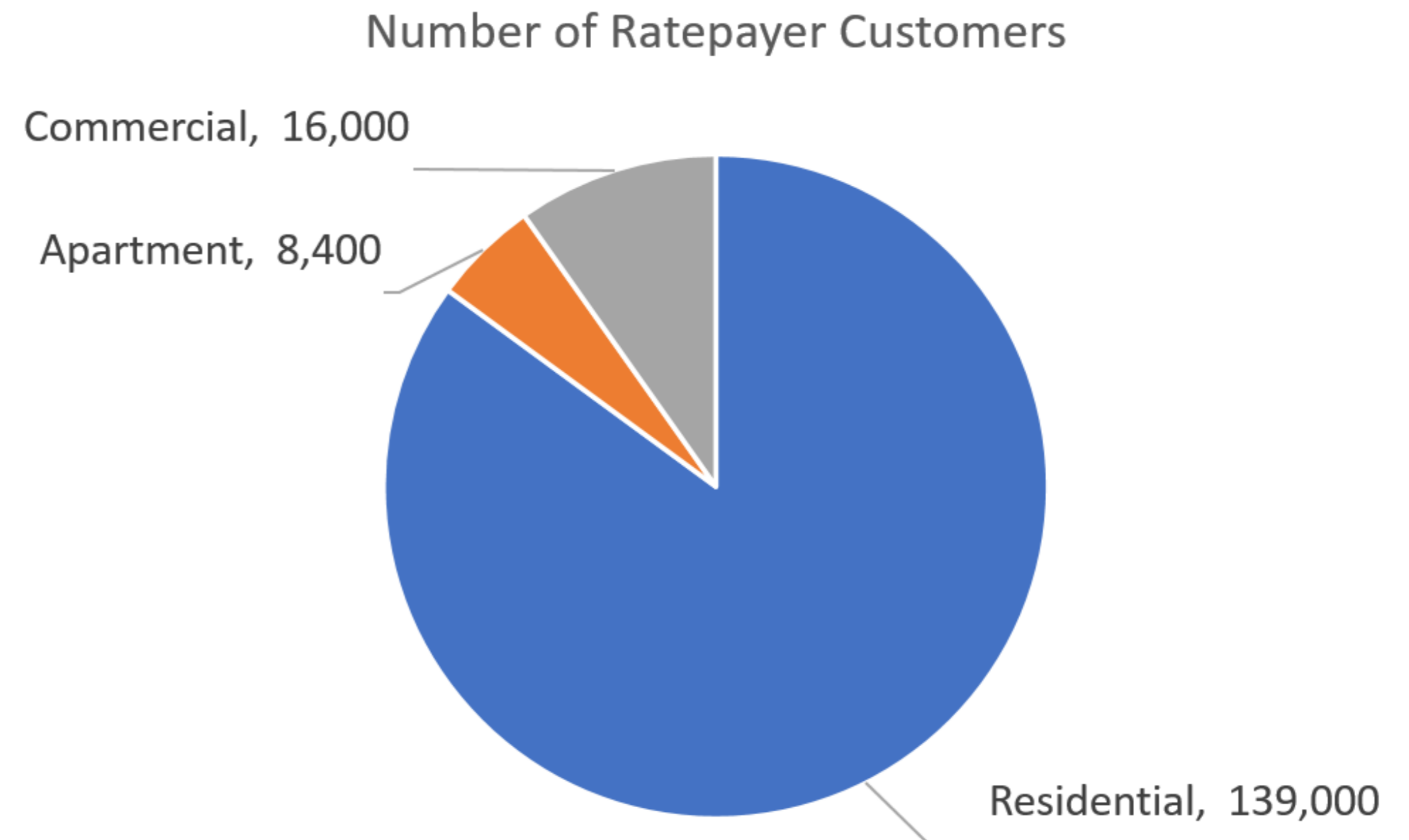
May 15, 2023



Business Overview

Business Structure

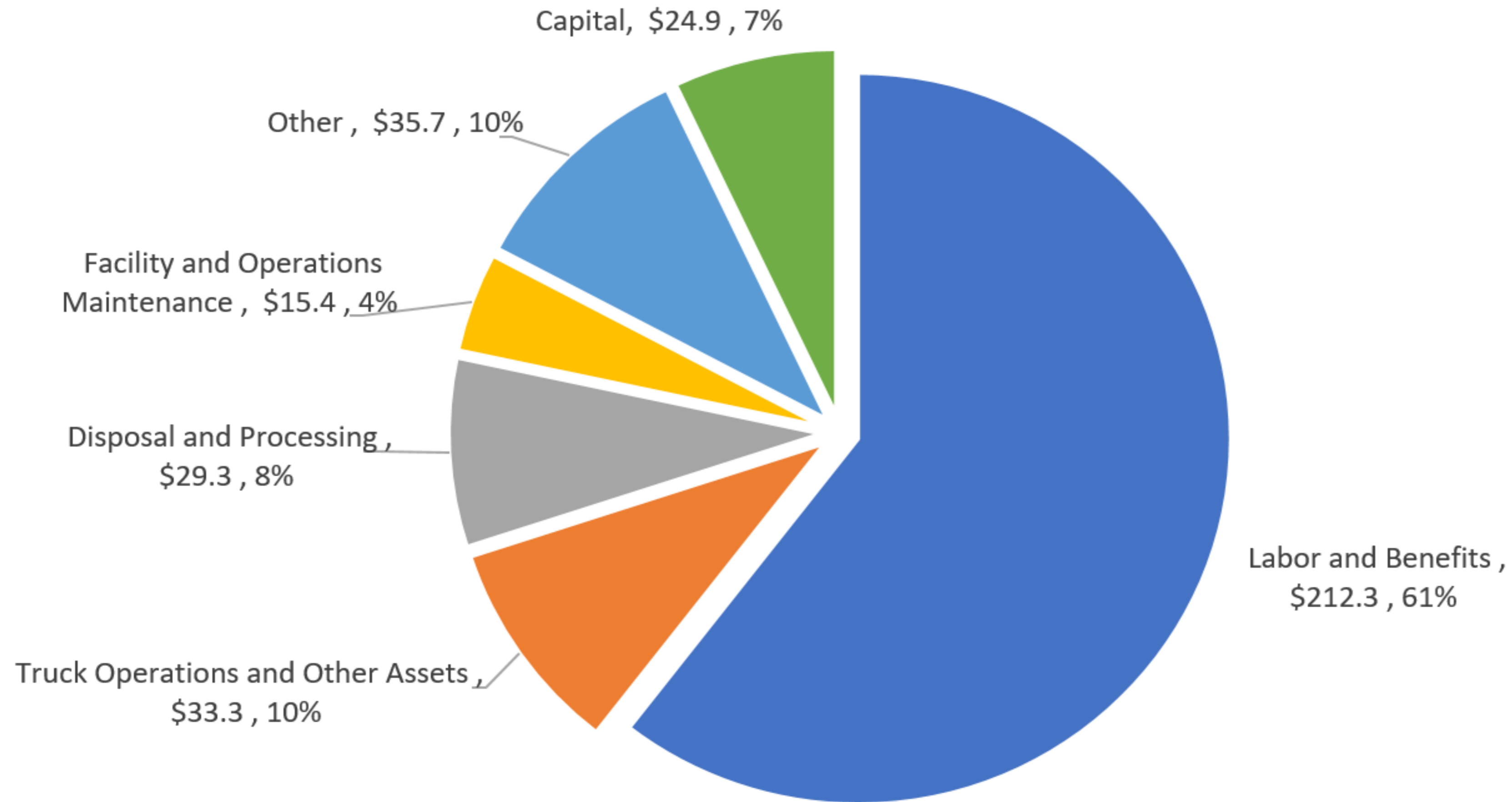
- Collections provided by Recology Sunset Scavenger (“RSS”) and Recology Golden Gate (“RGG”)
- Disposal and processing provided by Recology San Francisco (“RSF”)
 - Recycle Central
 - iMRF
 - Transfer Station
 - Organics
 - Public Reuse and Recycling Area
 - Household Hazardous Waste



Costs

Consolidated SF Recology Companies Costs

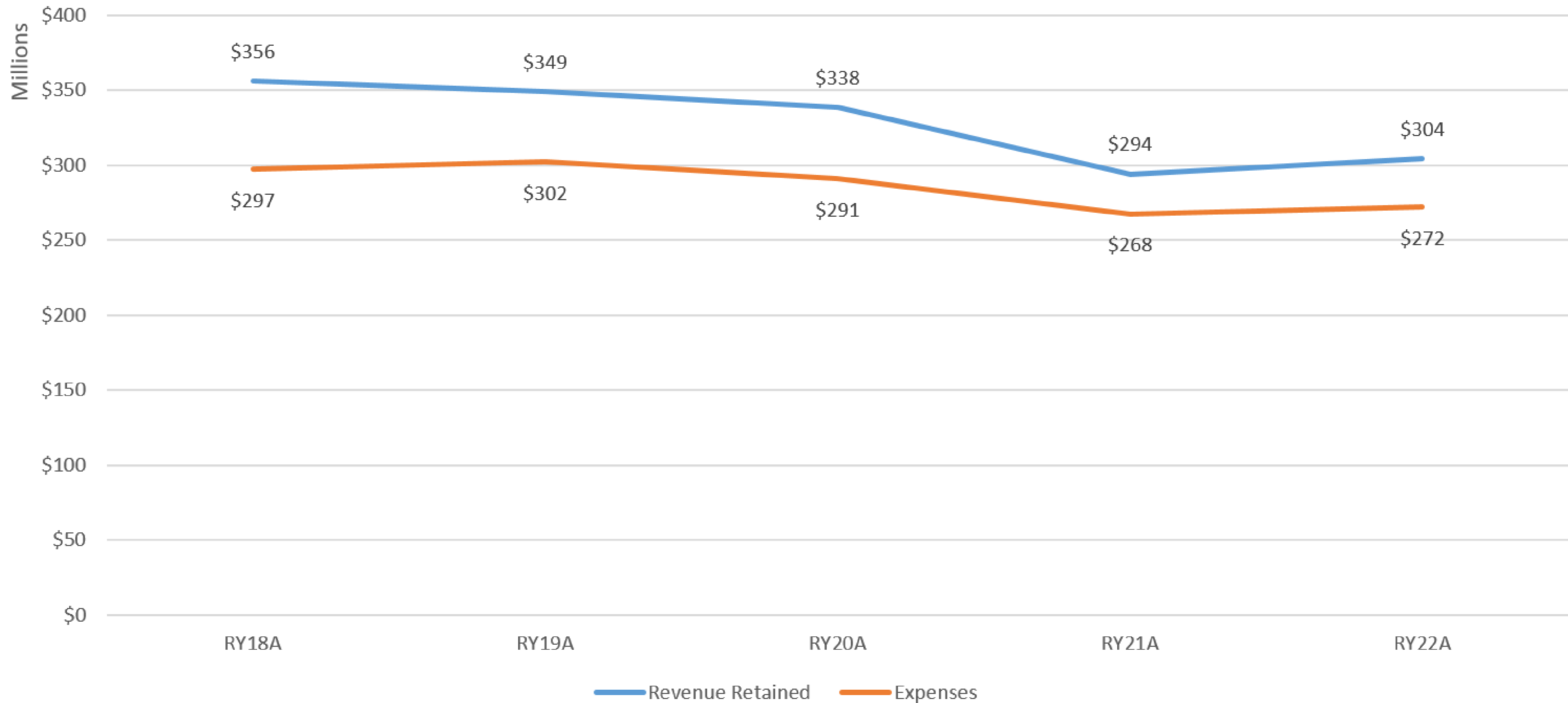
RY 2022A, in millions



Managing Costs: RSS / RGG

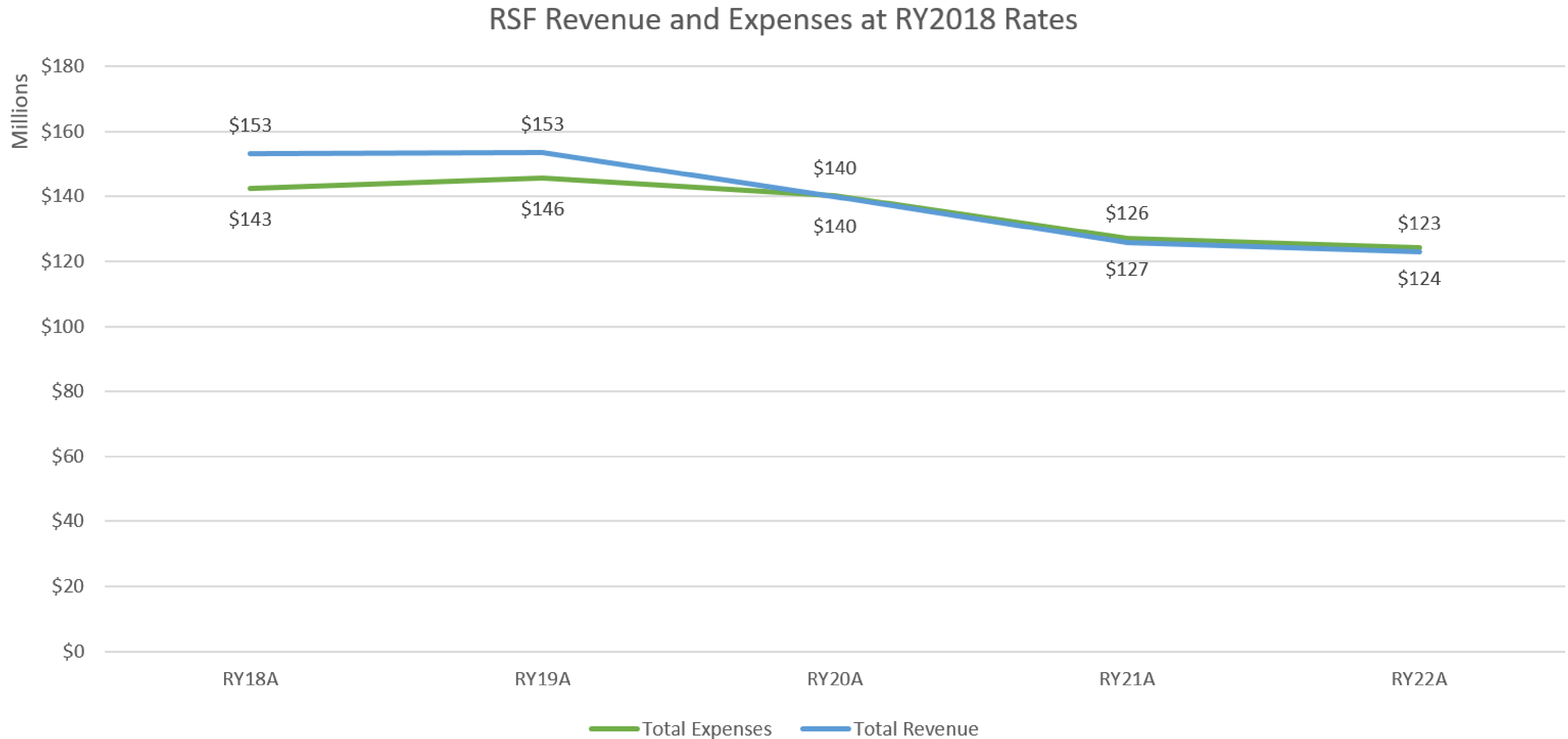
- Costs managed in response to pandemic-related service changes:

RSS/RGG Revenue and Expenses at RY2018 Rates



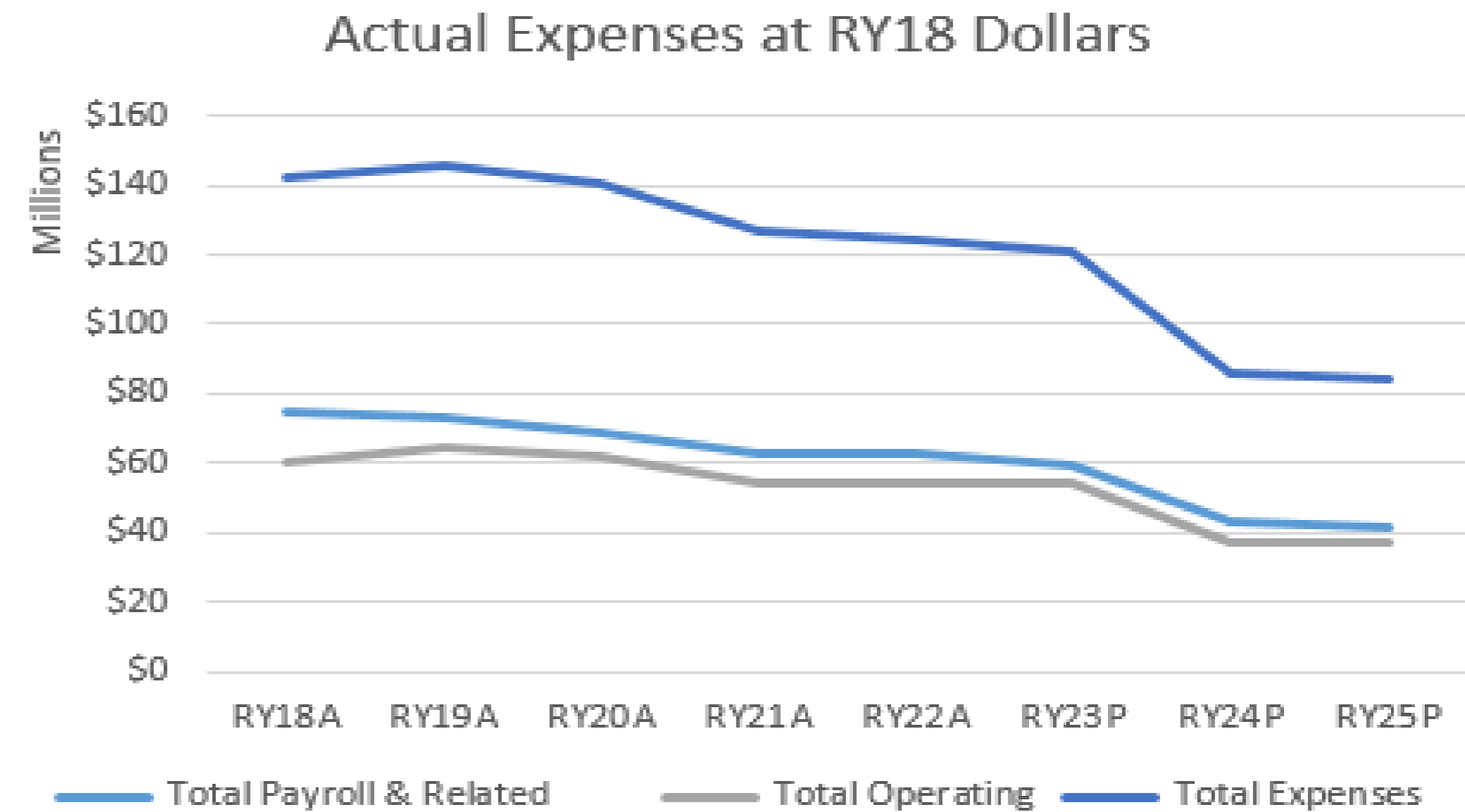
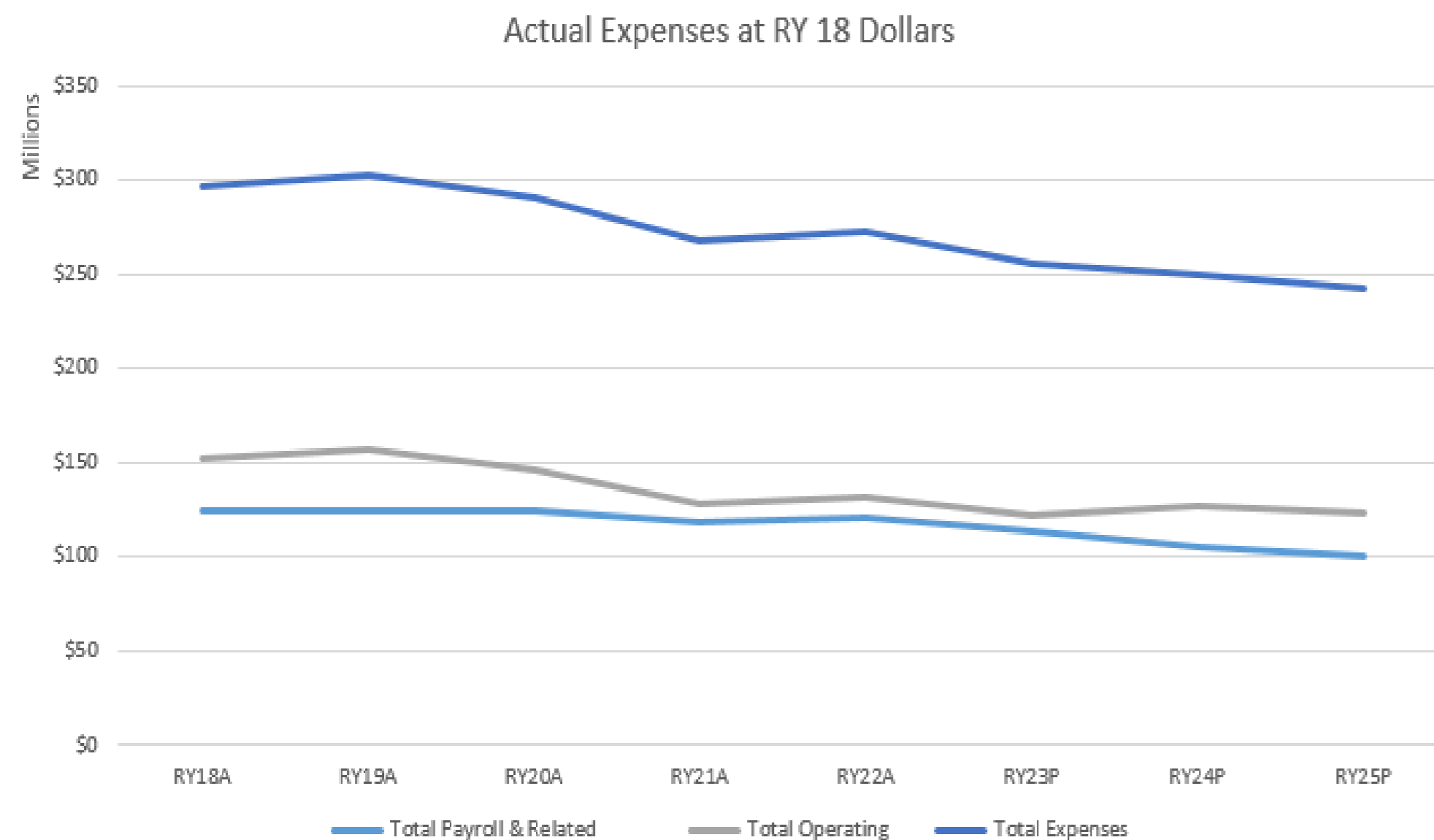
Managing Costs: RSF

- Costs managed in response to pandemic-related service changes:



Managing Costs

- Costs managed in response to pandemic-related service changes [placeholder charts; add revenue to each]:



- Recology right-sized business in response to pandemic
 - Decreased number of FTEs
 - Personnel reallocated when services reduced
 - Vacant positions not filled
 - Headcount did not change by same amount as FTEs because absenteeism trends required additional available personnel

Business Impacts

- 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

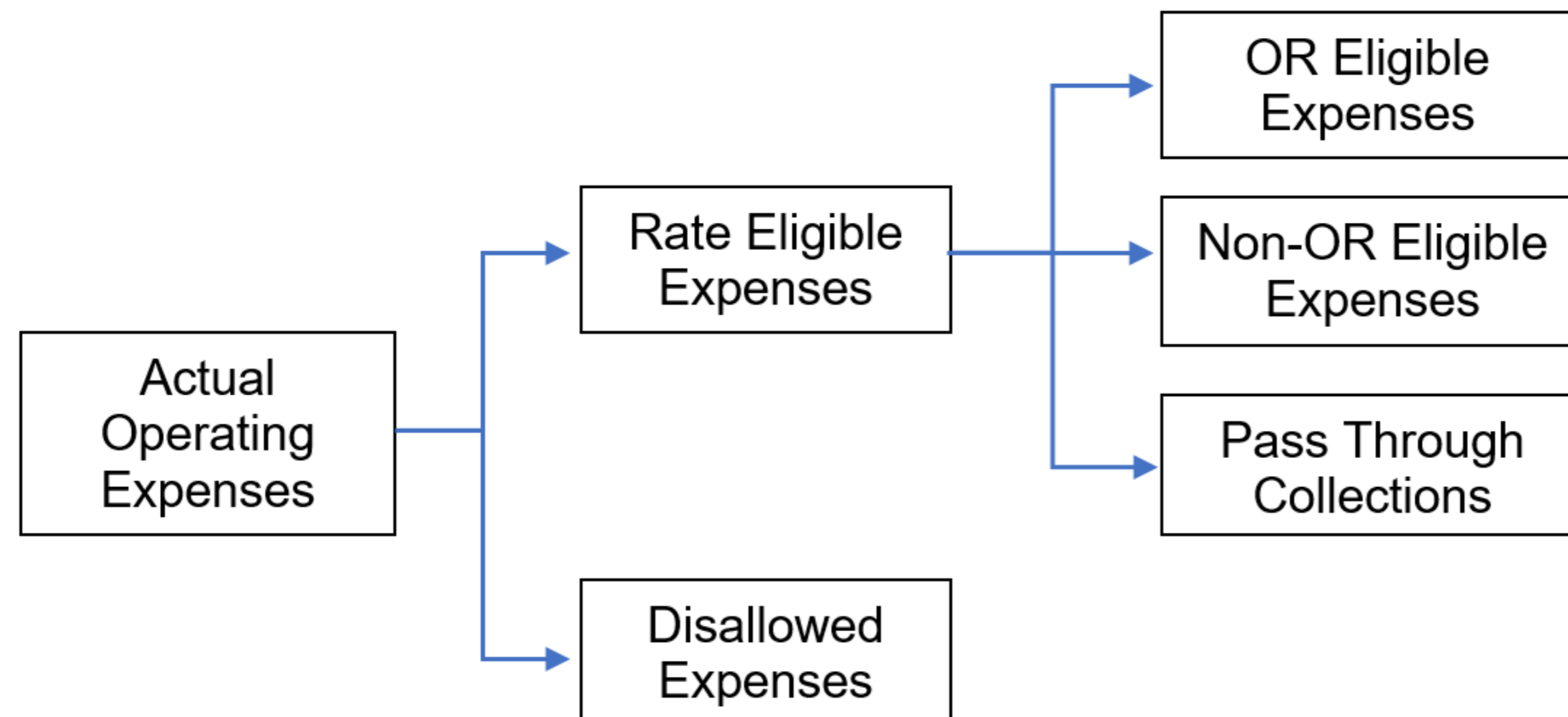


Results in higher
RSS / RGG rates

Rate-Setting Methodology

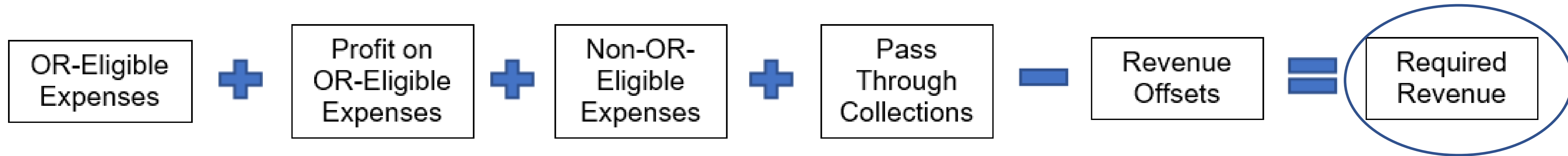
Rate-Setting Methodology

- Cost plus allowed profit model
- Some operating expenses are not included in calculation of rates
- Profit allowed on subset of expenses (“OR eligible expenses”)
- No profit allowed on certain expenses (“Non-OR eligible expenses”)
- Collection of impound and ZWI funding (“Pass through collections”)

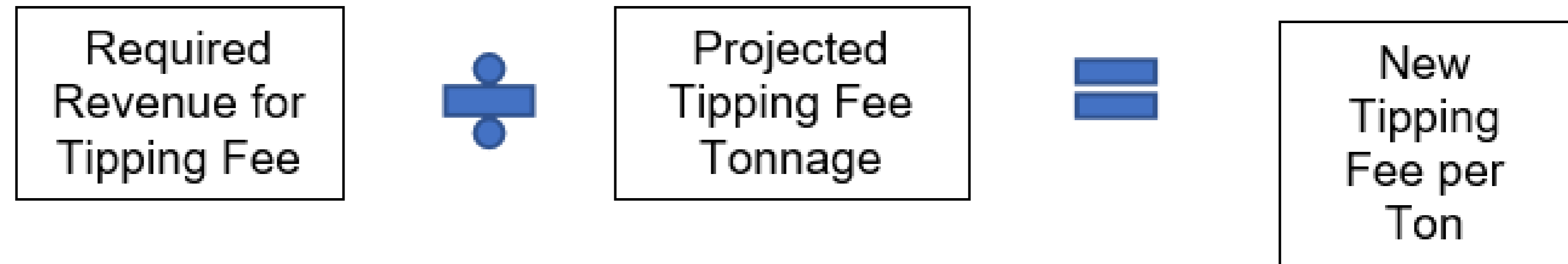


Rate-Setting Methodology

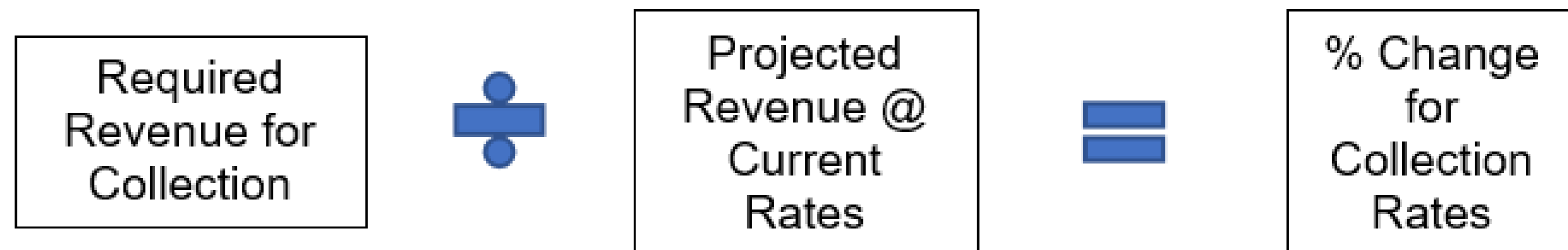
- Rate change calculation:



- RSF tipping fee:



- RSS / RGG rates:

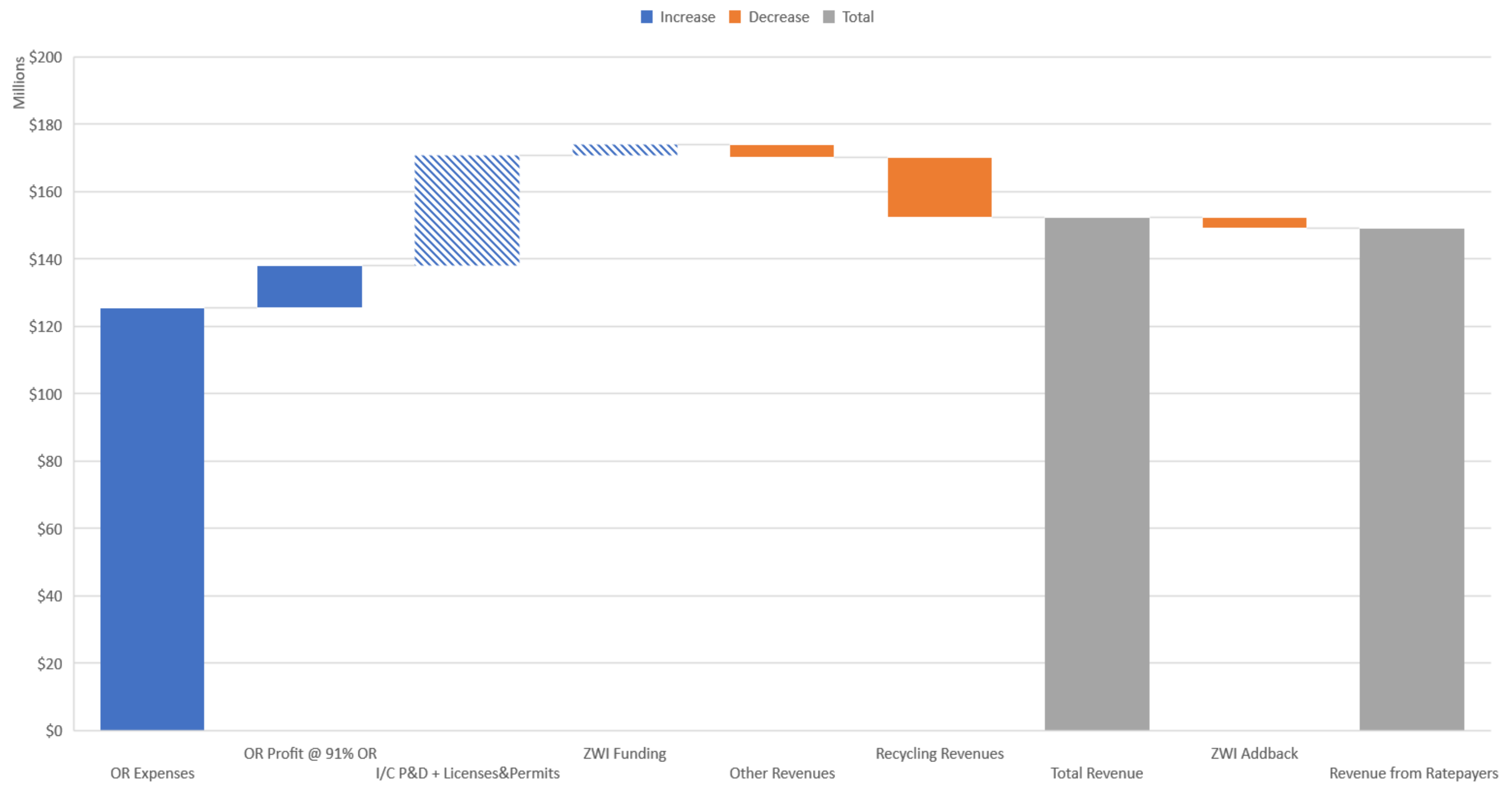


Operating Ratio

- Standard mechanism in waste industry to calculate target profit
- 91% OR generates low profit levels by industry standards
 - High OR = low profit
- Applied only to a portion of expenses (“OR-eligible expenses”)
 - Effective profit margin lower 8.2%
- OR-eligible expenses are approximately 65% of RSS / RGG expenses and approximately 80% of RSF expenses
- 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

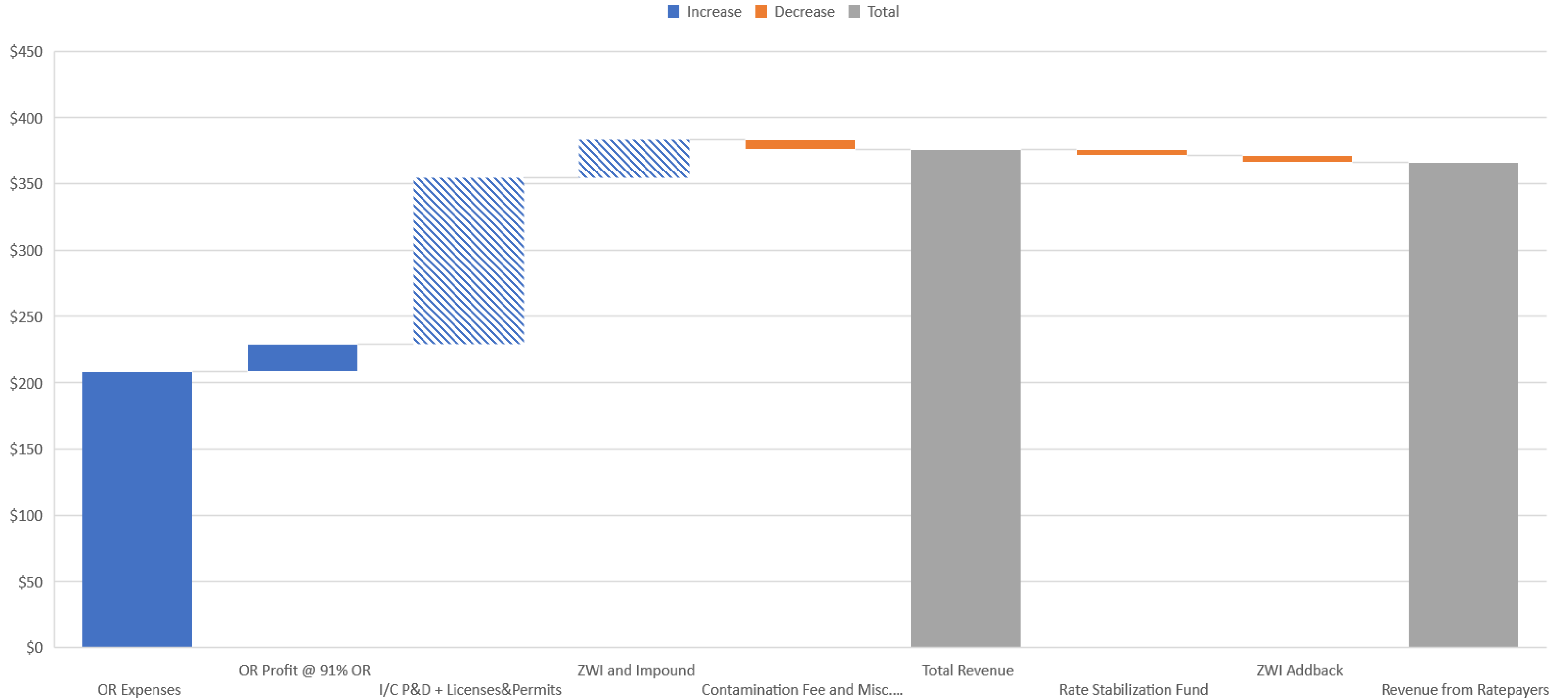
Revenue Requirement

R.Y. 2024 RSF Revenue Requirement



Revenue Requirement

RY 2024 SSGG Revenue Requirement



Abandoned Materials Collection

Abandoned Materials

Current Service Levels

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

- 13 driver headcount for 5 zones, each with dedicated routes, plus 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 2021 to CY 2022
- Response time eroded 33% from CY 2021 to CY 2022

Abandoned Materials

- Tonnage down slightly and vast majority of calls unique

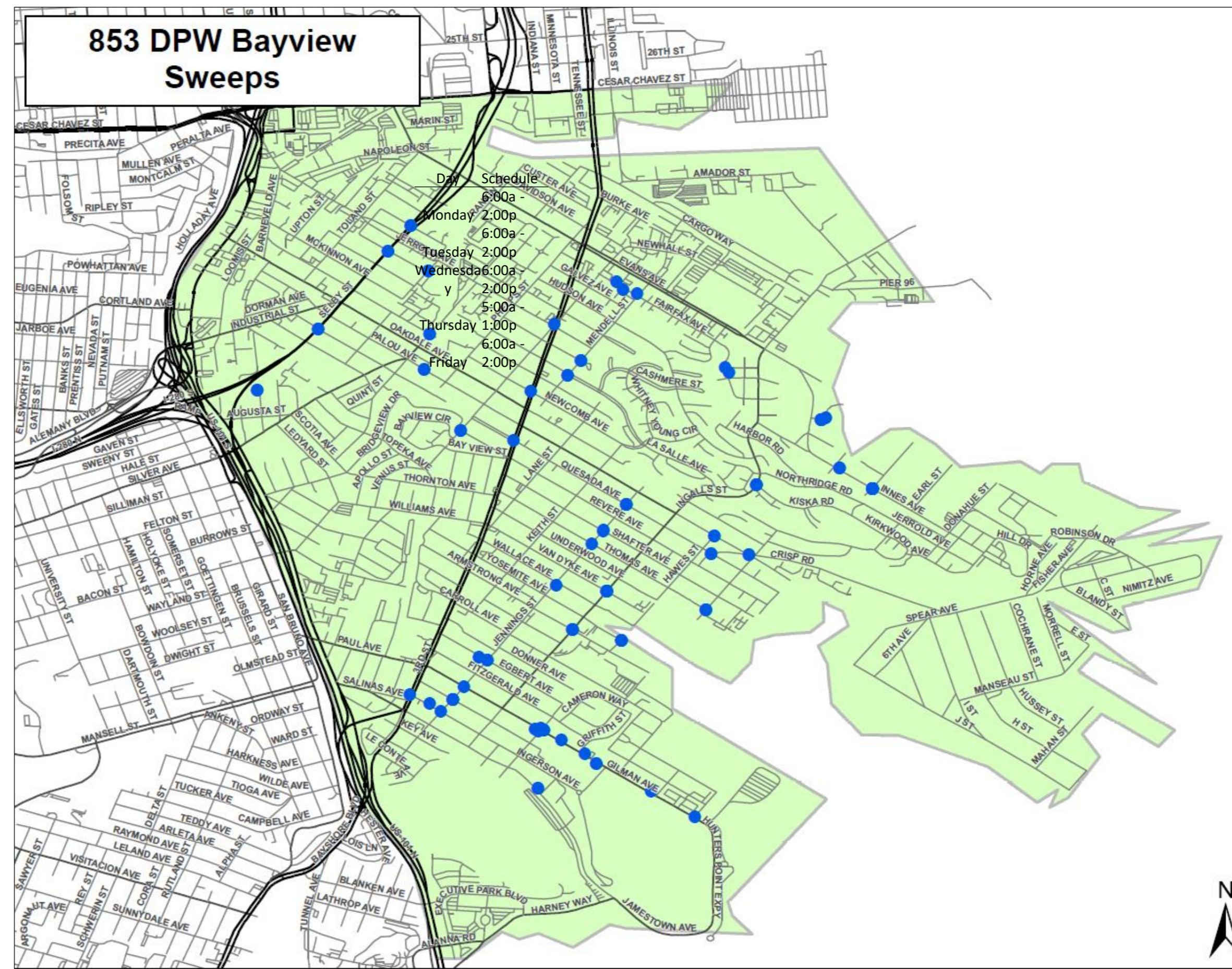
Ry	Tons Collected	YOY Change	311 Requests	Duplicated	Adjusted 311 Requests	YOY Change
2018	4,655	—	99,804	3,793	96,011	—
2019	4,693	1%	114,816	4,363	110,453	15%
2020	5,456	16%	135,257	5,140	130,117	18%
2021	5,185	-5%	110,104	4,184	105,920	-19%
2022	4,408	-15%	113,282	4,305	108,977	3%
2022 vs 2018		-5%				14%

- Adjusted 311 requests, not tonnage, show demand for program
- Number of unduplicated service requests up by 14%
 - Tonnage down by 5%, indicating lighter material that is more dispersed
 - Requires more trucks and drivers to meet 4-hour service goal

Abandoned Materials

- Cardboard collection: 2 new FTE to replace overtime currently incurred
- Bayview proactive service

Day	Schedule
Mon.	6 a.m. – 2 p.m.
Tues.	6 a.m. – 2 p.m.
Weds.	6 a.m. – 2 p.m.
Thurs.	5 a.m. – 1 p.m.
Fri.	6 a.m. – 2 p.m.



Public Receptacles

Public Receptacles

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

Public Receptacles

- Adjustments to reflect lower foot traffic

Period	Weekday Routes	Change	Weekend Routes	Change
Pre-pandemic	11	—	11	—
SIP phase	10	-1	4	-7
Late pandemic	10	—	10	6

- Driver from removed route used as replacement to support other routes
- Potential additional reallocation of resources to other neighborhoods
 - Initial reallocation already occurred during pandemic
 - Further reallocation will require detailed analysis working with Public Works
 - Receptacles receiving less use still require regular service
 - Moving routing resources away from downtown without analysis could create blight issues

Public Receptacles

- Potential additional receptacles to reduce new routes would need to be studied
 - City determines placement and quantity of receptacles
 - Rates based on current service levels and Public Works proposals
- Sensors
 - 285% increase in total service requests after partial rollout of sensors
 - Additional routes needed to address projected increased demand
 - Additional FTEs and truck based on initial estimates that may be subject to change as actual demand is determined



Thank you

