

**May 22<sup>nd</sup> 2023 Submission Updates to Recology's Initial Refuse Rate Change Request (Submitted March 7<sup>th</sup>, 2023)**

Updates received by the Refuse Rate Administrator 5/13/23 – 5/22/23

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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 5/13/23 – 5/22/23 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 5/13/23 – 5/22/23:

- Recology RY2023 Q2 Rate Report
- Recology Revised Pension Proposal
- Recology OR Memo 5/16/23
- RRB Hearing 1 Question Tables
- Balancing Account Exhibit
- Diversion Discount Flowchart
- Diversion Discount Calculator
- CARB Compliance Vehicle Breakout
- Balancing Account Volatility
- 3.148 and 3.074 Recon Table 3 to Table 9
- 3.118 and 3.124 Overtime Hours Exhibit
- 2.40 Status Quo Program Details Exhibit
- 2.16 Abandoned Materials Collection Exhibit

**SAN FRANCISCO  
QUARTERLY RATE REPORT**

**2<sup>nd</sup> Quarter of Rate Year 2023  
6 Months Ending March 31, 2023**

Recology Sunset Scavenger  
Recology Golden Gate  
Recology San Francisco

## **INTRODUCTION**

San Francisco Public Works Director's Reports include quarterly reporting requirements. The requirements address several areas, including refuse tonnages, collection accounts, toxics collection and participation, revenues and expenses, operating ratios and profit margins, amortization of ZWI funds for capital expenditures, and activity reporting for the Reserve Fund, the Impound account, and the Zero Waste Incentives account. This report covers the first six months of Rate Year 2023 ending September 30, 2023 for the period from October 2022 to March 2023 (RY2023 Q2).

## **LOW-INCOME AND DISABLED SERVICES PROGRAMS**

As of March 31, 2023, 8,665 customers participated in the low-income program. As of the same date, there were 479 participants in the disabled services program.

## **ACCOUNT REPORTING**

Appendix A contains reports for the Reserve Fund, the Impound account, and the Zero Waste Incentives account. The reports include beginning balances, deposits, disbursements, interest earned, administrative fees and ending balances.

## **RESERVE FUND**

There are no deposit or disbursement activity to report for the Reserve Fund. Interest earned and administrative fees are reflected in Table A-2 and Table A-3, respectively.

## **IMPOUND**

Recology makes monthly deposits to the Impound account in accordance with the amounts approved in the 2017 rate order and adjusted for cost-of-living adjustment for subsequent rate years.

## **ZERO WASTE INCENTIVES**

Recology makes monthly deposits to the Zero Waste Incentives account in amounts determined by the rate process. Funds held in the Zero Waste Incentives account will be applied against future rate adjustments and may be used to support additional material recovery programs.

## **SUBSTITUTED COSTS**

Appendix B contains a report of Substituted Costs pursuant to Article 4.3 of the Settlement Agreement between the City and County of San Francisco and Sunset Scavenger Company, Golden Gate Disposal & Recycling Company, Recology San Francisco, and Recology Properties Inc., effective December 22, 2022.

## **NOTIONAL BALANCING ACCOUNT**

Appendix C contains a report of Notional Balancing Account pursuant to Article 8 of the Settlement Agreement between the City and County of San Francisco and Sunset Scavenger Company, Golden Gate Disposal & Recycling Company, Recology San Francisco, and Recology Properties Inc., effective December 22, 2022.

**Table 1**  
**Disposal Tonnage**  
**Recology San Francisco**  
**October 2022 - March 2023**

	<b>Actual</b>	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 3</b>	<b>Tier 4</b>
<b>Tons Disposed</b>	202,419	176,281	165,781	150,000	137,500

**Table 2**  
**Alternative Daily Cover Tonnage**  
**Recology San Francisco**  
**October 2022 - March 2023**

<b>Source</b>	<b>Tonnage</b>
Composting Overs	-
iMRF Fines	5,693
C-soil	-
Clean Wood	-
<b>Total Alternative Daily Cover</b>	<b>5,693</b>

**Table 3**  
**Recovery and Disposal Tonnage**  
**Combined SF Companies**  
**October 2022 - March 2023**

	Received	Recovered	Disposed	% Recovered
<b>Recycle Central Recyclables</b>				
Collected	64,310	51,946	12,364	80.8%
Buyback	4,128	4,128	-	100.0%
<b>Total Recyclables</b>	<b>68,438</b>	<b>56,074</b>	<b>12,364</b>	<b>81.9%</b>
<b>Tunnel Avenue Compostables</b>				
Collected	67,297	49,639	17,658	73.8%
San Francisco Public Works	2,476	2,476	-	100.0%
Other City of San Francisco Departments	450	450	-	100.0%
Account Customers	160	160	-	100.0%
Non-Account Customers	287	287	-	100.0%
<b>Total Compostables</b>	<b>70,670</b>	<b>53,012</b>	<b>17,658</b>	<b>75.0%</b>
<b>Tunnel Avenue iMRF</b>				
Collected	5,144	2,286	2,858	44.4%
San Francisco Public Works	-	-	-	0.0%
Other City of San Francisco Departments	29	13	16	44.8%
Account Customers	5,495	2,442	3,053	44.4%
<b>Total iMRF</b>	<b>10,668</b>	<b>4,741</b>	<b>5,927</b>	<b>44.4%</b>
<b>Other Tunnel Avenue</b>				
Collected Other Trash	92,285	-	92,285	0.0%
Collected Roll-off Trash	17,034	-	17,034	0.0%
Bulky Item Recycling & Abandoned Materials Collection	6,174	836	5,338	13.5%
Public Refuse Receptacles	9,683	-	9,683	0.0%
San Francisco Public Works	14,468	783	13,685	5.4%
Other City of San Francisco Departments	679	-	679	0.0%
Account Customers	4,457	624	3,833	14.0%
Non-Account Customers	15,292	4,423	10,869	28.9%
Collected Inerts	1,706	1,706	-	100.0%
Construction Material Reuse	3	3	-	100.0%
Other Recycling	373	373	-	100.0%
<b>Total Other Tunnel Avenue</b>	<b>162,154</b>	<b>8,748</b>	<b>153,406</b>	<b>5.4%</b>
<b>Sustainable Crushing</b>	-	-	-	<b>0.0%</b>
<b>Adjustments (Inventory, moisture, etc.)</b>	13,064	-	13,064	0.0%
<b>Total Tons</b>	<b>324,994</b>	<b>122,575</b>	<b>202,419</b>	<b>37.7%</b>
<b>Disposal Breakdown</b>				
Recology Hay Road Landfill			184,565	
Recology Hay Road Landfill (RBVON residual)			17,645	
Recology Ostrom Road Landfill (RBVON residual)			13	
Zanker Material Processing Facility (C&D residual)			196	
<b>Total Disposal</b>			<b>202,419</b>	

**Table 4**  
**Number of Accounts, Service and Compliance**  
**Recology Sunset Scavenger and Recology Golden Gate**  
**As of March 31, 2023**

	Number of Accounts	Trash Compliant		Recycling Compliant		Composting Compliant	
Residential	138,670	138,661	100.0%	138,580	99.9%	138,536	99.9%
Apartment	8,493	8,492	100.0%	8,415	99.1%	8,414	99.1%
Commercial	14,808	14,791	99.9%	14,765	99.7%	14,714	99.4%
City and County of San Francisco	372	369	99.2%	363	97.6%	356	95.7%
School District & UC	187	179	95.7%	180	96.3%	183	97.9%
<b>Total</b>	<b>162,530</b>	<b>162,492</b>	<b>100.0%</b>	<b>162,303</b>	<b>99.9%</b>	<b>162,203</b>	<b>99.8%</b>

<b>Residential Single Dwelling Unit Accounts</b>	
16-Gallon Trash Bins	48,439
20-Gallon Trash Bins	23,556

**Table 5**  
**Toxics Collection and Participation**  
**Recology San Francisco**  
**October 2022 - March 2023**

Program	Collection Weight Tons Handled	Service Standard	
		Number	Unit
HHW Facility Drop Off	79.25	4,027	Customers Served
HHW Home Collection	35.61	1,100	Pickups
HHW Home Collection	-	1,985	Equivalent Loads
Very Small Quantity Generator	26.14	235	Business Appointments
Residential Curbside Battery Collection	30.81	-	
Apartment Building Battery Collection	3.65	290	Pickups
Commercial Battery Collection	1.51	-	
Retail Collection Partners	20.23	407	Pickups
Gigantic 3 Collection Events	-	-	
Waste Acceptance Control Program	12.88	-	
Bulky Item Recycling - E-Waste*	-	36,668	Pickups
E-Waste sent to Processor	137.39	-	

\* Bulky item pickups include non-e-waste customers.

**Table 6**  
**Revenue**  
**Recology Sunset Scavenger and Recology Golden Gate**  
**October 2022 - March 2023**

	<b>Projection</b>	<b>Actual</b>	<b>Variance</b>
Residential	\$ 46,106,963	\$ 48,513,852	5%
Apartment	36,820,814	39,879,721	8%
Commercial	83,131,190	74,049,782	-11%
Commercial Compactors	17,507,825	13,218,274	-25%
Debris Box	3,687,669	1,843,773	-50%
ZWI Rebate Revenue	4,039,576	4,039,576	0%
<b>Total Revenue Subject to Rate</b>	<b>\$ 191,294,037</b>	<b>\$ 181,544,978</b>	<b>-5%</b>
Open Market Debris Box Revenue	\$ 10,013,472	\$ 5,006,568	-50%
Equipment & Supply Sales	1,087,864	574,024	-47%
CalRecycle Payment	322,264	675,221	110%
Miscellaneous Income	184,213	247,789	35%
Interest Income	-	189,321	100%
<b>Total Other Revenue not Subject to Rate</b>	<b>\$ 11,607,813</b>	<b>\$ 6,692,923</b>	<b>-42%</b>
<b>Total Sources</b>	<b>\$ 202,901,850</b>	<b>\$ 188,237,901</b>	<b>-7%</b>
Impound Account Funding	\$ (11,463,765)	\$ (11,463,765)	0%
ZWI Funding	(2,611,144)	(2,611,144)	0%
<b>Net Revenue Retained</b>	<b>\$ 188,826,941</b>	<b>\$ 174,162,992</b>	<b>-8%</b>

\*Contracts revenue is included within Commercial and Commercial Compactor Revenue.

\*Interest income represents a 1.5% finance charge to commercial customers for past due balances.

**Table 7**  
**Revenue**  
**Recology San Francisco**  
**October 2022 - March 2023**

	Tonnage			Revenue		
	Projection	Actual	Variance	Projection	Actual	Variance
<b>Tonnage &amp; Revenue from Tipping Fee</b>						
Recology Sunset Scavenger/Golden Gate						
Recycle Central	72,869	64,385	-12%	\$ 16,020,934	\$ 14,155,268	-12%
Compostables	86,383	67,297	-22%	18,992,184	14,795,837	-22%
i/MRF	36,417	5,144	-86%	8,006,644	1,130,947	-86%
Trash	132,069	114,413	-13%	29,036,622	25,154,859	-13%
Other	6,702	1,340	-80%	1,473,460	294,670	-80%
Subtotal (Recology Sunset Scavenger/Golden Gate)	334,440	252,579	-24%	\$ 73,529,844	\$ 55,531,581	-24%
Non-Account Customers	19,242	15,561	-19%	4,230,570	3,421,318	-19%
Account Customers	12,310	14,505	18%	2,706,395	3,181,118	18%
Total San Francisco	365,992	282,645	-23%	\$ 80,466,809	\$ 62,134,017	-23%
Total Non-San Francisco	1,307	3,014	131%	287,454	662,735	131%
Non-rate Tonnage	-	42,349	100%			
<b>Tipping Fee</b>	<b>367,299</b>	<b>328,008</b>	<b>-11%</b>	<b>\$ 80,754,263</b>	<b>\$ 62,796,752</b>	<b>-22%</b>
Net Recycling Revenue				\$ 12,555,117	\$ 7,469,886	-41%
Non-rate Revenue				536,675	1,535,626	186%
Intercompany Dirt, Inerts & Others				852,315	323,884	-62%
Rental Income				26,937	12,000	-55%
<b>Total Other Revenue</b>				<b>\$ 13,971,044</b>	<b>\$ 9,341,396</b>	<b>-33%</b>
<b>Total Sources</b>				<b>\$ 94,725,307</b>	<b>\$ 72,138,148</b>	<b>-24%</b>
ZWI Funding				\$ (1,643,634)	\$ (1,643,634)	0%
<b>Net Revenue Retained</b>				<b>\$ 93,081,673</b>	<b>\$ 70,494,514</b>	<b>-24%</b>



**Table 8**  
**Recycling Revenue**  
**Recology San Francisco**  
**October 2022 - March 2023**

Recycle Central	Tons			Revenue			Price Per Ton		
	Projection	Actual	Variance	Projection	Actual	Variance	Projection	Actual	Variance
Mixed Paper	38,175	17,223	-55%	\$ 5,161,189	\$ 665,513	-87%	\$ 135.20	\$ 38.64	-71%
Cardboard	15,780	20,432	29%	3,024,082	2,119,625	-30%	191.64	103.74	-46%
Aseptic Carton	-	86	100%	-	1,710	100%	-	19.88	100%
EPS Foam	-	-	n/a	-	-	n/a	-	-	n/a
Aluminum	200	326	63%	987,326	1,294,737	31%	4,936.63	3,971.59	-20%
Metal/Ferrous	800	1,080	35%	121,723	145,657	20%	152.15	134.87	-11%
PET	700	1,108	58%	1,671,350	1,729,597	3%	2,387.64	1,561.01	-35%
HDPE Blend	650	719	11%	556,087	616,997	11%	855.52	858.13	0%
Plastic Film	-	34	100%	-	8,056	100%	-	236.94	100%
Mixed Plastics 3-7	550	186	-66%	40,909	30,236	-26%	74.38	162.56	119%
Flint Glass	175	-	-100%	49,007	-	-100%	280.04	-	-100%
Amber Glass	163	-	-100%	44,609	-	-100%	273.67	-	-100%
Green Glass	108	-	-100%	28,228	-	-100%	261.37	-	-100%
Mixed Glass	11,500	11,435	-1%	1,704,291	1,394,034	-18%	148.20	121.91	-18%
Glass Fines	725	-	-100%	104,781	-	-100%	144.53	-	-100%
<b>Total Recycle Central</b>	<b>69,526</b>	<b>52,629</b>	<b>-24%</b>	<b>\$ 13,493,582</b>	<b>\$ 8,006,162</b>	<b>-41%</b>			
<b>Tunnel Avenue</b>									
Metal	6,595	3,157	-52%	\$ 1,258,486	\$ 401,916	-68%	\$ 190.82	\$ 127.31	-33%
Wood	6,662	-	-100%	152,566	-	-100%	22.90	-	-100%
Mixed Rigid Plastic	843	379	-55%	159,548	2,242	-99%	189.26	5.92	-97%
SB20/50 E-Waste	225	152	-32%	73,870	88,163	19%	328.31	580.02	77%
<b>Total Tunnel Avenue</b>	<b>14,325</b>	<b>3,688</b>	<b>-74%</b>	<b>\$ 1,644,470</b>	<b>\$ 492,321</b>	<b>-70%</b>			
<b>Sustainable Crushing</b>				<b>\$ 428,080</b>	<b>\$ 10,705</b>	<b>-97%</b>			
<b>Total Recycling Revenue</b>				<b>\$ 15,566,132</b>	<b>\$ 8,509,188</b>	<b>-45%</b>			
Processing Expenses				\$ (532,097)	\$ (474,878)	-11%			
Purchases				(2,478,918)	(564,424)	-77%			
<b>Net Recycling Revenue</b>				<b>\$ 12,555,117</b>	<b>\$ 7,469,886</b>	<b>-41%</b>			

**Table 9**  
**Expenses**  
**Recology Sunset Scavenger and Recology Golden Gate**  
**October 2022 - March 2023**

Item Description	Projection	Actual	Variance
Payroll	\$ 46,947,526	\$ 46,872,142	0%
Payroll Taxes	3,558,038	3,523,838	-1%
Pension	7,427,625	8,088,796	9%
Health Insurance	14,659,317	12,208,984	-17%
Workers Compensation	6,010,356	3,937,625	-34%
<b>Total Payroll &amp; Related</b>	<b>\$ 78,602,862</b>	<b>\$ 74,631,385</b>	<b>-5%</b>
Corporate Allocations	\$ 4,278,036	\$ 6,228,876	46%
Bad Debt	90,133	290,713	223%
O/S Billing Services	187,760	253,995	35%
Office	254,640	160,305	-37%
Postage	198,674	15,615	-92%
Professional Services	422,963	819,058	94%
Security & Janitorial	266,974	325,401	22%
Taxes	1,045,449	2,127,462	103%
Telephone	351,881	304,898	-13%
<b>Total Administrative</b>	<b>\$ 7,096,510</b>	<b>\$ 10,526,323</b>	<b>48%</b>
Building & Facility Repair	\$ 92,082	\$ 156,080	70%
Depreciation	125,066	520,486	316%
Environmental Compliance	350,568	184,220	-47%
Freight	41,973	37,397	-11%
Fuel	3,632,780	3,010,759	-17%
I/C Disposal	28,220,542	25,998,787	-8%
I/C Processing	43,768,706	29,595,202	-32%
Lease	7,059,493	8,253,798	17%
Liability Insurance	1,853,449	3,044,772	64%
Licenses & Permits	997,574	1,339,217	34%
O/S Disposal	20,270	24,828	22%
O/S Equipment Rental	127,386	173,224	36%
Parts	1,455,601	1,478,018	2%
Property Rental	1,054,294	543,051	-48%
Repairs & Maintenance	774,367	875,998	13%
Supplies	1,428,374	1,174,353	-18%
Tires & Tubes	511,513	324,696	-37%
Utilities	302,337	639,236	111%
<b>Total Operating</b>	<b>\$ 91,816,375</b>	<b>\$ 77,374,122</b>	<b>-16%</b>
Contract Services	\$ 632,805	\$ 200,263	-68%
Other	1,189,918	1,057,921	-11%
<b>Total Other</b>	<b>\$ 1,822,723</b>	<b>\$ 1,258,184</b>	<b>-31%</b>
<b>Total Expenses</b>	<b>\$ 179,338,470</b>	<b>\$ 163,790,014</b>	<b>-9%</b>

**Table 10**  
**Expenses**  
**Recology San Francisco**  
**October 2022 - March 2023**

Item Description	Projection	Actual	Variance
Payroll	\$ 28,136,097	\$ 24,544,911	-13%
Payroll Taxes	2,199,774	1,823,803	-17%
Pension	3,384,023	4,321,273	28%
Health Insurance	9,078,464	7,003,745	-23%
Workers Compensation	2,241,279	1,674,302	-25%
<b>Total Payroll &amp; Related</b>	<b>\$ 45,039,637</b>	<b>\$ 39,368,034</b>	<b>-13%</b>
Corporate Allocations	942,443	106,074	-89%
Bad Debt	32,902	100,000	204%
Office	135,243	94,735	-30%
Postage	2,016	1,170	-42%
Professional Services	1,483,075	667,648	-55%
Repairs & Maintenance	473,089	555,622	17%
Security & Janitorial	398,544	635,108	59%
Taxes	1,096,346	1,600,884	46%
Telephone	166,503	154,411	-7%
<b>Total Administrative</b>	<b>\$ 4,730,161</b>	<b>\$ 3,915,652</b>	<b>-17%</b>
Bridge Tolls	774,204	487,782	-37%
Building & Facility Repair	435,095	470,855	8%
Depreciation	730,515	2,440,524	234%
Amortization of ZWI Funding For Capital Expenditures	-	(1,415,350)	100%
Environmental Compliance	26,360	3,014	-89%
Freight	1,045,920	3,242,724	210%
Fuel	3,239,482	1,799,299	-44%
I/C Processing & Disposal	16,286,241	12,718,964	-22%
Lease	2,648,225	2,659,459	0%
Liability Insurance	541,190	1,326,804	145%
Licenses & Permits	2,079,966	2,322,048	12%
O/S Disposal	832,693	632,999	-24%
O/S Equipment Rental	149,752	128,845	-14%
Parts	1,083,862	1,073,958	-1%
Property Rental	4,426,953	4,113,502	-7%
Supplies	1,447,240	1,316,245	-9%
Tires & Tubes	211,202	103,406	-51%
Utilities	987,259	1,105,459	12%
<b>Total Operating</b>	<b>\$ 36,946,159</b>	<b>\$ 34,530,537</b>	<b>-7%</b>
Contract Services	172,737	38,599	-78%
Other	524,863	362,561	-31%
<b>Total Other</b>	<b>\$ 697,600</b>	<b>\$ 401,160</b>	<b>-42%</b>
<b>Total Expenses</b>	<b>\$ 87,413,557</b>	<b>\$ 78,215,383</b>	<b>-11%</b>

**Table 11**  
**Statement of Operating Ratios and Profit Margin**  
**Recology Sunset Scavenger and Recology Golden Gate**  
**October 2022 - March 2023**

		Crosswalk	Projection	Actual	Dollar Variance	Percentage Variance
<b>SOURCES</b>	Residential	See Table 6	\$ 46,106,963	\$ 48,513,852	\$ 2,406,889	5%
	Apartment	See Table 6	36,820,814	39,879,721	3,058,907	8%
	Commercial	See Table 6	83,131,190	74,049,782	(9,081,408)	-11%
	Commercial Compactors	See Table 6	17,507,825	13,218,274	(4,289,551)	-25%
	Debris Box	See Table 6	3,687,669	1,843,773	(1,843,896)	-50%
	<b>Current Ratepayer Revenue</b>		<b>187,254,461</b>	<b>177,505,402</b>	<b>(9,749,059)</b>	<b>-5%</b>
	ZWI Rebate Revenue	See Table 6	4,039,576	4,039,576	-	0%
	<b>Applied Ratepayer Revenue from Prior Years</b>		<b>4,039,576</b>	<b>4,039,576</b>	<b>-</b>	<b>0%</b>
	Open Market Debris Box and Other Non Rate Revenue	See Table 6	11,607,813	6,692,923	(4,914,890)	-42%
	<b>(a) Total Sources</b>		<b>202,901,850</b>	<b>188,237,901</b>	<b>(14,663,949)</b>	<b>-7%</b>
<b>USES</b>	Impound Account Funding (Not OR Eligible)	See Table 6	11,463,765	11,463,765	-	0%
	ZWI Funding (Not OR Eligible)	See Table 6	2,611,144	2,611,144	-	0%
	Processing (Not OR Eligible)	See Table 9	43,768,706	29,595,202	(14,173,504)	-32%
	Disposal (Not OR Eligible)	See Table 9	28,220,542	25,998,787	(2,221,755)	-8%
	Licenses & Permits (Not OR Eligible)	See Table 9	997,574	1,339,217	341,643	34%
	<b>(b) OR Eligible Expenses</b>	See Table 9	<b>106,351,648</b>	<b>106,856,808</b>	<b>505,160</b>	<b>0%</b>
<b>(c) Total Uses</b>		<b>193,413,379</b>	<b>177,864,923</b>	<b>(15,548,456)</b>	<b>-8%</b>	
<b>(d) NET PROFIT = (a) less (c)</b>			<b>\$ 9,488,471</b>	<b>\$ 10,372,978</b>	<b>\$ 884,507</b>	<b>9%</b>
<b>OPERATING RATIO ON PROFIT ELIGIBLE EXPENSES</b> = 100% less ((d) divided by ((b) plus (d)))			<b>91.8%</b>	<b>91.2%</b>		
<b>OPERATING RATIO ON ALL EXPENSES</b> = 100% less ((d) divided by ((c) plus (d)))			<b>95.3%</b>	<b>94.5%</b>		
<b>PROFIT MARGIN ON ALL EXPENSES</b> = (d) divided by (a)			<b>4.7%</b>	<b>5.5%</b>		

\*Contracts revenue is included within Commercial and Commercial Compactors Revenue.

**Table 12**  
**Statement of Operating Ratios and Profit Margin**  
**Recology San Francisco**  
**October 2022 - March 2023**

		Crosswalk	Projection	Actual	Dollar Variance	Percentage Variance
<b>SOURCES</b>	Tipping Fee Revenue	See Table 7	\$ 80,754,263	\$ 62,796,752	\$ (17,957,511)	-22%
	Net Recycling Revenue	See Table 7	12,555,117	7,469,886	(5,085,231)	-41%
	Other Revenue	See Table 7	1,415,927	1,871,510	455,583	32%
	<b>Revenue</b>		<b>94,725,307</b>	<b>72,138,148</b>	<b>(22,587,159)</b>	<b>-24%</b>
	<b>(a) Total Sources</b>		<b>94,725,307</b>	<b>72,138,148</b>	<b>(22,587,159)</b>	<b>-24%</b>
<b>USES</b>	ZWI Funding (Not OR Eligible)	See Table 7	1,643,634	1,643,634	-	0%
	I/C Processing & Disposal (Not OR Eligible)	See Table 10	16,286,241	12,718,964	(3,567,277)	-22%
	Licenses & Permits (Not OR Eligible)	See Table 10	2,079,966	2,322,048	242,082	12%
	<b>(b) OR Eligible Expenses</b>	See Table 10	<b>69,047,350</b>	<b>63,174,371</b>	<b>(5,872,979)</b>	<b>-9%</b>
	<b>(c) Total Uses</b>		<b>89,057,191</b>	<b>79,859,017</b>	<b>(9,198,174)</b>	<b>-10%</b>
<b>(d) NET PROFIT (LOSS) = (a) less (c)</b>			<b>\$ 5,668,116</b>	<b>\$ (7,720,869)</b>	<b>\$ (13,388,985)</b>	<b>-236%</b>
<b>OPERATING RATIO ON PROFIT ELIGIBLE EXPENSES</b> = 100% less ((d) divided by ((b) plus (d)))			<b>92.4%</b>	<b>113.9%</b>		
<b>OPERATING RATIO ON ALL EXPENSES</b> = 100% less ((d) divided by ((c) plus (d)))			<b>94.0%</b>	<b>110.7%</b>		
<b>PROFIT MARGIN ON ALL EXPENSES</b> = (d) divided by (a)			<b>6.0%</b>	<b>-10.7%</b>		

**Table 13**  
**Statement of Operating Ratios and Profit Margin**  
**Combined SF Companies**  
**October 2022 - March 2023**

	Crosswalk	Projection	Actual	Dollar Variance	Percentage Variance
RSS & RGG OR Eligible Expenses	See Table 11	\$ 106,351,648	\$ 106,856,808	\$ 505,160	0%
RSF OR Eligible Expenses	See Table 12	69,047,350	63,174,371	(5,872,979)	-9%
<b>(b) Combined Recology OR Eligible Expenses</b>		<b>175,398,998</b>	<b>170,031,179</b>	<b>(5,367,819)</b>	<b>-3%</b>
RSS & RGG Total Uses	See Table 11	193,413,379	177,864,923	(15,548,456)	-8%
RSF Total Uses	See Table 12	89,057,191	79,859,017	(9,198,174)	-10%
<b>(c) Combined Recology Total Uses</b>		<b>282,470,570</b>	<b>257,723,940</b>	<b>(24,746,630)</b>	<b>-9%</b>
RSS & RGG Net Profit	See Table 11	9,488,471	10,372,978	884,507	9%
RSF Net Profit (Loss)	See Table 12	5,668,116	(7,720,869)	(13,388,985)	-236%
<b>(d) Combined Recology Net Profit</b>		<b>\$ 15,156,587</b>	<b>\$ 2,652,109</b>	<b>\$ (12,504,478)</b>	<b>-83%</b>
<b>COMBINED OPERATING RATIO ON PROFIT ELIGIBLE EXPENSES</b>					
= 100% less ((d) divided by ((b) plus (d)))		92.0%	98.5%		
<b>COMBINED OPERATING RATIO ON ALL EXPENSES</b>					
= 100% less ((d) divided by ((c) plus (d)))		94.9%	99.0%		
<b>PROFIT MARGIN ON ALL EXPENSES</b>					
= (d) divided by ((c) plus (d))		5.1%	1.0%		

**Table 14**  
**Amortization of ZWI Funds for Capital Expenditures**  
**Recology San Francisco**  
**October 2022 - March 2023**

Capital Expenditure Project	ZWI Funds Received	Date Received	Amortization Start Date	ZWI Funds to be Amortized	Cumulative Amortization End of Prior Rate Year	Amortization in Current Report	Cumulative Amortization as of this Report	Remaining Balance
Improvements for Pier 96 - RY14	\$ 2,621,225	2/10/2016	10/1/2016	\$ 2,621,225	\$ (1,967,518)	\$ (162,177)	\$ (2,129,695)	\$ 491,530
Improvements for Pier 96 - RY15	3,157,691	2/10/2016	10/1/2016	3,157,691	(2,370,195)	(195,369)	(2,565,564)	592,127
Improvements for Pier 96 - RY16	3,200,551	9/21/2016	10/1/2016	3,200,551	(2,402,365)	(198,021)	(2,600,386)	600,165
Recycle Central Improvement - 2017	3,247,569	9/29/2017	10/1/2016	2,152,069	(1,615,364)	(133,150)	(1,748,514)	403,555
Recycle Central Improvement - 2017			10/1/2017	1,095,500	(709,626)	(67,780)	(777,406)	318,094
Pier 96 Upgrade Project	2,927,507	11/19/2019	10/1/2019	2,927,507	(804,617)	(146,045)	(950,662)	1,976,845
Pier 96 Baler Project	437,776	3/31/2020	4/1/2020	437,776	(109,295)	(21,859)	(131,154)	306,622
Tunnel Ave iMRF Upgrade Project	391,174	6/30/2020	10/1/2020	391,174	(94,552)	(23,638)	(118,190)	272,984
Tunnel Ave iMRF Upgrade Project	1,699,530	6/30/2020	10/1/2020	1,699,530	(410,802)	(102,701)	(513,503)	1,186,027
Tunnel Ave iMRF Upgrade Project	527,966	7/17/2020	10/1/2020	527,966	(127,618)	(31,904)	(159,522)	368,444
Tunnel Ave iMRF Upgrade Project	1,610,589	9/30/2020	10/1/2020	1,610,589	(389,304)	(97,326)	(486,630)	1,123,959
Tunnel Ave iMRF Upgrade Project	3,895,174	11/30/2020	10/1/2020	3,895,174	(941,522)	(235,380)	(1,176,902)	2,718,272
<b>Total</b>	<b>\$23,716,752</b>			<b>\$ 23,716,752</b>	<b>\$ (11,942,778)</b>	<b>\$ (1,415,350)</b>	<b>\$(13,358,128)</b>	<b>\$10,358,624</b>

\*Funds were released from the ZWI account to offset the cost of capital expenditures incurred by Recology San Francisco.

The funds received are being amortized and recorded as negative expenses in Table 10 over the same period as the related capital expenditure project assets.

**APPENDIX A**  
**COMBINED SF COMPANIES**  
**Account Details**

Deposits, Disbursements and Balances for RY2023 Q2

**Table A-1**

<b>Account Details</b>	<b>Reserve Fund</b>	<b>Impound</b>	<b>ZWI</b>
Beginning Balance 10/1/2022	\$ 9,957,952	\$ (5)	\$ 8,422,389
Deposits	-	11,463,765	4,254,778
Disbursements	-	(11,463,765)	(3,980,252)
Interest	188,818	17,502	30,660
Administrative Fees	(1,912)	-	-
Reconciling Adjustment *	(2)	217,093	2
<b>Ending Balance 3/31/2023</b>	<b>\$ 10,144,856</b>	<b>\$ 234,590</b>	<b>\$ 8,727,577</b>

\* Impound Accounts reconciling adjustment is undistributed interest earned since inception.

Interest for RY2023 Q2

**Table A-2**

<b>Interest</b>	<b>Reserve Fund</b>	<b>Impound</b>	<b>ZWI</b>
Oct-22	\$ 23,544	\$ -	\$ 1,746
Nov-22	27,985	-	1,751
Dec-22	31,915	179	4,888
Jan-23	34,043	6,937	7,872
Feb-23	33,132	5,206	6,307
Mar-23	38,199	5,180	8,096
<b>Total</b>	<b>\$ 188,818</b>	<b>\$ 17,502</b>	<b>\$ 30,660</b>

Administrative Fees for RY2023 Q2

**Table A-3**

<b>Administrative Fees</b>	<b>Reserve Fund</b>	<b>Impound</b>	<b>ZWI</b>
Oct-22	\$ -	\$ -	\$ -
Nov-22	-	-	-
Dec-22	-	-	-
Jan-23	542	-	-
Feb-23	946	-	-
Mar-23	424	-	-
<b>Total</b>	<b>\$ 1,912</b>	<b>\$ -</b>	<b>\$ -</b>



**Impound**Deposit Detail for RY2023 Q2**Table A-4**

<b>Month</b>	<b>Recology Golden Gate</b>	<b>Recology Sunset Scavenger</b>	<b>Total Deposit Amount</b>
Oct-22	\$ 790,844	\$ 1,043,124	\$ 1,833,968
Nov-22	790,844	1,043,124	1,833,968
Dec-22	790,843	1,043,124	1,833,967
Jan-23	856,959	1,130,329	1,987,288
Feb-23	856,958	1,130,329	1,987,287
Mar-23	856,958	1,130,329	1,987,287
<b>Total</b>	<b>\$ 4,943,406</b>	<b>\$ 6,520,359</b>	<b>\$ 11,463,765</b>

**Impound**Disbursements for RY2023 Q2**Table A-5**

<b>Payee</b>	<b>Date</b>	<b>Check #</b>	<b>Total Disbursements</b>
City & County of San Francisco (SF Public Works)	10/25/22	1108	\$ 790,843
San Francisco Department of Environment	10/25/22	1109	1,043,124
City & County of San Francisco (SF Public Works)	11/30/22	1110	790,844
San Francisco Department of Environment	11/30/22	1111	1,043,124
City & County of San Francisco (SF Public Works)	12/22/22	1112	790,844
San Francisco Department of Environment	12/22/22	1113	1,043,124
City & County of San Francisco (SF Public Works)	01/30/23	1114	856,959
San Francisco Department of Environment	01/30/23	1115	1,130,329
City & County of San Francisco (SF Public Works)	02/23/23	1116	856,958
San Francisco Department of Environment	02/23/23	1117	1,130,329
City & County of San Francisco (SF Public Works)	03/20/23	1118	856,958
San Francisco Department of Environment	03/20/23	1119	1,130,329
<b>Total</b>			<b>\$ 11,463,765</b>

**Zero Waste Incentives**Deposit Detail for RY2023 Q2**Table A-6**

<b>Month</b>	<b>Recology Golden Gate</b>	<b>Recology Sunset Scavenger</b>	<b>Recology San Francisco</b>	<b>Total Deposit Amount</b>
Oct-22	\$ 181,244	\$ 237,284	\$ 263,451	\$ 681,979
Nov-22	181,244	237,284	263,450	681,978
Dec-22	183,113	239,730	266,166	689,009
Jan-23	195,053	255,362	283,523	733,938
Feb-23	195,053	255,362	283,522	733,937
Mar-23	195,053	255,362	283,522	733,937
<b>Total</b>	<b>\$ 1,130,760</b>	<b>\$ 1,480,384</b>	<b>\$ 1,643,634</b>	<b>\$ 4,254,778</b>

**Zero Waste Incentives**Disbursements for RY2023 Q2**Table A-7**

<b>Transaction Date</b>	<b>Payee</b>	<b>Description</b>	<b>Amount</b>
01/03/23	RSF	October through December RY 2023 Tiers 1 through 4	\$ 1,930,802
03/14/23	RSF	January through March RY 2023 Tiers 1 through 4	2,049,450
<b>Total</b>			<b>\$ 3,980,252</b>

**APPENDIX B**  
**Substituted Costs**  
**Combined SF Companies**  
**October 2022 - March 2023**

05/22/2023

Substituted Costs means all material, elective expenses incurred by the SF Recology Companies in the RY 2023 Quarterly Rate report for the 6 months ending March 31, 2023 not previously reported as expenses in Tables 9 and 10 of the RY 2022 Quarterly Rate report for the 9 months ending March 31, 2022 (this report includes 9 months of reporting activity, of which Recology Companies are presenting the last 6 months for this reporting period), and not previously approved as expense types in the 2017 Rate Order. For the purposes of this definition, a material expense is the greater of (i) the dollar amount of the COLA applied to the prior rate year's line item amount or (ii) \$150,000. For the purposes of this definition, an elective expense is an expense incurred by the SF Recology Companies that was not incurred as a result of (a) changes in refuse volumes, including but not limited to, number of employees, employee overtime, employee benefits, fuel, and disposal and processing costs relating to those changes in refuse volumes; (b) fuel or other commodity costs; (c) changes in employee costs due to Collective Bargaining Agreements entered into on or after January 1, 2022; (d) federal, state, local, or other taxes or regulatory requirements; (e) GAAP required changes in accounting rules; (f) requirements of third-party lease amendments or agreements relating to real property leased by any of the Bound Recology Companies; and (g) bad debt.

Item Description	Rate Report Table	Q2 RY2023	Q2 RY2022 *	Increase in Expenses	Carve-Outs	Non-Elective	Substituted Costs	Notes
Payroll	Table 9	\$ 46,872,142	\$ 41,629,717	\$ 5,242,425	\$ 2,081,486	\$ 3,160,939	\$ -	Carve out of \$2.0M in payroll increases due to new Union payroll rates effective 1/1/2023. Non-elective increases are attributed to: - \$1.9M increase in overtime wages. - \$600k increase in Holiday, Saturday & Sundays worked. - \$400k increase in Sick & Vacation expense for union employees. With the new CBA agreement, union employees are able to cash out their vacation at the beginning of the calendar year at 1.5x their hourly rate. - \$256k paid time off for California Paid Sick Leave ordinance.
Payroll Taxes	Table 9	\$ 3,523,838	\$ 3,081,280	\$ 442,558	\$ 442,558	\$ -	\$ -	Payroll taxes are carved out per (d) of the substituted costs definition.
Workers Compensation	Table 9	\$ 3,937,625	\$ 3,694,096	\$ 243,529	\$ 184,705	\$ 58,824	\$ -	- Carve out of \$244k due to 5% increase in Union payroll rates effective 1/1/23. - \$58k Increase in workers compensation costs due to higher claims paid and adverse loss experience.
Corporate Allocations/ Environmental Compliance	Table 9/ Table 10	\$ 6,522,184	\$ 5,974,443	\$ 547,741	\$ -	\$ 547,741	\$ -	- Corporate Allocations is allocated based on a percentage of revenue. Due to an increase in Sunset and Golden Gate's revenue, the allocation percentage has increased. - Higher overall IT, HR and C2C costs. C2C project is modernization of billing and operations system. IT costs increased for systems support and enhancements. HR cost increased due to benefits administration, company-wide projects, and employee training & development.
Taxes	Table 9	\$ 2,127,462	\$ 1,791,318	\$ 336,144	\$ 336,144	\$ -	\$ -	Taxes are carved out per (d) of the substituted costs definition.
Fuel	Table 9	\$ 3,010,759	\$ 2,113,021	\$ 897,738	\$ 897,738	\$ -	\$ -	Fuel is carved out per (b) of the substituted costs definition.
I/C Disposal	Table 9	\$ 25,998,787	\$ 24,851,378	\$ 1,147,409	\$ 1,147,409	\$ -	\$ -	I/C Disposal is carved out per (a) of the substituted costs definition.
I/C Processing	Table 9	\$ 29,595,202	\$ 28,633,690	\$ 961,512	\$ 961,512	\$ -	\$ -	I/C Processing is carved out per (a) of the substituted costs definition.
Lease	Table 9	\$ 8,253,798	\$ 7,768,588	\$ 485,210	\$ -	\$ 485,210	\$ -	Increase due to timing of vehicle deliveries.
Payroll	Table 10	\$ 24,544,911	\$ 22,759,156	\$ 1,785,755	\$ 1,365,549	\$ 420,206	\$ -	Carve out of \$1.4M in payroll increases due new Union payroll rates effective 1/1/2023. Non-elective increases are attributed to: - \$300k increase in overtime and Saturday & Sunday worked - \$88k in California Paid Sick Leave
Taxes	Table 10	\$ 1,600,884	\$ 802,658	\$ 798,226	\$ 798,226	\$ -	\$ -	Taxes are carved out per (d) of the substituted costs definition.
Building & Facility Repair	Table 10	\$ 470,855	\$ 313,576	\$ 157,279	\$ -	\$ 157,279	\$ -	RY22 Q2 was lower compared to RY23 Q2 due to a \$144k credit recorded in Nov 2021 (RY22 Q2) to reduce the Clean Energy settlement liability payment (billing oversight issue).
Freight	Table 10	\$ 3,242,724	\$ 1,411,374	\$ 1,831,350	\$ -	\$ 1,831,350	\$ -	Increase of \$1.83M for freight costs incurred to haul sustainable crushing material to Hay Road Landfill for disposal due to the requirement to vacate Pier 94 and close the sustainable crushing operations. This is offset by \$200k reduction in freight cost due to a \$3.3M reduction of RSF recycling sales.
Fuel	Table 10	\$ 1,799,299	\$ 1,124,448	\$ 674,851	\$ 674,851	\$ -	\$ -	Fuel is carved out per (b) of the substituted costs definition.
I/C Processing & Disposal	Table 10	\$ 12,718,964	\$ 12,461,354	\$ 257,610	\$ 257,610	\$ -	\$ -	I/C Processing & Disposal is carved out per (a) of the substituted costs definition.
Property Rental	Table 10	\$ 4,113,502	\$ 3,715,597	\$ 397,905	\$ -	\$ 397,905	\$ -	Annual increase in Pier 94 and Pier 96 rents due to CPI, effective January 1, 2023.
Supplies	Table 10	\$ 1,316,245	\$ 1,098,785	\$ 217,460	\$ -	\$ 217,460	\$ -	Increase in operational supplies and cost of goods sold for crushed rock (sustainable crushing).

\* Obtained by calculating the difference between the YTD 9 months ending 3/31/22 and the YTD 3 months ending 9/30/21 rate reports.

**APPENDIX C**  
**Notional Balancing Account Schedule**  
**Combined SF Companies**  
**As of March 31, 2023**

	<u>Balance</u>	<u>Notes</u>
Initial ratepayer notional credit	\$ 25,000,000	[1]
Offsets:		
Profit Variance - 15 months ending September 30, 2022	\$ (6,628,465)	[2]
Profit Variance - 3 months ending December 31, 2022	\$ (2,598,211)	[3]
COLA Deferral - 3 months ending September 30, 2022	\$ (4,227,529)	[4]
COLA Deferral - 3 months ending December 31, 2022	\$ (4,225,607)	[5]
Profit Variance - 3 months ending March 31, 2023	<u>\$ (2,371,065)</u>	[6]
Ending notional balance as of March 31, 2023	<u><u>\$ 4,949,123</u></u>	

**Notes:**

[1] Article 8.1 of the 2022 Settlement Agreement states the Recology San Francisco Companies will establish a notional balancing account with an initial ratepayer notional credit of \$25,000,000.

[2] Article 8.2 of the 2022 Settlement Agreement states the Recology San Francisco Companies shall decrease the notional balance by 50% of the profit above or below the target profit at 91% OR for the 15 months ending September 30, 2022 (July 2021 - September 2022).

[3] Article 8.4 of the 2022 Settlement Agreement states the Recology San Francisco Companies shall decrease the notional balance by 50% of the profit above or below the target profit at 91% OR for the 3 months ending December 31, 2022 (October 2022 - December 2022).

[4] Article 8.3 of the 2022 Settlement Agreement states the Recology San Francisco Companies shall decrease the notional balance for the amount foregone as a result of forgoing implementation of the RYE23 COLA for July 1, 2022 through December 31, 2022 for the 3 months ending September 30, 2022 (July 2022 - September 2022).

[5] Article 8.3 of the 2022 Settlement Agreement states the Recology San Francisco Companies shall decrease the notional balance for the amount foregone as a result of forgoing implementation of the RYE23 COLA for July 1, 2022 through December 31, 2022 for the 3 months ending December 31, 2022 (October 2022 - December 2022).

[6] Article 8.4 of the 2022 Settlement Agreement states the Recology San Francisco Companies shall decrease the notional balance by 50% of the profit above or below the target profit at 91% OR for the 3 months ending March 31, 2023 (January 2023 - March 2023).

## **Exhibit: Revised Pension Proposal**

May 18, 2023

### **Background**

Recology Inc. currently contributes \$25 million per year to a defined-benefit pension plan (the Plan), which serves a portion of the former and current employee-owners of multiple Recology operating companies. Most of those served by the Plan are former and current members of Local 350 who provide service to San Francisco. The SF Recology Companies are allocated a share of that annual contribution based on their respective share of the total service cost as calculated by the Plan's third-party actuaries.

The rate application includes projected cash contributions for the SF Recology Companies' share of the Plan's projected contributions for RY 2024 and RY 2025. For RY 2024, the SF Recology Companies' projected contributions are \$23,532,442, and for RY 2025, the SF Recology Companies' projected contributions are \$17,599,530. With these contributions, Recology's Plan actuary projected that the Plan would reach 100% funding as of June 2025.

The Refuse Rate Administrator asked the SF Recology Companies to provide scenarios to reach a Plan 100% funding status with a lower annual contribution over a greater number of years. Recology's Plan actuary projected the following funding statuses assuming a \$12 million annual contribution over the following five rate years (RY 2024 – RY 2028):

<b>RY 2026 (3 years)</b>	<b>RY 2028 (5 years)</b>	<b>RY 2032 (long-term)</b>
98%	100%	98%

The Refuse Rate Administrator has indicated its preliminary support for this proposal.

Market volatility, affecting plan assets and applicable interest rates, and any pension obligation changes could affect these projections, and further contributions may be required in the future based on actual Plan asset returns, demographic changes, changes to benefits and other economic condition changes. Because the long-term funding status of the Plan is projected to be below 100%, it is likely that additional contributions will be required after RY 2028. Additional contributions above \$12 million may be required sooner than RY 2028 due to these same factors, as detailed below. The full details of the SF Recology Companies' proposal are below.

### **Pension Plan Contribution Proposal**

The SF Recology Companies' allocable share of a \$12 million annual contribution in RY 2024 is \$11,295,572. The SF Recology Companies propose to include in the rates

\$11,295,572 as a Plan contribution in RY 2024, and \$11,408,511 as a Plan contribution in RY 2025. Contributions in subsequent rate years governed by the Rate Order through and including RY 2028 will vary slightly, based on the ratio of service cost for the SF Recology Companies as a percentage of total service cost, as determined by the Plan's third-party actuary.

This annual contribution shall be increased to the SF Recology Companies' allocable share of the full \$25 million contribution if the following scenario occurs:

#### Funding Status Falls Below 98% on Accounting Basis

If, after reaching 100% funding, the funding status of the Plan, as calculated by the Plan's then-existing actuary of record on an ASC 715 projected benefit obligation (PBO) basis, falls below 98%, monthly Plan contributions shall increase to one-twelfth of the SF Recology Companies' allocable share of a \$25 million contribution. These additional monthly contributions shall continue until the funding status of the Plan again reaches 100%. If the funding status of the Plan again falls below 98%, the additional monthly contributions described above shall resume until the funding status of the Plan again reaches 100%.

The Plan's actuary of record shall calculate the Plan's funding status on an ASC 715 PBO basis quarterly and shall furnish reports of that funding status to the SF Recology Companies. These reports shall be the sole basis for determining the funding status of the Plan on an ASC 715 PBO basis.

#### Minimum Required Contributions

Should the Plan be subject to a required cash contribution under the Employee Retirement Income Security Act of 1974 (ERISA), either a quarterly or residual Minimum Required Contribution after application of the Funding Balance, in excess of the annual contribution, with or without any additional contributions due to the funding status of the Plan falling below 98%, as outlined above, the SF Recology Companies shall increase monthly contributions to cover the allocable share of such excess contributions.

The Plan's actuary of record shall calculate the Minimum Required Contributions and quarterly contribution requirements of the Plan annually and shall furnish reports detailing those contribution requirements to the SF Recology Companies. These reports shall be the sole basis for determining the Minimum Required Contributions and quarterly contribution requirements of the Plan.

#### Pension Plan Rate Adjustment Account

If any additional Plan contributions above the annual contribution are made pursuant to the scenarios described above, the amount of such additional contributions shall be subtracted from the notional balance of a Pension Plan Rate Adjustment Account (PPRAA). The notional balance of the PPRAA shall start at 0. A negative balance in

the PPRAA shall be used to increase rates in the second following rate year. For example, if additional Plan contributions in the amount of \$3 million are made during RY 2024, rates for RY 2026 shall be increased by an amount necessary to generate \$3 million in additional revenue from ratepayers. Additional contributions above the annual contribution described above shall not be included in the calculation of above- or below-target profit necessary for calculating adjustments to the notional balance of the Balancing Account. The SF Recology Companies shall report the notional balance of the PPRAA as part of their quarterly and annual rate reporting requirements.

### **Other Contributions Not Included in Pension Plan Contribution Proposal**

In addition to the Plan costs, the SF Recology Companies also incur costs for Local 3 pension contributions and 401(k) matching for non-union employees. These amounts are projected to be \$1,408,286 in each of RY 2024 and RY 2025. These pension costs are assumed to remain constant regardless of the status of Plan contributions. The line item "pension" in the rate application and rate reports includes these amounts in addition to Plan contributions.



## MEMORANDUM

To: Mr. Jon Braslaw  
Director, Business Systems Services

Subject: Operating Ratio Analysis

Date: May 16, 2023

Recology provides solid waste, recyclables, and organics collection service to the City/County of San Francisco (San Francisco or City) under terms of a 1932 Ordinance. Recology's residential and apartment rates are set by the Refuse Collection and Disposal Rate Board (Rate Board). Recology serves over 160,000 customers in the City.

Recology's profit level in the City is regulated using the operating ratio (OR) methodology. The allowable OR is set by the City at 91 percent on allowable expenses. Recology requested an analysis conducted of how current City OR levels compare with industry averages.

### A. Scope and Deliverables

Crowe provided Recology with written analyses of OR data and input to the Company related to OR use in the waste management industry (hereafter referred to as Analysis). Specific tasks included:

1. Develop background on the OR, including a definition, the OR relationship to allowable costs, and how the OR is typically used in the waste management industry.
2. Survey OR data of selected similar California jurisdictions, and compile results. Survey industry OR data (e.g., publicly and privately held returns) and compile results. Compare with City OR.
3. Evaluate the OR on a pre-tax and post-tax basis. Assess the pre-tax OR provided by the City and its relationship to Recology's ESOP structure. Evaluate the historical background for the City's OR determination and the ESOP cost treatment.
4. Assess whether a balancing account provides the company with a "guaranteed profit" and what factors continue to create risk and necessitate profit requirements for the company even with a balancing account.

This letter report is organized as follows:

- A. *Operating Ratio Background*
- B. *Operating Ratio Survey Results*
- C. *Use of Pre-tax Versus Post-Tax Operating Ratio*
- D. *Relationship of Balancing Account to Operating Ratio.*



## B. Operating Ratio Background

The City currently regulates Recology's profit level using the operating ratio (OR) methodology. The allowable OR is set by the City at target of 91.0 percent on allowable (operating ratio-eligible) costs. The City has provided Recology this 91.0 percent target operating ratio since 2006.<sup>1</sup> The operating ratio is defined as:

$$\frac{\text{OR-Eligible Costs}}{\text{OR Eligible Costs Plus Allowed Profit.}}$$

## C. Operating Ratio Survey Results

We surveyed operating ratio data from the following three (3) sources, the results of which are described below:

- California jurisdictions with operating ratios
- Publicly held company operating ratios
- Privately held company operating ratios.

### 1. California Jurisdictions with Operating Ratios

**Attachment A** provides survey data for 29 California jurisdictions that regulate the profit of refuse collection companies using an OR methodology. The average OR for these 29 jurisdictions is 89.4 percent. Most, or 72 percent (22), of these jurisdictions provide the OR on earnings before interest and tax (EBIT) basis, with these averaging an OR of 89.2 percent. The remaining 28 percent (8) provide the OR on earnings before tax (EBT) basis, with these averaging an OR of 90.0 percent. None of those 29 surveyed provided the OR on a post-tax basis.

OR data surveyed ranged from 83.9 to 93.0 percent. Some of this variation is explained by the differences in how a jurisdiction treats costs for rate setting purposes. Specifically, there is variation in which costs are considered allowable costs (on which the OR is applied), pass-through costs (not earning on OR but included in rates), and non-allowed costs.

### 2. Publicly held Company Operating Ratios

Operating ratio data for the three (3) largest publicly held waste management companies is provided in **Attachment B**. This data is sourced from company annual reports and 10Ks. Over the last four years, the weighted average operating ratio, on an EBIT basis was 83.4 percent and on an EBT basis was 86.5 percent. These companies are engaged in a variety of waste management services beyond collection, including, for example, transfer station and landfill ownership and operations.

### 3. Privately held Company Operating Ratios

Operating ratio data for privately held refuse collection companies is provided in **Attachment C**. The source of this data is the Risk Management Association (RMA). Over the last four years, the weighted average operating ratio on an EBIT basis was 91.0 percent and on an EBT basis was 92.6 percent. These returns included between 150 and 278 private companies of varying size and location throughout the U.S.

OR survey results for the three above sources are summarized in the table below.

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<sup>1</sup> This 91 percent OR is also identified as a 9 percent profit margin.

**Summary of Operating Ratio Data**  
**California Regulated, Privately-Held, Publicly-Held**  
**Source data for 4 years, from 2019-2022**  
**(As of April 10, 2023)**

Description	Operating Ratio		Comment
	EBIT	EBT	
California Regulated (Avg)	89.4%		Target
Median	90.0%		
Mode (most frequent)	90.0%		
Maximum	93.0%		
Minimum	83.9%		
Privately Held (RMA, Wt. Avg)	91.0%	92.6%	Actual
Publicly Held (Wt. Avg)	83.4%	86.5%	Actual
San Francisco	91.0%		

Conclusion: the 91.0 percent target operating ratio provided by the City is in line with published actual privately-held refuse collection company returns, is slightly above (less profit) than targeted returns provided by other California jurisdictions, and well above (less profit) than published actual returns of the 3 largest publicly-held waste management companies.

**D. Use of Pre-tax Versus Post-tax Operating Ratio**

Prior to 1982, the City provided Recology with a target 95.0 percent after tax OR. In 1982, the City shifted from the 95.0 percent after tax OR to a 90.5 percent pre-tax OR, based on the conclusion that it simplified the rate making process and finding, similar to the surveyed results in B. above, that most other government entities used pre-tax ORs. At that time, the City determined that using an after tax OR unnecessarily complicated the rate making process. The City's consultants indicated that allowing tax in the calculation placed the risks and potential burden of uncertain future tax law changes, which could either increase or decrease Recology's income tax expense, onto the ratepayers rather than on Recology.

In studies performed at the time by the City's consultants, they calculated that the equivalent of a pre-tax 90.5 percent OR on a post-tax basis equaled 93.6 percent for Recology Sunset Scavenger and 94.4 percent for Recology Sanitary Fill. Both figures were relatively close to the City's pre-1982 after tax OR target of 95.0 percent.

*Relationship of Employee Stock Option Plan (ESOP) to Operating Ratio*

In 1986, Recology implemented an ESOP. Given that Recology's S-corporation ESOP is exempt from federal and state income taxation, the City has recently asked whether the company should receive a higher OR (or lower profit) as a result.

For context, Recology's profit for tax purposes is passed through to the Recology ESOP, which is income tax exempt under federal and state tax laws.<sup>2</sup> In 1998, Congress changed the tax laws to provide a meaningful benefit to ESOP companies to encourage employee ownership.

<sup>2</sup> Recology's current effective tax rate is 1.5% (representing a State Excise Tax).

An ESOP is similar to a pension plan, or a 401(k) plan, except that the investments made by Recology are solely in company stock. Without an established market for Recology's stock, each year Recology must buy back the shares from retiring employees who Recology is cashing out (referred to as the "repurchase obligation").

Under ESOP law, in lieu of paying taxes, the company incurs ESOP-related expenses including the annual repurchase obligation described above. This repurchase obligation is fully taxable to Recology employees so the federal and state government ultimately still collects the tax revenue.

Recology's total repurchase obligation has averaged approximately \$21.3M annually over the past 5 years (2018 to 2022). Using a combined federal and state corporate tax rate that a California corporation would pay<sup>3</sup>, Recology's imputed tax on its earnings (i.e., if Recology were required to pay tax) would have equaled approximately \$14.8M annually for 2018, 2019 and 2022.<sup>4</sup> Compared to the tax Recology would have paid for these three years of 2018, 2019 and 2022 combined, the repurchase obligation exceeded the tax amount by \$18M. This demonstrates that the company's ESOP-related costs are at least equivalent to, if not greater, than what Recology's tax liability would be were Recology taxed.

The City has never allowed Recology's ESOP repurchase obligation costs and these costs have never been included in rates charged to City customers. For the first decade of the ESOP program, first generation ESOP costs were allowed in rates to the extent that they replaced demonstrated savings and then were phased-out completely in 1996 thereby passing the full savings onto City ratepayers.

Conclusion: The fact that Recology does not pay federal and state tax does not provide Recology an advantage given the size of Recology's annual ESOP repurchase obligations. Consequently, the OR should not be increased (profit lowered) to account for the fact that Recology does not pay federal and state income taxes.

## **E. Relationship of Balancing Account to Operating Ratio**

In the December 2022 Settlement Agreement between the SF Recology Companies and the City (Settlement Agreement), the parties agreed to establish a balancing account. The Settlement Agreement (Section 8.4) provides a methodology to increase or decrease the balance account based on comparing the company's actual profitability with the projected profitability. Specifically, the notional balance of the balancing account is adjusted for 50 percent of the difference between actual net profits or losses earned in a quarter, at or below the profit that would be earned using a 91 percent operating ratio on operating ratio-eligible costs.

In discussions the company had with the City regarding the balancing account and the OR, the City has suggested that the OR should be higher (profit lower) than in the past because the balancing account essentially provides the company with a "guaranteed profit." However, with the balancing account, as it is defined in the Settlement Agreement, the company continues to bear risks serving the City, in the following ways:

1. If the balancing account true up mechanism is set at 50 percent of the projected versus actual profit differential (as stated in Section 8.4 of the Settlement Agreement), the 91 percent OR profit is not guaranteed. Recology does not recover the entire shortfall in a case where its actual profit falls below the 91 percent target and conversely could receive a windfall for profits in excess of the 91 percent target.
2. There is future uncertainty with how the RRA and/or Rate Board may allow future recovery of profit shortfalls if they result in significant rate increases to City ratepayers (e.g., limit or spread out recovery over a long period of time).
3. Certain line items included in the rate application are largely outside of SF Recology Company control (e.g., revenues, intercompany disposal costs, and intercompany processing costs). Recology bears a larger degree of risk if the company does not fully recover profit shortfalls resulting from differences between projected and actual results of these uncontrollable line items.

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<sup>3</sup> Equal to 27.3 percent for 2018 and 27.5 percent for 2019 and 2022.

<sup>4</sup> Including years 2018, 2019, and 2022 and not including 2020 and 2021 which were anomalous years.

Other factors creating uncertainty with respect to the OR and use of the balancing account include:

- The SF Recology entities incur some costs that are OR eligible and some that are not OR-eligible. Approximately over 35 percent of total City expenses are not OR-eligible. Hence the effective total projected OR realized (included in rates) by the combined SF Recology Companies, including both OR-eligible and non OR-eligible costs, is always greater than 91 percent.
- If non-OR eligible costs increase faster than OR eligible costs, the effective OR will increase, decreasing profits.
- As revenues increase or decrease, the change in non-OR eligible and OR eligible costs may not change at the same rate. For example, a 20 percent increase in revenue may not result in a similar 20 percent increase in costs. This revenue-cost misalignment can lead to substantial "excess" or "shortfall" profits since Recology is limited to earn profits only actual OR-eligible costs.
- The OR percentage is not equivalent to a profit margin (which is often what companies such as Recology use as a measure to support company financing). A profit margin is calculated by dividing the net profit (loss), calculated as the revenue less total expenses, by total revenue. Uncontrollable fluctuations in the company's revenues will change the actual profit margin which could result in a higher or lower profit margin than the target 9 percent level.

Conclusion: The current 50 percent balancing account true up mechanism included in the Settlement Agreement should not be viewed as providing the company a guaranteed 91 percent OR. Consequently, the OR should not be increased (profit lowered) to account for the fact that the Settlement Agreement includes this balancing account mechanism.

\* \* \* \* \*

In the course of preparing this Analysis, we have not conducted an audit, review, or compilation of any financial or supplemental data used in the accompanying Analysis. Certain projections may vary from actual results because events and circumstances frequently do not occur as expected and such variances may be material. We have no responsibility to update this Analysis for events or circumstances occurring after the date above.

Our procedures and work product are considered confidential and intended for the benefit and use of the company. This engagement was not planned or conducted in contemplation of reliance by any other party and is not intended to benefit or influence any other party. Therefore, items of possible interest to a third party may not be specifically addressed or matters may exist that could be assessed differently by a third party.

This Analysis is substantially different from an audit, examination, or review in accordance with Generally Accepted Auditing Standards, the objective of which is to express an opinion. Accordingly, we do not express such an opinion. Crowe's services and work product were performed in accordance with the Standards for Consulting Services established by the American Institute of Certified Public Accountants ("AICPA") and do not constitute an audit, examination, or review in accordance with standards established by the AICPA.

In the preparation of this Analysis, Crowe relied upon certain information provided to Crowe without verification or investigation. The information in this Analysis is based on estimates, assumptions and other data developed by Crowe from information provided by Recology, knowledge of and participation in other studies, and other sources deemed to be reliable.

The company agreed to be responsible to make all management decisions and perform all management functions; designate an individual who possesses suitable skill, knowledge, and/or experience, preferably within senior management to oversee these services; evaluated the adequacy and results of the services performed; and accepted responsibility for the results of the services.

Crowe's fees are not dependent upon the outcome of this report and Crowe is independent with respect to any other economic interests.

*Crowe LLP*  
Crowe LLP

San Francisco, California  
May 16, 2023

Confidential

**Attachment A**

<b>California Cities and Counties Operating Ratio (OR) Survey For Jurisdictions that Have Established an OR in a Franchise Agreement or Contract As of April 10, 2023</b>		
No.	Jurisdiction	Operating Ratio (OR)
1	City of Alameda *	90.0%
2	City of Carmel by the Sea *	85.8%
3	City of Concord **	90.0%
4	City of East Palo Alto *	90.5%
5	City of El Cerrito **	90.5%
6	City of Grover Beach *	92.0%
7	City of Half Moon Bay **	90.0%
8	City of Martinez *	90.0%
9	City of Milpitas *	89.5%
10	City of Petaluma *	88.0%
11	City of Pinole *	88.0%
12	City of Pleasanton *	90.0%
13	City of San Ramon *	89.0%
14	City of Santa Rosa **	90.0%
15	City of San Jose (Commercial) *	85.3%
16	City of Vallejo **	89.0%
17	Butte County *	90.0%
18	Central Contra Costa County (JPA, 6 jurisdictions) *	87.0%
19	El Dorado County *	90.0%
20	Marin County (JPA, 5 jurisdictions) *	90.5%
21	Napa County **	90.5%
22	Contra Costa County (unincorporated areas) *	90.0%
23	Plumas County **	90.0%
24	Santa Cruz County *	83.9%
25	South Lake Tahoe Basin Waste Management Authority (JPA, 3 jurisdictions) *	89.0%
26	South Bayshore Waste Mgt Authority (SBWMA, 11 jurisdictions) *	90.5%
27	San Luis Obispo County (uninc.) *	93.0%
28	Town of San Anselmo *	90.5%
29	Town of Windsor **	90.0%
	Average (all)	89.4%
	Median	90.0%
	Mode (most frequent)	90.0%
	Maximum	93.0%
	Minimum	83.9%
	* Earnings before interest and tax (EBIT) basis (21 jurisdictions)	89.2%
	** Earnings before tax (EBT) basis (8 jurisdictions)	90.0%
	Recology San Francisco (EBIT)	91.0%

**Attachment B**

Publicly-Held Company  
Operating Ratio Data  
Republic, Waste Connections, Waste Management  
Data from 2019 to 2022  
Sources: Published Financial Statements, 10Ks

<u>Republic Services</u>	Operating Revenue	Costs	Earnings Before Interest and Taxes (EBIT)	Other Income (Expense)	Earnings Before Taxes (EBT)	Tax Costs	Earnings After Tax (EAT)	OR (EBIT)	OR (EBT)	OR (EAT)
2022	13,511	11,120	2,391	(560)	1,831	344	1,487	82%	86%	88%
2021	11,295	9,219	2,076	(501)	1,575	283	1,292	82%	85%	88%
2020	10,154	8,445	1,709	(566)	1,143	173	970	83%	88%	90%
2019	10,299	8,512	1,787	(491)	1,296	222	1,074	83%	87%	89%
<u>Waste Connections</u>	Op Rev	Costs	Earnings Before Interest and Taxes (EBIT)	Other Income (Expense)	Earnings Before Taxes (EBT)	Tax Costs	Earnings After Tax (EAT)	OR (EBIT)	OR (EBT)	OR (EAT)
2022	7,211,859	5,960,565	1,251,294	(202,331)	1,048,963	213,301	835,662	83%	85%	88%
2021	6,151,361	5,217,823	933,538	(162,796)	770,742	152,695	618,047	85%	87%	89%
2020	5,445,990	5,029,701	416,289	(162,375)	253,914	49,237	204,677	92%	95%	96%
2019	5,388,679	4,535,420	853,259	(147,368)	705,891	139,050	566,841	84%	87%	89%
<u>Waste Management</u>	Op Rev	Costs	Earnings Before Interest and Taxes (EBIT)	Other Income (Expense)	Earnings Before Taxes (EBT)	Tax Costs	Earnings After Tax (EAT)	OR (EBIT)	OR (EBT)	OR (EAT)
2022	19,698	16,333	3,365	(447)	2,918	678	2,240	83%	85%	88%
2021	17,931	14,966	2,965	(616)	2,349	532	1,817	83%	86%	89%
2020	15,218	12,784	2,434	(541)	1,893	397	1,496	84%	87%	90%
2019	15,455	12,749	2,706	(601)	2,105	434	1,671	82%	86%	88%
					<b>4 Year</b>		<b>Average</b>	<b>84%</b>	<b>87%</b>	<b>89%</b>
							<b>Median</b>	<b>83%</b>	<b>86%</b>	<b>89%</b>
							<b>Min</b>	<b>82%</b>	<b>85%</b>	<b>88%</b>
							<b>Max</b>	<b>92%</b>	<b>95%</b>	<b>96%</b>
Weighted Average (3 Companies)	Op Rev	Costs	Earnings Before Interest and Taxes (EBIT)	Other Income (Expense)	Earnings Before Taxes (EBT)	Tax Costs	Earnings After Tax (EAT)	OR (EBIT)	OR (EBT)	OR (EAT)
2022	40,421	33,414	7,007	(1,210)	5,798	1,235	4,562	83%	85%	88%
2021	35,377	29,403	5,975	(1,280)	4,695	968	3,727	83%	86%	89%
2020	30,818	26,259	4,559	(1,270)	3,290	619	2,670	85%	89%	91%
2019	31,143	25,796	5,346	(1,239)	4,107	795	3,312	83%	86%	89%
Total (4 years)	137,759	114,872	22,887	(4,999)	17,889	3,617	14,272	<b>83%</b>	<b>87%</b>	<b>89%</b>

**Attachment C**

**Risk Management Association  
Administration & Waste Management Services - Solid Waste Collection  
NAICS 562111  
Data from 2017/18 to 2021/22**

Description	Prior Year Data					4 Year Wt Avg
	2017-18	2018-19	2019-20	2020-21	2021-22	
Number of Entities	246	278	191	150	158	
Income Data						
Net Sales	100	100	100	100	100	400
Gross Profit						
Operating Expenses	90.1	91.2	91.9	90.7	91.8	365.60
Operating Profit	9.9	8.8	8.1	9.3	8.2	34.40
All Other Expenses (net)	1.9	1.5	1.5	1.5	0.5	5.00
Profit Before Taxes (EBT)	8	7.3	6.6	7.8	7.7	29.40
Operating Ratio (EBT)	92%	92.6%	93.3%	92.1%	92.3%	<b>92.6%</b>
Operating Ratio (EBIT)	90%	90.4%	91.7%	90.8%	91.1%	<b>91.0%</b>

**Table 1: SS/GG Cost Variance Summary**

<b>SS/GG</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Rate Eligible Expenses	\$203,263,707	\$216,277,195	\$226,381,884	\$231,477,339
YoY % Change	N/A	6.40%	4.67%	2.25%
YoY Variance	N/A	\$13,013,488	\$10,104,689	\$5,095,454
Program Enhancements	N/A	\$760,000	\$1,976,013	\$683,244
Stated Operational Changes	N/A	\$2,083,000	(\$1,191,395)	\$0
Labor and related (excluding, program enhancements and Stated operational changes)	N/A	\$2,600,091	\$2,506,257	\$3,356,918
<i>Pension</i>	N/A	\$440,042	(\$8,124,774)	\$414,364
Other Assumed Cost Increases	N/A	\$7,130,355	\$14,938,588	\$640,927

**Table 2: RSF Cost Variance Summary**

<b>RSF</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Rate Eligible Expenses	\$147,574,304	\$156,124,226	\$158,280,679	\$160,093,866
YoY % Change	N/A	5.79%	1.38%	1.15%
YoY Variance	N/A	\$8,549,923	\$2,156,452	\$1,813,188
Program Enhancements	N/A	\$0	\$0	\$0
Stated Operational Changes	N/A	\$356,000	(\$356,000)	\$0
Labor (excluding, program enhancements and Stated operational changes)	N/A	\$1,358,358	\$1,596,122	\$1,272,676
<i>Pension (excludes local 3 pension)</i>	N/A	(\$150,649)	(\$3,805,467)	(\$301,426)
Other Assumed Cost Increases	N/A	\$6,986,214	\$4,721,796	\$841,937



**Table 3: SS/GG FTE Variance Summary**

<b>SS/GG</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
FTE	668	682	695	695
YoY % Change	N/A	2.10%	1.91%	0.00%
YoY Variance	N/A	14	13	-
Program Enhancements	N/A	1	7	-
Stated Operational Changes	N/A	11	4	-
Other FTE Changes	N/A	2	2	-

**Table 4: RSF FTE Variance Summary**

<b>RSF</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
FTE	388	396	396	396
YoY % Change	N/A	2.06%	0.00%	0.00%
YoY Variance	N/A	8	-	-
Program Enhancements	N/A	-	-	-
Stated Operational Changes	N/A	2	-	-
Other FTE Changes	N/A	6	-	-

Program Costs	RY 2022		RY 2023		RY 2024		RY 2025	
	SS/GG	RSF	SS/GG	RSF	SS/GG	RSF	SS/GG	RSF
<b>Total Program Costs</b>								
Abandoned Material Pickup	\$ 7,030,000		\$ 7,450,000		\$ 7,752,000		\$ 7,968,600	
City Can Service	\$ 5,630,000		\$ 5,970,000		\$ 6,213,000		\$ 6,395,400	
Outreach and Education					\$ 451,107		\$ 464,877	
Pre Processing Organics							\$ 216,365	
Apartment Diversion								
Clean-Up Events					\$ 706,981		\$ 728,561	
Contamination Program and Fees					\$ 272,925		\$ 305,454	
<b>Total Program Costs</b>	<b>\$ 12,660,000</b>	<b>\$ -</b>	<b>\$ 13,420,000</b>	<b>\$ -</b>	<b>\$ 15,396,013</b>	<b>\$ -</b>	<b>\$ 16,079,257</b>	<b>\$ -</b>



Operational Change Costs	RY 2022		RY 2023		RY 2024		RY 2025	
	SS/GG	RSF	SS/GG	RSF	SS/GG	RSF	SS/GG	RSF
<b>Total Operational Change Costs</b>								
Pandemic Changes			476,000					
Facility Maintenance			387,000	356,000				
Fleet Maintenance			240,000					
Tenderloin Coverage					891,605			
Sustainable Crushing								
Regional Finance			980,000					
<b>Total Operaitonal Change Costs</b>	\$ -	\$ -	\$ 2,083,000	\$ 356,000	\$ 891,605	\$ -	\$ -	\$ -



Other Cost Changes	RY 2022		RY 2023		RY 2024		RY 2025	
	SS/GG	RSF	SS/GG	RSF	SS/GG	RSF	SS/GG	RSF
<b>Other Cost Changes</b>								
Labor and Benefits	N/A	N/A	\$7,757,539	\$2,894,092	\$4,388,638	\$1,973,050	\$812,799	-\$113,226
Truck Operations and Other Assets	N/A	N/A	\$895,972	\$1,271,983	\$425,827	\$413,713	\$439,518	\$396,215
Dipsosal and Processing	N/A	N/A	\$2,821,907	\$5,242,481	\$20,762,968	-\$1,459,338	\$2,789,976	\$1,008,023
Facility and Operations Maintenance	N/A	N/A	-\$188,903	\$29,107	\$90,621	-\$797,528	\$78,037	\$205,095
Other costs	N/A	N/A	\$1,623,371	-\$937,241	\$1,527,844	\$1,402,241	\$1,006,651	\$1,039,289
<i>Professional and Contract Services</i>	N/A	N/A	\$328,263	\$294,191	\$52,258	\$880,453	\$123,198	\$798,965
<i>Corporate Services</i>	N/A	N/A	\$2,684,431	\$81,181	\$553,973	\$18,173	\$477,047	\$15,650
<i>Operating Supplies, Office Supplies, and Telephone</i>	N/A	N/A	-\$235,361	-\$104,293	\$120,571	\$103,078	\$103,829	\$88,765
<i>General and Vehicle Insurance</i>	N/A	N/A	-\$200,119	-\$1,776	\$317,086	\$29,070	\$227,417	\$134,490
<i>Other Expenses</i>	N/A	N/A	-\$953,843	-\$1,206,544	\$483,956	\$371,466	\$75,162	\$1,419
Capital	N/A	N/A	\$2,933,470	\$49,500	\$3,667,593	\$624,314	\$2,754,862	-\$722,208
<b>Total Operational Change Costs</b>	<b>N/A</b>	<b>N/A</b>	<b>\$15,843,357</b>	<b>\$8,549,923</b>	<b>\$30,863,491</b>	<b>\$2,156,452</b>	<b>\$7,881,844</b>	<b>\$1,813,188</b>



Positive - owe to Ratepayer  
Negative - owe to Recology

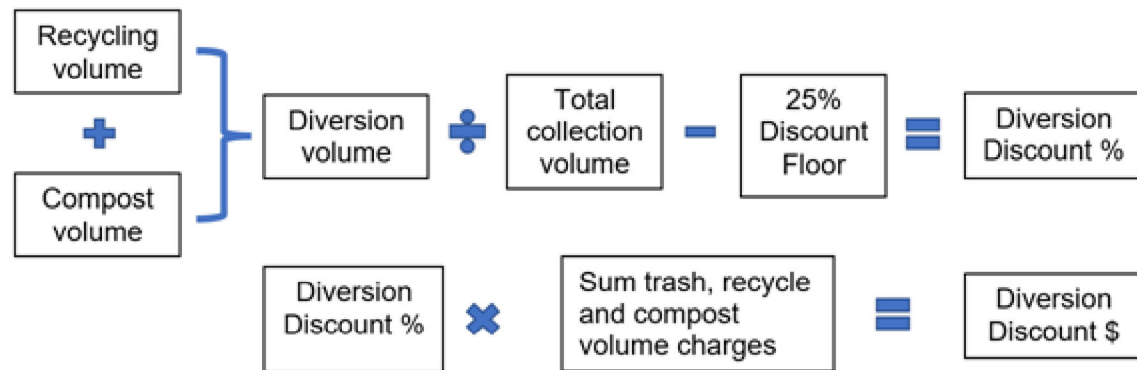
	RY 2023	RY 2024	RY 2025	RY 2026	RY 2027	RY 2028	RY 2029	RY 2030
<b>Notional Balancing Accounts</b>								
<b>December 2022 Settlement account</b>								
Beginning Balance	-	5,000,000	5,000,000	4,000,000	3,000,000	2,000,000	1,000,000	-
Dec 2022 initial settlement	25,000,000							
RY 2022 COLA deferral	(8,649,613)							
RY 2022 15 month profit variance	(6,739,942)							
RY 2023 Q1 profit variance	(2,579,616)							
RY 2023 Q2 profit variance	(675,000)							
RY 2023 Q3 profit variance	(675,000)							
RY 2023 Q4 profit variance [1]	(680,829)							
Use of Dec 2022 settlement account			(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	
Ending Balance	5,000,000	5,000,000	4,000,000	3,000,000	2,000,000	1,000,000	-	-
<b>2023 Rate Application account</b>								
Beginning Balance	-	-	1,000,000	500,000	(1,500,000)	(250,000)	500,000	(1,000,000)
100% profit variance - RY 2024 Q1 - Q3	-	750,000						
100% profit variance - RY 2024 Q4 [1]		250,000						
100% profit variance - RY 2025 Q1 - Q3			(375,000)					
100% profit variance - RY 2025 Q4 [1]			(125,000)					
100% profit variance - RY 20XX Q1 - Q3				(750,000)	562,500	(187,500)	(562,500)	(150,000)
100% profit variance - RY 20XX Q4 [1]				(250,000)	187,500	(62,500)	(187,500)	(50,000)
Use of 2023 rate application account			-	(1,000,000)	500,000	1,000,000	(750,000)	250,000
Ending Balance	-	1,000,000	500,000	(1,500,000)	(250,000)	500,000	(1,000,000)	(950,000)

<b>Impact on revenue from ratepayers [ negative - reduction in amount to be paid by ratepayer]</b>								
Rate adjustment (Dec 2022 settlement)	-	-	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	-
Rate adjustment (RY 2024 profits)				(1,000,000)				
Rate adjustment (RY 2025 profits)					500,000			
Rate adjustment (RY 2026 profits)						1,000,000		
Rate adjustment (RY 20XX profits)							(750,000)	250,000
Total	-	-	(1,000,000)	(2,000,000)	(500,000)	-	(1,750,000)	250,000

<b>Net Impact on Rates [Negative is decrease in rates]</b>								
Rate adjustment (Dec 2022 settlement)	-	-	(1,000,000)					1,000,000
Rate adjustment (RY 2024 profits)				(1,000,000)	1,000,000			
Rate adjustment (RY 2025 profits)					500,000	(500,000)		
Rate adjustment (RY 2026 profits)						1,000,000	(1,000,000)	
Rate adjustment (RY 2027 profits)							(750,000)	750,000
Rate adjustment (RY 2028 profits)								250,000
Total	-	-	(1,000,000)	(1,000,000)	1,500,000	500,000	(1,750,000)	2,000,000

[1] Q4 is an estimate within the rate year and would need to be adjusted for final actual results in Q1 of the next rate year.





Customer Type	Diversion Discount Eligible	Volume Conversion Factors:
Residential	N	- Yard to Gallons = 201.97046
Apartment	Y	- Compactors = 3:1 ratio (Yard to Gallons conversion x 3)
Commercial	Y	
Compactor	Y	
Debris Box - C&D	N	

Debris Box - Trash/Recycl/Comp Y

**Methodology**  
 Diversion percentage is calculated by taking total compost and recycle volume and dividing by total trash/recycle/compost volume  
 $Diversion \% = (recycle + compost volume) / (recycle + compost + trash volume)$   
 Diversion discount is calculated by taking the diversion percentage less 25% floor  
 $Diversion Discount = Diversion \% - 25\%$   
 Diversion discount is applied to Trash, Recycle, Compost services only (premium charges, extra charges, keys, distance, elevation, ancillary fees are excluded from discount)

**Example Calculation**  
 Step 1: Convert Trash/Recycle/Compost volume to gallons using 201.97 conversion factor  
 Step 2: Calculate service days in a month  
 Step 3: Multiple total gallons by number of service days to get total gallons for the service month  
 Step 4: Divide divertable gallons with total gallons  
 Step 5: Subtract 25% (floor) from diversion %  
 Step 6: Multiply Service rates (only) with diversion % to calculate discount  
 \* Diversion discount is only applicable to subscribed trash/recycling/compost service. Ancillary fees are excluded from diversion discount  
 Step 7: Total service + fees - diversion discount = total monthly charge

Example - April 2023

Manual Entries			Pick Up Days (Enter "Y" on Pick Up Days)							11	12	13	14	15	16	17	
Service Frequency	Start Date	End Date	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Service Days
MW	04/01/23	04/30/23		Y		Y				5	4	4	4	4	4	5	8
MWF	04/01/23	04/30/23		Y		Y		Y		5	4	4	4	4	4	5	12

Service Type	Number of Containers	Capacity of Containers	Service Days	Serviced Days per		Convert to Gallons	Rate	Current Monthly Pricing	
				Month	Month			Total Service + Fees	Total Service
6 yd Recycling Bin	1	6 yard	MW	8	8	9,695	\$ 2,713.25	\$ 2,713.25	\$ 2,713.25
Distance 10%	1						\$ 271.33	\$ 271.33	\$ 271.33
4 yd Trash Bin	1	4 yard	MWF	12	12	9,695	\$ 2,865.74	\$ 2,865.74	\$ 2,865.74
Distance 10%	1						\$ 286.57	\$ 286.57	\$ 286.57
4yd Compost Bin	1	4 yard	MWF	12	12	9,695	\$ 2,865.74	\$ 2,865.74	\$ 2,865.74
Distance 10%	1						\$ 286.57	\$ 286.57	\$ 286.57
Key	8						\$ 15.45	\$ 123.60	\$ 123.60
Lock	8						\$ 15.45	\$ 123.60	\$ 123.60
Total Gallons (Trash + Recycl + Org)						29,084	Total Service + Fees	\$ 9,536.40	
Total Diverted Gallons (Recyl + Org)						19,390	Total Service	\$ 8,444.73	
Diversion % [Diverted Gallons / Total Gallons ]						67%	Diversion Discount	\$ (3,518.64)	
Diversion Discount % [Diversion % - 25% floor]						42%	Total Charge	\$ 6,017.77	



DESCRIPTION	Amount
R/L 4 Axle 25 yd Single Stream	\$ 344,000
R/L 4 Axle 25 yd Single Stream	\$ 344,000
R/L 4 Axle 25 yd Single Stream	\$ 344,000
R/L 4 Axle 25 yd Single Stream	\$ 344,000
F/L - 4 Ax 40 yd Cam,AxleScale	\$ 406,000
S/L 3 Axle, MANUAL 29YD Bridge	\$ 404,000
S/L 3 Axle, MANUAL 29YD Bridge	\$ 404,000
S/L 3 Axle 29yd Bridgeport Man	\$ 425,000
S/L 3 Axle 29yd Bridgeport Man	\$ 425,000
Subtotal	\$ 3,440,000

Taken Delivery of a container truck  
since submission of the rate  
application on 3/7/2023

\$ 161,220

Total

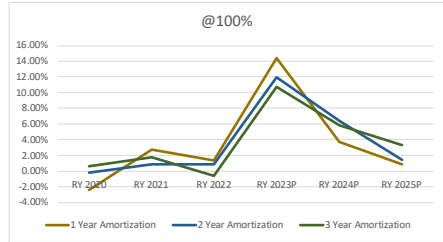
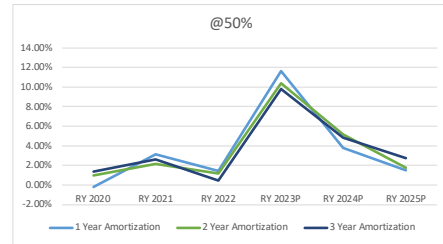
\$ 3,601,220

Agrees to row 81 of tab J.2 of the Recology Refuse Rate Change Request Schedule

Recology San Francisco Companies

Revised Annual Rate Adjustments for Impact of New Balancing Account Amortization  
Rate Increase (Decrease)

	30-Jun RY 2020	30-Jun RY 2021	30-Sep RY 2022	30-Sep RY 2023P	30-Sep RY 2024P	30-Sep RY 2025P
Actual Annual Rate Increase before impact of amortization of balancing account activity	2.11%	3.50%	1.56%	8.86%	3.90%	2.17%
<b>@50%</b>						
1 Year Amortization	-0.16%	3.12%	1.46%	11.65%	3.78%	1.49%
2 Year Amortization	0.97%	2.17%	1.19%	10.41%	5.16%	1.77%
3 Year Amortization	1.35%	2.61%	0.47%	9.81%	4.85%	2.73%
<b>@100%</b>						
1 Year Amortization	-2.43%	2.74%	1.36%	14.44%	3.65%	0.82%
2 Year Amortization	-0.16%	0.84%	0.82%	11.96%	6.42%	1.37%
3 Year Amortization	0.60%	1.72%	-0.61%	10.76%	5.80%	3.29%



	30-Jun RY 2018	30-Jun RY 2019	30-Jun RY 2020	30-Jun RY 2021	30-Sep RY 2022	30-Sep RY 2023P	30-Sep RY 2024P	30-Sep RY 2025P	
<b>Scenario 1 - based on SSGG actuals</b>									
Total Sources - SSGG	355,752,899	376,679,786	374,908,368	340,118,862	358,930,374	383,323,614	383,448,414	391,869,386	
Target Profit	17,402,820	18,187,654	18,904,445	18,784,135	19,819,204	21,141,727	20,618,901	21,137,156	
Actual Profit	34,522,012	38,073,327	37,639,702	18,531,808	20,492,656	27,002,207	20,618,901	21,137,156	
Excess / (shortfall) Profit	17,119,192	19,885,673	18,735,257	(252,327)	673,452	5,860,480	0	0	
Excess / (shortfall) Profit %	98%	109%	99%	-1%	3%	28%	0%	0%	
50%	8,559,596	9,942,837	9,367,629	(126,164)	336,726	2,930,240	0	0	\$27,743,898 Excess profit Recology would keep at 50% balancing acct for RY18 - RY21
100%	17,119,192	19,885,673	18,735,257	(252,327)	673,452	5,860,480	0	0	
<b>True-up in year following release of results</b>									
50%			(8,559,596)	(9,942,837)	(9,367,629)	126,164	(336,726)	(2,930,240)	
100%			(17,119,192)	(19,885,673)	(18,735,257)	252,327	(673,452)	(5,860,480)	
<b>% Increase (Reduction) to Rates</b>									
50%			-2.27%	-2.65%	-2.75%	0.04%	-0.09%	-0.76%	
100%			-2.27%	-2.65%	-2.75%	0.04%	-0.09%	-0.76%	
Subtotal			-2.27%	-0.38%	-0.10%	2.79%	-0.12%	-0.68%	Reverse prior year amortization of balancing account - calculated on current revenue levels
annual rate adjustment SSGG	new rate	7.45%	2.11%	3.50%	1.56%	8.86%	3.90%	2.17%	
<b>Total for 50%</b>			-0.16%	3.12%	1.46%	11.65%	3.78%	1.49%	
100%			-4.54%	-5.30%	-5.51%	0.07%	-0.18%	-1.53%	
100%			-4.54%	-5.30%	-5.51%	0.07%	-0.18%	-1.53%	
Subtotal			-4.54%	-0.76%	-0.20%	5.58%	-0.25%	-1.35%	Reverse prior year amortization of balancing account - calculated on current revenue levels
annual rate adjustment SSGG	new rate	7.45%	2.11%	3.50%	1.56%	8.86%	3.90%	2.17%	
<b>Total for 100%</b>			-2.43%	2.74%	1.36%	14.44%	3.65%	0.82%	
<b>Scenario 2 - based on RSF actuals</b>									
Total Sources - RSF	153,008,512	160,380,252	150,939,025	140,869,017	149,550,959	146,683,490	146,817,319	173,813,280	
Target Profit	11,065,034	11,976,688	12,015,319	11,507,043	11,664,960	12,362,065	12,414,173	12,439,927	
Actual Profit	7,694,816	3,232,139	(5,434,163)	(6,256,252)	(4,052,683)	(12,476,319)	12,414,173	12,439,927	
Excess / (shortfall) Profit	(3,370,218)	(8,744,549)	(17,449,482)	(17,763,295)	(15,717,643)	(24,838,384)	0	(0)	
Excess / (shortfall) Profit %	-30%	-73%	-145%	-154%	-135%	-201%	0%	0%	
50%	(1,685,109)	(4,372,274)	(8,724,741)	(8,881,647)	(7,858,822)	(12,419,192)	0	(0)	
100%	(3,370,218)	(8,744,549)	(17,449,482)	(17,763,295)	(15,717,643)	(24,838,384)	0	(0)	
<b>True-up in year following release of results</b>									
50%			1,685,109	4,372,274	8,724,741	8,881,647	7,858,822	12,419,192	
100%			3,370,218	8,744,549	17,449,482	17,763,295	15,717,643	24,838,384	
<b>% Increase (Reduction) to Rates</b>									
50%			1.05%	2.90%	6.19%	5.94%	5.36%	8.46%	
100%			1.05%	-1.05%	-2.90%	-6.19%	-5.94%	-5.36%	
Subtotal			1.05%	1.85%	3.30%	-0.25%	-0.58%	3.10%	
annual rate adjustment RSF	new rates	4.35%	2.90%	3.06%	3.48%	5.96%	16.36%	0.08%	
<b>Total for 50%</b>			3.95%	4.91%	6.78%	5.71%	15.78%	3.18%	
100%			2.10%	5.79%	12.39%	11.88%	10.72%	16.92%	
100%			2.10%	-2.10%	-5.79%	-12.39%	-11.88%	-10.72%	
Subtotal			3.69%	3.69%	6.59%	-0.51%	-1.16%	6.20%	
annual rate adjustment RSF	new rates	4.35%	2.90%	3.06%	3.48%	5.96%	16.36%	0.08%	
<b>Total for 100%</b>			5.00%	6.75%	10.07%	5.45%	15.20%	6.28%	
<b>Scenario 3 - based SSGG actuals - amortize over 2 years</b>									
Total Sources - SSGG	355,752,899	376,679,786	374,908,368	340,118,862	358,930,374	383,323,614	383,448,414	391,869,386	
Target Profit	17,402,820	18,187,654	18,904,445	18,784,135	19,819,204	21,141,727	20,618,901	21,137,156	
Actual Profit	34,522,012	38,073,327	37,639,702	18,531,808	20,492,656	27,002,207	20,618,901	21,137,156	
Excess / (shortfall) Profit	17,119,192	19,885,673	18,735,257	(252,327)	673,452	5,860,480	0	0	
Excess / (shortfall) Profit %	98%	109%	99%	-1%	3%	28%	0%	0%	
50%	8,559,596	9,942,837	9,367,629	(126,164)	336,726	2,930,240	0	0	
100%	17,119,192	19,885,673	18,735,257	(252,327)	673,452	5,860,480	0	0	
<b>True-up in year following release of results</b>									
50%			(8,559,596)	(9,942,837)	(9,367,629)	126,164	(336,726)	(2,930,240)	
Amortized over 2 years			(4,279,798)	(9,251,216)	(9,655,233)	(4,620,733)	(105,281)	(1,633,483)	(1,465,120) Balance
100%			(17,119,192)	(19,885,673)	(18,735,257)	252,327	(673,452)	(5,860,480)	
Amortized over 2 years			(8,559,596)	(18,502,433)	(19,310,465)	(9,241,465)	(210,562)	(3,266,966)	(2,930,240) Balance
<b>% Increase (Reduction) to Rates</b>									
50%			-1.14%	-2.47%	-2.84%	-1.29%	-0.03%	-0.43%	
100%			-1.14%	-1.33%	-0.37%	2.84%	1.29%	0.03%	
Subtotal			-1.14%	-1.33%	-0.37%	1.55%	1.26%	-0.40%	
annual rate adjustment SSGG	new rate	7.45%	2.11%	3.50%	1.56%	8.86%	3.90%	2.17%	
<b>Total for 50%</b>			0.97%	2.17%	1.19%	10.41%	5.16%	1.77%	
100%			-2.27%	-4.94%	-5.68%	-2.57%	-0.05%	-0.85%	
100%			-2.27%	2.27%	4.94%	5.68%	2.57%	0.05%	
Subtotal			-2.27%	-2.66%	-0.74%	3.10%	2.52%	-0.80%	
annual rate adjustment SSGG	new rate	7.45%	2.11%	3.50%	1.56%	8.86%	3.90%	2.17%	
<b>Total for 100%</b>			-0.16%	0.84%	0.82%	11.96%	6.42%	1.37%	
<b>Scenario 4 - based SSGG actuals - amortize over 3 years</b>									
Total Sources - SSGG	355,752,899	376,679,786	374,908,368	340,118,862	358,930,374	383,323,614	383,448,414	391,869,386	
Target Profit	17,402,820	18,187,654	18,904,445	18,784,135	19,819,204	21,141,727	20,618,901	21,137,156	
Actual Profit	34,522,012	38,073,327	37,639,702	18,531,808	20,492,656	27,002,207	20,618,901	21,137,156	
Excess / (shortfall) Profit	17,119,192	19,885,673	18,735,257	(252,327)	673,452	5,860,480	0	0	
Excess / (shortfall) Profit %	98%	109%	99%	-1%	3%	28%	0%	0%	
50%	8,559,596	9,942,837	9,367,629	(126,164)	336,726	2,930,240	0	0	
100%	17,119,192	19,885,673	18,735,257	(252,327)	673,452	5,860,480	0	0	
<b>True-up in year following release of results</b>									
50%			(8,559,596)	(9,942,837)	(9,367,629)	126,164	(336,726)	(2,930,240)	
Amortized over 3 years			(2,853,199)	(6,167,478)	(9,290,021)	(6,394,767)	(3,192,730)	(1,046,934)	(2,065,735) Balance
100%			(17,119,192)	(19,885,673)	(18,735,257)	252,327	(673,452)	(5,860,480)	
Amortized over 3 years			(5,706,397)	(12,334,955)	(18,580,041)	(12,789,535)	(6,385,461)	(2,093,868)	(4,131,471) Balance
<b>% Increase (Reduction) to Rates</b>									
50%			-0.76%	-1.65%	-2.73%	-1.78%	-0.83%	-0.27%	
100%			-0.76%	0.76%	1.65%	2.73%	1.78%	0.83%	
Subtotal			-0.76%	-0.89%	-1.09%	0.95%	0.95%	0.56%	
annual rate adjustment SSGG	new rate	7.45%	2.11%	3.50%	1.56%	8.86%	3.90%	2.17%	
<b>Total for 50%</b>			1.35%	2.61%	0.47%	9.81%	4.85%	2.73%	
100%			-1.51%	-3.29%	-5.46%	-3.56%	-1.67%	-0.55%	
100%			-1.51%	1.51%	3.29%	5.46%	3.56%	1.67%	
Subtotal			-1.51%	-1.78%	-2.17%	1.90%	1.90%	1.12%	
annual rate adjustment SSGG	new rate	7.45%	2.11%	3.50%	1.56%	8.86%	3.90%	2.17%	
<b>Total for 100%</b>			0.60%	1.72%	-0.61%	10.76%	5.80%	3.29%	

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	30-Jun RY 2018	30-Jun RY 2019	30-Jun RY 2020	30-Jun RY 2021	30-Jun RY 2022	30-Jun RY 2022	30-Sep RY 2023P	30-Sep RY 2024P	30-Sep RY 2025P
<b>SSGG</b>									
		5.88%	-0.47%	-9.28%	4.86%	0.64%	6.80%	0.03%	2.20%
Total Sources	355,752,899	376,679,786	374,908,368	340,118,862	356,645,722	358,930,374	383,323,614	383,448,414	391,869,386
Impound	(19,692,816)	(20,315,113)	(20,863,621)	(21,435,285)	(22,007,611)	(22,007,610)	(23,387,731)	(23,847,771)	(23,847,771)
ZWI	(4,506,108)	(4,648,499)	(4,774,008)	(4,904,816)	(5,035,774)	(5,032,415)	(5,313,635)	(5,148,290)	(5,277,692)
Total Revenue Retained	331,553,975	351,716,174	349,270,739	313,778,761	329,602,337	331,890,349	354,622,249	354,452,353	362,743,922
% revenue change		6.081%	-0.695%	-10.162%	5.043%		6.849%	-0.048%	2.339%
Total OR Eligible	175,961,842	183,897,386	191,144,939	189,928,478	198,941,761	200,394,172	213,766,353	208,479,995	213,720,134
Total Non-OR Eligible	121,070,121	129,745,461	120,486,098	105,318,475	110,966,312	111,003,521	113,853,689	125,353,457	127,886,633
I/C Disposal	47,250,061	49,709,901	47,629,455	46,064,085	50,198,237	50,093,931	50,508,980	55,688,560	56,819,239
I/C Processing	71,919,715	77,969,467	70,477,008	56,859,223	58,289,807	58,416,524	60,831,344	67,225,568	68,571,494
License & Permits	1,900,345	2,066,093	2,379,635	2,395,167	2,478,268	2,493,066	2,513,365	2,439,330	2,495,900
Total Expenses	297,031,963	313,642,847	311,631,037	295,246,953	309,908,073	311,397,693	327,620,042	333,833,452	341,606,766
OR as % of total Expense	59%	59%	61%	64%	64%	64%	65%	62%	63%
OR as % of total Uses	55%	54%	57%	59%	59%	59%	60%	57%	58%
% expense change		6%	-1%	-5%	5%		5%	2%	2%
Net Actual Profits	34,522,012	38,073,327	37,639,702	18,531,808	19,694,264	20,492,656	27,002,207	20,618,901	21,137,156
Target Profit	17,402,820	18,187,654	18,904,445	18,784,135	19,675,559	19,819,204	21,141,727	20,618,901	21,137,156
Excess / (Short)	17,119,192	19,885,673	18,735,257	(252,327)	18,705	673,452	5,860,480	0	0
Net Actual profit as % of Revenue Retained	10.4%	10.8%	10.8%	5.9%	6.0%	6.2%	7.6%	5.8%	5.8%
Net Actual profit as % of Total Sources	9.7%	10.1%	10.0%	5.4%	5.5%	5.7%	7.0%	5.4%	5.4%
<b>RSF</b>									
Total Sources	153,008,512	160,380,252	150,939,025	140,869,017	149,550,959	146,683,490	146,817,319	173,813,280	175,659,215
ZWI	(2,761,284)	(2,881,399)	(2,964,960)	(3,055,688)	(3,162,026)	(3,161,870)	(3,172,268)	(3,099,669)	(3,106,099)
Total Revenue Retained	150,247,228	157,498,853	147,974,065	137,813,329	146,388,933	143,521,620	143,645,051	170,713,611	172,553,116
% revenue change		4.826%	-6.048%	-6.867%	6.223%		0.086%	18.844%	1.078%
Total OR Eligible	111,879,791	121,097,622	121,488,229	116,348,988	117,626,863	117,945,707	124,994,209	125,521,082	125,781,488
Total Non-OR Eligible	30,672,621	33,169,092	31,919,999	27,720,593	29,405,863	29,628,596	31,127,161	32,778,357	34,331,701
I/C Processing & Disposal	28,128,414	29,795,427	27,705,465	23,576,419	25,004,312	25,208,668	26,581,911	28,092,680	29,511,394
License & Permits	2,544,207	3,373,665	4,214,534	4,144,174	4,401,551	4,419,928	4,545,250	4,685,676	4,820,307
Total Expenses	142,552,412	154,266,714	153,408,228	144,069,581	147,032,726	147,574,303	156,121,370	158,299,438	160,113,189
OR as % of total Expense	78%	78%	79%	81%	80%	80%	80%	79%	79%
OR as % of total Uses	77%	77%	78%	79%	78%	78%	78%	78%	77%
% expense change		8%	-1%	-6%	2%		6%	1%	1%
Net Actual Profits	7,694,816	3,232,139	(5,434,163)	(6,256,252)	(643,793)	(4,052,683)	(12,476,319)	12,414,173	12,439,927
Target Profit	11,065,034	11,976,688	12,015,319	11,507,043	11,633,426	11,664,960	12,362,065	12,414,173	12,439,927
Excess / (Short)	(3,370,218)	(8,744,549)	(17,449,482)	(17,763,295)	(12,277,219)	(15,717,643)	(24,838,384)	0	(0)
Net Actual profit as % of Revenue Retained	5.1%	2.1%	-3.7%	-4.5%	-0.4%	-2.8%	-8.7%	7.3%	7.2%
Net Actual profit as % of Total Sources	5.0%	2.0%	-3.6%	-4.4%	-0.4%	-2.8%	-8.5%	7.1%	7.1%
<b>Combined / Consolidated</b>									
Combined Net Actual Profits	42,216,828	41,305,466	32,205,539	12,275,556	19,050,471	16,439,973	14,525,888	33,033,074	33,577,083
Combined Target Profits	28,467,854	30,164,341	30,919,764	30,291,178	31,308,985	31,484,164	33,503,792	33,033,074	33,577,083
Excess / (Short)	13,748,974	11,141,125	1,285,775	(18,015,622)	(12,258,514)	(15,044,191)	(18,977,904)	0	(0)
Combined Revenue Retained	481,801,203	509,215,027	497,244,804	451,592,090	475,991,270	475,411,969	498,267,300	525,165,964	535,297,038
Consolidated Revenue Retained	362,631,427	381,535,659	379,138,341	348,668,782	367,503,226	366,901,514	386,926,976	402,251,837	409,906,305
Profit margin % on combined revenue retained	8.76%	8.11%	6.48%	2.72%	4.00%	3.46%	2.92%	6.29%	6.27%
Profit margin % on consolidated revenue retained	11.64%	10.83%	8.49%	3.52%	5.18%	4.48%	3.75%	8.21%	8.19%



**Table 3**  
**Recovery and Disposal Tonnage**  
**Combined SF Companies**  
**October 2022 - December 2022**

	Received	Recovered	Disposed	% Recovered
<b>Recycle Central Recyclables</b>				
Collected	32,332	26,325	6,007	81.4%
Buyback	1,714	1,714	-	100.0%
<b>Total Recyclables</b>	<b>34,046</b>	<b>28,039</b>	<b>6,007</b>	<b>82.4%</b>
<b>Tunnel Avenue Compostables</b>				
Collected	34,203	22,826	11,377	66.7%
San Francisco Public Works	746	746	-	100.0%
Other City of San Francisco Departments	66	66	-	100.0%
Account Customers	78	78	-	100.0%
Non-Account Customers	107	107	-	100.0%
<b>Total Compostables</b>	<b>35,200</b>	<b>23,823</b>	<b>11,377</b>	<b>67.7%</b>
<b>Tunnel Avenue iMRF</b>				
Collected	2,212	973	1,239	44.0%
San Francisco Public Works	-	-	-	0.0%
Other City of San Francisco Departments	7	3	4	42.9%
Account Customers	2,925	1,286	1,639	44.0%
<b>Total iMRF</b>	<b>5,144</b>	<b>2,262</b>	<b>2,882</b>	<b>44.0%</b>
<b>Other Tunnel Avenue</b>				
Collected Other Trash	45,702	-	45,702	0.0%
Collected Roll-off Trash	8,528	-	8,528	0.0%
Bulky Item Recycling & Abandoned Materials Collection	3,254	451	2,803	13.9%
Public Refuse Receptacles	4,841	-	4,841	0.0%
San Francisco Public Works	7,079	335	6,744	4.7%
Other City of San Francisco Departments	338	-	338	0.0%
Account Customers	1,980	268	1,712	13.5%
Non-Account Customers	7,660	2,338	5,322	30.5%
Collected Inerts	853	853	-	100.0%
Construction Material Reuse	2	2	-	100.0%
Other Recycling	204	204	-	100.0%
<b>Total Other Tunnel Avenue</b>	<b>80,441</b>	<b>4,451</b>	<b>75,990</b>	<b>5.5%</b>
<b>Sustainable Crushing</b>	-	-	-	<b>0.0%</b>
<b>Adjustments (Inventory, moisture, etc.)</b>	4,593	-	4,593	0.0%
<b>Total Tons</b>	<b>159,424</b>	<b>58,575</b>	<b>100,849</b>	<b>36.7%</b>
<b>Disposal Breakdown</b>				
Recology Hay Road Landfill			89,381	
Recology Hay Road Landfill (RBVON residual)			11,364	
Recology Ostrom Road Landfill (RBVON residual)			13	
Zanker Material Processing Facility (C&D residual)			91	
<b>Total Disposal</b>			<b>100,849</b>	

**Table 9**  
**Expenses**  
**Recology Sunset Scavenger and Recology Golden Gate**  
**October 2022 - December 2022**

<b>Item Description</b>	<b>Projection</b>	<b>Actual</b>
Payroll	\$ 22,355,965	\$ 22,862,597
Payroll Taxes	1,694,304	1,422,391
Pension	3,713,813	4,052,475
Health Insurance	7,171,877	6,382,243
Workers Compensation	2,862,074	1,925,644
<b>Total Payroll &amp; Related</b>	<b>\$ 37,798,033</b>	<b>\$ 36,645,350</b>
Corporate Allocations	\$ 2,037,160	\$ 3,179,078
Bad Debt	42,890	107,982
O/S Billing Services	89,942	99,414
Office	121,171	72,917
Postage	94,539	7,425
Professional Services	204,014	294,099
Security & Janitorial	128,774	189,875
Taxes	500,800	995,845
Telephone	167,443	162,311
<b>Total Administrative</b>	<b>\$ 3,386,733</b>	<b>\$ 5,108,946</b>
Building & Facility Repair	\$ 44,110	\$ 77,943
Depreciation	62,533	256,851
Environmental Compliance	166,937	87,714
Freight	19,980	11,499
Fuel	1,376,282	1,477,560
I/C Disposal	13,701,953	12,627,245
I/C Processing	21,251,071	15,207,836
Lease	3,529,746	4,193,304
Liability Insurance	882,595	1,525,691
Licenses & Permits	474,696	634,885
O/S Disposal	9,710	12,522
O/S Equipment Rental	60,617	62,495
Parts	692,649	721,223
Property Rental	501,686	273,550
Repairs & Maintenance	370,944	311,965
Supplies	679,692	581,789
Tires & Tubes	243,404	182,795
Utilities	143,867	373,916
<b>Total Operating</b>	<b>\$ 44,212,472</b>	<b>\$ 38,620,783</b>
Contract Services	\$ 305,345	\$ 121,380
Other	570,005	593,820
<b>Total Other</b>	<b>\$ 875,350</b>	<b>\$ 715,200</b>
<b>Total Expenses</b>	<b>\$ 86,272,588</b>	<b>\$ 81,090,279</b>

	RYE 6/30/20	RYE 6/30/21	FY 9/30/22	3 months ending 12/31/22
Salaries, Wages and Payroll Headcount - SS GG	Actuals	Actuals	Actuals	Actuals
Schedule H.1 <insert accounting basis>	Hours	Hours	Hours	Hours
<b>Total</b>				
<b>Overtime</b>				
Non-Union Exempt	-	-	-	-
Non-Union Non-Exempt	2,603	1,269	625	151
Union - Clerical	2,558	4,362	1,565	555
Union - Driver/Helper	85,092	82,360	94,221	31,516
Union - Equipment Operator	-	-	-	-
Union - Shop/Facility	12,290	2,267	3,565	1,303
Union - Sorter/Material Handler	-	-	-	-
Union - Technician	-	-	-	-
Union - Utility Person	-	-	-	-
Union - Weighmaster/Dispatcher	-	-	-	-
<b>Sub-Total Overtime</b>	<b>102,543</b>	<b>90,258</b>	<b>99,975</b>	<b>33,526</b>
<b>Refuse Collection</b>				
<b>Overtime</b>				
Non-Union Exempt	-	-	-	-
Non-Union Non-Exempt	712	353	321	85
Union - Clerical	217	10	-	-
Union - Driver/Helper	67,044	70,799	84,414	29,091
Union - Equipment Operator	-	-	-	-
Union - Shop/Facility	0	20	-	-
Union - Sorter/Material Handler	-	-	-	-
Union - Technician	-	-	-	-
Union - Utility Person	-	-	-	-
Union - Weighmaster/Dispatcher	-	-	-	-
<b>Sub-Total Overtime</b>	<b>67,972</b>	<b>71,182</b>	<b>84,735</b>	<b>29,175</b>
<b>Truck and Garage</b>				
<b>Overtime</b>				
Non-Union Exempt	-	-	-	-
Non-Union Non-Exempt	-	-	-	-
Union - Clerical	310	38	125	17
Union - Driver/Helper	4,282	966	1,269	367
Union - Equipment Operator	-	-	-	-
Union - Shop/Facility	12,290	2,248	3,565	1,303
Union - Sorter/Material Handler	-	-	-	-
Union - Technician	-	-	-	-
Union - Utility Person	-	-	-	-
Union - Weighmaster/Dispatcher	-	-	-	-
<b>Sub-Total Overtime</b>	<b>16,882</b>	<b>3,251</b>	<b>4,959</b>	<b>1,687</b>
<b>Debris Box</b>				
<b>Overtime</b>				
Non-Union Exempt	-	-	-	-
Non-Union Non-Exempt	-	-	-	-
Union - Clerical	113	19	26	4
Union - Driver/Helper	12,824	10,159	7,646	1,807
Union - Equipment Operator	-	-	-	-
Union - Shop/Facility	-	-	-	-
Union - Sorter/Material Handler	-	-	-	-
Union - Technician	-	-	-	-
Union - Utility Person	-	-	-	-
Union - Weighmaster/Dispatcher	-	-	-	-
<b>Sub-Total Overtime</b>	<b>12,937</b>	<b>10,178</b>	<b>7,673</b>	<b>1,811</b>
<b>Transfer Station</b>				
<b>Overtime</b>				
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	-	-	-	-
<b>Sub-Total Overtime</b>	-	-	-	-
<b>Processing</b>				
<b>Overtime</b>				
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	-	-	-	-
<b>Sub-Total Overtime</b>	-	-	-	-
<b>Special Waste</b>				
<b>Overtime</b>				
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	-	-	-	-
<b>Sub-Total Overtime</b>	-	-	-	-
<b>General Recycling</b>				
<b>Overtime</b>				
Non-Union Exempt	-	-	-	-
Non-Union Non-Exempt	-	-	-	-
Union - Clerical	-	-	-	-
Union - Driver/Helper	942	435	891	252
Union - Equipment Operator	-	-	-	-
Union - Shop/Facility	-	-	-	-
Union - Sorter/Material Handler	-	-	-	-
Union - Technician	-	-	-	-
Union - Utility Person	-	-	-	-
Union - Weighmaster/Dispatcher	-	-	-	-
<b>Sub-Total Overtime</b>	<b>942</b>	<b>435</b>	<b>891</b>	<b>252</b>
<b>General and Administrative</b>				
<b>Overtime</b>				
Non-Union Exempt	-	-	-	-
Accounting	-	-	-	-
Engineering	-	-	-	-
Legal	-	-	-	-
Technology	-	-	-	-
Human Resources	-	-	-	-
Corporate Management	-	-	-	-
Environmental Services	-	-	-	-
Other Professional Staff	-	-	-	-
Non-Union Non-Exempt	1,891	916	304	66
Accounting	-	-	-	-
Engineering	-	-	-	-
Legal	-	-	-	-
Technology	-	-	-	-
Human Resources	-	-	-	-
Corporate Management	-	-	-	-
Environmental Services	-	-	-	-
Other Professional Staff	-	-	-	-
Union - Clerical	1,919	4,294	1,413	534
Union - Driver/Helper	-	-	-	-
Union - Equipment Operator	-	-	-	-
Union - Shop/Facility	-	-	-	-
Union - Sorter/Material Handler	-	-	-	-
Union - Technician	-	-	-	-
Union - Utility Person	-	-	-	-
Union - Weighmaster/Dispatcher	-	-	-	-
<b>Sub-Total Overtime</b>	<b>3,810</b>	<b>5,210</b>	<b>1,717</b>	<b>600</b>

Salaries, Wages and Payroll Headcount - RSF Schedule H.1 <insert accounting basis>	RYE 6/30/20	RYE 6/30/21	FY 9/30/22	3 months ending
	Actuals Hours	Actuals Hours	Actuals Hours	12/31/22 Hours
<b>Total</b>				
<b>Overtime</b>				
Non-Union Exempt	-	-	-	-
Non-Union Non-Exempt	543	60	105	41
Union - Clerical	782	562	636	160
Union - Driver/Helper	13,700	4,231	11,152	3,988
Union - Equipment Operator	7,994	6,095	8,486	1,752
Union - Shop/Facility	10,307	4,700	7,802	1,291
Union - Sorter/Material Handler	7,132	4,659	330	91
Union - Technician	888	709	621	292
Union - Utility Person	1,582	3,278	7,069	430
Union - Weighmaster/Dispatcher	3,287	2,776	3,927	973
<b>Sub-Total Overtime</b>	<b>46,211</b>	<b>27,071</b>	<b>40,048</b>	<b>9,017</b>
<b>Missile Collection</b>				
<b>Overtime</b>				
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	-	-	-	-
<b>Sub-Total Overtime</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Truck and Garage</b>				
<b>Overtime</b>				
Non-Union Exempt	-	-	-	-
Non-Union Non-Exempt	0	-	-	-
Union - Clerical	1	1	3	1
Union - Driver/Helper	-	-	-	-
Union - Equipment Operator	-	-	-	-
Union - Shop/Facility	4,903	1,865	3,210	626
Union - Sorter/Material Handler	8	-	-	-
Union - Technician	-	-	-	-
Union - Utility Person	-	-	-	-
Union - Weighmaster/Dispatcher	-	-	-	-
<b>Sub-Total Overtime</b>	<b>4,913</b>	<b>1,866</b>	<b>3,213</b>	<b>627</b>
<b>Debris Box</b>				
<b>Overtime</b>				
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	-	-	-	-
<b>Sub-Total Overtime</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tandem Station</b>				
<b>Overtime</b>				
Non-Union Exempt	-	-	-	-
Non-Union Non-Exempt	-	-	-	-
Union - Clerical	-	-	-	-
Union - Driver/Helper	306	61	18	14
Union - Equipment Operator	1,597	984	1,971	438
Union - Shop/Facility	155	119	111	16
Union - Sorter/Material Handler	104	197	1	1
Union - Technician	-	-	-	-
Union - Utility Person	-	-	-	-
Union - Weighmaster/Dispatcher	239	249	251	86
<b>Sub-Total Overtime</b>	<b>2,401</b>	<b>1,609</b>	<b>2,352</b>	<b>555</b>
<b>Processing</b>				
<b>Overtime</b>				
Non-Union Exempt	-	-	-	-
Non-Union Non-Exempt	-	-	-	-
Union - Clerical	705	499	591	149
Union - Driver/Helper	13,166	3,883	10,911	3,906
Union - Equipment Operator	6,395	5,111	6,435	1,313
Union - Shop/Facility	5,249	2,716	4,480	648
Union - Sorter/Material Handler	7,019	4,462	329	90
Union - Technician	-	-	-	-
Union - Utility Person	1,582	3,278	7,069	430
Union - Weighmaster/Dispatcher	3,047	2,528	3,676	897
<b>Sub-Total Overtime</b>	<b>37,163</b>	<b>22,477</b>	<b>33,402</b>	<b>7,423</b>
<b>Special Waste</b>				
<b>Overtime</b>				
Non-Union Exempt	-	-	-	-
Non-Union Non-Exempt	-	-	-	-
Union - Clerical	-	-	-	-
Union - Driver/Helper	228	287	223	68
Union - Equipment Operator	-	-	-	-
Union - Shop/Facility	-	-	-	-
Union - Sorter/Material Handler	-	-	-	-
Union - Technician	888	709	621	292
Union - Utility Person	-	-	-	-
Union - Weighmaster/Dispatcher	-	-	-	-
<b>Sub-Total Overtime</b>	<b>1,116</b>	<b>996</b>	<b>844</b>	<b>360</b>
<b>General Recycling</b>				
<b>Overtime</b>				
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	-	-	-	-
<b>Sub-Total Overtime</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>General and Administrative</b>				
<b>Overtime</b>				
Non-Union Exempt	-	-	-	-
Accounting	-	-	-	-
Engineering	-	-	-	-
Legal	-	-	-	-
Technology	-	-	-	-
Human Resources	-	-	-	-
Corporate Management	-	-	-	-
Environmental Services	-	-	-	-
Other Professional Staff	-	-	-	-
Non-Union Non-Exempt	543	60	105	41
Accounting	-	-	-	-
Engineering	-	-	-	-
Legal	-	-	-	-
Technology	-	-	-	-
Human Resources	-	-	-	-
Corporate Management	-	-	-	-
Environmental Services	-	-	-	-
Other Professional Staff	-	-	-	-
Union - Clerical	75	63	42	11
Union - Driver/Helper	-	-	-	-
Union - Equipment Operator	-	-	-	-
Union - Shop/Facility	-	-	-	-
Union - Sorter/Material Handler	-	-	-	-
Union - Technician	-	-	-	-
Union - Utility Person	-	-	-	-
Union - Weighmaster/Dispatcher	-	-	-	-
<b>Sub-Total Overtime</b>	<b>619</b>	<b>123</b>	<b>147</b>	<b>51</b>

**List of programs and their tracking metrics**

1. Recyclables Collection – already discussed during the ratemaking process
2. Organics Collection – already discussed during the ratemaking process
3. Trash Collection – already discussed during the ratemaking process
4. Bulky Item Recycling
  - a. # of Appointments
  - b. Appointment scheduling goal of 48 hours or less
5. Public Refuse Receptacle Collection – already discussed during the ratemaking process
6. Abandoned Materials Collection – already discussed during the ratemaking process
7. Disposal of Steet Sweeping and abandoned waste
  - a. Tons
  - b. Vehicle count
8. District clean up – already discussed during the ratemaking process
9. Battery recycling
  - a. Pounds Shipped (quarterly)
10. Christmas Tree
  - a. Tons
  - b. 311 Response time
11. Construction and Demolition
  - a. Diversion
  - b. Tons
12. Public Refuse and Recycling Area (PPR)
  - a. Customer count
  - b. tons
13. Household hazardous waste drop off
  - a. Customer count (monthly)
  - b. Pounds Shipped (monthly)
14. Door to door household hazardous waste collection
  - a. Stops per day
  - b. Gallons
15. Household hazardous Take back
  - a. Stops per day
  - b. Pounds
16. Very small quantity generator program
  - a. Number of appointments
  - b. Pounds
17. E-waste recycling
  - a. Tons (2 trailers/week)
18. Safe needle Program
  - a. Number of stores/customers
  - b. Pounds collected
19. Perfectly-good reuse program
  - a. Weight of Outbound trailers for beneficial reuse
20. Mattress recycling
  - a. Mattress Weight
21. Toilet recycling
  - a. Included in BIR

22. Tire recycling
  - a. tons
23. Styrofoam drop off
  - a. Number of drop offs
  - b. Outbound weights
24. Film Plastic drop off
  - a. Number of drop offs
25. Litter collection from CBDs
  - a. Customers
  - b. Service level
  - c. cost
26. Event recycling
  - a. Number of events
  - b. Volume
27. Artist in residence
  - a. Artists per year
  - b. Visitors per year
  - c. Social Media and Internet Analytics
  - d. Number of applicants
28. Educational tour program
  - a. Number of school tours & presentations
  - b. Number of adult tours and presentations
29. Compost giveaway
  - a. volume
  - b. Number of events



2.16 Please detail all abandoned material efforts completed for the past 3 years and how the level of staffing and equipment compares with your proposed rates for RY24 and RY25. Please include days and hours of operation, number and type of equipment used, estimated truckloads or tonnage per zone, location of new proposed zone, and whether cost is entirely ratepayer funded. If service requests have only increased 2.89%, why has response time eroded 33% over the past year? Proposed enhancement includes 2 FTE and 2 vehicles but does not include fuel costs or other related expenses.

**3 Year Service Analysis**

Year	311 Requests	DPW Requested Sweeps	Total Service Requests	Tonnage	Zone FTE	Bayview Sweep		Trucks
						FTE	Total FTE	
2018	99,804	17,632	117,436	4655	12	0.2	12.2	12
2019	114,816	19,189	134,005	4693	12	0.4	12.4	12
2020	135,257	19,756	155,013	5456	12	0.4	12.4	13
2021	110,104	16,990	127,094	5185	12	0.8	12.8	13
2022	113,282	16,990	130,272	4408	12	0.8	12.8	13
2023*					12	1	13	13
2024*					14	1	15	15
2025*					14	1	15	15

\*forecasted

**Days and Hours of Operation**

Day	# of Zones	# of Add'l		Hours of Ops.
		Sweep Routes	Total	
Monday	5	1	6	5:30 A - 2 P
Tuesday	5	2	7	5:30 A - 2 P
Wednesday	5	2	7	5:30 A - 2 P
Thursday	5	2	7	5:30 A - 2 P
Friday	5	2	7	5:30 A - 2 P
Saturday	4	0	4	5:30 A - 2 P
Sunday	3	0	3	5:30 A - 2 P

Zone/Sweep Route	REL	Box Truck	Total Equipment
B	1	1	2
D	1	1	2
F	1	1	2
H	1	1	2
J	1	1	2
K	1	1	2
853	1	0	1

**2022 Tonnage and 311 Requests**

Zone/Sweep Route	Tonnage
B	382
D	1,013
F	413
H	494
J	1,122
K	949
Other	35
	<hr/> 4,407

Below is the new proposed zone location shown as Zone 1

**Proposed Abandoned Waste Zones**  
Monday Through Sunday

