[Refuse Rate Board - 2023 Rate Adjustment]

Refuse Rate Board resolution modifying and adopting the Refuse Rates Administrator's proposal for a refuse rate adjustment for rate years 2024 and 2025; finding that the adjusted refuse rates are just and reasonable; urging the Department of Public Works to enter into agreements to appropriately memorialize the required service levels for refuse collection; and making environmental findings.

WHEREAS, In June 2022, the voters adopted Proposition F, which amended the City's Refuse Collection and Disposal Ordinance to reform and modernize the City's process for setting residential refuse rates to be more fair, transparent, and accountable. Among other things, Proposition F restructured the rate process to require the Controller, as Refuse Rates Administrator, to monitor and propose adjustments to refuse rates for adoption by the Refuse Rate Board; and

WHEREAS, Consistent with Proposition F, the Refuse Rates Administrator has been monitoring the refuse rates. On March 7, 2023, the Refuse Rates Administrator received a written request from Recology Sunset Scavenger, Recology Golden Gate, and Recology San Francisco (collectively, "Recology") to increase the rates. The Refuse Rates Administrator reviewed the request and conducted a series of public hearings on the matter, including before the Commission on the Environment and the Sanitation and Streets Commission, and provided notice of all such hearings as required by law. On June 20, 2023, based on its review and financial analysis of Recology's request and after considering all information received from the public, the Refuse Rates Administrator submitted a recommendation to the Refuse Rate Board to adjust the rates. The proposal is on file with the Refuse Rate Board and is available on the Refuse Rates Administrator's website; and

WHEREAS, In its June 20, 2023, recommendation, the Refuse Rates Administrator proposed a lower rate increase than what Recology requested: a 0.00% increase in Rate Year 2024, and a 3.91% increase in Rate Year 2025, for a cumulative 2-year increase of 3.91%. The proposal was intended to authorize a just and reasonable refuse rate that would enable Recology, based on current and projected costs, to sustain existing service levels as well as to enhance certain services as set forth in the proposal. The proposal included but is not limited to the following components:

1. Additional staff and resources to improve pickup and service related to abandoned materials, public receptables, cardboard, relief and safe service drivers, and rate analysts to improve and comply with the City's refuse-related reporting requirements. (Refuse Rate Order for Rate Year 2024 and Rate Year 2025 pp.24.)
2. Investments in organics pre-processing to help reduce the high level of contamination in organics feedstock; a trash processing pilot to study the impact of trash processing on diversion and inform future investments capital for increasing diversion; and improved outreach to further Zero-Waste goals. (Refuse Rate Order for Rate Year 2024 and Rate Year 2025 pp.25.)
3. Establishing two-person routes and increased supervision, to improve driver safety as well as response times, and to add training opportunities. (Refuse Rate Order for Rate Year 2024 and Rate Year 2025 pp.25.)
4. Recommending City departments create Service Level Agreements to memorialize existing refuse service commitments such as Abandoned Materials Collections, Public Receptacles Collections and Repair, and Disposal of Street Sweeping and Abandoned Waste (Refuse Rate Order for Rate Year 2024 and Rate Year 2025 pp.61), and establishing a Programmatic Reserve that would provide compensation to Recology for requests for supplemental service made by the City as needed.

(Refuse Rate Order for Rate Year 2024 and Rate Year 2025 pp.6.) These requests would be accompanied by budget proposals and be subject to approval by the Refuse Rates Administrator. (Refuse Rate Order for Rate Year 2024 and Rate Year 2025 pp. 95.)

5. Suspending the funding of the Zero Waste Incentive Account, which has not correlated with diversion and has not shown any impact in over 10 years, and in its place establishing and funding a Zero Waste Capital Reserve Fund that would be used to help mitigate the impact of future capital expenditures on future rates. (Refuse Rate Order for Rate Year 2024 and Rate Year 2025 pp.55.)
6. Imposing cost caps on pension funding to limit the financial burden that could otherwise be passed on to ratepayers. (Refuse Rate Order for Rate Year 2024 and Rate Year 2025 pp.6.)
7. 5% cut in projected corporate allocations, which are costs allocated from Recology's corporate entity to its San Francisco Subsidiaries, Recology San Francisco, Recology Golden Gate, and Recology Sunset Scavenger, resulting in a savings of $761K in Rate Year 2024 and $784K in Rate Year 2025. (Refuse Rate Order for Rate Year 2024 and Rate Year 2025 pp.6.)
8. Balancing Account to ensure that any unanticipated savings or surplus revenues are used to offset subsequent year costs, and that unanticipated expenditures or revenue shortfalls are smoothed over time to mitigate rate shocks. This balancing account will have a 50% adjustment of Over/(Under) target profit. (Refuse Rate Order for Rate Year 2024 and Rate Year 2025 pp.6.)

WHEREAS, the Refuse Rates Administrator's proposal also funded the cost of certain City programs related to refuse service, such as public education regarding waste disposal methods, litter pickup, and efforts reduce waste generation and reduce disposal to meet Zero

Waste Goals, (Refuse Rate Order for Rate Year 2024 and Rate Year 2025 pp.45.) The Refuse Rates Administrator reviewed these proposals and determined that the costs are just and reasonable and fairly allocated among the ratepayers; and

WHEREAS, The Refuse Rate Board held hearings on the Refuse Rates Administrator's proposal, consistent with Proposition F and with notice to the public as required by law. The Refuse Rate Board allowed members of the public, including Recology, to submit information and be heard, and considered and addressed all objections. The Board generally concurred with the Refuse Rates Administrator's proposal, subject to certain modifications which include the following:

1. **Contamination Enhancement:** There should be new investments in the waste contamination program, in the form of funding to replace six onboard cameras and to fund one new Waste Zero Specialist to support additional outreach for low-diversion accounts and to monitor and study the impact of new camera technology in identifying contamination. This enhancement is estimated to generate additional contamination fee revenue. The net impact is a net operating income increase of $22K in Rate Year 2024 and $18K in Rate Year 2025. (Refuse Rate Order for Rate Year 2024 and Rate Year 2025 pp.6.)
2. **Weekend Cleanup:** The rate should fund additional weekend cleanup including 3-bin refuse source separation at each event. But instead of 22 events (2 events per District) as originally proposed, there should be just 11 events per year (1 event per District). This results in a net savings of $194K in Rate Year 2024 and $201K in Rate Year 2025. (Refuse Rate Order for Rate Year 2024 and Rate Year 2025 pp.34.)
3. **Rate-Setting Delay Trigger:** If the next rate-setting process is not initiated by February 1, 2025, the Refuse Rates Administrator should request the Refuse Rate

Board to convene to consider an October 1, 2025, cost-of-living adjustment. (Refuse Rate Order for Rate Year 2024 and Rate Year 2025 pp.34.)

4. **Zero Waste Capital Reserve Fund:** The Zero Waste Capital Reserve Fund should support future capital infrastructure investments. The Capital Reserve Fund would be funded one-time at 1% of net revenue in Rate Year 2024, which would amount to approximately $3.6 million. (Refuse Rate Order for Rate Year 2024 and Rate Year 2025 pp.34.)
5. **Rate Stabilization Fund:** The rate should consider the fact that since the Refuse Rates Administrator's Proposed Rate Order was published, the Rate Stabilization Fund 2022 balance was updated and increased by $230K from $4.25 million to $4.48 million. This $230K balance increase will offset the rate increase for Rate Year 2025. (Refuse Rate Order for Rate Year 2024 and Rate Year 2025 pp.94.)

WHEREAS, The Refuse Rates Administrator has conducted further analysis and has determined that anticipated cost of needed services summarized above and detailed in its proposal support a slightly lower increase than the original Refuse Rates Administrator proposal: no rate increase on October 1, 2023, but an increase of 1.33% on January 1, 2024 (three months into Rate Year 2024) and 2.32% in Rate Year 2025, for a cumulative 2-year increase of 3.68%. The Refuse Rates Administrator has also prepared a rate schedule to summarize these changes for the public, which is attached as "Exhibit A." The Refuse Rate Board hereby finds that these increases will result in a just and reasonable rate, as required by Proposition F.

WHEREAS, The Refuse Rate Board has heard and considered all objections and protests to the proposed adjustment to the refuse rates. In addition, the Refuse Rate Board held a hearing pursuant to notice on July 24, 2023 at 12:30 p.m. in Room 408 at City Hall, 1

Dr. Carlton B. Goodlett Place, San Francisco, California. At said public hearing, the Refuse Rate Board considered testimony of all interested persons for or against the rate adjustment. In addition, the Refuse Rates Administrator tabulated all protests received and determined that a majority protest does not exist as defined in Section 6(a) of Article XIIID of the California Constitution and Section 53755 of the California Government Code with respect to the adoption of this rate order. The Refuse Rate Board affirms this determination; and

WHEREAS, The Planning Department has determined that the actions contemplated in this Resolution comply with the California Environmental Quality Act ("CEQA"). (See California Public Resources Code Section 21080(b)(8) and CEQA Guidelines Section 15273.) This determination is on file with the Refuse Rates Administrator and is incorporated herein by reference. The Refuse Rate Board affirms this determination; now, therefore, be it

RESOLVED, That the proposed rates are adopted, effective October 1, 2023; and, be it

FURTHER RESOLVED, That the Refuse Rates Administrator shall publish this order in an official newspaper of the City and County of San Francisco, and shall provide notice to all who shall have filed written requests for notice as set forth in Proposition F; and be it

FURTHER RESOLVED, That the Refuse Rate Board urges the Refuse Rates Administrator to diligently monitor the rates and update the Refuse Rate Board at least once per year, as to the implementation of this order; and be it

FURTHER RESOLVED, That the Refuse Rate Board urges the following actions to prepare for the next rate cycle and effectuate the recommendations of the Refuse Rates Administrator:

1. **Service Level Agreements.** Given the enhancements to Abandoned Materials Pickup and Public Receptacles Pickup, this Rate Order necessitates service level agreements to ensure delivery and to track performance for these program areas.

The Department of Public Works will enter into these Service Level Agreements. (Refuse Rate Order for Rate Year 2024 and Rate Year 2025 pp.61.)

2. **Reporting Requirements:** This Rate Order memorializes existing reporting requirements and past agreements. This Rate Order requires Recology to produce additional reports with the goals of greater financial transparency, better tracking of operational performance, tracking of customer service performance, and tracking of performance towards meeting environmental goals. These additional requirements include additional pension reporting, supplemental schedules in Rate Reports for various accounts, additional operations reports, additional processing and disposal reporting, delinquent account reports and new program metrics related to existing programs to help track the performance of service level agreements in this Rate Order. (Refuse Rate Order for Rate Year 2024 and Rate Year 2025 pp.65.)
3. **Planned Work:** This rate-setting process highlighted several areas that need further study to help inform future investments, particularly in areas of infrastructure needs, cost allocations between residential and commercial services, contamination mitigation and diversion, etc. This Rate Order directs the Refuse Rates Administrator, Recology, Department of Public Works, and the Environment Department to begin this work before the next rate cycle. (Refuse Rate Order for Rate Year 2024 and Rate Year 2025 pp.75.)

Adopted by the following vote:

Ayes: ***
Noes: ***
Absent: 1

I certify that the foregoing resolution was adopted at the meeting of the Refuse Rate Board held on July 24, 2023.

_____-
Claire Stone, Controller's Office

Recology Sunset Scavenger/Recology Golden Gate
Schedule A
Residential and Apartment Refuse Rates
Effective October 1, 2023

Description of Monthly Charge	Charge
Rates for 1-5 Unit Residential Buildings	
Base Charge for Service	
Per dwelling unit	17.55
Trash Volume Charge for Weekly Collection	
16-gallon bin	7.33
20-gallon bin (current customers only)	7.33
Premium for service above 32-gallons per dwelling unit	11.70
Recycling or Composting Volume Charge for Weekly Collection	
32-gallon bin	7.33
Distance, Elevation and Key Charges	
No extra charge for collection less than 25 feet from curb. Distance charge per bin for collection within each 25-foot increment thereafter.	12.53
No extra charge for collection less than 4 feet elevation change from street level. Elevation charge per bin for collection within each 8-foot increment thereafter.	13.60
Weekly access charge per bin	7.88
Rates for 6 Unit and Larger Apartment Buildings	
Base Charge for Service	
Per dwelling unit	5.83
Volume Charges for Weekly Collection	
Collection volume is charged equally for trash, recycling and composting. A landfill diversion discount equal to the diversion volume percentage less 25% is then subtracted. Diversion volume percentage equals recycling and composting volume divided by total volume.	
32-gallon bin	28.12
1-cubic yard bin	177.42
Distance, Elevation, Access and Special Service Charges	
No extra charge for collection less than 50 feet from curb. Distance charge is 12.5% times volume charge (before diversion discount) for weekly collection within each 50-foot increment thereafter. Distance is from curb to farthest bin.	
No extra charge for collection less than 4 feet elevation change from street level. Elevation charge is 25% times volume charge (before diversion discount) for weekly collection from elevation changes within each 8-foot increment thereafter. Elevation is from street level to farthest bin.	
Weekly access charge per bin	7.88
An extra charge of 50% times volume charge (before diversion discount) applies for each trap door (collector must lift a cover and pull bins up to street level), clearing of a disposal chute, rake-out (disposal chute without a bin) or bin located on a ledge one foot or more above floor.	

Recology Sunset Scavenger/Recology Golden Gate
Schedule A
Residential and Apartment Refuse Rates
Effective October 1, 2023

Additional Provisions and Requirements for all Customers
Households with income less than or equal to 200% of the poverty level may qualify for 25% base and volume discounts. Nonprofit housing organizations may qualify for 10% discounts.
Distance, elevation and access charges are waived for customers with a permanent disability that pay for individual service and certify they are physically unable to place bins at the curb and no able-bodied persons live in their building. Customer must place bins in a location as accessible as possible for collection.
Residential and apartment rates apply to single and multi-family homes, flats, apartments, condominiums, tenancies in common, in-law units, lofts, live/work spaces (unless clearly commercial), single room occupancy hotels (with an apartment license) and low income housing. Buildings with more than 600 rooms (not counting kitchens and bathrooms) or with bins 3-yards or larger or compacted service, mixed use buildings without dedicated residential bins and all other buildings are charged commercial rates. Customer must provide accurate unit and room counts, subject to verification by Recology.
City law mandates everyone must have adequate refuse service, pay for service on time and properly separate recyclables, compostables and trash. Minimum weekly service per unit is 16 gallons for trash, 16 gallons for recycling and 8 gallons for composting, unless there is no contamination in any bin. Bins may be shared by dwelling units within one building if refuse service minimums are met. Apartment rates are for shared bins only.
Recycling, composting and trash bins should be at the same location. Bins shall be unobstructed and placed for easy access so they can be used and serviced in a normal and safe manner, as determined by Recology.
Refuse is to be in standard bins. Loose material, overflow (lid must be closed), overweight (more than 2 pounds per gallon) or non-standard bins may be charged the next highest standard bin rate. Cardboard must be placed in a recycling bin, cardboard box or paper bags not exceeding 2 feet in any dimension (8 cubic feet). Customers with excess cardboard not in a bin on service day may be charged $5.45 per 8 cubic feet.
Additional frequency charges are linear (weekly service charges are multiplied by the number of collections per week). 16 and 20-gallon bins are not serviced more frequently than once per week. Customers must exceed minimums for more than once weekly service.
Saturday service is 75% more than the applicable rate (including volume, distance, elevation, access and other special service charges) for weekday service. For Saturday collection, at least 3 days per week service is required.
Sunday service is 175% more than the applicable rate (including volume, distance, elevation, access and other special service charges) for weekday service. For Sunday collection, daily service is required.

Recology Sunset Scavenger/Recology Golden Gate
Schedule A
Residential and Apartment Refuse Rates
Effective October 1, 2023

Additional Provisions and Requirements for all Customers
Street level and curb is where vehicle must park to service customer's bins. Distance is measured from vehicle along service path to bins. Elevation is determined by adding all distances up and down along service path.
Volume, distance, elevation, access and other charges are per location. Charges may be split among customers at the same location at 150% of the otherwise applicable rate. If two or more customers split service charges, they will be applied to each bill payer equally or as designated by the customers, subject to approval by Recology.
An access charge will be applied for each bin at a location when a key, padlock, combination lock, key pad, entry code, electronic door opener, transmitter or other similar entry mechanism is required to enter or leave/secure premises. An access charge will be applied for each occurrence of unlocking a bin. An additional access charge will be applied for relocking each bin serviced should a front-loader driver be required to get out of the vehicle again. A charge will not be applied for re-securing rear load or side load bins at the curb.
Contaminated recycling, composting and trash bins may have diversion discount removed and be assessed a 100% contamination charge.
It is the customer's responsibility to monitor all services and charges and notify Recology of any possible discrepancies. Service credits will not exceed 30 days or one billing cycle, whichever is greater, from the time of notification by the customer. Recology performs periodic audits and will correct charges and recommend service changes.
Recology is responsible for normal wear of bins provided to customers. Customers are responsible for damaged bins beyond normal wear, reporting missing bins, excessive missing bins, and may be responsible for replacement cost. Bin cleaning service is available at an extra charge.
$20 will be charged to open a service account. Closing an account is only allowed for residency changes. Credit will be given for suspension of service (e.g., vacations) for one to three months. Customers must notify Recology of the suspension and restart dates before start of suspension. Base charges are not credited and an administrative charge of $10 is charged to restart service after suspension.
Electronic bill payers receive a $1 credit on each bill.
$25 will be charged for each check returned for insufficient funds.

Recology Sunset Scavenger/Recology Golden Gate
Schedule A
Residential and Apartment Refuse Rates
Effective January 1, 2024

Description of Monthly Charge	Charge
Rates for 1-5 Unit Residential Buildings	
Base Charge for Service	
Per dwelling unit	17.78
Trash Volume Charge for Weekly Collection	
16-gallon bin	7.43
20-gallon bin (current customers only)	7.43
Premium for service above 32-gallons per dwelling unit	11.86
Recycling or Composting Volume Charge for Weekly Collection	
32-gallon bin	7.43
Distance, Elevation and Key Charges	
No extra charge for collection less than 25 feet from curb. Distance charge per bin for collection within each 25-foot increment thereafter.	12.70
No extra charge for collection less than 4 feet elevation change from street level. Elevation charge per bin for collection within each 8-foot increment thereafter.	13.78
Weekly access charge per bin	7.98
Rates for 6 Unit and Larger Apartment Buildings	
Base Charge for Service	
Per dwelling unit	5.91
Volume Charges for Weekly Collection	
Collection volume is charged equally for trash, recycling and composting. A landfill diversion discount equal to the diversion volume percentage less 25% is then subtracted. Diversion volume percentage equals recycling and composting volume divided by total volume.	
32-gallon bin	28.49
1-cubic yard bin	179.78
Distance, Elevation, Access and Special Service Charges	
No extra charge for collection less than 50 feet from curb. Distance charge is 12.5% times volume charge (before diversion discount) for weekly collection within each 50-foot increment thereafter. Distance is from curb to farthest bin.	
No extra charge for collection less than 4 feet elevation change from street level. Elevation charge is 25% times volume charge (before diversion discount) for weekly collection from elevation changes within each 8-foot increment thereafter. Elevation is from street level to farthest bin.	
Weekly access charge per bin	7.98
An extra charge of 50% times volume charge (before diversion discount) applies for each trap door (collector must lift a cover and pull bins up to street level), clearing of a disposal chute, rake-out (disposal chute without a bin) or bin located on a ledge one foot or more above floor.	

Recology Sunset Scavenger/Recology Golden Gate
Schedule A
Residential and Apartment Refuse Rates
Effective January 1, 2024

Additional Provisions and Requirements for all Customers
Households with income less than or equal to 200% of the poverty level may qualify for 25% base and volume discounts. Nonprofit housing organizations may qualify for 10% discounts.
Distance, elevation and access charges are waived for customers with a permanent disability that pay for individual service and certify they are physically unable to place bins at the curb and no able-bodied persons live in their building. Customer must place bins in a location as accessible as possible for collection.
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Recycling, composting and trash bins should be at the same location. Bins shall be unobstructed and placed for easy access so they can be used and serviced in a normal and safe manner, as determined by Recology.
Refuse is to be in standard bins. Loose material, overflow (lid must be closed), overweight (more than 2 pounds per gallon) or non-standard bins may be charged the next highest standard bin rate. Cardboard must be placed in a recycling bin, cardboard box or paper bags not exceeding 2 feet in any dimension (8 cubic feet). Customers with excess cardboard not in a bin on service day may be charged $5.45 per 8 cubic feet.
Additional frequency charges are linear (weekly service charges are multiplied by the number of collections per week). 16 and 20-gallon bins are not serviced more frequently than once per week. Customers must exceed minimums for more than once weekly service.
Saturday service is 75% more than the applicable rate (including volume, distance, elevation, access and other special service charges) for weekday service. For Saturday collection, at least 3 days per week service is required.
Sunday service is 175% more than the applicable rate (including volume, distance, elevation, access and other special service charges) for weekday service. For Sunday collection, daily service is required.

Recology Sunset Scavenger/Recology Golden Gate
Schedule A
Residential and Apartment Refuse Rates
Effective January 1, 2024

Additional Provisions and Requirements for all Customers
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Volume, distance, elevation, access and other charges are per location. Charges may be split among customers at the same location at 150% of the otherwise applicable rate. If two or more customers split service charges, they will be applied to each bill payer equally or as designated by the customers, subject to approval by Recology.
An access charge will be applied for each bin at a location when a key, padlock, combination lock, key pad, entry code, electronic door opener, transmitter or other similar entry mechanism is required to enter or leave/secure premises. An access charge will be applied for each occurrence of unlocking a bin. An additional access charge will be applied for relocking each bin serviced should a front-loader driver be required to get out of the vehicle again. A charge will not be applied for re-securing rear load or side load bins at the curb.
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Recology is responsible for normal wear of bins provided to customers. Customers are responsible for damaged bins beyond normal wear, reporting missing bins, excessive missing bins, and may be responsible for replacement cost. Bin cleaning service is available at an extra charge.
$20 will be charged to open a service account. Closing an account is only allowed for residency changes. Credit will be given for suspension of service (e.g., vacations) for one to three months. Customers must notify Recology of the suspension and restart dates before start of suspension. Base charges are not credited and an administrative charge of $10 is charged to restart service after suspension.
Electronic bill payers receive a $1 credit on each bill.
$25 will be charged for each check returned for insufficient funds.

Recology Sunset Scavenger/Recology Golden Gate
Schedule A
Residential and Apartment Refuse Rates
Effective October 1, 2024

Description of Monthly Charge	Charge
Rates for 1-5 Unit Residential Buildings	
Base Charge for Service	
Per dwelling unit	18.20
Trash Volume Charge for Weekly Collection	
16-gallon bin	7.60
20-gallon bin (current customers only)	7.60
Premium for service above 32-gallons per dwelling unit	12.13
Recycling or Composting Volume Charge for Weekly Collection	
32-gallon bin	7.60
Distance, Elevation and Key Charges	
No extra charge for collection less than 25 feet from curb. Distance charge per bin for collection within each 25-foot increment thereafter.	12.99
No extra charge for collection less than 4 feet elevation change from street level. Elevation charge per bin for collection within each 8-foot increment thereafter.	14.10
Weekly access charge per bin	8.17
Rates for 6 Unit and Larger Apartment Buildings	
Base Charge for Service	
Per dwelling unit	6.06
Volume Charges for Weekly Collection	
Collection volume is charged equally for trash, recycling and composting. A landfill diversion discount equal to the diversion volume percentage less 25% is then subtracted. Diversion volume percentage equals recycling and composting volume divided by total volume.	
32-gallon bin	29.22
1-cubic yard bin	184.37
Distance, Elevation, Access and Special Service Charges	
No extra charge for collection less than 50 feet from curb. Distance charge is 12.5% times volume charge (before diversion discount) for weekly collection within each 50-foot increment thereafter. Distance is from curb to farthest bin.	
No extra charge for collection less than 4 feet elevation change from street level. Elevation charge is 25% times volume charge (before diversion discount) for weekly collection from elevation changes within each 8-foot increment thereafter. Elevation is from street level to farthest bin.	
Weekly access charge per bin	8.19
An extra charge of 50% times volume charge (before diversion discount) applies for each trap door (collector must lift a cover and pull bins up to street level), clearing of a disposal chute, rake-out (disposal chute without a bin) or bin located on a ledge one foot or more above floor.	

Recology Sunset Scavenger/Recology Golden Gate
Schedule A
Residential and Apartment Refuse Rates
Effective October 1, 2024

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Refuse is to be in standard bins. Loose material, overflow (lid must be closed), overweight (more than 2 pounds per gallon) or non-standard bins may be charged the next highest standard bin rate. Cardboard must be placed in a recycling bin, cardboard box or paper bags not exceeding 2 feet in any dimension (8 cubic feet). Customers with excess cardboard not in a bin on service day may be charged $5.45 per 8 cubic feet.
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Sunday service is 175% more than the applicable rate (including volume, distance, elevation, access and other special service charges) for weekday service. For Sunday collection, daily service is required.

Recology Sunset Scavenger/Recology Golden Gate
Schedule A
Residential and Apartment Refuse Rates
Effective October 1, 2024

Additional Provisions and Requirements for all Customers
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An access charge will be applied for each bin at a location when a key, padlock, combination lock, key pad, entry code, electronic door opener, transmitter or other similar entry mechanism is required to enter or leave/secure premises. An access charge will be applied for each occurrence of unlocking a bin. An additional access charge will be applied for relocking each bin serviced should a front-loader driver be required to get out of the vehicle again. A charge will not be applied for re-securing rear load or side load bins at the curb.
Contaminated recycling, composting and trash bins may have diversion discount removed and be assessed a 100% contamination charge.
It is the customer's responsibility to monitor all services and charges and notify Recology of any possible discrepancies. Service credits will not exceed 30 days or one billing cycle, whichever is greater, from the time of notification by the customer. Recology performs periodic audits and will correct charges and recommend service changes.
Recology is responsible for normal wear of bins provided to customers. Customers are responsible for damaged bins beyond normal wear, reporting missing bins, excessive missing bins, and may be responsible for replacement cost. Bin cleaning service is available at an extra charge.
$20 will be charged to open a service account. Closing an account is only allowed for residency changes. Credit will be given for suspension of service (e.g., vacations) for one to three months. Customers must notify Recology of the suspension and restart dates before start of suspension. Base charges are not credited and an administrative charge of $10 is charged to restart service after suspension.
Electronic bill payers receive a $1 credit on each bill.
$25 will be charged for each check returned for insufficient funds.

Exhibit B

Refuse Rate Order for

Rate Year 2024 and Rate Year 2025

Modified from the Refuse Rates Administrator's Proposed Rate Order

Refuse Rate Board

July 24, 2023

City & County of San Francisco
Refuse Rate Board
Prepared by the Refuse Rates Administrator

About the Refuse Rate Board

The Refuse Rate Board was an amendment to the Refuse Collection and Disposal Ordinance that voters approved in June 2022. The amendment requires that the Refuse Rates Administrator conduct periodic, comprehensive financial and performance evaluations of the City's refuse collection, disposal, and remediation programs and facilitate the process by which refuse rates are established. The Refuse Rates Administrator ensures the financial integrity of the refuse rate-setting process, and promotes efficient, effective, and accountable service by:

- Regularly monitoring refuse rates and reporting before the Refuse Rates Board, including recommended rate adjustments or proposed programmatic changes.
- Providing actionable recommendations to city leaders to promote and enhance accountability and improve the overall cost-effectiveness, performance and efficiency of refuse collection, processing, and remediation.
- Facilitating and helping to ensure transparency of the refuse rate-setting process and reporting, so the public can timely access and review information.
- Promote public input including comment, objection and protest procedures pursuant to San Francisco Proposition F (June 2022) as well as California Proposition 218.

Refuse Rate Board:
City Administrator Carmen Chu, *Chair*
General Manager Dennis Herrera, *Member*

Office of the Refuse Rates Administrator
Ben Rosenfield, *Controller*
Todd Rydstrom, *Deputy Controller*
Jay Liao, *Refuse Rates Administrator*
Ben Becker, *Refuse Rates Analyst*

Contract Information
To learn more about the City's Refuse Rates Administration, please visit our website at https://sf.gov/refuse-rates-administration-office-controller

Or contact us at:
CON-RefuseRatesAdministration@sfgov.org

http://www.sfcontroller.org
@sfcontroller
LinkedIn Office of the Controller

Table of Contents

Executive Summary 4
Introduction 8
Procedures 12
Rate Comparisons 21
Operating Ratio/Profitability Ratio 22
Rate Proposal: Recommended Rates 24
Rate Proposal: Recommended Rate Adjustments 35
Rate Proposal: Other Adjustments and Administrative Provisions 58
Commission Input 70
Public Comment, Objections and Prop 218 Protests To-Date 72
Work Supporting Next Rate Cycle 75
Appendix A: File References 76
Appendix B: List of Programs and Their Tracking Metrics 87
Appendix C: Accounts Summary 94
Appendix D: Operating Ratio Calculation 97
Appendix E: Program Summaries 99
Appendix F: The 2023 Balancing Account Mechanism 102
Appendix G: Impound Account Use for Seismic Study and Trash Processing Pilot 105
Appendix H: Impound Account Deposits & Remittances to the City 106
Appendix I: Programmatic Reserve Provisions 108
Appendix J: Substituted Costs 110
Appendix K: Zero Waste Capital Reserve Fund 112

Executive Summary

BACKGROUND

On June 26, 2023, the Refuse Rate Board heard the Refuse Rates Administrator's Proposed Rate Order and directed to the Refuse Rate Administrator to adjust the Proposed Rate Order and to issue a final Rate Order based on those adjustments. This report details the recommendations for rate changes to Residential and Apartment rates made by the Refuse Rate Board including recommendations for other programmatic, non-programmatic, and administrative provisions for Rate Year 2024 beginning October 1, 2023 and Rate Year 2025 beginning October 1, 2024. The rate-setting process is governed by Proposition F (June 2022). The process began January 31, 2023 when the Refuse Rate Administrator issued its Rate Change Request Forms.

RATE PROPOSAL

On March 7, 2023, Recology Sunset Scavenger, Recology Golden Gate, and Recology San Francisco submitted a request to increase rates to be charged for refuse collection services rendered to residential and apartment buildings. Recology requested an increase in rates of 3.90% in Rate Year 2024 beginning October 1, 2023, and 2.17% in Rate Year 2025 beginning October 1, 2024, for a cumulative 2-year increase of 6.15%.

The Refuse Rates Administrator reviewed and analyzed Recology's rate change request and issued a Proposed Rate Order on June 20, 2023. The Refuse Rates Administrator's proposal would hold rates constant in Rate Year 2024 (0.00% increase) and raise rates by 3.92% in Rate Year 2025, for a cumulative 2-year increase of 3.92%.

The Refuse Rate Board's Rate Order would hold rates constant for the first three months of Rate Year 2023 and increase rates by 1.33% on January 1, 2024 (3 months into Rate Year 2024) and 2.32% in Rate Year 2025, for a cumulative 2-year increase of 3.68%.

	Rate Year 2024			Rate Year 2025		
Rate Change	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order
Effective Date	**Oct 1, 2023**	**Oct 1, 2023**	**Jan 1, 2024**	**Oct 1, 2023**	**Oct 1, 2023**	**Oct 1, 2024**
% Change Proposed	3.90%	0.00%	1.33%	2.17%	3.92%	2.32%
Cumulative % Change from Current Year	3.90%	0.00%	1.00%	6.15%	3.92%	3.68%

The Refuse Rate Board's Rate Order will have a cumulative increase below that of Recology's proposal and the Refuse Rates Administrator's proposal. The Refuse Rate Board's Rate Order will ensure current collections service levels are maintained while enhancing certain services to improve City street cleanliness, to make new investments in order to reduce contamination in the City's waste, to ensure the safety of Recology's drivers, to provide flexibility for unforeseen events, and to fund a reserve to mitigate long-term capital costs.

Maintaining Service Levels: The Refuse Rate Board's Rate Order allows for projected economic and business cost increases for normal operations of trash, recycling, and composting pickup as well as other programs.

Enhancing Service Levels: In addition to maintaining service levels, the Refuse Rate Board's Rate Order allows for additional resources to increase levels of Recology staffing for regular operations and programs to keep the City Streets clean, as well as administrative capacity to meet the demands of additional reporting requirements This includes:

- Abandoned Materials Pickup: 2 additional drivers, 2 additional trucks, and dividing the City into 6 zones (from 5) to improve response times and increase service capacity.
- Public Receptacles Pickup: 2 additional drivers, 2 additional trucks, and adding two additional routes to improve response times and increase service capacity.
- Supervisors: 6 additional supervisors and 2 additional managers to improve safety and efficiency in collections, transportation, and maintenance.
- Cardboard Pickup: 2 additional drivers to account for reduction in "mosquito fleet" and increased cardboard dumping around the City.
- Relief Drivers: 2 relief drivers to ensure adequate and regular collection service during reduced driver attendance for health-related issues.
- Safe Service Drivers: 3 additional drivers dedicated to accompany crews in the Tenderloin and improve equipment and building security, reducing or resolving public safety incidents.
- Rate Analysts: 2 additional rate analysts to improve and comply with the City's refuse-related reporting requirements.

The Refuse Rate Board's Rate Order also includes funding for new public trash cans that are more durable and equipped with sensors to signal for pickup.

Improving Contamination Mitigation and Diversion: This Rate Order includes investments in organics pre-processing to help reduce the high level of contamination in organics feedstock, as well as an investment in a trash processing pilot to study the impact of trash processing on diversion and inform future investments capital for increasing diversion. In addition, the Rate Order includes investments in the Waste Zero program to improve outreach to low-diversion accounts and to study the impacts of new on-board camera technology in identifying source contamination.

Ensuring Safety: Since the pandemic, Recology drivers have faced an increase in the frequency and severity of incidents. This investment establishes two-person routes where needed as well as increased supervision. This investment would also improve response times and provide added training opportunities.

Creating Flexibility: The Refuse Rate Board's Rate Order establishes a Programmatic Reserve that would allow the City to make requests when needed beyond those established in the Service Level Agreement. These requests would be accompanied by budget proposals and approval by the Refuse Rates Administrator.

Addressing Long-Term Costs: In anticipation of expected needs for future capital investments, the Refuse Rate Board's Rate Order establishes a Zero Waste Capital Reserve that would be funded to mitigate future capital expenditures that prioritize the City's Zero Waste goals.

Lastly, the Rate Order finds cost savings that would not impact service delivery. Major cost savings include spreading pension funding over a longer timeframe, and the suspension of the Zero Waste Incentive Account, which has not correlated with diversion.

SUMMARY OF CHANGES FROM REFUSE RATES ADMINISTRATOR'S RATE PROPOSAL

The Refuse Rate Board was in concurrence with most of the Refuse Rates Administrator's Proposed Rate Order. This includes four major changes the Refuse Rates Administrator made to Recology's Rate Change Request:

1. **Pensions Costs:** Pensions costs were adjusted to bring the plan to a fully funded status in 5-years based on actuarial projections.
2. **Corporate Allocations:** 5% cut in projected corporate allocations, resulting in a savings of $761K in Rate Year 2024 and $784K in Rate Year 2025.
3. **Programmatic Reserve:** Establishing a reserve account to allow City departments to make requests when needed beyond those established in the Refuse Rate Board's Rate Order. This reserve would be funded at $761K in Rate Year 2024 and an additional $784K in Rate Year 2025.
4. **Balancing Account:** The balancing account ensures that any unanticipated savings or surplus revenues are used to offset subsequent year costs, and that unanticipated expenditures or revenue shortfalls are smoothed over time to mitigate rate shocks. This balancing account will have a 50% adjustment of Over/(Under) allowed profit.
5. **Zero Waste Incentive Account:** Suspension of the Zero Waste Incentive Account, which has not correlated with diversion.

The Refuse Rate Board made two major programmatic changes to the Refuse Rates Administrator's Proposed Rate Order:

1. **Contamination Enhancement:** The Refuse Rates Administrator's proposal had no new investments to the contamination program. The Refuse Rate Board's Final Rate Order will include the replacement of 6 on-board cameras and one new Waste Zero Specialist to support additional outreach for low-diversion accounts and to monitor and study the impact of new camera technology in identifying contamination. This enhancement is estimated to generate additional contamination fee revenue. The net impact is a net operating income increase of $22K in Rate Year 2024 and $18K in Rate Year 2025
2. **Weekend Cleanup Events:** The Refuse Rate Board's Final Rate Order will enhance the original proposal to include 3-bin refuse source separation at the event. The Refuse Rate Board has also reduced this program from 22 events (2 events per District) to 11 events per year (1 event per District). This results in a net savings of $194K in rate Year 2024 and $201K in Rate Year 2025.

In addition to the programmatic changes, the Refuse Rate Board included two other major provisions in its Final Rate Order:

1. **Rate-Setting Delay Trigger:** If the next rate-setting process is not initiated by February 1, 2025, the Refuse Rates Administrator will request the Refuse Rate Board to convene to consider an October 1, 2025, cost-of-living adjustment.
2. **Zero Waste Capital Reserve:** The Zero Waste Capital Reserve would support future capital infrastructure investments, prioritizing Zero Waste Goals. The Capital reserve would be funded one-time at 1% of net revenue in Rate Year 2024, which would amount to approximately $3.5 million. Funding would begin January 1, 2024.

Lastly, since the Refuse Rates Administrator's Proposed Rate Order was published, the Rate Stabilization Fund 2022 balance was updated to reflect the current balance. The Refuse Rate Board's Rate Order includes the entirety of this additional balance of $230k in Rate Year 2025.

SUMMARY OF OTHER PROVISIONS GOVERNING RATES

In addition to the rate adjustments, the Refuse Rate Board's Rate Order includes provisions that would memorialize and expand on existing reporting requirements, specify service level agreement changes, planned work for the next rate cycle, and provide guardrails for excess profits earned or losses incurred by Recology.

Reporting Requirements: The Refuse Rate Board's Rate Order aims to memorialize existing reporting requirements and past agreements. The Refuse Rate Board's Rate Order also proposes additional requirements with the goals of greater financial transparency, better tracking of operational performance, tracking of customer service performance, and tracking of performance towards meeting environmental goals. These additional requirements include additional pension reporting, supplemental schedules in Rate Reports for various accounts, additional operations reports, additional processing and disposal reporting, delinquent account reports and new program metrics related to existing programs and to help track performance of service level agreements in the Refuse Rate Board's Rate Order.

Service Level Agreements: Given the enhancements to Abandoned Materials Pickup and Public Receptacles Pickup, the Refuse Rate Board's Rate Order establishes service level agreements to ensure delivery and to track performance for these program areas.

Planned Work: This rate-setting process highlighted several areas that need further study to help inform future investments, particularly in areas of infrastructure needs, cost allocations between residential and commercial services, contamination mitigation and diversion, etc. The Refuse Rate Board's Rate Order lays out work that will need to start before the next rate cycle.

Balancing Account: The Rate Order proposes a balancing account to ensure any unanticipated savings or surplus revenues are used reduce future years' rate increases, and that unanticipated expenditures or revenue shortfalls are used to mitigate rate shocks.

Introduction

The Refuse Rates Administrator is responsible for proposing new rates for consideration by the Refuse Rate Board. On June 26, 2023, the Refuse Rate Board heard the Refuse Rates Administrator's Proposed Rate Order and directed the Refuse Rate Administrator to adjust the Proposed Rate Order and to issue a final Rate Order based on those adjustments. This Refuse Rate Order details the rate changes made by the Refuse Rate Board including recommendations for other programmatic, non-programmatic, and administrative provisions for Rate Year 2024 beginning October 1, 2023 and Rate Year 2025 beginning October 1, 2024.

The Refuse Rate Board heard the rate-setting process conducted by the Refuse Rates Administrator across several hearings. The rate-setting process is governed by Proposition F (June 2022). As part of the process the Refuse Rates Administrator consulted with Recology, the largest refuse collector in the City, as well as the Environment Department and the Department of Public Works. The Refuse Rates Administrator presented views from Recology and the departments regarding rate order changes. In addition, the Refuse Rates Administrator presented input from members of the public and the Commission on Environment and the Streets and Sanitation Commission to the Refuse Rate Board. The Refuse Rate Board was also presented with description of the two settlement agreements and two public integrity reports that guided the rate-setting process.

Proposition F

In June 2022, San Francisco voters passed Proposition F[1], making the Controller's Office the City's new Refuse Rates Administrator (RRA). The purpose of Proposition F is to reform and modernize the City's process for setting residential refuse rates to be more fair, transparent, and accountable as the City continues to pursue its Zero-Waste goals. Proposition F also restructured the membership of the Refuse Rates Board (RRB), modified the process by which refuse rates are set, and established new processes for how future changes shall be made. Proposition F established four principles to govern the process:

- Refuse service shall be cost-effective and meet established service standards and environmental goals
- The refuse rate structure shall encourage rate stability and ensure rates are reasonable and fair
- The process used to establish and monitor rates shall be transparent, accountable, and publicly accessible
- The work of the Refuse Rate Board and the City Controller, who shall act as the Refuse Rates Administrator, shall be conducted in line with high professional ethical standards.

[1] See Appendix A: Reference Files, file number 5001 (San Francisco June 2022 Proposition F - Refuse Rate Reform Ordinance Full Text)

Settlements

In addition to Proposition F, the Refuse Rates Administrator monitors the implementation of a $101.5 million settlement with Recology from March 2021[2], which refunded ratepayers for certain overcharges. As part of another settlement with the Controller's Office in December 2022, Recology also agreed to create a notional balancing account with an initial balance of $25.0 million along with a Ratepayer Benefit provision that ensured that any remaining balance, following the true-up for Rate Year 2023, be applied to offset rate increases in equal amounts over the subsequent five rate years, i.e. Rate Years 2025 through Rate Year 2029.[3] The December 2022 settlement also included and outlined other provisions, for example, that the Balancing Account shall not drop below zero as of the application of the true-up for Rate Year 2023, procedures for future rate applications, rate reporting and notification, target profit, property disposition, substituted costs, and Cost-Of-Living Adjustments (COLAs). Permitted use of the $25.0 million included the amount equal to the foregone COLA from July 1, 2022 through December 31, 2022, as well as adjustments for 50% Above- or Below-Target Profit for the Rate Year ending 9/30/2023.

Public Integrity Reviews

Finally, the Refuse Rates Administrator took guidance from a set of Public Integrity Reviews conducted by the Office of the Controller, published April 14, 2021[4] and May 16, 2022[5]. Notable recommendations for refuse rate-setting from the Public Integrity Reviews include:

- Ensure conduct and reporting at the highest standards of ethical conduct.
- Greater transparency in financial statements:
    - All financial reports will show total sources and total uses
    - Expenses should be shown by allocation
    - Include schedules for owned and leased property
    - Include schedules for intercompany charges
    - Include the Agreed Upon Procedures (AUP) schedule for reconciliation between audited financial statements (GAAP Basis) and annual rate reports (Rate Basis)
- Develop clear and consistent rate-setting methodology:
    - Align rate year with refuse company's fiscal year
    - Feature a clear prospective methodology
    - Develop a clear and consistent methodology for the calculation of profit margin
    - Develop a consistent methodology to fairly charge ratepayers for real property and equipment
    - Conduct an annual re-baselining of projections for automatic escalators (where applicable, i.e., only Landfill Disposal Agreement costs, as of the 2023-01 Rate Order).
- Regularly conduct rate analyses of comparable jurisdictions' refuse collection rates by customer class and service type

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[2] See Appendix A: Reference Files, file number 3001 (Settlement 2021)

[3] See Appendix A: Reference Files, file number 3002 (Settlement 2022)

[4] See Appendix A: Reference Files, file number 5002 (Public Integrity Review: Preliminary Assessment - Refuse Rate-Setting Process Lacks Transparency and Timely Safeguards - April 14, 2021)

[5] See Appendix A: Reference Files, file number 5003 (Public Integrity Review: Preliminary Assessment - Refuse Rate-Setting Process - Update Based on Additional Reviews and Meetings with Recology - May 16, 2022)

- Establish a balancing account to keep rates more stable and ensure stable profits for the refuse companies. Maintain profit margin each year using this account.
- Ensure public access to all information

The performance audit for Recology's Landfill Disposal Agreement (LDA) with the City was published by the City Services Auditor on July 12, 2023. LDA costs impact San Francisco Ratepayers and include an additional, imbedded COLA adjustment, where costs are passed onto San Francisco Ratepayers and have been taken into account in the rates approved by this Rate Order.

Proposition 218

The Refuse Rates Administrator sought approval of the refuse rates pursuant to Proposition 218. Proposition 218 amended the State Constitution to allow local governments to impose certain types of fees on real property without voter approval, subject to certain rules and procedures. Among other things, all property owners must receive notice at least 45 days in advance and receive the opportunity to submit a written protest.

Consistent with Proposition 218, ratepayers may submit a written protest against the proposed residential refuse rate adjustments. The Refuse Rate Board will not approve a rate adjustment if a majority of all residential ratepayers submit written protests. Written protests can be submitted (1) by mail to the Office of the Controller—Office of the Refuse Rates Administrator at San Francisco City Hall, Room 316, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102; or (2) at a Refuse Rate Board hearing. Oral comments do not qualify as a formal protest unless accompanied by a written protest, although the City welcomes all input. Only one protest may be registered per ratepayer account. A written protest must: (1) indicate clearly that it is in opposition to the proposed rates; (2) provide the location of the identified parcel (by assessor's parcel number, street address, or customer account); and (3) include the name and signature of the person submitting the protest.

The hearing on the written protests will take place on July 24, 2023 at 12:30 p.m. in Room 408 at City Hall, 1 Dr. Carlton B. Goodlett Place. The Hearing Officer will not accept or count protests received after the close of the hearing, even if postmarked prior to that time. If a 50%+1 majority of residential ratepayers have not protested the rate changes, the protest for a rate change will fail.

City Roles

City Entity	Role Description
Office of the Controller--Office of the Refuse Rates Administrator	Responsible for proposing new rates to the Refuse Rate Board, monitoring the financial and operational performance of refuse companies, performing studies and investigations, and advising the Refuse Rates Board to ensure rates are just and reasonable, taking into account any applicable service standards and environmental goals. The RRA must also consider all objections to the proposed rate order and address them at a hearing of the Refuse Rate Board. RRA is also responsible for presenting information to the Commission on the Environment and the Sanitation and Streets Commission in public hearings.
Refuse Rate Board	Must conduct public hearings for the Refuse Rates Administrator's rate proposal and is responsible for adopting a rate order based on evidence and record made during the public hearings with the goal of maintaining rate stability and accountability. The RRP must also adopt performance standards for refuse companies. The RRB can request studies or investigations and obtain financial audits of regulated revenues and expenses of refuse companies.
Department of Public Health--Environmental Health Division	DPH ensures adequate refuse services are provided by the licensed Collector on the designated routes by issuing Refuse Collector Licenses and Route Permits and by responding to public complaints associated with refuse collections, including but not limited to, disputes regarding charges made by Refuse Collectors.
Department of Environment	Consider zero waste goal and targets, and related city and state policies, in setting refuse collection, processing and disposal performance targets. Monitor environmental performance including collection, processing and disposal tons, and mandatory adequate service compliance. Manage refuse disposal contract. Receives funding through the Solid Waste Impound Account Revenues generated as a reuslt of Refuse Rate Board approved rates for the implementation of the San Francisco 2021 Climate Action Plan through the administration of climate programs related to zero waste, toxics, and consumption-based emissions.
Department of Public Works	Receives funding from the Solid Waste Impount Account Revenues generated as a result of Refuse Rate Board Approved Refuse Rates. Funding is used for Citywide refuse-related cleaning services, including collection and disposal of refuse and recyclables on San Francisco Streets and properties, as well as maintenance, repair and replacement of City refuse receptacles.
Commission on the Environment	Hears information presented by the Refuse Rates Administrator related to rate-setting and proposed refuse rate changes. Hears proposals related zero waste, toxics, and consumption-based emissions climate goals funded through the Solid Waste Impound Account Revenues generated as a result of Refuse Rate Board approved rates.
Sanitation and Streets Commission	Hears information presented by the Refuse Rates Administrator related to rate-setting. Hear programmatic proposals for Citywide refuse-related cleaning services that receive funding fom the Solid Waste Impount Account Revenues generated as a result of Refuse Rate Board approved rates.

Procedures

PROCESS SUMMARY

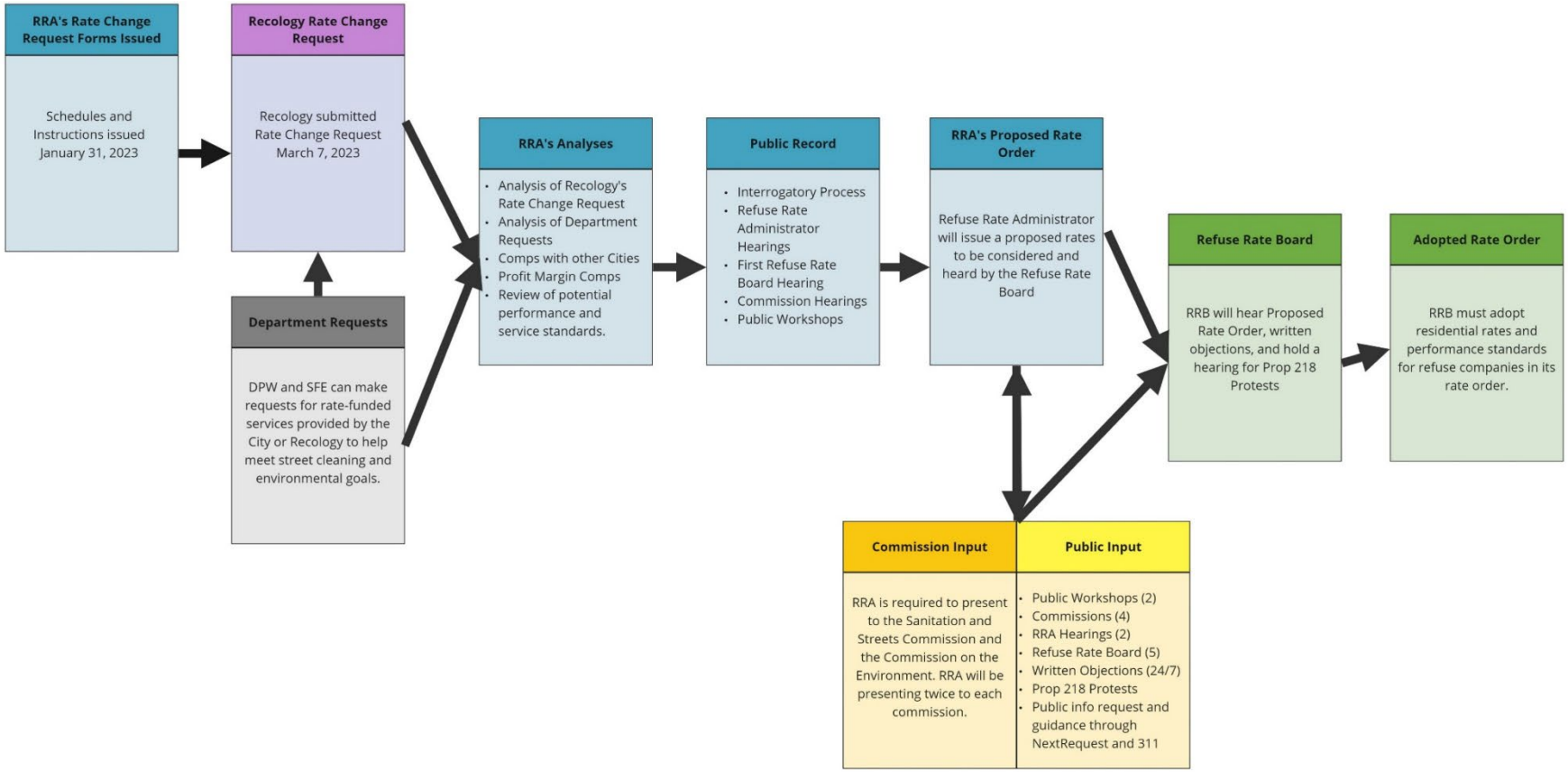
The Office of the Refuse Rates Administrator was staffed in late 2022 and the Administrator's first task was to review the law as established under Proposition F and the Public Health code to further develop the new process by which refuse rates will be modified in San Francisco.

The new process (see Diagram 1 on next page) begins with a new unified rate change request form to be completed by the waste hauler detailing cost, revenue, and programmatic adjustments that could impact rates.

Upon submission of the rate change request schedules, the Refuse Rates Administrator begins the process of investigation and data collection to inform the proposed Rate Order. This process includes four major components:

1. **Analysis:** Analyses of the rate change request schedules, analysis of requests from City departments seeking rate funding, and comparisons of other jurisdictions.
2. **Public Record Building:** The Refuse Rates Administrator uses public hearings and an interrogatory process to build a public record of information and justification for rate adjustments.
3. **Commission Hearings:** Proposition F requires the Refuse Rates Administrator present in front of the Sanitation and Streets Commission and the Commission on Environment. The Refuse Rates Administrator takes commissioner comments into consideration for the proposed Rate Order.
4. **Public Input:** The public has opportunities for oral public comment in any of the 12-13 public hearings during this rate-setting process. In addition, the Refuse Rates Administrator provides the opportunity through either written mail-in or electronic comments.

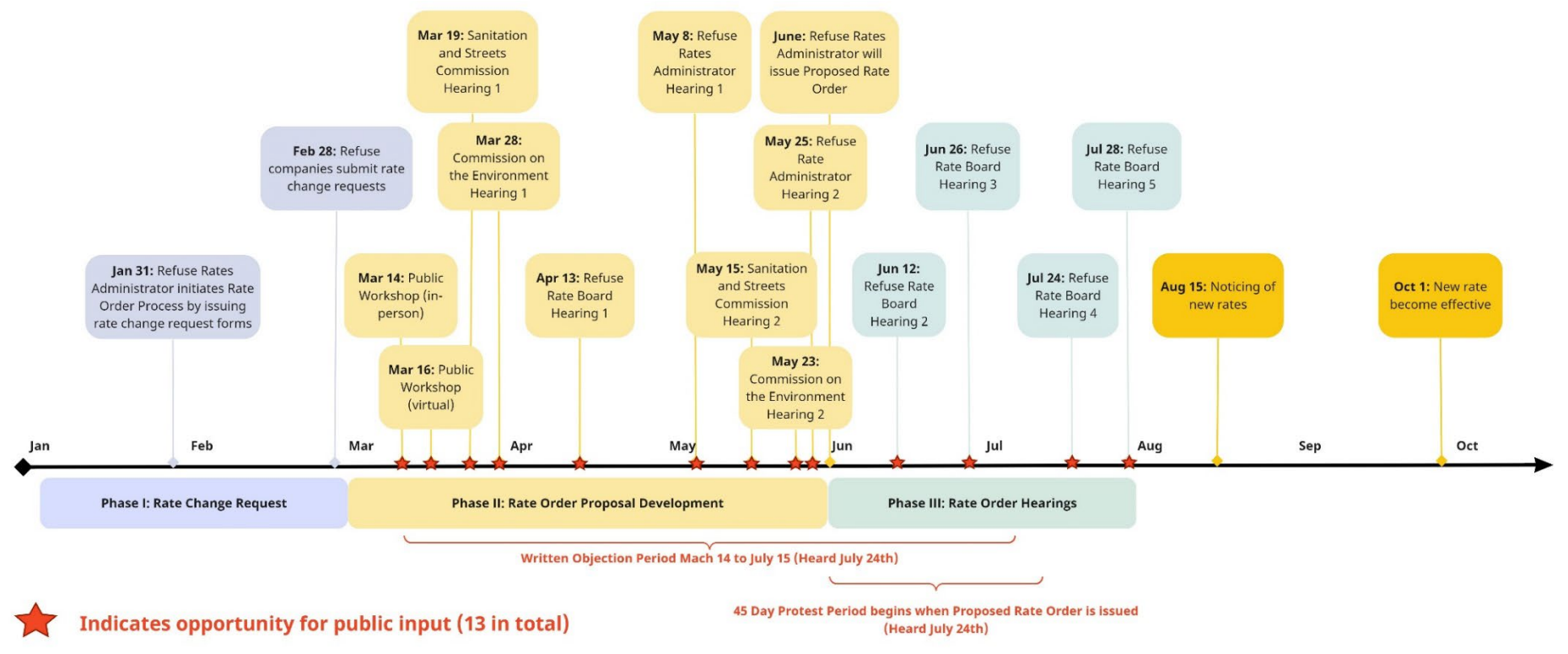
Diagram 1: Process Summary



TIMELINE

The rate-setting process began in January 2023 (see Diagram 2 on next page). Recology submitted their Rate Change Request form on March 7, 2023 when the Refuse Rates Administrator began its process in developing a new Rate Order. The Refuse Rate Board held a series of hearings to consider the proposal and made its determination on a new Rate Order.

Diagram 2: Process Timeline



RATE CHANGE REQUEST FORM[6]

The Refuse Rates Administrator studied the findings from the Controller's Office Audits Division Public Integrity Reviews, both settlements between the City and Recology, prior refuse rate applications, quarterly rate reports, and annual audited financial statements to better understand what data was necessary to determine fair refuse rates and which of those data had not been available in prior orders. With those analyses, the Administrator drafted new rate change request instructions and schedules and posted it publicly on their website on January 31, 2023. The instructions included 43 schedules focusing on revenues, expenditures, rate calculations, jurisdictional comparisons, and summaries.

The instructions and schedules can be found here: https://sf.gov/sites/default/files/2023-01/Rate%20Year%202024%20Refuse%20Rate%20Change%20Request%20Instructions.pdf

The Microsoft Excel format schedules can be found here: https://sf.gov/sites/default/files/2023-01/RY2024%20Refuse%20Rate%20Change%20Request%20Schedules.xlsx

DATA COLLECTION AND ANALYSES CONDUCTED

The Refuse Rates Administrator conducted extensive analyses that included jurisdiction comparisons that were conducted by the consulting firm HF&H Consultants, as well as extensive review of Recology's Rate Change Request.

As part of this process, a publicly transparent interrogatory process was undertaken with frequent rounds of review and questioning. Requests, questions, and responses were posted weekly on the Refuse Rate Administrator's website. The interrogatory process included three categories of requests:

Schedule Requests: These requests track the status of completion and validation of the schedules issued by the RRA

Exhibits: Some parts of Recology's submission require additional detail or explanation that is not captured in the schedules.

Questions: These are generally clarification questions or requests for answers/justifications for certain assumptions made in Recology's submission.

Interrogatory Type	Requests	Responses
Schedule Requests	17	16
Exhibits	40	39
Questions	156	154

[6] See Appendix A: Reference Files, file number 1001 (rate change request forms)

PUBLIC INPUT

As part of this rate-setting process, members of the public have 13 opportunities for oral comment during public hearings. These include:

- Two public workshops
- Four commission hearings
- Two Refuse Rates Administrator Hearings
- Five Refuse Rate Board Hearings

In addition to the hearings, the Refuse Rates Administrator provides opportunity for written comment or objection either by mail or electronically through a web form. Lastly, Proposition 218 allows ratepayers to protest any proposed rate changes by mail.

The Refuse Rates Administrator has used a suite of tools to conduct outreach to make ratepayers aware of opportunities for input.

Public Outreach Efforts

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

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

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

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

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

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

Prop 218 Mailer to Residential Ratepayers: A total of 146,573 Prop 218 notices were mailed starting on June 1, 2023 to all residential ratepayers in San Francisco. The notices included multilingual information with both Recology and the Refuse Rates Administrator's proposals for rates in 2024 and 2025.

Public Workshops

The Refuse Rates Administrator conducted two public workshops at the beginning of the rate-setting process; one in-person on March 14th, and one virtual on March 16th. The workshops included presentations from the Refuse Rates Administrator on the new rate-setting process, as well as presentations from Department of Environment, Department of Public Works, and Recology, followed by an open question and answer session for all attendees.[7] Recordings of the two workshops can be found at https://sanfrancisco.granicus.com/player/clip/43185?&redirect=true&h=cb67e802a3554220aba56b7d0a12a1ba and https://sanfrancisco.granicus.com/player/clip/43238?&redirect=true&h=bb03e4074b7b97971ba898b4f4de779b.

Commission Hearings

Under June 2022 Proposition F, the Refuse Rates Administrator shall present at the Streets and Sanitation Commission and Commission on the Environment, and conduct hearings as appropriate. The Refuse Rates Administrator met regularly with leadership from the Department of Public Works and San Francisco Environment beginning in late 2022 to coordinate priorities and prepare two presentations for each commission to provide status updates and solicit feedback from both the commissions and the public for incorporation in this order.

Sanitation and Streets Commission

The first SAS meeting was held on March 20, 2023. The Refuse Rates Administrator presented on the new rate-setting process under June 2022 Proposition F and took questions from the commission.[8] Recology presented on their proposal.[9] Staff from Department of Public Works also presented on their related work and on public bins.[10]

Video recording of the hearing can be found here: https://sanfrancisco.granicus.com/player/clip/43666?view_id=219&redirect=true&h=a96097e47587929fe88915d04e32a8b4

The second SAS was held on May 15, 2023. The Refuse Rates Administrator presented on updates in the rate-setting process and provided a preview of rate order recommendations, focusing on those which applied directly to Public Works and street cleanliness. Recology presented a response to the Refuse Rates Administrator's proposal.[11]

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[7] Presentations can be found in Appendix A: Reference Files, file numbers 2001, 2002, 2003, 2004, 2005, 2006, 2007

[8] See Appendix A: Reference Files, file number 2008

[9] See Appendix A: Reference Files, file number 2008

[10] See Appendix A: Reference Files, file number 2008

[11] See Appendix A: Reference Files, file number 2009

Video recording of the hearing can be found here:
https://sanfrancisco.granicus.com/player/clip/43225?view_id=219&redirect=true&h=82dcbcc0f9a698728a34a116ae848779

Commission on the Environment

The first Commission on the Environment hearing was held on March 28, 2023. The Refuse Rates Administrator presented on the new rate-setting process under June 2022 Proposition F and took questions from the commission.[12] Recology presented on their proposal.[13] Environment Department staff also presented on refuse-related work, goals, and programs, such as the Zero Waste Incentive Account.[14]

Video recording of the hearing can be found here:
https://sanfrancisco.granicus.com/player/clip/43284?view_id=165&redirect=true&h=4f235dc9187ded5cf5242d076cd9e4ef

The second Commission on the Environment hearing was held on May 23, 2023. The Refuse Rates Administrator presented on updates in the rate-setting process and provided a preview of rate order recommendations, focusing on those which applied directly to environmental goals, such as a temporary pause in the Zero Waste Incentive program, contamination video cameras, contamination fees, and compost contamination sorting and screening. Recology and Environment Department presented responses to the Refuse Rates Administrator's proposal.[15]

Video recording of the hearing can be found here:
https://sanfrancisco.granicus.com/player/clip/43747?view_id=165&redirect=true&h=df831d0aca4b69714f5bf9e05e06882b

Refuse Rate Board Hearings

The Refuse Rate Board reviews the costs and operations of San Francisco refuse collectors and adopts rate orders with the goal of maintaining rate stability and accountability based on evidence and records made during public hearings.

At the first Rate Board meeting on April 13th, 2023, the Refuse Rate Board discussed its code of conduct and ex-parte communications limitations, heard public comment, and held presentations from the Department of Public Works and Environment Department on refuse rate-funded city services, a presentation from Recology on their rate change proposal, and a presentation from the Refuse Rates Administrator on the rate-setting process and their analyses to-date.[16]

Video recording of the first hearing can be accessed here:
https://sanfrancisco.granicus.com/player/clip/43403?view_id=226&redirect=true&h=1d77d2a2597ce87677b3814a8d4edd42

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[12] See Appendix A: Reference Files, file number 2010

[13] See Appendix A: Reference Files, file number 2011

[14] See Appendix A: Reference Files, file number 2012

[15] See Appendix A: Reference Files, file number 2013 and 2014

[16] See Appendix A: Reference Files, file number 2015

At the second hearing on June 12th, 2023, the Refuse Rate Board adopted a code of conduct and ex-parte communications limitations, heard public comment, and focused on the Refuse Rates Administrator's report and recommended rate order, with questions and discussion from Recology, Department of Public Works, and San Francisco Environment Department.[17] Video recording of the second hearing can be accessed here:
https://sanfrancisco.granicus.com/player/clip/43892?view_id=192&redirect=true&h=e42b3a6b9a182cfaa2f90699a250ae05

At the third hearing on June 26th, 2023, the Refuse Rate Board heard the Refuse Rates Administrator's Proposed Rate Order with questions and discussion from Recology, Department of Public Works, and the San Francisco Environment Department. The Refuse Rate Board directed the Refuse Rates Administrator to make changes to the Proposed Rate Order to be incorporated in the Rate Board's Rate Order. Video recording of the third hearing can be accessed here:
https://sanfrancisco.granicus.com/player/clip/43985?view_id=226&redirect=true&h=53276cea0a181d13c33e9e1889c5bcad

The Refuse Rate Board will hold itsits fourth hearing (with opportunity to submit a protests vote on a final rate order) on July 24th.

Refuse Rates Administrator Hearings

The Refuse Rates Administrator held two public hearings in the form of panel discussions on May 9th and May 25th, in between the first and second Refuse Rate Board hearings. The Refuse Rates Administrator hearings were intended as an opportunity to publicly discuss options for rate years 2024 and 2025, to compare differing analyses and perspectives on those options. Panelists included representatives from City departments, consultants, and Recology, and the public participated with comment and perspective in each section. The results of these hearings informed the positions and figures in this report.[18][19]

Video recording of the first hearing can be accessed here:
https://sanfrancisco.granicus.com/player/clip/43655?view_id=226&redirect=true&h=ef9ad8fb5a565721298b48f6db4dae22

The presentation from the second hearing can be accessed here:
https://sf.gov/sites/default/files/2023-05/RRA%20Hearing%202%20Presentation%2005252023.pdfWritten Objections

Proposition F Written Comments and Objections

The Refuse Rates Administrator created an online public comment or objection form using Microsoft Forms. The link to this form was available on refuse rate-related webpages as well as social media

[17] See Appendix A: Reference Files, file number 2016

[18] See Appendix A: Reference Files, file number 2017, 2018, 2019, and 2020

[19] See Appendix A: Reference Files, file number 2021

and email blasts and incorporated into public presentations. The form's focus was anonymous, had accessible public comment, and included optional fields for name and email. Between March 7th 2023 and July 18, 2023, the Refuse Rates Administrator received 211 written comments or objections through this form.[20] The Refuse Rates Administrator also received 9 emails objecting to rate increases.

Proposition 218 Written Protests

The Proposition 218 Rate Proposal was noticed June 2, 2023 by mail to all 146,573 known residential San Francisco ratepayers. The Refuse Rates Administrator will continue to receive protests until the Refuse Rate Board hearing on July 24, 2023. As of July 18, 2023, 259 written protests have been received and considered to be valid (0.2%), and two letters of support for the rate increases have also been received. The Refuse Rates Administrator has received 5,624 returned undeliverable letters, a 3.8% return rate which will not impact the threshold for majority protest. The threshold required for a majority (50%+1) of ratepayers to protest this rate-setting process is 73,287.

[20] See Appendix A: Reference Files, file number 4001 and 4002

Rate Comparisons

The Refuse Rate Administrator hired HF&H Consultants to provide jurisdiction comparisons for both refuse rates and profit margin.

Table 1: Comparable Jurisdictions[21]

Comparable Jurisdictions	Service Square Miles	Residential Population	Monthly Cost for Weekly Service
San Francisco (Default)	49	850,000	**$ 46.87**
San Francisco (Minimum)	49	850,000	**$ 39.54**
San Mateo City	363	102,200	$ 23.59
Alameda City	12	78,280	$ 37.50
Sacramento	99	525,000	$ 31.93
Fresno	116	545,000	$ 31.43
Los Angeles	502	3,849,000	$ 36.32
San Jose	178	983,500	$ 49.43
Long Beach	51	456,000	$ 34.42
Santa Ana	27	309,400	$ 22.94
Anaheim	50	345,940	$ 26.46
Oakland	56	433,820	$ 48.19
Burbank	17	105,400	$ 55.03
Santa Cruz County	445	260,500	$ 24.62
East Palo Alto	3	28,250	$ 52.90
Castro Valley	17	66,400	$ 32.49
Average	**132**	**595,913**	**$ 36.45**

HF&H compiled refuse rates across 16 jurisdictions and compared both San Francisco's default level of service and San Francisco's minimum level of service with rates for minimum level of service in other jurisdictions. The average cost of minimum level of service is $36.45 across all 16 jurisdictions with a low of $22.94 and a high of $55.03. San Francisco's minimum level of service is $3.09 above the average, and the City's default services is $10.42 above the average. HF&H determined that the rates fall within a reasonable range of similar jurisdictions.

HF&H also outlines limitations of these comparisons including the fact that services rates can vary greatly based on provision of service, types of programs, service density, frequency and size of standard collection, diversion incentives, customer makeup, included fees, and many other contributing factors.

The number and types of programs provided by Recology through the rates is comparatively higher than other jurisdictions where data exists. San Francisco ratepayers may be paying higher rates than average, but they are also receiving more services.

[21] See Appendix A: Reference Files, file number 3003

Operating Ratio/Profitability Ratio

Past rate-setting processes set rates at cost of operations plus an allowable Operating Ratio/Profitability Ratio (see Appendix C for detailed definition). In recent Rate Orders, the allowable operating ratio was 91%, which would amount to a 9.89% profitability ratio on operating ratio-eligible expenses. Recology has requested to maintain the 91% Operation Ratio for the Refuse Rate Board's Rate Order. HF&H Consultants was asked by the Refuse Rates Administrator to conduct comparisons to other jurisdictions to determine reasonableness and has concluded that this is a reasonable allowable operating ratio for the Refuse Rate Board's Rate Order.

Table 2: Profitability Ratio Comparisons[22]

Jurisdiction	Contractor	Operating Ratio	Profitability Ratio
San Luis Obispo City	San Luis Garbage Company	93.00%	7.53%
Sunnyvale	Specialty	92.25%	8.40%
Arroyo Grande	South County Sanitary Service	92.00%	8.70%
Atascadero	U.S.A Waste of California	92.00%	8.70%
Grover Beach	South County Sanitary Service	92.00%	8.70%
Morro Bay	Morro Bay Garbage Services, Inc.	92.00%	8.70%
Pismo Beach	South County Sanitary Service	92.00%	8.70%
San Luis Obispo County	South County Sanitary Service	92.00%	8.70%
Stanislaus County Area #3	Multiple	90.90%	10.01%
Marin County	Marin Sanitary Service	90.50%	10.50%
San Rafael	Marin Sanitary Service	90.50%	10.50%
San Anselmo	Marin Sanitary Service	90.50%	10.50%
SBWMA	Recology	90.50%	10.50%
Newark	Republic	90.32%	10.72%
Pleasanton	Pleasanton Garbage Service	90.00%	11.11%
Livermore	Livermore Sanitation	90.00%	11.11%
Pacifica	Recology	90.00%	11.11%
Alameda	ACI	90.00%	11.11%
Del Rey Oaks	GreenWaste Recovery	89.30%	11.98%
Marina	GreenWaste Recovery	89.30%	11.98%
Pacific Grove	GreenWaste Recovery	89.30%	11.98%
Pebble Beach	GreenWaste Recovery	89.30%	11.98%
Sand City	GreenWaste Recovery	89.30%	11.98%
Seaside	GreenWaste Recovery	89.30%	11.98%
Castro Valley	ACI	89.00%	12.36%
San Ramon	ACI	89.00%	12.36%
Stockton (WM)	Waste Management	87.11%	14.80%
Central Contra Costa SWA	Republic	87.00%	14.94%
Milpitas	Garden City Sanitation	87.00%	14.94%
Daly City	Republic	86.76%	15.26%
Union City	Republic	86.12%	16.12%
Carmel	GreenWaste Recovery	85.76%	16.60%
San Jose (Commercial)	Republic	85.29%	17.25%
Stockton (REP)	Republic	85.00%	17.65%
West Valley SWMA	Waste Connections	84.70%	18.06%
Santa Cruz County	GreenWaste Recovery	83.87%	19.23%
Cupertino	Recology	84.05%	18.97%
Carlsbad	Republic	82.58%	21.10%
Oakland (CWS)	CWS	73.61%	35.85%

[22] See Appendix A: Reference Files, file number 3003

HF&H found a wide range of profit margins from as low as 7.53% to a high of 21.1%, and average of 13.21% (excluding the Oakland outlier), which puts Recology's proposal on the lower end of the spectrum. In addition, HF&H presented on the estimated impact of Recology's Employee Stock Ownership Plan (ESOP) business structure, and the tax benefits afforded to Recology for this business structure. It was estimated that the ESOP would provide an additional 2-4% to the profitability ratio. Recology disagrees that ESOP status should be linked to the operating ratio. When considering this tax benefit, Recology's proposed profitability ratio remains within average. HF&H determined that the profitability ratio is reasonable.[23]

[23] See Appendix A: Reference Files, file number 3003. Recology disagrees with HF&H and the Refuse Rates Administrator's consideration of ESOP tax benefits, arguing that the analysis is incomplete without considering the cost of maintaining the ESOP benefit, which Recology contends is greater than the tax benefit.

Rate Proposal:
Recommended Rates

On June 26, 2023, the Refuse Rate Board heard the Refuse Rates Administrator's Proposed Rate Order and directed to the Refuse Rate Administrator to adjust the Proposed Rate Order and to issue a final Rate Order based on those adjustments.

The Refuse Rate Board's Rate Order would be effective as of October 1, 2023 but include no rate increase for the first 3 months, and would increase rates by 1.33% on January 1, 2024 (3 months into Rate Year 2024) and 2.32% on October 1, 2024 (the start of Rate Year 2025), for a cumulative 2-year increase of 3.68%.

Table 3: Rate Change Summary

Rate Change	Rate Year 2024			Rate Year 2025		
	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order
Effective Date	**Oct 1, 2023**	**Oct 1, 2023**	**Jan 1, 2024**	**Oct 1, 2023**	**Oct 1, 2023**	**Oct 1, 2024**
% Change Proposed	3.90%	0.00%	1.33%	2.17%	3.92%	2.32%
Cumulative % Change from Current Year	3.90%	0.00%	1.00%	6.15%	3.92%	3.68%

The Refuse Rate Board's Rate Order will have a cumulative increase below that of Recology's proposal and the Refuse Rates Administrator's proposal. The Refuse Rates Administrator's review of rates in comparable jurisdictions, as well as the level of programmatic services that Recology provides, shows that these increases would lead to rates that are fair and reasonable. The new rate sheets approved by this Rate Order can be found in Reference Files 3103, 3104, and 3105 (see Appendix A for links).

The Refuse Rate Board's Rate Order will ensure current collections service levels are maintained while enhancing certain services to improve City street cleanliness, to make new investments in order to reduce contamination in the City's waste, to ensure the safety of Recology's drivers, to provide flexibility for unforeseen events, and to fund a reserve to mitigate long-term capital costs.

Maintaining Service Levels: The Refuse Rate Board's Rate Order allows for projected economic and business cost increases for normal operations of trash, recycling, and composting pickup as well as other programs.

Enhancing Service Levels: In addition to maintaining service levels, The Refuse Rate Board's Rate Order allows for additional resources to increase levels of Recology staffing for regular operations and programs to keep the City Streets clean, as well as administrative capacity to meet the demands of additional reporting requirements This includes:

- Abandoned Materials Pickup: 2 additional drivers, 2 additional trucks, and dividing the City into 6 zones (from 5) to improve response times and increase service capacity.
- Public Receptacles Pickup: 2 additional drivers, 2 additional trucks, and adding two additional routes to improve response times and increase service capacity.

- Supervisors: 6 additional supervisors and 2 additional managers to improve safety and efficiency in collections, transportation, and maintenance.
- Cardboard Pickup: 2 additional drivers to account for reduction in "mosquito fleet" and increased cardboard dumping around the City.
- Relief Drivers: 2 relief drivers to ensure adequate and regular collection service during reduced driver attendance for health-related issues.
- Safe Service Drivers: 3 additional drivers dedicated to accompany crews in the Tenderloin and improve equipment and building security, reducing or resolving public safety incidents.
- Rate Analysts: 2 additional rate analysts to improve and comply with the City's refuse-related reporting requirements.

The Refuse Rate Board's Rate Order also includes funding for new public trash cans that are more durable and equipped with sensors to signal for pickup.

Improving Contamination Mitigation and Diversion: The Refuse Rate Board's Rate Order includes investments in organics pre-processing to help reduce the high level of contamination in organics feedstock, as well as an investment in a trash processing pilot to study the impact of trash processing on diversion and inform future investments capital for increasing diversion. In addition, the Rate Order includes investments in the Waste Zero program to improve outreach to low-diversion accounts and to study the impacts of new on-board camera technology in identifying source contamination.

Ensuring Safety: Since the pandemic, Recology drivers have faced an increase in the frequency and severity if incidents. This investment establishes two-person routes where needed as well as increased supervision. This investment would also improve response times and provide added training opportunities.

Creating Flexibility: The Refuse Rate Board's Rate Order establishes a Programmatic Reserve that would allow the City to make requests when needed beyond those established in the Service Level Agreement. These requests would be accompanied by budget proposals and approval by the Refuse Rates Administrator.

Addressing Long-Term Costs: In anticipation of expected needs for future capital investments, the Refuse Rate Board's Rate Order establishes a Zero Waste Capital Reserve that would be funded to mitigate future capital expenditures that prioritize the City's Zero Waste goals.

Lastly, this Rate Order finds cost savings that would not impact service delivery. Major cost savings include spreading pension funding over a longer timeframe, and the suspension of the Zero Waste Incentive Account, which has not correlated with diversion.

SUMMARY OF RATE PROPOSALS

Table 4: Rate Change Proposal

Rate Change	Rate Year 2024			Rate Year 2025		
	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order
Collections Rate						
Effective Date	**Oct 1, 2023**	**Oct 1, 2023**	**Jan 1, 2024**	**Oct 1, 2024**	**Oct 1, 2024**	**Oct 1, 2024**
Annual % Change Proposed	3.90%	0.00%	1.33%	2.17%	3.92%	2.32%
Cumulative % Change from Current Year	3.90%	0.00%	1.00%	6.15%	3.92%	3.68%
Tipping Fee						
Effective Date	**Oct 1, 2023**	**Oct 1, 2023**	**Oct 1, 2023**	**Oct 1, 2024**	**Oct 1, 2024**	**Oct 1, 2024**
Annual % Change Proposed	16.36%	9.75%	9.66%	0.08%	3.09%	3.08%
Cumulative % Change from Current Year	16.36%	9.75%	9.66%	16.45%	13.14%	13.04%

Recology submitted a requested a cumulative rate increase of 6.15% over 2 years (3.90% in Rate Year 2024 and an additional 2.17% in Rate Year 2025).[24] The Refuse Rates Administrator is recommended a cumulative increase of 3.92% for the same years (0.00% in Rate Year 2024 and 3.92% in Rate Year 2025).[25] The Refuse Rate Board's Rate Order would hold rates constant for the first three months of Rate Year 2024 and increase rates by 1.33% on January 1, 2024 (3 months into Rate Year 2024) and 2.55% in Rate Year 2025, for a cumulative 2-year increase of 3.68%.[26]

The collections rate includes tipping fee increases, which is the fee applied to all refuse that flows through Recology's processing facilities and is internalized as a component of the collection rates (i.e. Recology's 3.90% increase in Rate Year 2024 is inclusive of the proposed 16.36% increase in the tipping fee for the same year). However, the tipping fee will also apply to self-haul for customers who drop off their own refuse at the transfer station.

In addition to projected economic and business cost increases, as well as some program and labor enhancements, the largest single drivers of Recology's rate change proposals are enhancements to the contamination program, which includes an assumed additional $5 million in revenue for contamination fees, as well as the impact of the closure of the Sustainable Crushing site in Rate Year 2023, which would reduce costs by over $4 million.[27] The Refuse Rates Administrator recommended several changes to Recology's proposal. The major changes include the removal of the contamination enhancement, a cap to Recology's pension costs, and the suspension of the Zero Waste Incentive Account for this rate cycle.

The Refuse Rate Board was in concurrence with most of the Refuse Rates Administrator's Proposed Rate Order. This included the Refuse Rates Administrator's recommendations on applying a pension cost cap, cutting corporate allocations by 5%, establishing a programmatic reserve, and establishing a balancing account with a 50% adjustment of Over/(Under) allowed profit. The Refuse Rate Board also made two major programmatic changes to the Refuse Rates Administrator's Proposed Rate

[24] See Appendix A: Reference Files, file number 1003, 1004, 1005, and 1006

[25] See Appendix A: Reference Files, file number 1007 and 1008

[26] See Appendix A: Reference Files, file number 3106

[27] See Appendix A: Reference Files, file number 2016

Order, which included additional investments to the contamination program and a reduction of the weekend cleanup event from 2 events per district to 1, while enhancing the event to include 3-bin refuse source separation. In addition to the programmatic changes, the Refuse Rate Board included two other major provisions in its Final Rate Order including a rate-setting delay trigger for the next rate-setting process and the establishment of a Zero Waste Capital Reserve that would support future capital infrastructure investments, prioritizing Zero Waste goals. Lastly, since the Refuse Rates Administrator's Proposed Rate Order was published, the Rate Stabilization Fund 2022 balance was updated to reflect the current balance. The Refuse Rate Board's Rate Order includes the entirety of this additional balance of $230k in Rate Year 2025.

IMPACT TO RATE PAYERS

Residential Buildings (1-5 Units)

Table 5: Residential Rate Sheet[28]

Description of Monthly Charge	Rate Year 2023	Rate Year 2024			Rate Year 2025		
Rates for 1-5 Unit Residential Buildings	Curent Rates	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order
Effective Date		Oct 1, 2023	Oct 1, 2023	Jan 1, 2024	Oct 1, 2024	Oct 1, 2024	Oct 1, 2024
Base Charge for Service							
Per dwelling unit	$17.55	$18.23	$17.55	$17.78	$18.63	$18.24	$18.20
Trash Volume Charge for Weekly Collection							
16-gallon bin	$7.33	$7.62	$7.33	$7.43	$7.78	$7.62	$7.60
20-gallon bin (current customers only)	$7.33	$7.62	$7.33	$7.43	$7.78	$7.62	$7.60
Premium for service above 32-gallons per dwelling unit	$11.70	$12.16	$11.70	$11.86	$12.42	$12.16	$12.13
Recycling or Composting Volume Charge for Weekly Collection							
32-gallon bin	$7.33	$7.62	$7.33	$7.43	$7.78	$7.62	$7.60
Distance, Elevation and Key Charges							
No extra charge for collection less than 25 feet from curb. Distance charge per bin for collection within each 25-foot collection within each 8-foot increment thereafter.	$12.53	$13.02	$12.53	$12.70	$13.30	$13.02	$12.99
No extra charge for collection less than 4 feet elevation change from street level. Elevation charge per bin for collection within each 8-foot increment thereafter.	$13.60	$14.13	$13.60	$13.78	$14.44	$14.13	$14.10
Weekly access charge per bin	$7.88	$8.19	$7.88	$7.98	$8.36	$8.19	$8.17

The minimum level of service for any Residential Building with 1-5 units includes a base charge per dwelling unit, a 16-gallon trash bin, a 32-gallon recycling bin, and a 32-gallon compost bin. Under current rates the base charge is $17.55, and each minimum level of service is bin is $7.33. The combined cost of minimum level of service for a 1-unit residential building would be $39.54 per month.

Recology's proposal increases the per dwelling unit base charge for service by $0.68 to $18.23 in Rate Year 2024 and an additional $0.40 cents to $18.63 in Rate Year 2025 for a total increase of $1.08 across both rate years. The cost of the minimum level of bin service for each bin type would increase by $0.29 to $7.62 in Rate Year 2024 and an additional $0.17 in Rate Year 2025 to $7.78 in Rate Year 2025 for a total increase of $0.46 across both rate years. In contrast, the Refuse Rates Administrator

[28] See Appendix A: Reference Files, file number 3060, 3061, and 3011

proposed no change in Rate Year 2024. The Refuse Rate Administrator's proposal increases the per dwelling unit base charge by $0.69 cents to $18.24 and the minimum bin charge by $0.29 to $7.62 in Rate Year 2025.

The Refuse Rate Board increases the per dwelling unit base charge for service by $0.23 to $17.78 in Rate Year 2024 and an additional $0.53 to $18.24 in Rate Year 2025 for a total increase of $0.76 across both rate years. The cost of minimum level of bin service for each bin type would increase by $0.10 to $7.43 in Rate Year 2024 and an additional $0.22 to $7.62 in Rate Year 2025 for a total increase of $0.32 across both rate years.

Table 6: Residential Ratepayer Impact Illustration

Ratepayer Impact	Rate Year 2023	Rate Year 2024			Rate Year 2025		
Description of Monthly Charge for Weekly Service	**Current Rates**	**Recology Proposal**	**Refuse Rates Administrator Proposal**	**Refuse Rate Board Rate Order**	**Recology Proposal**	**Refuse Rates Administrator Proposal**	**Refuse Rate Board Rate Order**
Effective Date		**Oct 1, 2023**	**Oct 1, 2023**	**Jan 1, 2024**	**Oct 1, 2024**	**Oct 1, 2024**	**Oct 1, 2024**
1-Unit Default Service							
Total Base Charge	$17.55	$18.23	$17.55	$17.78	$18.63	$18.24	$18.20
16 Gallon Trash	$7.33	$7.62	$7.33	$7.43	$7.78	$7.62	$7.60
64 Gallon Recycling	$14.66	$15.23	$14.66	$14.85	$15.56	$15.23	$15.20
32 Gallon Compost	$7.33	$7.62	$7.33	$7.33	$7.78	$7.62	$7.60
Total Account Charge	**$46.87**	**$48.70**	**$46.87**	**$47.40**	**$49.75**	**$48.71**	**$48.60**
Typical Level of Service (3-Units)							
Total Base Charge	$52.65	$54.70	$52.65	$53.35	$55.89	$54.71	$54.59
32 Gallon Trash	$14.66	$15.23	$14.66	$14.85	$15.56	$15.23	$15.20
64 Gallon Recycling	$14.66	$15.23	$14.66	$14.85	$15.56	$15.23	$15.20
32 Gallon Compost	$7.33	$7.62	$7.33	$7.43	$7.78	$7.62	$7.60
Total Account Charge	**$89.30**	**$92.78**	**$89.30**	**$90.49**	**$94.80**	**$92.80**	**$92.59**
Per Dwelling Unit Charge	**$22.33**	**$23.20**	**$22.33**	**$22.62**	**$23.70**	**$23.20**	**$23.15**

Recology's default service includes 16-gallon trash bin, 64-gallon recycling bin, 32-gallon composting bin. Under Recology's proposal, the default level of service for a 1-unit residential building would be $48.70 per month in Rate Year 2024 and $49.75 per month in Rate Year 2025. This would amount to a $2.88 increase across both rate years. In comparison, ratepayers would see no change in Rate Year 2024 under the Refuse Rates Administrator's proposal and an increase of $1.84 in Rate Year 2025. Under the Refuse Rate Board's Rate Order, the default level of service for a 1-unit residential building would be $47.40 per month in Rate Year 2024 and $48.60 in Rate Year 2025. This would amount to a $1.73 increase across both rate years.

An average Residential Building has 3-units[29], and the typical level of service for Residential buildings include 32-gallon trash bin, 64-gallon recycling bin, and 32-gallon composting bin. The current cost for a 3-unit Residential Building with this level of service would amount to $89.30, or a $22.33 per unit cost. Under Recology's proposal, the total cost would increase by $5.50 over the two rate years, while the Refuse Rates Administrator's proposal would increase the total cost by $3.50. The Refuse Rate Board's Rate Order will increase the total cost by $3.29 across both rate years.

[29] Refuse Rates Administrator estimate based on Census data

Apartment Buildings (6 or more Units, less than 600 rooms)

Table 7: Apartment Building Rate Sheet[30]

Description of Monthly Charge	Rate Year 2023	Rate Year 2024			Rate Year 2025		
Rates for 6 Unit and Larger Apartment Buildings (no more than 600 rooms)	Curent Rates	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order
Effective Date		**Oct 1, 2023**	**Oct 1, 2023**	**Jan 1, 2024**	**Oct 1, 2023**	**Oct 1, 2023**	**Jan 1, 2024**
Base Charge for Service							
Per dwelling unit	$5.83	$6.06	$5.83	$5.91	$6.19	$6.06	$6.04
Volume Charges for Weekly Collection							
32-gallon bin	$28.12	$29.22	$28.12	$28.49	$29.85	$29.22	$29.16
1-cubic yard bin	$177.42	$184.34	$177.42	$179.78	$188.34	$184.37	$183.95

For larger apartment buildings of greater than 5 units, the current service includes a per dwelling unit base charge of $5.83 per month in addition to volume charges for weekly collections. The current 32-gallon bin rate is $28.12 per month and a 1-cubic yard bin rate is $177.20 per month. These apartment buildings can also receive a landfill diversion discount based on how much of their total volume consists of recycling and composting.

$$\frac{\text{(Composting Volume + Recycling Volume)}}{\text{Total Volume}} - 25\% = \text{Diversion Discount}$$

Recology's proposal would increase the per dwelling unit base charge for service by $0.59 across both rate years. Recology's proposal would increase the volume charges for weekly collection by $1.73 for a 32-gallon bin and $10.92 for a 1-cubic yard bin across both rate years. By comparison, the Refuse Rates Administrator proposed a cumulative increase of $0.23 for the per dwelling unit base charge, and an increase of $1.10 for the 32-gallon bin and $6.95 for the 1-cubic yard bin across both rate years.

The Refuse Rate Board's Rate Order will increase the per dwelling unit base charge by $0.21 across both rate years. The Rate Order will also increase the 32-gallon bin by $1.04 and the 1-cubic yard bin by $6.53 across both rate years.

[30] https://sf.gov/refuse-rate-reporting

Table 8: Apartment Ratepayer Impact Illustration

Ratepayer Impact	Rate Year 2023	Rate Year 2024			Rate Year 2025		
Description of Monthly Charge for Weekly Service	**Current Rates**	**Recology Proposal**	**Refuse Rate Administrator Proposal**	**Refuse Rate Board Rate Order**	**Recology Proposal**	**Refuse Rate Administrator Proposal**	**Refuse Rate Board Rate Order**
Effective Date		**Oct 1, 2023**	**Oct 1, 2023**	**Jan 1, 2024**	**Oct 1, 2024**	**Oct 1, 2024**	**Oct 1, 2024**
Typical Level of Service (11-Units)							
Total Base Charge	$64.13	$66.63	$64.13	$64.98	$68.08	$66.64	$66.49
96 Gallon Trash	$84.36	$87.65	$84.36	$85.48	$89.55	$87.67	$87.47
96 Gallon Recycling	$84.36	$87.65	$84.36	$85.48	$89.55	$87.67	$87.47
32 Gallon Compost	$28.12	$29.22	$28.12	$28.49	$29.85	$29.22	$29.16
Total Collection Cost	*$260.97*	*$271.15*	*$260.97*	*$264.44*	*$277.03*	*$271.20*	*$270.58*
Diversion Discount (~32%)	*$63.27*	*$65.74*	*$63.27*	*$64.11*	*$67.16*	*$65.75*	*$65.60*
Total Account Charge	**$197.70**	**$205.41**	**$197.70**	**$200.33**	**$209.87**	**$205.45**	**$204.98**
Per Dwelling Unit Charge	**$19.77**	**$20.54**	**$19.77**	**$20.03**	**$20.99**	**$20.54**	**$20.50**

An average apartment building has around 11 units.[31] Apartment building ratepayers typically have a 96-gallon trash bin, a 96-gallon recycling bin, and a 32-gallon composting bin. Currently, this level of service would cost apartment rate payers $260.97. However, after applying the Diversion Discount, the cost would be $197.70, which would be $19.77 per unit for an 11-unit Apartment. Recology's proposal would increase the total cost after diversion by $12.17 across the two rate years, while the Refuse Rates Administrator's proposal would increase the total cost by $7.75. The Refuse Rate Board's Rate Order will increase the total cost by $7.28 across both rate years.

[31] Refuse Rates Administrator estimate based on Census data.

SUMMARY OF RATE ADJUSTMENTS

Recology Proposal: Major Cost Drivers

Table 9: Cost Drivers[32]

Recology's Proposal Cost Drivers	Rate Year 2022	Rate Year 2023	Rate Year 2024		Rate Year 2025	
	Costs ($M)	Costs ($M)	Costs ($M)	% of Cost	Costs ($M)	% of Cost
Sunset Scavenger/Golden Gate						
Total OR-Eligible Costs	$200.39	$213.77	$223.82	100.0%	$228.84	100.0%
Base Cost of Collections and Programs		$200.39	$213.77	95.5%	$223.82	97.8%
Program Enhancements			$2.63	1.2%	$2.76	1.2%
Capital Expenditures Changes					$0.17	0.1%
Non-Program Related Cost Changes						
Sustainable Crushing Closure			-$4.02	-1.8%		
Labor Enhancements		$1.13	$2.81	1.3%		
Other Costs			$0.96	0.4%		
Economic/Business Cost Changes		$12.24	$7.68	3.4%	$2.09	0.9%
Recology San Francisco						
OR-Eligible Costs	$117.95	$124.99	$125.52	100.0%	$125.78	100.0%
Base Cost of Collections and Programs		$117.95	$124.99	99.6%	$125.52	99.8%
Program Enhancements			$1.50	1.2%		
Capital Expenditure Changes					$0.22	0.2%
Non-Program Related Cost Changes						
Sustainable Crushing Closure			-$4.54	-3.6%		
Labor Enhancements/Backfills		$1.28				
Orther Costs			$1.17	0.9%		
Economic/Business Cost Changes		$5.77	$2.40	1.9%	$0.04	0.0%

The Refuse Rates Administrator's proposal used Recology's proposal as a starting point. Overall, Recology proposed a $10.2 million increase in Rate Year 2024. The largest driver of the increase is the projected increase in economic and business costs at $7.7 million. Labor enhancements account for the next largest share of the cost increase with $2.8 million in additional costs, program enhancements account for $2.6 million of the cost increase, while other costs account for less than $1 million. Offsetting these cost increases is the closure of the Sustainable Crushing site. In Rate Year 2023, the closure of Sustainable Crushing accounted for $4.54 million in costs to Recology San Francisco, which went away in Rate Year 2024.

Recology proposed fewer changes in Rate Year 2025, proposing $5.0 million in cost increases. This includes $3.3 million in program enhancements, $170k in capital expenditures, and projected $1.5 million in economic and business cost increases.

In addition to these major cost drivers, Recology's proposal assumed $5.0 million in additional revenue from contamination fees due to proposed program enhancements related to contamination mitigation.

[32] Cost data comes from Recology, cited in detailed sections. Economic/Business Cost Changes are Refuse Rates Administrator's based on Recology's Rate Change Request Submission (Reference Files 1005 and 1006)

Refuse Rates Administrator Adjustments to Recology's proposal

Table 10: Refuse Rate Administrator's Adjustments[33]

Key Items Impacting Rates	Rate Year 2024		Rate Year 2025	
	Recology Proposal	Refuse Rate Administrator Proposal	Recology Proposal	Refuse Rate Administrator Proposal
Expenditures				
Impound Account				
Impound Account	$23.85	$24.22	$23.85	$24.60
Program Enhancements				
Contamination Enhancement	$0.98	$0.00	$1.01	$0.00
Capital Expenditures Changes				
Organics Pre-Processing	$0.00	$0.18	$0.21	$0.18
Non-Program Related Cost Changes				
Trash processing Pilot	$0.50	$0.00	$0.00	$0.00
Seismic Study	$0.50	$0.00	$0.50	$0.00
Pension 5-Year	$23.53	$11.30	$17.60	$11.41
Corporate Allocations (5%)	$15.21	$14.43	$15.68	$14.87
Economic/Business Cost Changes				
Economic/Business Cost Factors	$6.83	$6.67	$1.53	$1.22
Total Expenditure	**$71.41**	**$56.79**	**$60.37**	**$52.28**
Revenue				
Program Enhancements				
Contamination Enhancement	$5.00	$0.00	$5.00	$0.00
Total Revenue	**$5.00**	**$0.00**	**$5.00**	**$0.00**
Account Changes				
Deposits				
Zero Waste Incentive Account	$8.25	$0.00	$8.38	$0.00
Programmatic Reserve	$0.00	$0.78	$0.00	$0.81
Uses				
Impound Account Balance				
Trash Processing Pilot	$0.00	-$0.50	$0.00	$0.00
Seismic Study	$0.00	-$0.50	$0.00	-$0.50
Refuse Rate Administrator Office	$0.00	-$0.86	$0.00	-$1.08
Zero Waste Incentive Addback	$8.49	$8.49	$4.12	$0.00
Rate Stabilization Fund 2022	$4.25	$2.02	$0.00	$2.23

The Refuse Rates Administrator made several key adjustments to Recology's proposal. The Refuse Rates Administrator's proposal reduced expenditures by $14.6 million in Rate Year 2024 and $8.1 million in Rate Year 2025. The largest expenditure adjustment was a proposed Pension cost cap, that would have spread contributions over a longer timeframe and reduced costs by $12.2 million in Rate Year 2024 and $6.2 million in Rate Year 2025. Offsetting the cost reductions, the proposal removed the contamination enhancements in Recology's proposal, including the projected $5.0 million per year in additional contamination fee revenue. Lastly, the Refuse Rates Administrator made changes to available accounts, including the suspension of the Zero Waste Incentive Account, that would further reduce costs by $8.2 million and $8.4 million in Rate Years 2024 and 2025 respectively.

The net impact of these changes would have been a reduction to Recology's proposal of $14.8 million in Rate Year 2024 and $8.8 million in Rate Year 2025.

[33] Cost data comes from Refuse Rates Administrator proposal, verified by Recology. Costs cited in detailed cost sections. See Appendix A: Reference Files, file number 1007 and 1008

Refuse Rate Board Adjustments to the Refuse Rates Administrator's Proposed Rate Order

Key Items Impacting Rates	Rate Year 2024			Rate Year 2025		
	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order
Expenditures						
Impound Account						
Impound Account	$23.85	$24.22	$24.22	$23.85	$24.60	$24.60
Program Enhancements						
Contamination Enhancement	$0.98	$0.00	$0.18	$1.01	$0.00	$0.19
Weekend Cleanup	$0.62	$0.62	$0.43	$0.64	$0.64	$0.44
Capital Expenditures Changes						
Organics Pre-Processing	$0.00	$0.18	$0.07	$0.21	$0.18	$0.06
Non-Program Related Cost Changes						
Trash processing Pilot	$0.50	$0.00	$0.00	$0.00	$0.00	$0.00
Seismic Study	$0.50	$0.00	$0.00	$0.50	$0.00	$0.00
Pension 5-Year	$23.53	$11.30	$11.30	$17.60	$11.41	$11.41
Corporate Allocations (5%)	$15.21	$14.43	$14.43	$15.68	$14.87	$14.87
Economic/Business Cost Changes						
Economic/Business Cost Factors	$7.68	$7.51	$7.51	$2.09	$1.79	$1.79
Total Expenditure	**$72.87**	**$58.25**	**$58.14**	**$61.57**	**$53.48**	**$53.35**
Revenue						
Program Enhancements						
Contamination Enhancement	$5.00	$0.00	$0.21	$5.00	$0.00	$0.21
Total Revenue	**$5.00**	**$0.00**	**$0.21**	**$5.00**	**$0.00**	**$0.21**
Account Changes						
Deposits						
Zero Waste Capital Reserve	$0.00	$0.00	$3.52	$0.00	$0.00	$0.00
Zero Waste Incentive Account	$8.25	$0.00	$0.00	$8.38	$0.00	$0.00
Programmatic Reserve	$0.00	$0.78	$0.78	$0.00	$0.81	$0.81
Uses						
Impound Account Balance						
Trash Processing Pilot	$0.00	-$0.50	-$0.50	$0.00	$0.00	$0.00
Seismic Study	$0.00	-$0.50	-$0.50	$0.00	-$0.50	-$0.50
Zero Waste Incentive Addback	$4.25	$2.02	$2.02	$0.00	$2.23	$2.23
Rate Stabilization Fund 2022	$0.00	$0.00	$0.00	$0.00	$0.00	$2.46

The Refuse Rate Board was in concurrence with most of the Refuse Rates Administrator's Proposed Rate Order. This includes four major changes the Refuse Rates Administrator made to Recology's Rate Change Request:

1. **Pensions Costs:** Pensions costs were adjusted to bring the plan to a fully funded status in 5-years based on actuarial projections.
2. **Corporate Allocations:** 5% cut in projected corporate allocations, resulting in a savings of $761K in Rate Year 2024 and $784K in Rate Year 2025.
3. **Programmatic Reserve:** Establishing a reserve account to allow City departments to make requests when needed beyond those established in the Refuse Rate Board's Rate Order. This reserve would be funded at $761K in Rate Year 2024 and an additional $784K in Rate Year 2025.

4. **Balancing Account:** The balancing account ensures that any unanticipated savings or surplus revenues are used to offset subsequent year costs, and that unanticipated expenditures or revenue shortfalls are smoothed over time to mitigate rate shocks. This balancing account will have a 50% adjustment of Over/(Under) allowed profit.
5. **Zero Waste Incentive Account:** Suspension of the Zero Waste Incentive Account, which as not correlated with diversion.

The Refuse Rate Board made two major programmatic changes to the Refuse Rates Administrator's Proposed Rate Order:

1. **Contamination Enhancement:** The Refuse Rates Administrator's proposal had no new investments to the contamination program. The Refuse Rate Board's Final Rate Order will include the replacement of 6 on-board cameras and one new Waste Zero Specialist to support additional outreach for low-diversion accounts and to monitor and study the impact of new camera technology in identifying contamination. This enhancement is estimated to generate additional contamination fee revenue. The net impact is a net operating income increase of $22K in Rate Year 2024 and $18K in Rate Year 2025
2. **Weekend Cleanup Events:** The Refuse Rate Board's Final Rate Order will enhance the original proposal to include 3-bin refuse source separation at the event. The Refuse Rate Board has also reduced this program from 22 events (2 events per District) to 11 events per year (1 event per District). This results in a net savings of $194K in rate Year 2024 and $201K in Rate Year 2025.

In addition to the programmatic changes, the Refuse Rate Board included two other major provisions in its Final Rate Order:

3. **Rate-Setting Delay Trigger:** If the next rate-setting process is not initiated by February 1, 2025, the Refuse Rates Administrator will request the Refuse Rate Board to convene to consider an October 1, 2025, cost-of-living adjustment.
4. **Zero Waste Capital Reserve:** The Zero Waste Capital Reserve would support future capital infrastructure investments, prioritizing Zero Waste Goals. The Capital reserve would be funded one-time at 1% of net revenue in Rate Year 2024, which would amount to approximately $3.5 million. Funding would begin January 1, 2024.

Lastly, since the Refuse Rates Administrator's Proposed Rate Order was published, the Rate Stabilization Fund 2022 balance was updated to reflect the current balance. The Refuse Rate Board's Rate Order includes the entirety of this additional balance of $230k in Rate Year 2025.

The net impact of the Refuse Rate Board's changes is a 1.00% increase in rates over the Refuse Rate Administrator's Proposed Rate Order in Rate Year 2024 and a 1.60% decrease in rates in Rate Year 2025.

Rate Proposal:
Recommended Rate Adjustments

The Refuse Rates Administrator proposed rate order made adjustments to Recology's Rate Change Request in six areas: Solid Waste Fee Impound Accounts, Program Enhancements, Capital Expenditures, various non-program related costs such as Pension and Corporate Allocations, Business Cost Factors, and adjustments to accounts. The Refuse Rate Board is in concurrence with most of the recommended adjustments. The Refuse Rate Board's Rate Order made rate adjustments to the Refuse Rates Administrator's Proposed Rate Order to two program areas and the establishment of a Zero Waste Capital Reserve.

SOLID WASTE FEE IMPOUND ACCOUNT (IMPOUND ACCOUNT)

The Impound Account funds select services at the City's Department of Public Works and the Environment Department, which includes Citywide refuse-rated cleaning services at Public Works and services to support meeting the City's Zero Waste Goals at the Environment Department. The Refuse Rate Board may consider the cost of City refuse programs when setting refuse rates, and order refuse companies to deposit a portion of their revenues in the Impound Account to fund these programs.

Summary of Impound Account Changes

Table 12: Impound Account Sources and Uses[34]

Impound Account Annual Sources and Uses	Rate Year 2024				Rate Year 2025			
	Recology Proposal	Department Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order	Recology Proposal	Department Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order
Environment Department		$14.7	$12.2	$12.2		$15.1	$12.6	$12.6
Department of Public Works		$9.5	$12.0	$12.0		$9.5	$12.0	$12.0
Total	**$23.8**	**$24.2**	**$24.2**	**$24.2**	**$23.8**	**$24.6**	**$24.6**	**$24.6**

Recology's proposal made no changes to the prior rate order and assumed a $23.8 million budget for both rate years to fund the work of both departments. The departments requested a combined $24.2 million in Rate Year 2023 and $24.6 million in Rate Year 2024. The department requests reflect cost increases as well as one enhancement from the Department of Public Works for an additional Trash Can Manager (1824) position.

The Refuse Rates Administrator assumed the same total amount of funding for the Impound Account as the departments' combined proposal. However, the Refuse Rates Administrator's proposal shifted $2.5 million in uses of funding from the Environment Department to Public Works programs. The use of the Impound Account funds would be for trash, recycling, and composting-related programs including outreach for Zero Waste, public refuse collection deposited in public receptacles, litter and debris collection, and curbside mechanized street sweeping.

[34] See Appendix A: Reference Files, file number 2016

Prior to the next rate cycle, the Refuse Rates Administrator also recommended completion of a study by a refuse rate consultant that includes how neighboring jurisdictions are providing services along with associated Proposition 218 nexus.

The Refuse Rate Board's Rate Order is in concurrence with the Refuse Rate Administrator's Proposed Rate Order.

Environment Department Detail

The Environment Department proposed the use of Impound Account funding across six program areas to advance the City's Zero Waste goals and 2030 targets, which are tied to the 2021 Climate Action Plan that are related to reducing waste generation and reducing disposal.

Table 13: Proposals for Environment Department Impound Account Funding

Environment Department Program Areas	Full-Time Equivalent			Rate Year 2024			Rate Year 2025		
	Environment Department Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order	Environment Department Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order	Environment Department Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order
Zero Waste	12.75	12.75	12.75	$4.22	$4.22	$4.22	$4.23	$4.23	$4.23
Toxics	10.86	10.86	10.86	$2.78	$2.78	$2.78	$2.86	$2.86	$2.86
Outreach and Communications	24.29	16.90	16.90	$6.04	$4.33	$4.33	$6.19	$4.42	$4.42
Green Building	2.50	1.74	1.74	$0.73	$0.54	$0.54	$0.75	$0.55	$0.55
Climate	2.61	1.37	1.37	$0.61	$0.33	$0.33	$0.63	$0.34	$0.34
Environmental Justice	2.89	1.81	1.81	$0.70	$0.43	$0.43	$0.72	$0.44	$0.44
Total	**55.90**	**45.43**	**45.43**	**$15.08**	**$12.63**	**$12.63**	**$15.38**	**$12.85**	**$12.85**

As part of the Refuse Rates Administrator's review of the Impound Account budget, the Refuse Rates Administrator worked with the Environment Department to evaluate whether it is reasonable and fair to fund these activities via the refuse rate. Overall, the proposed expenditures are reasonable and fairly reflect the costs of refuse-related activities which will benefit the ratepayers. However, the Refuse Rates Administrator is recommended reductions of $2.45 million in certain program activities in Rate Year 2024, and $2.5 million in certain program activities in Rate Year 2025. The City would retain the option to cover these costs from its General Fund. The Refuse Rate Board is in concurrence with these Refuse Rates Administrator's recommended reductions.

Zero Waste: The Refuse Rate Board makes no changes to the proposed Zero Waste program budget. Zero Waste staff work to implement the San Francisco Zero Waste commitments to reduce generation by 15% and reduce landfill by 50% by 2030 from 2015 numbers. In addition, staff work to implement the City's Environment codes, which include:

- Chapter 16, Food Service and Packaging Waste Reduction Ordinance
- Chapter 17, Plastic Bag Reduction Ordinance
- Chapter 19, Mandatory Recycling and Composting (including the Refuse Separation Ordinance)

In addition, the Zero Waste team is responsible for the local implementation of state law SB 1383 among other state laws, that regulate Short-Live Climate Pollutants to require comprehensive organics recovery including large food generators to prevent and donate their food, and to reach our compost procurement goals.

Toxics: The Refuse Rate Board makes no changes to the proposed budget for the Toxics Reduction Program. This program implements policies, programs and projects that advance toxics reduction, safer alternatives to toxic products or chemicals, producer responsibility, and/or proper disposal of hazardous waste.

The Toxics Reduction Program administers a wide range of hazardous waste collection services for spent or leftover toxic household products including medicine, sharps, batteries, paint, pesticides, computers, and mercury-containing products. This team also administers programs to reduce the amount of toxic materials used while promoting the adoption of safer alternatives.

Outreach and Communication: The Refuse Rate Board's Rate Order reduces the proposed budget from this program area by $1.71 million from $6.04 million to $4.33 million (28.4% reduction) in Rate Year 2024 and a reduction of $1.77 million from $6.19 million to $4.42 million (28.5% reduction) in Rate Year 2025. Budget items removed are related to the work from 7.39 full-time equivalents where the work is not specific to refuse and served the department goals more broadly.

The Outreach and Communications program supports the goals of the Zero Waste, Toxics Reduction, and Climate programs. The team creates culturally relevant accessible content to foster public awareness and participation in the City's environmental initiatives. They provide direct outreach through event staffing, door-to-door outreach, technical trainings, and community presentations. Examples of activities related to refuse include the Reuse Campaign, Food Waste Reduction Campaign, People in Life Transitions Campaign which helps reduce toxics in homes by encouraging the use of the Household Hazardous Waste Program, etc.

Green Building: The Refuse Rate Board's Rate Order reduces the Impound Account budget for the Green Building program by $193k from $733k to $540k (26.4% reduction) in Rate Year 2024 and a reduction of $200k from $754k to $554k (26.5% reduction) in Rate Year 2025. This included the reduction of 0.76 FTE from the program and included the removal of non-refuse related activities such as data analysis about building use and carbon admissions.

The Green Building team leads City policy initiatives and advances cutting-edge practices in design, construction, and operation to ensure all new and existing buildings in San Francisco are environmentally responsible and progressing toward zero waste and zero emissions. Some of the refuse-related work in this program includes engaging communities around repair and reuse and launching programs for hard-to-recycle materials, etc.

Climate: The Refuse Rate Board's Rate Order reduces the amount of Impound Account budget for the Climate program by $280k from $610k to $330k (45.9% reduction) in Rate Year 2024 and a reduction of $289k from $628k to $339k (46.0% reduction) in Rate Year 2025. The Climate program staff serve the department broadly in monitoring and implementing the City's Climate Action Plan. The reduction reduces staffing by 1.24 full-time equivalents to reflect the proportion of program activity that is refuse-related.

The Climate team works collaboratively with other Environment Department program areas, City departments, community-based organizations, professional associations, city residents and other

stakeholders to aggressively reduce carbon emissions while developing and implementing policies and practices to protect residents, businesses and visitors from the harmful impacts of climate change. The team is responsible for measuring, monitoring and communicating progress on the City's ambitious carbon reduction targets through annual emissions inventories; developing and monitoring the implementation and results of the City's Climate Action Plan; and for providing interdisciplinary expertise, resources, policy analysis and thought leadership on climate action.

Environmental Justice: The Refuse Rate Board's Rate Order reduces the amount of Impound Account budget for the Climate program by $265k from $697k to $432k (38.1% reduction) in Rate Year 2024 and a reduction of $274k from $719k to $445k (38.1% reduction) in Rate Year 2025. The reduction reduces staffing by 1.08 full-time equivalents to reflect program activities that are refuse-related, such as increasing recycling and composting and bulky item pick-up participation at affordable housing and public housing sites thus reducing illegal dumping impacting neighborhoods.

The Environmental Justice team works to address or mitigate environmental burdens, increase access to environmental programs and benefits by disadvantaged communities, brings environmental initiatives to affordable and public housing sites, and improves health outcomes and the quality of life for residents facing the greatest disparities.

Department of Public Works Detail

The Department of Public Works is proposed the use Impound Account funding to support five programs related to waste disposal and code compliance outreach, street cleaning, and public receptacles.

Table 14: Proposals for Department of Public Works Impound Account Funding

	Rate Year 2024			Rate Year 2025		
Department of Public Works Programs	Public Works Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order	Public Works Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order
Outreach and Enforcement (OnE) Team	$2.77	$2.77	$2.77	$2.77	$2.77	$2.77
Street Cleaning - Litter Patrol	$3.95	$3.95	$3.95	$3.95	$3.95	$3.95
Trash Can Maintenance	$0.94	$0.94	$0.94	$0.94	$0.94	$0.94
Trash Can Cleaning	$1.68	$1.68	$1.68	$1.68	$1.68	$1.68
Trash Can Manager	$0.17	$0.17	$0.17	$0.17	$0.17	$0.17
Mechanical Street Sweeping		$2.45	$2.45		$2.53	$2.53
Total	**$9.51**	**$11.96**	**$11.96**	**$9.51**	**$12.04**	**$12.04**

As part of the Refuse Rates Administrator's review of the Impound Account budget, the Refuse Rates Administrator worked with the Department of Public Works to evaluate whether it is reasonable and fair to fund these activities via the refuse rate. Overall, the proposed expenditures are reasonable and fairly reflect the costs of refuse-related activities which will benefit the ratepayers.

The Department of Public Works' proposal included one new refuse rate position request, a Trash Can Manager (1824). In addition to Public Works' proposal, the Refuse Rates Administrator

recommended shifting $2.45 million and $2.50 million of mechanical street sweeping, in Rate Years 2024 and 2025 respectively, out of General Fund and into Impound Account funding. This offsets the proposed reduction to the Environment Department's Impound Account funding.

The Refuse Rate Board is in concurrence with the Refuse Rates Administrator's recommendations for shifting mechanical street sweeping funding out of General Fund and into Impound Account funding.

In addition to the Impound Account budget request, Public Works is also requested the use of $15 million in previously allocated unused Impound Account funds to procure 3,300 new trash cans, which would not have any rate impacts. This will be discussed in the next section on Impound Account balance.

Outreach and Enforcement (OnE) Team: This is a refuse-related ongoing program that has previously been rate funded. The Refuse Rate Board's Rate Order makes no changes to Public Works' proposed budget for the Outreach and Enforcement Team. The Outreach and Enforcement Team educates the public on acceptable waste disposal methods and related code compliance through door-to-door and multi-lingual outreach efforts. Repeated violators are held accountable through the administration citation process.

Litter Patrol: This is a refuse-related ongoing program that has previously been rate funded. The Refuse Rate Board's Rate Order makes no changes to Public Works' proposed budget for the Litter Patrol. The Litter Patrol activities include non-mechanical street cleaning, including non-mechanical sweeping and manual litter pickup.

Trash Can Maintenance, Cleaning, and Management: This is a refuse-related program and the Refuse Rate Board makes no changes to Public Works' proposed budget for trash can maintenance, cleaning, and management. Trash can steam cleaning is conducted by the Community Youth Center of San Francisco and includes pressure washing, cleaning trash cans and surrounding areas, and includes removing litter, sweeping sidewalks around trash cans, and notifying Public Works of graffiti and malfunctioning or damaged trash cans. The new Trash Can Manager position would be responsible for implementation of the new trash cans, developing a trash can pickup schedule, analyzing pickup data, ensuring cleaning and maintenance, managing can locations, etc.

Impound Account Balance

In prior years, the Impound Account has accrued balance from previously allocated unspent funds as well as unencumbered expenditure budget carried forward from prior fiscal years. As of the Nine-Month Report, the Impound Account is anticipated to have $2.4 million in expenditure savings. The fund is projected to have a year-end balance of $8.5 million.[35] Not included in this amount is the Department of Public Works budgeted use of $15 million Impound Account balance for the replacement of public trash cans. The Refuse Rates Administrator estimates a total balance of approximately $23.5 million.

[35] https://openbook.sfgov.org/webreports/details3.aspx?id=3244

The Refuse Rates Administrator recommends the use of the Impound Account Balance for one-time or episodic activities and recommends the consideration of both available unappropriated fund balance as well as unspent unencumbered appropriation balances for rate studies, consultant work, and certain refuse rate administration costs, some of which is outlined in the Future Work section of the Refuse Rate Board's Rate Order.

The Public Works request for the use of $15 million in funds toward the trash cans would be in Fiscal Year 2024. The Refuse Rates Administrator's proposal includes the $15 million not-to-exceed contract authority for the trash cans, but given the number of trash cans and the anticipated time to install, the Refuse Rates Administrator recommends consideration of a purchase order over an extended three years, which would allow the City to throttle spend-down over time as needed.

In addition to the use of the Impound Account Balance for trash cans, the Refuse Rates Administrator is proposing use of the Impound Account Balance for the Trash Processing Pilot and Seismic Study, which are one-time expenditures totaling $1.5 million across the two rate years (see Appendix G details on use of Impound Account Balance for these two expenditures).

Lastly, for the next years as proposed in the budget, the Refuse Rates Administration work is funded using a portion of accumulated unappropriated fund balance. This includes $857k in Fiscal Year 2023-24 and $1.08 million in Fiscal Year 2024-25.

The Refuse Rate Board's Rate Order is in concurrence with the use of Impound Account Balance recommended by the Refuse Rates Administrator. However, the Refuse Rate Board has expressed a preference for future funding of Refuse Rates Administrator work to be funded through a rate adjustment rather than through account balances.

PROGRAM ENHANCEMENTS

In addition to the collection of trash, recycling, and composting bins, Recology maintains an integrated suite of programs and services to help keep San Francisco clean and achieve the City's climate and zero waste goals. These programs were developed in prior years with the City and community. Recology proposed enhancements to three of its programs and enhancements to its contamination mitigation work.

Table 15: Program Enhancement Proposals

Program Enhancements	Rate Year 2024			Rate Year 2025		
	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order
Expenditure						
Abandoned Materials	$0.52	$0.52	$0.52	$0.56	$0.56	$0.56
Public Receptacles	$0.51	$0.51	$0.51	$0.55	$0.55	$0.55
Weekend Clean-Up Events	$0.62	$0.62	$0.43	$0.64	$0.64	$0.44
Contamination Enhancement	$0.98	$0.00	$0.18	$1.01	$0.00	$0.19
Total Expenditures	$2.63	$1.65	$1.64	$2.76	$1.75	$1.74
Revenue						
Contamination Enhancement Contamination Fee	$5.00	$0.00	$0.21	$5.00	$0.00	$0.21
Total Revenues	$5.00	$0.00	$0.21	$5.00	$0.00	$0.21
Total	**$2.37**	**-$1.65**	**-$1.43**	**$2.24**	**-$1.75**	**-$1.53**

Recology proposed a budget of $2.37 million in enhancements in Rate Year 2024 and $2.44 million in Rate Year 2025. Programs with proposed enhancements included Public Receptacle Collection, Abandoned Materials Collection, Weekend Clean-Up Events, and Recology's contamination mitigation work, which included enhancements to the Waste Zero Team and new truck cameras. In addition, Recology estimated that the contamination mitigation enhancements would generate an additional $5 million in revenue for contamination fees each year.

The Refuse Rates Administrator's proposal eliminated the contamination enhancement due to uncertainty around the technology and its efficacy, the reasonableness of the revenue estimate, and the customer response. The impact of the proposal would be the reduction of costs by $980k in Rate Year 2024 and $930k in Rate Year 2025. It would also have reduced revenues by $5 million in each rate year. The net impact would have been a $4.02 million increase to rates in Rate Year 2024 and a $4.07 million increase to rates in Rate Year 2025.

The Refuse Rate Board's Rate Order was in concurrence with the Refuse Rate Administrator's recommendations on the Abandoned Materials and Public Receptacles budget. The Refuse Rate Board's Rate Order enhances the Weekend Clean-Up Event by including budget for a 3-bin event for better source separation, and then reduces the budget by reducing the number of events by half from 22 to 11 events per year (one per each supervisorial district). The Refuse Rate Board's Rate Order also includes enhancements to the contamination mitigation work by adding an additional staff to the Waste Zero Team, to replace 6 existing truck cameras, and adding additional investment into outreach. This impact of this enhancement would be an increase in expenditures to the Refuse

Rates Administrator's proposal by $183k in Rate Year 2024 and $187k in Rate Year 2025. It is also estimated to generate $205k of contamination fees in both years. The net impact, would be a reduction in rates of $22k in Rate Year 2024 and $18k in Rate Year 2025.

Abandoned Materials Collection

Table 16: Abandoned Materials Enhancements[36]

Program Enhancement	Rate Year 2024			Rate Year 2025		
	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order
2 Additional Drivers	$0.48	$0.48	$0.48	$0.48	$0.48	$0.48
2 Vehicles	$0.04	$0.04	$0.04	$0.09	$0.09	$0.09
Total Expenditures	**$0.52**	**$0.52**	**$0.52**	**$0.56**	**$0.56**	**$0.56**

Recology collects non-hazardous abandoned materials identified through the City's 311 reporting system or by Recology personnel. Currently, there are 5 Abandoned Materials zones with dedicated routes. Recology's proposal would add an additional zone. These routes are in addition to proactive pickup in the Bay View, Tenderloin, and Chinatown. These enhancements would allow Recology to respond more quickly to 311 service requests, proactively drive streets within their zones and meet the service level agreements outlined in the Refuse Rate Board's Rate Order (see Service Level Agreement section).

The enhancement includes 2 additional driver FTE ($476k per year) and 2 additional collections vehicles ($43k lease cost in RY2024 and $86k in RY2025). This would increase the current budget for Abandoned Materials by $520k from $6.83 million to $7.4 million in Rate Year 2024 and by $560k from $7.0 million to $7.6 million in Rate Year 2025.

This program is conducted in coordination with Public Works and 311. Public Works and the Refuse Rates Administrator agree to the need for these enhancements to meet service level agreements. The Refuse Rate Board's Rate Order is in concurrence with the Refuse Rate Administrator's recommendation to include this enhancement.

Public Receptacles Collection

Table 17: Public Receptacles Enhancements[37]

[36] See Appendix A: Reference Files, file number 3004, 3005

[37] See Appendix A: Reference Files, file number 3004, 3005

Program Enhancement	Rate Year 2024			Rate Year 2025		
	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order
2 Additional Drivers	$0.48	$0.48	$0.48	$0.48	$0.48	$0.48
2 Vehicles	$0.04	$0.04	$0.04	$0.07	$0.07	$0.07
Total Expenditures	**$0.51**	**$0.51**	**$0.51**	**$0.55**	**$0.55**	**$0.55**

Recology collects from over 3,300 City-owned public trash receptacles around the City. Each can is emptied between one to three times per day. Cans emptied more than once per day are emptied outside of regular route service on-demand with notification by the City. This enhancement would add two additional dedicated public receptacle routes, which would add capacity for approximately 150,000 additional stops annually.

The enhancement includes 2 additional driver FTE ($476k per year) and the acquisition of 2 additional vehicles ($36k in RY2024 and $72k in RY 2025). This would increase the current budget for public receptacles collection by $510k from $5.41 million to $5.9 million in Rate Year 2024 and by $550k from $5.61 million to $6.2 million in Rate Year 2025

This program is conducted in coordination with Public Works and 311. Public Works and the Refuse Rates Administrator agree to the need for these enhancements to meet service level agreements. The Refuse Rate Board's Rate Order is in concurrence with the Refuse Rates Administrator's recommendation to include this enhancement.

Weekend/District Clean-Up Events

Special clean-up events are held at least annually in each of the City's eleven supervisorial districts to allow residents to drop off items too big to fit in the regular collection bins. Recology requested budget to restart this program with 2 events in each supervisorial district and which included $640k in Rate Year 2024 and $660k in Rate Year 2025.[38] Public Works supports these enhancements. The Refuse Rates Administrator made no changes to this proposal.

Environment Department and the Environment Commission recommended adding recycling and composting bins to these events as well as a re-use component. The Refuse Rate Board's Rate Order concurs with this recommendation and enhanced the original proposal to include 3-bins at each event for source separation.

The Refuse Rate Board's Rate Order also reduces the number of events by half from 22 to 11, with 1 event in each supervisorial district to match the number of events held before this program was suspended.

[38] See Appendix A: Reference Files, file number 3004, 3005

Table 18: Weekend/District Clean-Up Events Cost Factors

Cost Factor	Rate Year 2024	Rate Year 2025
Labor	$17,700	$18,154
Disposal	$4,500	$4,688
Traffic Control	$5,000	$5,145
Marketing	$11,500	$11,832
Estimated Cost per Event	**$38,700**	**$39,818**
Total Cost (11 Events)	**$425,700**	**$438,003**

Reducing the event from 22 to 11 events would reduce costs by $310k and $320k for Rate Years 2024 and 2025 respectively. Enhancing the event to include 3-bins would add an additional $115k and $118k for the same years. The net impact from the original proposal is a reduction to rates of $194k and $201k for Rate Years 2024 and 2025 respectively.

Contamination Enhancements

Table 169: Contamination Enhancements[39]

Contamination Enhancement	Rate Year 2024			Rate Year 2025		
	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order
Expenditure						
Waste Zero Outreach	$0.45	$0.00	$0.14	$0.46	$0.00	$0.14
Contamination Outreach	$0.23	$0.00	$0.02	$0.23	$0.00	$0.02
Onboard Cameras	$0.31	$0.00	$0.02	$0.32	$0.00	$0.02
Total Expenditures	**$0.98**	**$0.00**	**$0.18**	**$1.01**	**$0.00**	**$0.18**
Revenue						
Contamination Fee	$5.00	$0.00	$0.21	$5.00	$0.00	$0.21
Total Revenues	**$5.00**	**$0.00**	**$0.21**	**$5.00**	**$0.00**	**$0.21**
Total	**$4.02**	**$0.00**	**$0.02**	**$3.99**	**$0.00**	**$0.02**

Recology's contamination mitigation work includes several integrated programs. Recology's request included Waste Zero Outreach, Contamination Outreach, and the addition of 38 on-board truck cameras to identify contamination at the source. This request would have increased expenditures by $980k in Rate Year 2024 and $1.01 million in Rate Year 2025. Recology estimated that these enhancements would result in a $5 million increase in contamination fee revenue for each rate year.

The Refuse Rates Administrator's proposal did not include these enhancements. As such, the Refuse Rates Administrator's proposal also did not include an assumption of increased contamination fee revenue.

The Refuse Rate Board's Rate Order includes 1 new FTE for the Waste Zero Team, additional investment in Contamination Outreach, and the replacement of 6 on-board cameras to identify

[39] See Appendix A: Reference Files, file number 3004, 3005, 2016

contamination at the source. This is an increase in expenditures of $183k and $187k for Rate Years 2024 and 2025 respectively. Recology estimates that these enhancements would result in $205k increase in contamination fee revenue for both rates years. The net impact would be a reduction to rates of $22k and $18k for Rate Years 2024 and 2025 respectively.

Waste Zero Outreach: This program conducts education and outreach programs through site visits, presentations, and service recommendations to maximize diversion. The goal of this enhancement is to prevent contamination at the source and encourage participation in mandated refuse source separate collection programs. The outreach efforts would include tagging of customers with contamination and cost contamination letters and new apartment and commercial accounts above two cubic yards of service with low diversion.

This enhancement would increase the cost to the Waste Zero Outreach team by $144k and $=149k for Rate Years 2024 and 2025 respectively. It would include an additional FTE for focused outreach to low diversion customers and analysis of images from the 6 replacement cameras

Contamination Outreach and Cameras: The goal of this enhancement is to reduce contamination to improve diversion and product quality. This enhancement includes additional outreach and education as well as on-board camera technology to identify contamination at the source. This would be the replacement 6 on-board cameras. Recology has not provided data or information on the effectiveness of these outreach efforts and to what level they would mitigate contamination or reduce repeat offenders. This pilot would support the study on the efficacy of outreach and the use of cameras.

Contamination Fees: Recology estimates that this enhancement would generate an additional $205k in contamination revenue. The Refuse Rates Administrator and Recology will track contamination revenue during this pilot to support more precise future projections.

The Refuse Rate Board's Rate Order includes the study on the effectiveness of outreach efforts and what level they would mitigate contamination or reduce repeat offenders. This study will also include the impact of San Francisco's high pedestrian traffic on contamination. How does this impact ratepayers who are otherwise compliant, but may be charged a contamination fee because members of the public are disposing of their waste in ratepayer bins? Are charges to ratepayers to lock and access bins to prevent public contamination reasonable?

Lastly, in conversation with the Environment Department, previously agreed upon contamination protocols have not been applied since the beginning of the pandemic. Environment has worked with Recology in developing updated contamination protocols. Under the Refuse Rate Board's Rate Order, these protocols will be reviewed and a study of the efficacy of the current contamination mitigation work will be conducted.

CAPITAL EXPENDITURE ENHANCEMENTS

Table 20: Capital Expenditures[40]

Capital Expenditure	Rate Year 2024			Rate Year 2025		
	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order
Organics Pre-Processing						
Proposed System	$0.00	$0.00	$0.00	$0.21	$0.00	$0.00
Alternative System	$0.00	$0.18	$0.07	$0.00	$0.18	$0.06
Total	**$0.00**	**$0.18**	**$0.07**	**$0.21**	**$0.18**	**$0.06**

Recology proposed the purchase of an organics pre-processing system. Currently, 24% of total organics tonnage collected by San Francisco Recology companies is non-compostable or has limited compostability. The system in Recology's proposal would have cost $3.3 million, of which $2.5 million would have been included in leases over 10 years, and the rest depreciated over 10 years resulting in incremental costs per year of approximately $205k in Rate Year 2025 and $410k in future rate years.

This system would not have begun implementation until Rate Year 2025. While this system has a high projected throughput level (maximum 50 tons/hour throughput) compared to the projected need (35-40 tons/hour). In consultation with Environment Department, further review and validation of the system would be needed before committing to the long-term costs. In addition, the need for an organics pre-processing solution is immediate and this system would not be able to be implemented until the middle of Rate Year 2025.

The Refuse Rates Administrator, in consultation with Recology and the Environment Department, is proposed an alternative organics pre-processing system to serve as an interim solution while conducting a study to address a longer-term solution and validate the efficacy of the initial proposed technology. The estimated cost of the system would have been $180k per year. However, this system was a diesel-powered trommel that is not permitted under Air District regulations.

Recology proposed an electric trommel that would have similar throughput at a lower annual cost. The net impact of this proposal would be a net savings of $106k and $121k for Rate Years 2024 and 2025 respectively. The Refuse Rate Board's Rate Order adjusts the rate order to include Recology's proposed electric trommel.

[40] See Appendix A: Reference Files, file number 2016 and 2021

NON-PROGRAM RELATED COST ADJUSTMENTS

Table 21: Other Cost Changes[41]

Other Cost Changes	Rate Year 2024			Rate Year 2025		
	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order
Sustinable Crushing	-$4.02	-$4.02	-$4.02	$0.00	$0.00	$0.00
Labor Enhancements						
Safe Service	$0.74	$0.74	$0.74	$0.76	$0.76	$0.76
Other Labor Changes	$1.68	$1.68	$1.68	$1.73	$1.73	$1.73
Other Costs						
Trash Processing	$0.50	$0.00	$0.00	$0.00	$0.00	$0.00
Seismic Safety Study	$0.50	$0.00	$0.00	$0.50	$0.00	$0.00
Pension Costs	$23.53	$11.30	$11.30	$17.60	$11.41	$11.41
Corporate Allocations	$15.21	$14.43	$14.43	$15.68	$14.87	$14.87
Total	**$38.14**	**$24.12**	**$24.12**	**$36.27**	**$28.77**	**$28.77**
Account Use						
Impound Account Balance						
Trash Processing	$0.00	-$0.50	-$0.50	$0.00	$0.00	$0.00
Seismic Safety Study	$0.00	-$0.50	-$0.50	$0.00	-$0.50	-$0.50

The other adjustments in Recology's proposal included Sustainable Crushing, some labor enhancements a one-time Trash Processing Pilot and a one-time Seismic Safety Study for the Pier 96 site being required by the San Francisco Port. The Refuse Rates Administrator's proposal made additional adjustments to Pension Costs and Corporate Allocations. In addition, the Refuse Rates Administrator's proposal shifted funding sources for the Trash Processing Pilot and the Seismic Safety Study. The net impact of the Refuse Rates Administrator's Proposal was a reduction in costs to rates of $14.0 million in Rate Year 2024 and $7.5 million in Rate Year 2025. The Refuse Rate Board's Rate Order is in concurrence with the Refuse Rate Administrator's recommendations.

Sustainable Crushing

The Sustainable Crushing operation at Pier 94 closed in 2021 and will be cleared in August 2023. The costs in Rate Year 2023 amount to $3.0 million in freight costs and $1.1 million in lease costs. No Sustainable Crushing costs are included for Rate Year 2024 and beyond. The net impact of this is a reduction of $4.1 million in costs to rates for Rate Year 2024.

Labor Enhancements

Certain FTEs, such as drivers for abandoned material and public receptacles collection enhancements have been documented in other sections of this report and are also captured here. The Refuse Rates Administrator's intent in this section is to discuss proposed labor changes as a whole.

[41] See Appendix A: Reference Files, file number 2016 and 3004

Table 22: Vacancies and New Positions[42]

Labor Costs	FTE			Rate Year 2023			Rate Year 2024			Rate Year 2025		
	Recology Proposal	Refuse Rates Adminsitrator Proposal	Refuse Rate Board Rate Order	Recology Proposal	Refuse Rates Adminsitrator Proposal	Refuse Rate Board Rate Order	Recology Proposal	Refuse Rates Adminsitrator Proposal	Refuse Rate Board Rate Order	Recology Proposal	Refuse Rates Adminsitrator Proposal	Refuse Rate Board Rate Order
Vacancies	11	11	11	$0.64	$0.64	$0.64	$0.66	$0.66	$0.66	$0.68	$0.68	$0.68
New Positions	24	22	22	$3.21	$3.21	$3.21	$6.14	$5.86	$5.86	$6.33	$6.03	$6.03
Total	**35**	**33**	**33**	**$3.85**	**$3.85**	**$3.85**	**$6.80**	**$6.52**	**$6.52**	**$7.01**	**$6.71**	**$6.71**

Recology requested 35 new FTEs during this rate setting process and provided documentation to the Refuse Rates Administrator regarding the costs and necessity of these roles. The Refuse Rates Administrator reviewed all newly proposed FTEs as well as those hired in Rate Year 2023 and prior years under the existing 2017 rate order. As a result of two months of negotiations and discussions with Recology, consultant review and comparison with other jurisdictions' operations, two Refuse Rates Administrator hearings, and two Refuse Rate Board hearings, the Refuse Rates Administrator agreed with Recology on their reasoning behind 94.3% of the hires.

In Recology's proposal all 11 vacancies and 11 new positions were originally budgeted for Rate Year 2023. Recology proposed retaining these positions for rate funding in Rate Years 2024 and 2025. The remaining 13 new positions were not budgeted until Rate Year 2024. No additional new positions are being budgeted for Rate Year 2025.

The Refuse Rate Administrator's proposal reduced the number of new positions by 2 FTE. This reduction was to the additional Waste Zero positions requested.. The Refuse Rate Board's Rate Order added back one of those Waste Zero positions as discussed in the Contamination Enhancement section.

Table 23: New Hires Summary[43]

New Hires	FTE			Rate Year 2023			Rate Year 2024		
	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order
Administrative	5	5	5	$0.76	$0.76	$0.76	$0.79	$0.79	$0.79
Collections Operations	10	10	10	$2.05	$2.05	$2.05	$2.11	$2.11	$2.11
Programs	9	7	8	$1.77	$1.48	$1.48	$1.82	$1.53	$1.67
Total	**24**	**22**	**23**	**$4.58**	**$4.29**	**$4.29**	**$4.72**	**$4.43**	**$4.57**

Most of the enhancements being requested are related to improving collections operations (11 FTE) and program enhancements (7 FTE). In addition, Recology is requesting 5 new administrative positions.

Administrative: Recology's new administrative positions include 2 new rate analysts to help support meeting new reporting requirements, an additional FTE for human resources to support the increased number of leaves, administrative and reporting requirements, and the implementation of the collective bargaining agreement and an additional account collection FTE for delinquent customers not lienable by the Department of Public Health.

Collections Operations: This includes two additional drivers to increase route coverage due to increased absenteeism, 3 additional drivers and a supervisor for safe service in the Tenderloin

[42] See Appendix A: Reference Files, file number 3004

[43] See Appendix A: Reference Files, file number 3004

(discussed further below), as well as additional supervisors and managers for maintenance and operations. These supervisors and managers are intended to support the increased capacity of drivers and to increase coverage for later hours of operation.

Programs: These positions have been discussed in other sections, but are related to program enhancements for Abandoned Materials Pickup, Public Receptacles Pickup, and the contamination enhancement. The Refuse Rates Administrator's proposal removed the positions related to the contamination enhancement. The Refuse Rate Board's Rate Order adds back one of the positions related to contamination enhancement.

Table 24: Justifications for New Hires

Role	New FTE/ Vacancy Filled	Existing FTE Supporting Program	Recology Entity	Justification
Rate Analysts	2 new FTEs	1	Recology Sunset Scavenger / Golden Gate	Additional Rate Analyst FTEs are necessary to meet quarterly rate reporting requirements, including reporting on the Balancing Account, elective expense analyses and quarterly reconciliation to Recology financials. The current workload is beyond current staffing capacity and deadlines / reporting compliance would be impacted without additional help. The rate analysts will also work on ensuring rates in Recology's billing system are up to date and accurate. These staff will also modify Recology's Accounting ERP to be able to report on Rate vs Non-Rate revenue and expenditures, a significant project that will take place over the next two years.
Senior HR Generalist	1 new FTE	1	Recology Sunset Scavenger / Golden Gate	The SF HR team supports over 1,000 employees, including union employees covered by 9 collective bargaining agreements, and are employee facing. Corporate HR develops policies, manages group benefits and provides training and support for local teams. There has been a substantial increase in the number of leaves and other administrative and reporting requirements. In addition, union requests for meetings and correspondence have increased with the implementation of the new CBAs.
Payroll Coordinator	1 new FTE	3	Recology Sunset Scavenger / Golden Gate	Currently Recology has 1 Payroll Coordinator processing the payroll for all 665 Sunset and Golden Gate employees. The current Payroll Coordinator is supported by the Accounting Superivor who also manages the month-end close for Sunset and Golden Gate. Due to the last CBA negotiations, Sunset union employees moved from a bi-weekly pay cycle to a weekly cycle thereby increasing the processing workload.
Liens Collection	1 new FTE	1	Recology Sunset Scavenger / Golden Gate	A Collections FTE is necessary to send delinquent accounts that cannot be liened by DPH to Recology's 3rd party collection agency. Duties include generating a list of delinquent accounts after each month's lien cycle, formatting and sending information to 3rd party, research and respond to 3rd party and/or customer inquiries, and reconciling payments received. DPH will only lien Residential, Apartment and Commercial customers who had service in the last 180 days. We have delinquent customers who fall outside of the 180 day service range that need to be sent to collections. The Collections FTE will also manage the collection of delinquent Debris Box customers, a subset of customers that are not lienable by DPH. Comply with DPH's new QAQC process.
Relief Drivers	2 new FTEs	319	Recology Sunset Scavenger / Golden Gate	Additional relief drivers needed to provide route coverage due to increased absenteeism.
Maintenance Supervisor	1 new FTE	0	Recology Sunset Scavenger / Golden Gate	Supports the Maintenance Manager and department's 24-hour window of operation. Currently there is no coverage for 2/3 of the day.
Operations Supervisor	2 new FTEs	34	Recology Sunset Scavenger / Golden Gate	Supports the operations in the Tenderloin. The additional drivers provide a quicker response from set-out time to collection. Reduces the time our drivers spend at each customer and ensures our employee-owners are not alone. These additions also reduce the amount of time our drivers are away from the truck when retrieving carts for service. The additional supervisor will be dedicated to the Tenderloin and surrounding areas to improve our presence and respond to incidents that require immediate attention. This role may also Supervise some Citywide cleanup events and public receptacles.
Waste Zero Specialist	1 new FTE	6	Recology Sunset Scavenger / Golden Gate	Recology had requested 2 new Waste Zero specialists and this rate order proposes one, who will split their time between diversion outreach and contamination evaluation and outreach. This role will partner with SFE for diversion goals, support additional outreach to commercial customers generating two or more yards per week who have less than 50% diversion rates. They will also increase outreach and education through additional compost related collateral, trainings and site visits, and teach proper ways to sort waste and reduce contamination, educating customers on the potential charges they will receive from ongoing contamination notices. The Diversion Auditor Team will review the contamination footage and account documentation entered by the driver. Once this information is confirmed they will engage this new Waste Zero FTE to work
Abandoned Materials	2 new FTEs	13	Recology Sunset Scavenger / Golden Gate	Needed to respond more quickly to high volumes of 311 calls and proactively service abandoned material
Public Receptacles	2 new FTEs	10	Recology Sunset Scavenger / Golden Gate	Needed to increase service capacity to meet need and dynamic service requirement with the addition of sensor technology
Safe Service drivers	3 new FTEs	9	Recology Sunset Scavenger / Golden Gate	Additional drivers to eliminate solo routes in the Tenderloin where public safety incidents have necessitated additional security precautions.
Cardboard Collection Drivers	2 new FTEs	2	Recology Sunset Scavenger / Golden Gate	Additional drivers needed to support cardboard collection in high demand areas through the abandoned materials program during periods in which low market prices have reduced the size of "mosquito fleets".
Operations Ma nager - Transportation	1 new FTE	6	Recology San Francisco	RSF had a Transportation Manager who retired just prior to the onset of Covid and the decision to not replace the position was made in order to manage Operational expenses as tonnage was down significantly over prior years. Since this time, we have seen the Transfer Station tonnage rebound and the need to fill the position is apparent. Currently this business unit is overseen indirectly by the Senior Operations Manager.
Operations Supervisors - Transportation and Shop	2 new FTEs	12	Recology San Francisco	A Supervisor must be present at all times when we are operating . The manager from Sustainable Crushing has been temporarily assigned to the position to backfill the position. Recent collective bargaining efforts have complicated the dispatch process. Position is needed to oversee Long Haul Shop operations during swing shift (1 - 10pm) and provides coverage for the graveyard shift. Current department is overseen by the Shop Foreman who is retiring.

Safe Service

Recology proposed three new driver FTEs and one new supervisor FTE for rate years 2024 and 2025 to ensure safe service in the Tenderloin. Recology drivers in that area of the city have experienced many public safety-related issues related to provision of service, including security of buildings, equipment, etc. As a component of this rate-setting process, Recology submitted a list of safety incidents and map to the Refuse Rates Administrator, and confirmed meetings with San Francisco Police Department and the District Attorney's office to address the issues. The Refuse Rates Administrator reviewed these incidents as well as Recology's proposed solutions and recommended the inclusion of this enhancement. The Refuse Rates Administrator has also stated in meetings with Recology that drivers and supervisors are not security personnel, and Recology stated that they have been conducting trainings. The additional FTEs will ensure that staff and equipment are better accompanied throughout service in this area while this need for increased safety precautions is present. The Refuse Rate Board's Rate Order is in concurrence with the Refuse Rates Administrator's recommendation.

Other Costs

Other Costs are adjustments that include the Trash Processing Pilot, the Seismic Safety, Pension Costs, and Corporate Allocations.

Trash Processing Pilot: The purpose of the trash processing pilot is to determine the feasibility of processing trash for San Francisco to recover organic and recyclable materials that can be composted and recycled. The pilot will be conducted on San Francisco waste at a Waste Management facility in Oakland. A detailed analysis will be conducted by Urbaser Environment to identify the recovered organic fraction, recyclable commodities, and non-recyclables.

The cost of this pilot is estimated at $500k. The Refuse Rate Administrator proposed using the Impound Account Balance as a source for the cost of this pilot, since it will be a one-time expenditure. The Refuse Rate Board's Rate Order is in concurrence with the Refuse Rates Administrator's recommendation.

Seismic Safety Study: This is a structural and geotechnical study at Pier 96 that the San Francisco Port is requiring of Recology. The cost of this study is estimated to be $1.0 million, half of which will be budgeted for Rate Year 2024, and the other half in Rate Year 2025. The Refuse Rates Administrator proposed the use of Impound Account Balance as a source for the cost of this study, since it will be a one-time expenditure. The Refuse Rate Board's Rate Order is in concurrence with the Refuse Rates Administrator's recommendation.

Pension Costs – Defined Benefit Plan:

Recology is an employee-owned company, organized as an Employee Stock Ownership Plan (ESOP), wherein the stock of the company is wholly owned by the ESOP, and subject both to periodic Fair Value Measurement, Independent Audit and US Department of Labor (US DOL) Form 5500 ESOP public disclosure reporting including said audit and company stock fair value measurement, methodology and participant information. In addition to the ESOP deferred compensation program benefits, Recology provides certain San Francisco employees, benefits from a defined benefit pension plan that is funded by San Francisco Ratepayers, and whose rates are used by Recology to

make the required Employer-share (Recology's) contributions for the San Francisco Recology companies' covered employees of the Refuse Rate Board Order, and of further note, the defined benefit pension plan as currently established does not permit an Employee-required contribution.

Recology's proposal assumed a level of funding where the Defined Benefit Pension Plan would be fully-funded in Rate Year 2025.[44] While full funding status is an appropriate goal, it can be achieved over multiple years, and in future years can also include consideration of various employer and/or employee-required contributions in the event of benefit enhancements are provided, for example.

The Refuse Rates Administrator's Proposed 2024 and 2025 Rates Subject to Rate Setting under the 2023 Rate Order include San Francisco Ratepayer-funded contributions sufficient to achieve full funding under current plan provisions and actuarial assumptions, over 5 years, i.e., decreasing what is currently an average annual contribution of approximately $23 million funded by San Francisco Ratepayers annually to approximately $11 million.[45] This will essentially adjust ratepayer-funded annual pension contributions such that contributions are recalibrated to align with the annual target normal costs as required to be publicly reported by Recology Inc., under penalty of perjury to the IRS on Form 5500[46] and available for public transparency at the US Department of Labor's Form 5500 Search website[47].

Further the Refuse Rates Administrator's proposal would limit any pension cost allocations beyond those included in the Refuse Rate Board's Rate Order. While Recology may elect to make actuarial assumption changes, portfolio investment changes and/or further benefit enhancements for their covered employees, they can do so out of their own profits which would otherwise accrue to the ESOP Employee/Participant Owners.

Pension Plan Funding Status may be either based on an Actuarial Valuation of Assets or a Market Valuation of Assets.

For purposes of the Rate Order, San Francisco Ratepayer funding contributions to the defined benefit pension plan shall cease at the sooner of fully funded status based on the Market Valuation of Assets as determined by the monthly statement as provided by the plan administrator or the Actuarial Valuation of Assets as determined by the independent plan actuary. If the funding status achieves full funding prior to 9/30/2025, i.e., the period covered under the 2023 Rate Order, any associated San Francisco Ratepayers funds will accrue fully (at 100%) to the notional Balancing Account, for the benefit of San Francisco Ratepayers to help offset future rate increases. The Refuse Rate Board's Rate Order is in concurrence with the Refuse Rates Administrator's recommendation.

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[44] See Appendix A: Reference Files, file number 1005 and 1006

[45] See Appendix A: Reference Files, file number 3006

[46] The US Department of Treasury's Internal Revenue Service (IRS) Form 5500 is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code). (ERISA) is the federal law that governs most voluntarily established retirement and health plans in private industry to provide protection for individuals in these

[47] https://www.efast.dol.gov/5500search/

Corporate Allocations: Sunset Scavenger, Golden Gate, and Recology San Francisco are subsidiaries of Recology Inc. Certain services such as Human Resources and Information Technology are managed centrally by Recology Inc. to provide cost efficiencies to Recology's operating subsidiaries. The costs of these centrally managed services are allocated to the San Francisco Recology companies based on their outside net revenue as a percentage of total net revenue across the allocation base. Intercompany revenue and profit are excluded from the allocation.

San Francisco rates are higher compared to other jurisdictions being served by Recology[48], which would suggest that the current revenue-based allocation methodology is not to the benefit of San Francisco ratepayers. The Refuse Rates Administrator has requested a review of impacts of other allocation methodologies such as a tonnage-based allocation.

The Refuse Rates Administrator is recommended a 5% cut to projected Corporate Allocations as well as a review before the next rate cycle to evaluate expense eligibility, confirm that no profit is being earned on these particular inter-company costs, and to assess other allocation methods. This cut would reduce the cost of Corporate Allocations by $761k from $15.6 million in Rate Year 2024 to $14.8 million and a reduction of $784k in Rate Year 2025 bringing the cost down from $16.0 million to $15.3 million. The Refuse Rate Board's Rate Order is in concurrence with the Refuse Rates Administrator's recommendation.

Economic/Business Cost Changes

Recology makes several assumptions on economic growth and inflation of various costs. Salaries and wages are determined by labor agreements, while most other costs grow by projected San Francisco CPI-U. In addition to these business cost change factors, Recology makes assumptions on fuel prices and materials. Lastly, Recology also looks at general economic growth, and uses this as a factor for projecting revenue growth. The only adjustments to Recology's proposal being made by the Refuse Rates Administrator is to the inflation factor.

Table 25: Inflation Projection Impact[49][50]

	Rate Year 2024			Rate Year 2025		
Economic/Business Cost	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order
Inflation Projection	3.68%	3.44%	3.44%	3.05%	2.89%	2.89%
Economic/Business Cost	$7.68	$7.51	$7.51	$2.09	$1.79	$1.79

Recology used the San Francisco Controller's Office Five-Year Financial Plan projections of San Francisco CPI-U, published January 2023. This inflation factor was updated by the Controller's Office in March 2023. The Refuse Rates Administrator used this updated inflation factor in the proposed rate order. The updated inflation factor lowers general Economic/Business Cost increases by $166k from $6.83 million to $6.67 million in Rate Year 2024 and reduces costs by $307k in Rate Year 2025,

[48] See Appendix A: Reference Files, file number 3007

[49] https://openbook.sfgov.org/webreports/details3.aspx?id=3244

[50] See Appendix A: Reference Files, file number 1003

lowering costs from $1.61 million to $1.30 million. The Refuse Rate Board's Rate Order is in concurrence with the Refuse Rates Administrator's recommendation.

Recology also used economic growth assumptions from the Controller's Five-Year Financial Plan.[51] Based on this projection, Recology assumes 2% revenue growth in both years.[52] Because the Controller's Office did not change its underlying economic growth assumptions, the Refuse Rates Administrator's proposal made no changes to the economic growth factor. The Refuse Rate Board's Rate Order is in concurrence with the Refuse Rates Administrator's recommendation.

Lastly, HF&H reviewed fuel prices and recycling prices and due to the high variability of these prices, Recology's proposal assumptions were found to be reasonable. The Refuse Rates Administrator made no changes to these assumptions. The Refuse Rate Board's Rate Order is in concurrence with the Refuse Rates Administrator's recommendation.

[51] https://openbook.sfgov.org/webreports/details3.aspx?id=3178

[52] See Appendix A: Reference Files, file number 1003

ACCOUNT ADJUSTMENTS

Table 26: Account Adjustments[53]

Accounts	Rate Year 2024			Rate Year 2025		
	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order	Recology Proposal	Refuse Rates Administrator Proposal	Refuse Rate Board Rate Order
Deposits						
Zero Waste Incentive Account	$8.25	$0.00	$0.00	$8.38	$0.00	$0.00
Programmatic Reserve Fund	$0.00	$0.78	$0.78	$0.00	$0.81	$0.81
Zero Waste Capital Reserve	$0.00	$0.00	$3.52	$0.00	$0.00	$0.00
Total	**$8.25**	**$0.78**	**$4.30**	**$8.38**	**$0.81**	**$0.81**
Use						
Rate Stabilization Fund 2022	$4.25	$2.02	$1.74	$0.00	$2.23	$3.01
Zero Waste Incentive Prior Year Addback	$8.49	$8.49	$8.49	$4.12	$0.00	$0.00
Total	**$12.74**	**$10.50**	**$10.23**	**$4.12**	**$2.23**	**$3.01**
Estimated Impact to Net Revenue	**$4.49**	**$9.72**	**$5.93**	**-$4.26**	**$1.42**	**$2.21**

Recology's proposal included the Zero Waste Incentive Account and use of the Rate Stabilization Fund from 2022. The Refuse Rates Administrator's proposal suspended the Zero Waste Incentive Account, established a Programmatic Reserve Fund, and spreads the use of the Rate Stabilization Fund 2022 across both rate years. Under Recology's proposal, net revenue would have increased by $4.49 million in Rate Year 2024 compared to $9.72 million under the Refuse Rates Administrator's proposal. In Rate Year 2025, Recology's proposal would have decreased net revenue by $4.26 million compared to a $1.42 million increase in net revenue under the Refuse Rates Administrator's proposal. The Refuse Rate Board's Rate Order is in concurrence with the Refuse Rates Administrator's recommendations. However, since the publication of the Refuse Rates Administrator's Proposed Rate Order, the Rate Stabilization Fund 2022 balance was updated to reflect the current balance. The Refuse Rate Board's Rate Order includes the entirety of this additional balance of $230k in Rate Year 2025. In addition to these account changes, the Refuse Rate Board's Rate Order also establishes a Zero Waste Capital Reserve to be funded at approximately 1% of net revenue in Rate Year 2024.

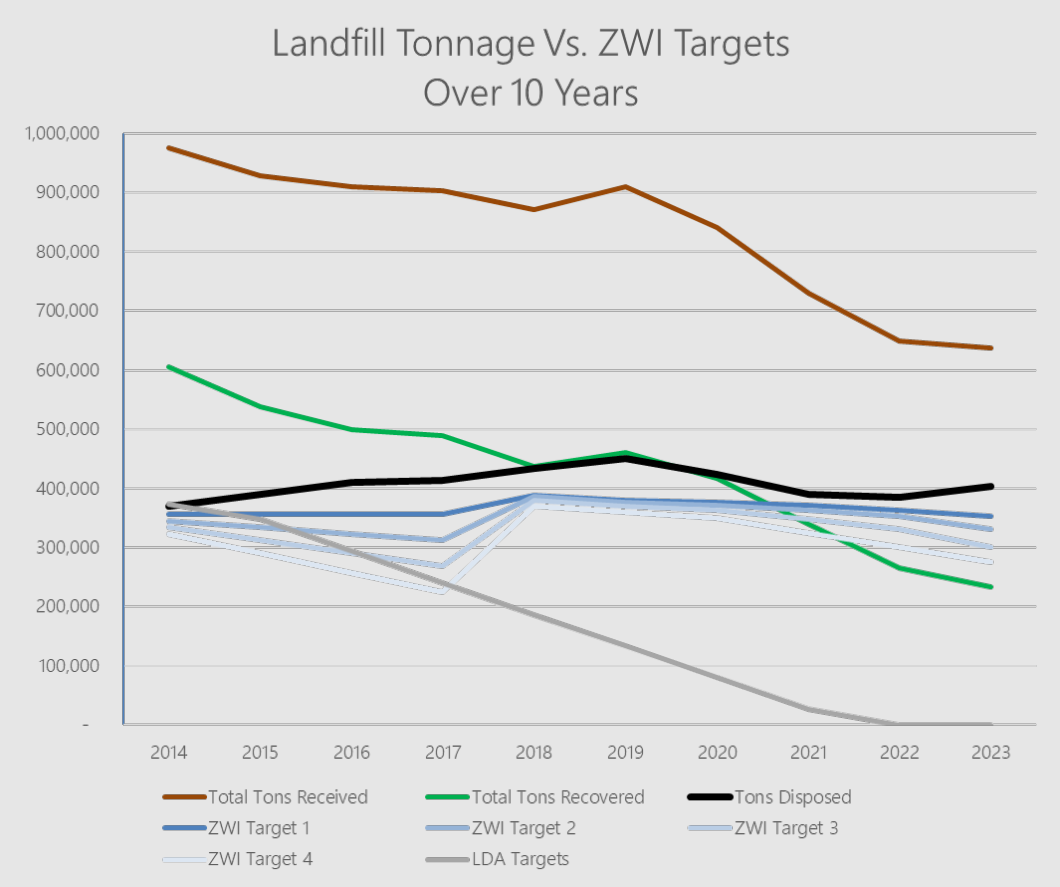
Zero Waste Incentive Account

Zero Waste Incentive Account is a financial incentive account that Recology can draw down on if certain targets are met. Meeting all targets would equal an additional 2% profit for Recology. The Zero Waste Incentive Account would contribute $8.25 million to refuse rates costs in Rate Year 2024 and $8.38 million in Rate Year 2025. When Recology does not meet the targets, funds are used to lower ratepayer rates in subsequent years. Recology assumes addbacks of $8.49 million and $4.12 million for the same years.

Chart 1: Landfill Tonnage vs. Zero Waste Incentive Targets[54]

[53] See Appendix A: Reference Files, file number 1005, 1006, and 1007

[54] Based on data from Recology San Francisco and Recology Sunset Scavenger/Recology Golden Gate Quarterly and Annual Rate Reports 2014-Quarter 1 2023. See https://sf.gov/refuse-rate-reporting and https://www.sfpublicworks.org/refuserates



There are a number of factors that could explain Recology's inability to meet the ZWI targets. The recovery rate for material collected by Recology is currently 39%, down from a peak of 62% in 2014.[55] According to Recology, changes in the recovery rate and landfill tonnage are due more to economic conditions, including a decline in commercial construction activity during COVID, and the closure of the Sustainable Crushing facility. Public Works has stated that street repair refuse, including asphalt and concrete, that was formerly diverted as part of Recology's Sustainable Crushing program is now being diverted to different facilities on the Peninsula. However, total landfill tonnage and Zero Waste Incentive target chart shows how Tons Disposed has been consistently above all of the ZWI targets over the last 10 years. The incentive account has not correlated with reduction in landfill tonnage or improvement to recovery rates.

Capital investment in diversion systems can also play a role in increased diversion. In the past, unearned Zero Waste Incentive Account funds have been used to support infrastructure spending for Recology. These projects were approved outside of the rate process.

Refuse Rates Administrator found that the Zero Waste Incentive Account has not been an effective tool in improving recovery rates and landfill diversion. In addition, the use of unearned funds from the account had not been transparent. The Refuse Rates Administrator recommended that infrastructure spending should be approved through the rate process. The Refuse Rates

[55] Calculated based on Rate Reports: https://sf.gov/refuse-rate-reporting and https://www.sfpublicworks.org/refuserates

Administrator proposed a 2-year suspension of the incentive account and to study other models that may be more effective, such as retrospective incentives or penalties that do not require encumbering funds in an account.

A suspension of the Zero Waste Incentive Account would reduce costs to rates by $8.25 million in Rate Year 2024 and $4.26 million in Rate Year 2025. The Refuse Rate Board's Rate Order is in concurrence with the Refuse Rates Administrator's recommendations and the Rate Order will suspend the Zero Waste Incentive Account for Rate Years 2024 and 2025. The Rate Board requested that the Refuse Rates Administrator work with the Environment Department to look at alternative to the Zero Waste Incentive Account.

Zero Waste Capital Reserve Fund

Zero Waste Capital Reserve Fund would support future capital infrastructure investments while prioritizing Zero Waste Goals. This Capital Reserve fund would reserve one-time funding at 1% of net revenue in Rate Year 2024. This would amount to approximately $3.5 million. Funding would begin January 1, 2023. Because the funding begins three months after the beginning of the rate year, in order to meet the $3.5 deposit amount, the rate increase beginning January 1, 2023 would be 1.33%. Details of the reserve fund can be found in Appendix K.

Programmatic Reserve Fund

The purpose of the programmatic reserve fund is being established to provide a payment mechanism for the City to make service requests beyond those outlined in the Rate Order. These requests would require a cost estimate and the Refuse Rates Administrator's approval. The amount of the fund would be $761k in Rate Year 2024 and $784k in Rate Year 2025. The Refuse Rate Board's Rate Order is in concurrence with the Refuse Rates Administrator's recommendations and includes the establishment of the Programmatic Reserve fund at these funding levels. Details of the Programmatic Reserve Fund can be found in Appendix I.

Rate Stabilization Fund 2022

The Rate Stabilization Fund 2022 includes remaining funds from the settlement negotiated in March 2021. As part of the settlement, Recology was required to reimburse ratepayers $94.5 million in overcharges and interest. After reimbursements, the reimbursement fund had remaining balance of $4.48 million, which was placed in Rate Stabilization Fund 2022.[56] This fund must be used to offset rate increases.

Recology's proposal uses the entire fund balance to offset rate increases in Rate Year 2024. The Refuse Rates Administrator recommended that the use of the fund be spread across the two rates years, $2.02 million in Rate Year 2024 and $2.46 million in Rate Year 2025. The Refuse Rate Board's Rate Order is in concurrence with the Refuse Rates Administrator's recommendations. The balance of the fund has been updated to reflect the current balance and the Refuse Rate Board's Rate Order includes the entirety of this balance in Rate Year 2025.

[56] See Appendix A: Reference Files, file number 1005 and 1006

Rate Proposal:
Other Adjustments and Administrative Provisions

The Refuse Rates Administrator's proposal made additional recommendations that would memorialize and expand on existing reporting requirements, specify service level agreement changes, planned work for the next rate cycle, and to provide guardrails for excess profits or losses incurred by Recology. The Refuse Rate Board's Rate Order is in concurrence with the Refuse Rates Administrator's recommendations, with additional adjustments that the Refuse Rates Administrator has made since the publication of the Proposed Rate Order.

Reporting Requirements: The Refuse Rate Board's Rate Order aims to memorialize existing reporting requirements and past agreements. The Rate Order also proposes additional requirements with the goals of greater financial transparency, better tracking of operational performance, tracking of customer service performance, and tracking of performance towards meeting environmental goals.

Service Level Agreements: Given the enhancements to Abandoned Materials Pickup and Public Receptacles Pickup, the Refuse Rate Board's Rate Order establishes service level agreements in order to ensure delivery and track performance.

Planned Work: This rate-setting process highlighted several areas that need further study to help inform future investments. Particularly in areas of infrastructure needs, cost allocations between residential and commercial services, contamination mitigation and diversion, etc. The Refuse Rate Board's Rate Order lays out work that will need start before the next rate cycle.

Balancing Account[57]: The Rate Order proposes a balancing account to ensure any unanticipated savings or surplus revenues are used to offset their subsequent years costs, and that unanticipated expenditures or revenue shortfalls are smoothed in over time to mitigate rate shocks.

BALANCING ACCOUNT

Rate setting is based on projections and actual results will vary. A Balancing Account serves San Francisco Ratepayers by ensuring any unanticipated savings or surplus revenues are used to offset their subsequent years costs, and that unanticipated expenditures or revenue shortfalls are smoothed in over time to mitigate rate shocks. Recology proposed a balancing account with 100% adjustment (i.e. 100% of all excess profits or losses are covered). The Refuse Rates Administrator contends that this would remove the incentive for Recology to control costs. The Refuse Rate Administrator proposed a balancing account with a 50% adjustment (See Appendix E for detail on Balancing Account provisions and calculations). The Refuse Rate Board's Rate Order is in concurrence with the Refuse Rates Administrator's recommendation.

[57] See Appendix A: Reference Files, file number 3008

Key Principles:

- Rates and Rate Changes should be predictable, fair, and reasonable.
- Rates should be established, and costs managed to minimize both Balancing Account surpluses (fund due back to San Francisco Ratepayers) and shortfalls (funds due from San Francisco Ratepayers).
- Controllable costs should be timely managed by the Refuse Collection & Processing Providers to stay within budget and demonstrate accountability to San Francisco Ratepayers.
- Unanticipated market conditions, downturns, shortfalls, and surpluses, and the projected impact of these events on the Balancing Account, should be timely reported to ensure public transparency.
- Rate Stabilization, Ratepayer Equity and Affordability, Service Adequacy, and Performance Results should be considered in managing the Balancing Account.

Adjustment: Above or below target Operating Ratio (OR) of 91%.

- If a 91% OR is not achieved by the provider (profit less than allowed), as determined through their independently audited financial statements including the calculation of a notional Balancing Account: 50% of the amount below will be taken from the Balancing Account.
- If a better than 91% OR is achieved by the Provider (profit better than allowed), as determined through their independently audited financial statements including the calculation of a notional Balancing Account: 50% of the amount above will be added to the Balancing Account.
- The balancing account will start at zero, and any positive balance will be used to decrease rates over future rate cycles, and any negative balance will be used to increase rates over future rate cycles, as subject to public review and Refuse Rate Board consideration and approval pursuant to Proposition F (June 2022).
- Any Balancing Account amounts projected or determined for the Rate Year Ending 9/30/2025 will be considered in the subsequent Rate Request of the Provider and may be result in rate changes (up or down) over a multiple year subsequent rate order, though should not exceed five years.

Balancing Account Use Cap: Not to exceed +/- 2.5% of Net Revenue Subject to Rate Setting, for any subsequent year.

Timing: Calculation for amount above or below allowed operating ratio for Rate Year 2024 will be determined by the provider and audited by the providers' external auditor as part of the independently audited financial statements and should be included in the Auditor's Opinion. Such audited financial statements will include disclosure of the activities and adjustments included in the balancing account for the Rate Year. The same process should be followed for Rate Year 2025. The Balancing Account amount projected or determined as of 9/30/2025 shall be considered in the subsequent Rate Request from the Provider and the Refuse Rates Administrator's Proposed Rates to the Refuse Rate Board.

SUBSTITUTED COSTS

To ensure costs are managed in a cost-effective and transparent manner including for Public vetting and input in furtherance of transparency, any elective cost or expense type recovered from San Francisco Ratepayers, that has not been previously publicly presented and approved pursuant to the most recent Refuse Rate Board's 2023 Rate Order, shall be subject to the following procedures and cannot be included in the Balancing Account calculation or projections until approved. Definition of substituted costs can be found in Appendix J.

COST OF LIVING ADJUSTMENT/RATE-SETTING DELAY TRIGGER

Inflationary increases, including negotiated labor contract costs and projected fuel and recycling prices are accounted for in both rate years of the Refuse Rate Board's Rate Order. Beyond Rate Year 2025, Recology proposed an automatic Cost-Of-Living Adjustments escalator if no rate order is approved for Rate Year 2026 and beyond. Under Proposition F, approved rate orders set rates for a minimum of two years but not longer than five years, which means any automatic escalator would only apply through Rate Year 2028.

The 2017 Rate Order included an automatic Cost-Of-Living Adjustments escalator, which Recology received on July 1, 2022, resulting in a 5.96% increase to the tipping fee, and on January 1, 2023, a 8.86% increase in collection rates. This automatic escalator takes into account eight weighted inflation factors and would take effect should no Rate Order be approved for Rate Year 2024.

Table 27: Recology's Proposed COLA Factor[58]

COLA Factor	Collections Weight	Tipping Fee Weight	Source
Fixed Labor	52.5%	40.8%	Labor Agreement
Variable Labor	6.7%	13.3%	SF CPI-U
Health and Welfare	12.1%	10.4%	Mercer Analysis
Pension	6.8%	4.8%	Towers Report
Renewable Diesel	0.9%	1.4%	Weekly CA No. 2 Diesel Prices
Natural Gas Fuel	0.2%	0.9%	PG&E Series G-NGV1
Materials	14.3%	23.6%	PPI Commodity data
Capital	6.6%	4.8%	No inflation assumed

The estimated Cost-Of-Living Adjustments increase would be an additional 1.75% increase to residential and apartment collection rates on top of the 8.86% increase Recology received in January 2023. The tipping fee would see an increase of 5.92% on top of the 5.96% increase received in July 2022. Recology's proposal included this same escalator.

Refuse Rates Administrator is recommended no automatic Cost-Of-Living Adjustments adjustment after Rate Year 2025 and anticipates a planned recommended Rate Order to be heard by the Refuse

[58] https://sf.gov/refuse-rate-reporting

Rate Board before the next rate cycle. The Refuse Rates Administrator made the recommendation that any rate adjustment should be done through the rate process to provide more transparency.

The Refuse Rate Board's Rate Order does not include an automatic Cost-of-Living Adjustment. However, the Refuse Rate Board's Rate Order includes a Rate-Setting Delay Trigger. If the next rate-setting process is not initiated by February 1, 2025, the Refuse Rates Administrator will request the Refuse Rate Board to convene to consider an October 1, 2025 cost-of-living adjustment.

SERVICE LEVEL AGREEMENTS

The Refuse Rates Administrator recommends establishing and memorializing service level agreements for all programs and services between Recology and the City. This proposal begins that process by memorializing a set of three service level agreements.

Recology in consultation with Public Works established service level agreements for collection of abandoned materials, collection from public receptacles, and the repair of public receptacles. In addition, Public Works has requested a modification to the Disposal of Street Sweeping and Abandoned Waste service level agreement.
Certain service level agreements (SLAs) described below refer to SLA Measurement Periods. Each SLA Measurement Period is a continuous 8.5-hour period at times and on days mutually agreed upon by the SF Recology Companies and San Francisco Public Works. For the response times described in these SLAs to apply, a request or notice for service must be received within the applicable SLA Measurement Period. The SF Recology Companies may need to work outside of the SLA Measurement Periods to satisfy the SLAs, but the time limits described in the SLAs shall not apply to requests or notices for service received outside of an SLA Measurement Period.

Abandoned Materials Collection[59]

This SLA applies to the six dedicated abandoned materials zones for the purpose of responding to notices of abandoned materials received from the City's 311 reporting system. It does not apply to the separate proactive sweeps for abandoned materials described in the Bayview Sweep and Zone K Sweep.

The SF Recology Companies shall be required to collect materials abandoned in the public right of way within the City and County of San Francisco within four hours of receiving notice via the City's 311 reporting system of such abandoned materials during the applicable SLA Measurement Period, Monday through Friday, not including San Francisco public holidays. The SF Recology Companies shall be required to collect materials abandoned in the public right of way within the City and County of San Francisco within eight hours of receiving notice via the City's 311 reporting system of such abandoned materials during the appliable SLA Measurement Period on Saturdays, Sundays, and San Francisco public holidays. This SLA shall not apply in the event that the SF Recology Companies have responded to (a) more than 329 notices of abandoned materials in one day or (b) more than 120,000 notices of abandoned materials in one rate year. All services provided to respond to abandoned

[59] See Appendix A: Reference Files, file number 3009

materials notices count towards the service levels stated in clauses (a) and (b) of the preceding sentence, including notices received outside the applicable SLA Measurement Periods.

The SF Recology Companies will attempt to respond as soon as reasonably possible to notices of abandoned materials received outside the applicable SLA Measurement Periods, or in excess of the daily or annual service levels, but the response times may be longer than the time limits described in this SLA.

Abandoned Materials Sweeps

Separately, the SF Recology Companies shall perform proactive sweeps for abandoned materials as follows:

Bayview Sweep: In the Bayview neighborhood, Monday through Friday, at hours mutually agreed upon by the SF Recology Companies and San Francisco Public Works, not to exceed an 8.5-hour period, the SF Recology Companies shall provide one driver and one rear-end loader truck to work at the direction of San Francisco Public Works in collecting abandoned materials within the Bayview neighborhood.

Zone K Sweep: In Zone K, defined as the area bounded by Gough St., Broadway, Embarcadero, and Market St., Monday through Friday, at hours mutually agreed upon by the SF Recology Companies and San Francisco Public Works, not to exceed an 8.5-hour period, the SF Recology Companies shall provide two drivers, one box truck, and one rear-end loader truck to collect abandoned materials within this Zone K. This Zone K proactive sweep area shall include two daily stops to meet with San Francisco Public Works crews during which the Public Works crews may offload materials that they have collected onto an SF Recology Companies truck.

Additional Public Works Directed Sweeps: San Francisco Public Works may direct additional abandoned materials sweeps/stops on an as needed basis to meet dynamic needs. These Public Works-directed sweeps/stops require crews to be reallocated from the six abandoned materials dedicated zones. Each crew consists of two drivers, one box truck and one rear-end loader truck. The hours dedicated to these Additional Public Works Directed Sweeps shall be converted into a calculated equivalent of 311 system notices responded to using the following conversion factor: one crew can respond to eight 311 notices per hour. This calculated equivalent shall be counted toward the 329 notices per day and 120,000 notices per year service levels described in the Abandoned Materials Collection SLA.

Abandoned Cardboard Collection: The SF Recology Companies shall provide two drivers and two trucks to collect abandoned cardboard in the public right of way, Monday through Friday, at hours and locations mutually agreed upon by the SF Recology Companies and San Francisco Public Works, not to exceed an 8.5-hour period.

Public Receptacles Collection SLA[60]

The SF Recology Companies shall be required to collect materials from public receptacles located within the City and County of San Francisco as part of the SF Recology Companies' regular collection route service. The SF Recology Companies will collect and empty all materials inside of a public

[60] See Appendix A: Reference Files, file number 3009

receptacle as well as materials that have been set out for collection that are bagged, boxed, bundled, or otherwise contained, and which are on top of, next to, or within a five-foot radius of the public receptacle. The SF Recology Companies will not be required to collect loose materials (i.e., materials not bagged, bundled, boxed, or containerized in some fashion) that are on top of, next to, or are within a five-foot radius of the public receptacle, unless said loose materials were spilled during the SF Recology Companies' collection of the public receptacle. The SF Recology Companies will also not be required to collect materials that do not appear to have been set out for collection (e.g., personal possessions such as a bicycle).

If, during the applicable SLA Measurement Period, the SF Recology Companies receive a non-sensor notice from San Francisco Public Works that a public receptacle is overflowing and needs to be collected, the SF Recology Companies shall empty such public receptacle within two hours of receiving said notice. If, during the applicable SLA Measurement Period, the SF Recology Companies receive a notice via a receptacle sensor from San Francisco Public Works that a public receptacle is 75% or more full and needs to be collected, the SF Recology Companies shall empty such public receptacle within eight hours of receiving said notice. This SLA shall not apply in the event that the SF Recology Companies have responded to (a) more than 241 notices for public receptacle collection in any one-day period or (b) more than 87,825 notices for public receptacle collection in any rate year. All services provided to respond to public receptacle collection notices count towards the service levels stated in clauses (a) and (b) of the preceding sentence, including notices received outside the applicable SLA Measurement Periods.

The SF Recology Companies will attempt to respond as soon as reasonably possible to public receptacle collection notices received outside the applicable SLA Measurement Periods, or in excess of the 241 notices per day and 87,825 notices per year service levels, but the response times may be longer than the time limits described in this SLA.

Public Receptacles Door and Liner Replacement SLA

The SF Recology Companies shall be required to replace doors and liners in certain public receptacles located within the City and County of San Francisco within 72 business hours of receiving notice that such receptacles require door or liner replacement during the period Monday through Friday, not including weekends and San Francisco public holidays.

For the purposes of this SLA, "door and liner replacement" is defined as (a) replacing doors on public receptacles with outer facings of concrete, where the new door can be placed on existing hinges, (b) replacing the plastic latching mechanism on public receptacles with outer facings of concrete, (c) replacing liners in public receptacles with outer facings of concrete, (d) replacing liners in "Renaissance" style public receptacles, and/or (e) replacing liners in other types of public receptacles if mutually agreed by San Francisco Public Works and the SF Recology Companies.

The SF Recology Companies shall not be required to perform any other repair or replacement work on public receptacles besides that described in the preceding sentence, or any repair or replacement work on other types of public receptacles. For the purpose of clarity, the replacements described in this SLA refer to routine replacements and do not include any unusual or time-consuming repairs that may be required.

The SF Recology Companies' ability to replace doors and liners in public receptacles is dependent on timely receiving all necessary parts and liners from San Francisco Public Works. In the event that San

Francisco Public Works does not supply the SF Recology Companies with the necessary parts or liners to perform replacements on public receptacles, this SLA shall not apply.

The SF Recology Companies and the City and County of San Francisco agree that the aforementioned description and practice for door and liner replacement for public receptacles will apply during RY 2024 and RY 2025, but that this SLA will be revisited in future years as the City and County of San Francisco plans to update its inventory of public receptacles currently in service.

Reassessment

The reasonableness of the SLAs described above shall be reassessed during the next rate-setting process. In addition, if at any time the public receptacle sensors are found to produce a significant proportion of inaccurate notices (e.g. false positives), the obligation to respond to sensor notices shall be modified appropriately.

Disposal of Street Sweeping and Abandoned Waste

Public Works will self-haul certain nonhazardous materials it collects to the Transfer Station and dump them at no charge. Consistent with current practice, materials consisting of street sweeping, garbage, litter, debris and abandoned waste collected from the public right of way delivered to the Transfer Station in Public Works' vehicles and all Public Works pick-up, mechanical sweepers, bucket trucks, and packer trucks used for abandoned waste collection.

ADMINISTRATIVE PROVISIONS

Noticing of Rate Changes to Ratepayers[61]

If rates are changing for the upcoming rate year, Recology must include a notice in the bill at least two months before a rate change and one month after a rate change.

Adjustments to Correct Clerical Errors

The Refuse Rate Board shall delegate authority to the Refuse Rates Administrator to make adjustments to the final Rate Order or to correct clerical or computational errors, so long as the adjustment does not increase the proposed rates. The Refuse Rates Administrator will file a list and inform the Rate Board of any adjustments or corrections made.

REPORTING REQUIREMENTS

In accordance with the prior Rate Order and inclusive of additional requirements from the December 2022 Settlement, Recology is required to submit quarterly and annual reports to the City, as well as Annual Audited Financials. The Refuse Rates Administrator will use the Refuse Rate Board's Rate Order to memorialize previously required reports related to operations, customer information, processing and disposal, programs, and delinquent accounts with additions to monitor any new provisions being required in the Refuse Rate Board's Rate Order. Frequency of reporting is specified in more detail in Appendix B.

Financial Reports

Financial Reports	Frequency
Annual Audited Financials	Annually
Pension Report	Quarterly
Collective Bargaining Agreement Cost Estimates	Ratification

Annual Audited Financials: Filed by San Francisco Recology Companies within 120 days following the completion of the Rate Year covering the same 12-month period. Must include detailed supporting income statement and balance sheet schedules by entity if consolidated, along with supplemental schedules reconciling any differences between the Audited Annual Financial Statements and Annual Rate Reporting.

Pension Report: This is inclusive of the actuarial valuation and market valuation. Pension plan Administrators and Fiduciaries, like Recology, receive monthly investment reports.

Collective Bargaining Agreement Cost Estimates: This report will detail the estimated cost impacts of any newly negotiated collective bargaining agreement.

[61] See Appendix A: Reference Files, file number 3010

Rate Reports

Rate Reports	Frequency
Quarterly Rate Reports	Quarterly
Annual Rate Report	Annually

Annual and Quarterly Rate Reports: These reports include information on the amount of materials diverted and disposed, numbers of accounts, toxics collection, revenues and expenses, and balances of various accounts. All rate reports include projections based on estimates established under the Refuse Rate Board's Rate Order.

Operations Reports

Operations Report	Frequency
Monthly Route Collection Reports	Monthly
Report by Line of Business	Annually

Monthly Route Collection Reports[62]: Fan 3 Reports. Recycling, composting and trash graphs, summary, monthly Table 3 and disposal. Used for technical assistance overall communication, and reporting. This report is to be submitted to both Environment Department and the Refuse Rates Administrator

Report by Line of Business: This report will include number of accounts by type, containers in service by size, compliance rate by commodity, route hours, route labor hours, vehicles, route maintenance, lifts, and hauls. Form and format will be determined by the Refuse Rate Administrator and Recology.

Customer Reports

Customer Reports	Frequency
Customer Communication Tracking	Quarterly
Apartment & Commercial (AR and ALTAR accounts)	Monthly
Commercial & Apartment Customer Outreach for Source Separation	Quarterly
Refuse Separation Compliance Ordinance	Quarterly
Special Event Service	Quarterly

Customer Communication Tracking[63]**:** Number of communications by type and sector, including call wait time. Quarterly in-language support to all customers through call center, email, online requests forms, direct technical assistance, and in-person/virtual trainings. Capture geographic information and language(s) delivered as frequently as possible by reporting zip code. Used to establish customer service equity baseline of monolingual or limited-English-proficient resident and

[62] See Appendix A: Reference Files, file number 5004

[63] See Appendix A: Reference Files, file number 5004

business account holders. This report is to be submitted to both Environment Department and the Refuse Rates Administrator

Commercial & Apartment Customer Outreach for Source Separation (Noncompliant Accounts)[64]: Commercial and apartment building accounts (defined by SIC code) with one or more assists (e.g., site visit, presentation, phone exchange, email or letter offering outreach, outreach materials sent, self-assessment forms completed, waste zero champion sign-up, service level recovery improvement). Include relevant account details including address, zip code and language served for assists. Match AR and ALTAR accounts to reflect comprehensive service levels for accounts with AR and ALTAR service information in one row. This report is to be submitted to the Environment Department and the Refuse Rates Administrator.

Refuse Separation Compliance Ordinance: Large refuse generator (LRG) accounts (compactor or 40 cy/week total refuse collection volume). Used to communicate to new LRGs and identify audit needs.

Special Event Service: All special event services performed in the prior quarter including account name, contact information, service levels, recovery rate and any applicable audit results.

Processing and Disposal Reports

Processing and Disposal Reports	Frequency
Compost procurement and distribution	Annually
Where Our Recyclables Go	Quarterly
Weight Scale Records	Annually

Compost procurement and distribution[65]: SB 1383-qualified "organic waste products" procured on behalf of the City & County of SF ratepayers and distributed directly within San Francisco by Recology as part of the programs outlined in the approved rate order. Keep and provide records including: dates provided, source of product (including name, physical location, contact information for each entity, operation or facility from whom Recovered Organic Waste Products were procured), type of product, quantity provided, documentation demonstrating purchase, procurement or transfer of material to giveaway location. This report is to be submitted to both Environment Department and the Refuse Rates Administrator. The information within the report can be provided in aggregate by customer and by product source for the reporting period.

Where Our Recyclables Go[66]: Detailed disposition of recycling materials according to material type and recycling market location. This report is to be submitted to both Environment Department and the Refuse Rates Administrator.

[64] See Appendix A: Reference Files, file number 5004

[65] See Appendix A: Reference Files, file number 5004

[66] See Appendix A: Reference Files, file number 5004

Weight Scale Records[67]: Report to validate tonnage from the scale system to Table 3. This report should be submitted to the Environment Department and the Refuse Rates Administrator. Form and format will be determined by Refuse Rates Administrator and Recology.

Program Reports

Specific metrics for most programs found in Appendix B.

Program Reports	Frequency
Household Hazardous Waste	Quarterly
Abandoned Materials	Quarterly
Public Receptacles	Quarterly
Other Programs	Quarterly
Contamination Charges and Recovery Discount Removals	Quarterly

Household Hazardous Waste[68]: Narrative Report, Form 303 data, Battery Bucket Collection Report. This report should be submitted to both Environment Department and Refuse Rates Administrator.

Abandoned Materials: This reporting will allow the Refuse Rates Administrator monitor the performance of Recology in meeting the terms of the service level agreement. Form and format will be determined by the Refuse Rates Administrator and Recology

Public Receptacles: This reporting will allow the Refuse Rates Administrator monitor the performance of the Recology in meeting the terms of the service level agreement. Form and format will be determined by the Refuse Rates Administrator and Recology

Contamination Charges and Recovery Discount Removals[69]: Accounts with contamination charges and/or discount removals. Include when contamination was identified, when account was noticed, when account was charged, and how much the account is being charged. This report should be submitted to both Environment Department and Refuse Rates Administrator.

Other Program Reporting: Recology has 25 programs including Household Hazardous Waste, Abandoned Materials, and Public Receptacles pickup. In order for the Refuse Rates Administrator to monitor service levels, reporting is will be required. Form and format will be determined by the Refuse Rates Administrator and Recology. List of programs and metrics found in Appendix B.

Delinquent Account Reports and Files

In compliance with the public health code, refuse collectors must provide reporting on delinquent accounts to the Department of Public Health when requesting payment through the liens process

[67] See Appendix A: Reference Files, file number 5004

[68] See Appendix A: Reference Files, file number 5004

[69] See Appendix A: Reference Files, file number 5004

that the Department of Public Health provides per section 290 of the Public Health Code – Refuse Collection and Disposal Ordinance.

Delinquent Account Reports	Frequency
Commercial delinquent list	Monthly
Complaint of Nonpayment in a form of a signed PDF affidavit by the Collector	Monthly
Complaint of Nonpayment in a form of a csv file that corresponds to the PDF affidavits	Monthly
Pre-summary file	Monthly
Summary file	Monthly
Real Transmission File in Txt file formal	Monthly
Copies of the Collector's bills that were issued to the account holder	Monthly
Additional documents needed to process and validate the records	Monthly

Delinquent Account Reporting: Each report file listed in the table above should include the monthly rate, service, amount, service period, service address, dates plus names of documents provided to the account holder in attempt to collect payment as specific to the affidavit, and the property owner's name.

AFFORDIBILITY & ENVIRONMENTAL DISCOUNT PROGRAMS

Low-Income Household Discount: Households with income less than or equal to 200% of the poverty level may qualify for 25% base and volume discounts." Customers can qualify for the low-income discount be based on evidence that a customer meets the qualifications for the PG&E lifeline discount. Non-profit housing organizations also qualify for a discount of 10%.

Diversion Discounts: Apartment buildings of 6 units or more may be eligible for a diversion discount for contamination-free recycling and contamination-free compost bins.

Distance, Elevation, and Access Charge Disability Waiver: Distance, elevation and access charges are waived for customers with a permanent disability that pay for individual service and certify they are physically unable to place bins at the curb and no able-bodied persons live in their building. Customer must place bins in a location as accessible as possible for collection.

Commission Input

As required by Proposition F, the Refuse Rates Administrator presented in front of the Streets and Sanitation Commission and the Commission on Environment. Presentations to the Streets and Sanitation Commission occurred March 20, 2023 and May 15, 2023 and presentations to the Commission on Environment occurred March 28, 2023 and May 28,2023.

STREETS AND SANITATION COMMISSION

The Streets and Sanitation Commission is an oversight body for Department of Public Works that sets policy directives and sets minimum standards of cleanliness for the public right of way and sets baselines for services to be administered by Public Works.

March 20, 2023 Streets and Sanitation Commission Hearing

The first commission hearing focused on the Refuse Rates Administrator's rate-setting process, Recology's proposal, and Public Works' Impound Account funding proposal. Commissioners asked clarifying questions on how rates are set and drivers of the potential tipping fee increase. One commissioner recommended additional outreach methods, which the Refuse Rates Administrator incorporated into the subsequent outreach plan. Another commissioner asked for a walkthrough on how rates are set at the next hearing, which was done in the next hearing.

May 15, 2023 Streets and Sanitation Commission Hearing

During the second commission hearing the commissioners asked for additional analysis in the future to compare the impact of Recology's business structure with other types of solid waste company structures. In addition, they wanted to ensure the Refuse Rates Administrator will true-up any projections with actuals.

COMMISSION ON ENVIRONMENT

March 28, 2023 Commission on Environment

Commissioner questions focused on fair profit, Recology's incentive to manage costs, how tonnage reporting is validated, how impound account is set, and how uses of Zero Waste Incentive funds are approved. One commissioner supported changing the Zero Waste Incentive metric from tonnage-based to percent recovered.

May 23,2023 Commission on Environment

During this hearing the presentation previewed the Refuse Rates Administrator's initial proposal, which focused on four items relevant to the Commission:

Contamination Enhancements: Commissioners expressed both concerns and support for potential contamination tracking camera technology as proposed in Recology's enhancement. Concerns focused on privacy, efficacy, lack of tests, and potential litigation.

Compost Contamination: Commissioners were also concerned by the proportion of green-bin materials which are not readily compostable.

Zero waste Incentive: Commissioners then expressed both concerns and support for the Zero Waste Incentive program. One commissioner supported incentives of various forms while expressing skepticism on the efficacy of outreach. Another commissioner noted that the current Zero Waste Incentive structure is not correlated with diversion. There was general support for an incentive structure of some form.

Weekend Cleanup Event: Commissioners supported including recycling and composting bins and a re-use component for neighborhood cleanup if the program were to be resumed.

Following the Refuse Rates Administrator's presentation, the Commission on the Environment passed a resolution to encourage an adjustment that helps 2030 Zero Waste and climate related goals and reduce contamination in all three streams through[70]:

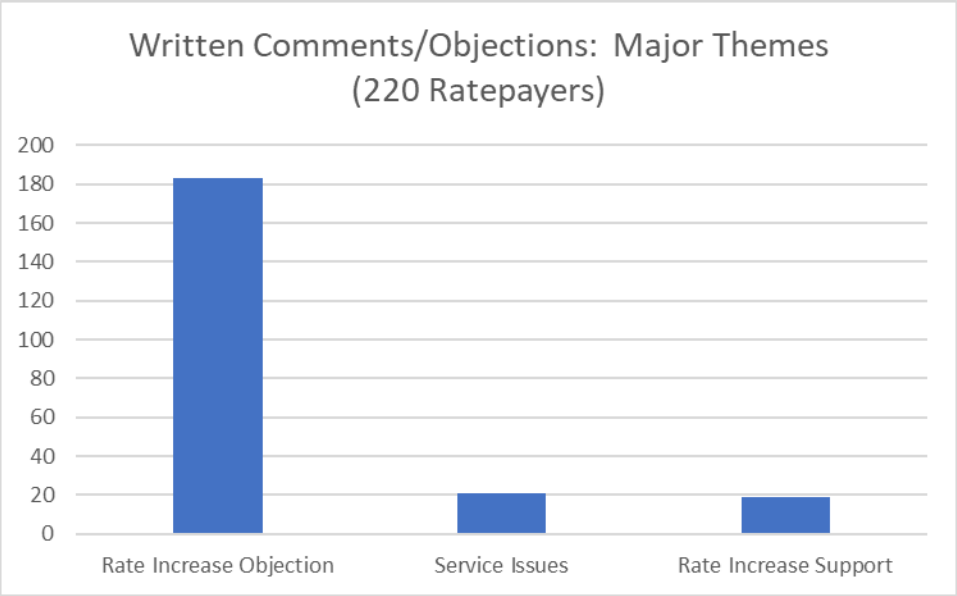
- Testing of potential collection truck camera technology
- Reinstatement and analysis of contamination charges
- Pre-processing of organics testing and evaluation of new screening, bag breaking, and composting technology
- Outreach to every resident at least every two years in the form of a mailer designed by the Environment Department
- Test and evaluate trash processing for organics separation
- Establish a zero waste incentive system with annual recovery targets as an incentive
- Support continued funding of the impound account and to secure additional funding sources as needed to meet the Environment Department's proposed impound budget.

[70] See Appendix A: Reference Files, file number 5005

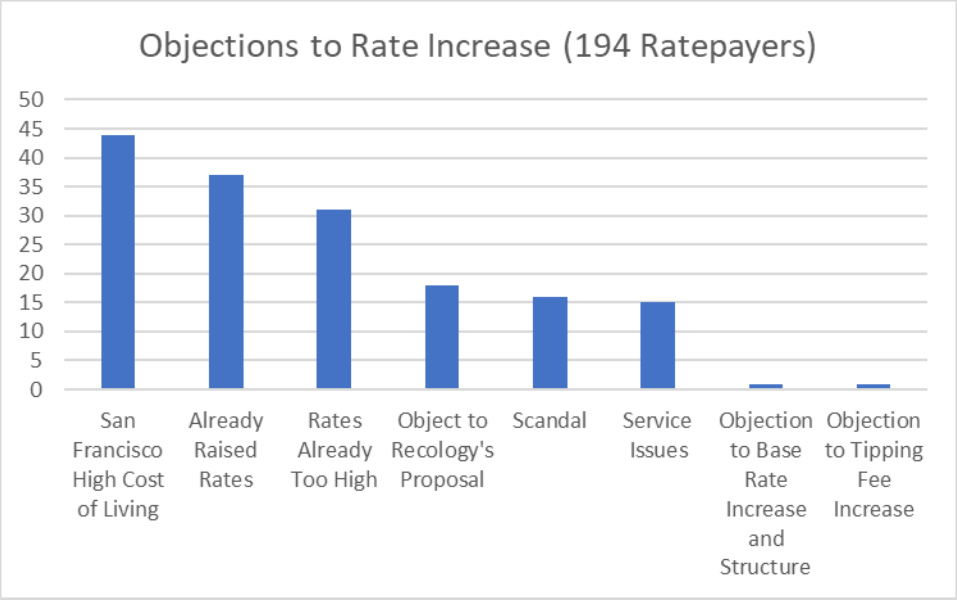
Public Comment, Objections and Prop 218 Protests To-Date

WRITTEN COMMENTS AND PROPOSITION F WRITTEN OBJECTIONS

Written comments and objections are being collected by mail and electronically on the Refuse Rates Administrator's website. 211 members of the public have filed written comments or objection as of July 18, 2023 through the online form. The Refuse Rates Administrator also received 9 emails objecting to rate increases, for a total of 220 comments or objections.



183 members of the public wrote to object to any rate increase. Of the 26 respondents that did not object to any rate increase, 5% supported the Refuse Rates Administrator's proposal. 6% of respondents wanted options for a lower minimum service level (i.e. smaller bin options at a lower cost), and 10% of respondents wrote-in about service issues, typically around consistent service or debris left after pickup.



Of the respondents who objected to any rate increase, the most common reason cited, coming from 38% of respondents, was that the rate increase compounds other cost increases making it difficult to live in San Francisco. 29% of respondents objecting to rate increases cited the fact that Recology already received an 8.86% increase in January of 2023. 21% felt that the current rates are already too high. And 14% of respondents mentioned the recent scandal as a reason not to increase rates. Some respondents included more than one of these responses as reasons not to increase rates.

PROPOSITION 218 WRITTEN PROTESTS

The Refuse Rates Administrator sought approval of the refuse rates pursuant to California Proposition 218. Proposition 218 amended the State Constitution to allow local governments to impose certain types of fees on real property without voter approval, subject to certain rules and procedures. Among other things, all property owners must receive notice at least 45 days in advance and receive the opportunity to submit a written protest.

Consistent with Proposition 218, ratepayers were allowed to submit a written protest against the proposed residential refuse rate adjustments. The Refuse Rate Board will not approve a rate adjustment if a majority of all residential ratepayers submit written protests. Written protests could be submitted (1) by mail to the Office of the Controller—Office of the Refuse Rates Administrator at San Francisco City Hall, Room 316, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102; or (2) at a Refuse Rate Board hearing. Oral comments do not qualify as a formal protest unless accompanied by a written protest, although the City welcomes all input. Only one protest may be registered per ratepayer account. A written protest must: (1) indicate clearly that it is in opposition to the proposed rates; (2) provide the location of the identified parcel (by assessor's parcel number, street address, or customer account); and (3) include the name and signature of the person submitting the protest.

The hearing on the written protests will take place on July 24, 2023 at 12:30 p.m. in Room 408 at City Hall, 1 Dr. Carlton B. Goodlett Place. The Hearing Officer will not accept or count protests received

after the close of the hearing, even if postmarked prior to that time. If a 50%+1 majority of residential ratepayers have not protested the rate changes, the protest for a rate change will fail.

The Proposition 218 Rate Proposal was noticed June 2, 2023 by mail to all 146,573 known residential San Francisco ratepayers. The Refuse Rates Administrator will continue to receive protests until the Refuse Rate Board hearing on July 24, 2023. As of July 18, 2023, 259 written protests have been received and considered to be valid (0.2%), and two letters of support for the rate increases have also been received. The Refuse Rates Administrator has received 5,624 returned undeliverable letters, a 3.8% return rate which will not impact the threshold for majority protest.

The threshold required for a majority (50%+1) of ratepayers to protest this rate-setting process is 73,287.

Work Supporting Next Rate Cycle

Future Work	Estimated Cost 2-Year Cost
Capital Infrastructure Needs	$200-$600k
End-to-End Contamination Mitigation/Diversion Study	$100-$500k
Cost Allocation	$150-$200k
Vehicle Licensing and Permitting Review	$100-$300k
Performance Standards Process	$50-$150k
Refuse Rates Administration	$1.94M
City Can Pickup and New Trash Can Evaluation	N/A
Evaluating City Roles	N/A
Evaluating Reporting Requirements	N/A
Estimated Total	**$2.5-$3.7M**

The Refuse Rates Administrator recommends the use of Impound Account Balance to support studies and work to inform the next rate-setting process. The Refuse Rates Administrator estimates that the cost for this work to be conducted over the next 12-24 months would be between $2.5 million and $3.7 million.

Capital Infrastructure: Identifying needs and financing solutions for recycling processing, organics pre-processing, landfill (waste-to-energy/gas capture), trash processing.

End-to-End Contamination Mitigation/Diversion Study: Efficacy of contamination mitigation and diversion tools, identifying policies and best practices, possible waste characterization study, study on market conditions for recyclables and compost
Cost Allocation: Residential/Commercial Cost Allocation Study

Vehicle Licensing and Permitting Review: Reviewing current permitting and licensing system, comparisons of rates, service delivery, and program delivery with other structures (e.g. franchise agreements, competitive bidding, etc.)

Performance Standards Process: Research and facilitation for developing performance standards

Refuse Rates Administration: Funding for Refuse Rates Administrator, Refuse Rates Analyst, noticing, hearing costs, funding for contract services related to rate-setting (inclusive of nexus review, jurisdiction comparison, rate proposal analyses, long-term cost control plan)

City Can Pickup and New Trash Can Evaluation: Analysis to be conducted by Trash Can Manager at Public Works

Evaluating City Roles: Evaluation to be conducted by Refuse Rates Administrator

Evaluating Reporting Requirements: Evaluation to be conducted by Refuse Rates Administrator

Appendix A: File References

Reference Number	Title	Link
1001	Refuse Rates Change Request for Rate Years Ending 2024 and 2025 Instructions	https://sf.gov/sites/default/files/2023-01/Rate%20Year%202024%20Refuse%20Rate%20Change%20Request%20Instructions.pdf
1002	Refuse Rates Change Request for Rate Years Ending 2024 and 2025 Templates	https://sf.gov/sites/default/files/2023-01/RY2024%20Refuse%20Rate%20Change%20Request%20Schedules.xlsx
1003	Recology Refuse Rate Change Request Narrative Summary	https://sf.gov/sites/default/files/2023-03/2023%20Rate%20Application%20-%20Narrative%20Summary.pdf
1004	Recology Refuse Rate Change Request Summary of Assumptions	https://sf.gov/sites/default/files/2023-03/2023%20Rate%20Application%20-%20Summary%20of%20Assumptions.pdf
1005	Recology Rate Year 24-25 Rate Change Request Schedules Initial March 7 2023 Submission	https://sf.gov/sites/default/files/2023-03/Recology%20Refuse%20Rate%20Change%20Request%20Schedules.xlsx
1006	Recology Rate Year 24-25 Rate Change Request Schedules Final Fully Amended Submission	https://sf.gov/sites/default/files/2023-06/Recology%20Refuse%20Rate%20Change%20Request%20Schedules%20Amended%20Final%20RY24%20RY25.pdf
1007	Refuse Rate Administrator Final Rate Model For Rate Years Ending 2024 and 2025 PDF	https://sf.gov/sites/default/files/2023-06/RY2024%20Refuse%20Rate%20Change%20Request%20Schedules%20V2%20Locked%20City%20Template%20RRA%20Final%20Rate%20Model.pdf
1008	Refuse Rate Administrator Final Rate Model For Rate Years Ending 2024 and 2025 Excel Spreadsheets	https://sf.gov/sites/default/files/2023-06/RY2024%20Refuse%20Rate%20Change%20Request%20Schedules%20V2%20Locked%20City%20Template%20RRA%20Final%20Rate%20Model.xlsx
2001	Presentation From the Public Refuse Rates In-Person Workshop Facilitated By The Office Of The Refuse Rates Administrator March 14, 2023	https://sf.gov/sites/default/files/2023-03/Public%20Workshop%20Presentation_230314.pdf
2002	Transcript From the Public Refuse Rates In-Person Workshop Facilitated By The Office Of The Refuse Rates Administrator March 14, 2024	https://sf.gov/sites/default/files/2023-03/Transcript%20-%20March%2014%2C%202023%20Refuse%20Rate%20Public%20Workshop.txt
2003	Presentation From the Public Refuse Rates Virtual Workshop Facilitated By The Office Of	https://sf.gov/sites/default/files/2023-03/Public%20Workshop%20Presentation_230316virtual.pdf

	The Refuse Rates Administrator March 16, 2023	
2004	Department of Public Works 2023 Refuse Rate Public Workshop Presentation March 14 2023	https://sf.gov/sites/default/files/2023-06/DPW%202023.03.14%20Refuse%20Rate%20Public%20Workshop.pdf
2005	Department of Public Works 2023 Refuse Rate Public Workshop Presentation March 16 2023	https://sf.gov/sites/default/files/2023-06/DPW%202023.03.16%20Refuse%20Rate%20Public%20Workshop.pdf
2006	Recology 2023 Refuse Rate Public Workshop Presentation March 14 and 16 2023	https://sf.gov/sites/default/files/2023-06/Recology%20Rate%20Change%20Request%20Presentation%20-Final%20for%20RRA_updated%20Labor%20Chart.pdf
2007	San FranciscoEnvironment Refuse Rate Priorities Public Workshop Presentation March 14 and 16 2023	https://sf.gov/sites/default/files/2023-06/SFE%20RefuseRatePublic20230314.pdf
2008	Presentations from the Refuse Rates Administrator, Departent of Public Works, and Recology for the Sanitation and Streets Commission, March 20, 2023	https://sfpublicworks.org/sites/default/files/Item%205_SAS%20Refuse%20Rates%20Public%20Hearing%202023-3-20.pdf
2009	Presentation from the Refuse Rates Administrator for the Sanitation and Streets Commission, May 15, 2023	https://sfpublicworks.org/sites/default/files/RRA%20SAS%20Hearing%202%20v515.pdf
2010	Presentation by the Refuse Rates Administrator at the Commission on the Environment Meeting March 28, 2023	https://sfenvironment.org/sites/default/files/events/item_09._032823_controller_ppt.pdf
2011	Presentation by Recology at the Commission on the Environment Meeting March 28, 2023	https://sfenvironment.org/sites/default/files/events/item_09._recology_ppt.pdf
2012	Presentation by the Environment Department at the Commission on the Environment Meeting March 28, 2023	https://sfenvironment.org/sites/default/files/events/item_09._032823_sfe_rate-setting_ppt.pdf
2013	Presentation by the Refuse Rates Administrator at the Commission on the Environment Meeting May 23, 2023	https://sfenvironment.org/sites/default/files/events/item_11._controller_ppt.pdf
2014	Presentation by Recology at the Commission on the Environment Meeting May 23, 2023	https://sfenvironment.org/sites/default/files/events/item_11._recology_inc._presentation.pdf
2015	Presentation by the Environment Department at the Commission on the Environment Meeting May 23, 2023	https://sfenvironment.org/sites/default/files/events/item_11._sfe_ppt.pdf
2016	Presentations at the Refuse Rate Board Initial Rate Year 2024 Meeting, April 13, 2023	https://sf.gov/sites/default/files/2023-04/Rate%20Board%20Packet%20April%2013%2C%202023.pdf
2017	Presentation from the Refuse Rates Administrator at the Refuse Rates Administrator Hearing #1 On Rate Submissions For Rate Years 2024 and 2025, May 9, 2023	https://sf.gov/sites/default/files/2023-05/RRA%20Hearing%201%20Presentation.pdf

2018	Presentation from Recology at the Refuse Rates Administrator Hearing #1 On Rate Submissions For Rate Years 2024 and 2025, May 9, 2023	https://sf.gov/sites/default/files/2023-05/Recology%202023-05-09%20RRA%20Hearing%20Presentation.pdf
2019	Presentation from the Environment Department at the Refuse Rates Administrator Hearing #1 On Rate Submissions For Rate Years 2024 and 2025, May 9, 2023	https://sf.gov/sites/default/files/2023-05/SFE%20Communications%20and%20Community%20Engagement%20Team%205_9_23.pdf
2020	Presentation from the Department of Public Works at the Refuse Rates Administrator Hearing #1 On Rate Submissions For Rate Years 2024 and 2025, May 9, 2023	https://sf.gov/sites/default/files/2023-05/DPW%202023.05.09%20Refuse%20Rate%20Board%20Hearing.pdf
2021	Presentation from the Refuse Rates Administrator at the Refuse Rates Administrator Hearing #2 On Rate Submissions For Rate Years 2024 and 2025, May 25, 2023	https://sf.gov/sites/default/files/2023-05/RRA%20Hearing%202%20Presentation%2005252023.pdf
2022	Presentation of the Refuse Rates Administrator's Report and Recommended Rate Order at the Second Refuse Rate Board Rate Year 2024 Meeting, June 12, 2023	https://sf.gov/sites/default/files/2023-06/Refuse%20Rate%20Board%20Hearing%20Presentation%202.pdf
2023	Presentation by Recology at the Second Refuse Rate Board Rate Year 2024 Meeting, June 12, 2023	https://sf.gov/sites/default/files/2023-06/Recology%202023-06-12%20Rate%20Board%20Hearing%202%20Presentation%20-%205574158.pdf
2024	Refuse Rates Administrator Presentation On The Proposed Rate Order For The Refuse Rates Board, June 26, 2023	https://sf.gov/sites/default/files/2023-06/Refuse%20Rate%20Board%20Hearing%20Presentation%203.pdf
2025	Recology Presentation on the Refuse Rates Administrator's Proposed Rate Order	https://sf.gov/sites/default/files/2023-06/Recology%202023-06-26%20Rate%20Board%20Hearing%20Presentation%20-%205583484.pdf
3001	City And County of San Francisco March 2021 Settlement With Recology	https://sf.gov/sites/default/files/2023-06/Settlement%201%202021%20Final.pdf
3002	City And County of San Francisco December 2022 Settlement With Recology	https://sf.gov/sites/default/files/2023-06/Settlement%202%2020221118.Final_unsigned.pdf
3003	HF&H Memo - Review of Recology's Rate Change Request for FY 2024 - 2025 - June 8, 2023	https://sf.gov/sites/default/files/2023-06/HFH%20SF%20Jurisdiction%20Comparison%20Review.pdf
3004	Recology FTE Enhancements Request for Rate Years 2023 2024 2025	https://sf.gov/sites/default/files/2023-06/RRA%20Hearing%201%20Recology%20FTE%20Enhancements.pdf
3005	Recology Program Enhancements Requests	https://sf.gov/sites/default/files/2023-06/RRA%20Hearing%201%20Recology%20Program%20Enhancements.pdf

3006	Recology Pension 3 Year 5 Year Calculations	https://sf.gov/sites/default/files/2023-06/Recology%20Pension%203%20Year%205%20Year%20Calculation.pdf
3007	HF&H Recology Jurisdictions Rate Survey 2022	https://sf.gov/sites/default/files/2023-06/HFH%20Recology%20Jurisdictions%20Rate%20Survey%202022.pdf
3008	Recology Balancing Account Proposal Example	https://sf.gov/sites/default/files/2023-06/Exhibit%20Balancing%20Acct%2020230511.pdf
3009	Recology Final Rate Submission Service Level Agreements June 19, 2023	https://sf.gov/sites/default/files/2023-06/Recology%20Rate%20Submission%20SLAs%20-%206.19.23%20Final%20Version.pdf
3010	Recology Noticing Procedures - Bill Messages for Rate Increases	https://sf.gov/sites/default/files/2023-06/Recology%20Noticing%20Procedures%20-%20Bill%20Messages%20for%20Rate%20Increases.pdf
3011	Residential and Apartment Refuse Rates Sheet Effective January 1, 2023	https://sf.gov/sites/default/files/2023-01/Residential%20Rates_Single%20Family%20and%20Apt%205%20units%20or%20less.pdf
3012	6 to 599 Room Apartment Refuse Rates Sheet Effective January 1, 2023	https://sf.gov/sites/default/files/2023-01/Apartment%20Rate%20Book_6%20units%20or%20more.pdf
3013	Commercial Refuse Rates Sheet Effective January 1, 2023	https://sf.gov/sites/default/files/2023-01/Commercial%20Rate%20Book.pdf
3014	Extra Services Refuse Rates Sheet Effective January 1, 2023	https://sf.gov/sites/default/files/2023-01/Extras%20Services%20Price%20Sheet.pdf
3015	Compactor And Debris Box Refuse Rates Sheet Effective January 1, 2023	https://sf.gov/sites/default/files/2023-01/Compactor%20%26%20Reg%20Debris%20Box%20Price%20Sheet%20RY2023.pdf
3016	Tipping Fee Refuse Rates Sheet Effective July 1, 2022	https://sf.gov/sites/default/files/2023-01/Tipping%20Fee.pdf
3017	Bill Illustration Effective January 1, 2023	https://sf.gov/sites/default/files/2023-01/Bill%20Illustration%20RY2023.pdf
3018	Cost Of Living Adjustment Calculation for Rate Year Ending September 30, 2023	https://sf.gov/sites/default/files/2022-12/COLA%20Calculation%20Package%20CY2023_v2.1.pdf
3019	Recology Material Mistake or Error Report – April 24, 2023	https://sf.gov/sites/default/files/2023-04/Recology%20Material%20Mistakes%20or%20Errors%20Disclosure%2020230424.pdf
3020	Recology Material Mistake or Error Report – March 1, 2023	https://sf.gov/sites/default/files/2023-03/Recology%20Material%20Mistakes%20or%20Errors%20Disclosures%2020230301.pdf
3021	Recology Rate Year 2023 Complete List of Fees Not Included in Rate Schedules	https://sf.gov/sites/default/files/2023-06/Recology%20Rate%20Year%202023%20Com

		plete%20List%20of%20Fees%20Not%20Included%20in%20Rate%20Schedules.pdf
3022	Recology Abandoned Materials Collection Over Prior 3 Years	https://sf.gov/sites/default/files/2023-06/Recology%20Abandoned%20Materials%20Collection%20Over%20Prior%203%20Years.pdf
3023	Status Quo Program Details	https://sf.gov/sites/default/files/2023-06/2.40%20-%20Status%20Quo%20Program%20Details%20%281%29.pdf
3024	Basis for Revenue Offset	https://sf.gov/sites/default/files/2023-06/2.13%20Exhibit%20Basis%20for%20Revenue%20Offset.pdf
3025	Recology Business Overview From Initial Refuse Rate Board Presentation	https://sf.gov/sites/default/files/2023-06/3.077%20-%20Business%20Overview%20from%20RRB%20Presentation%20.pdf
3026	Recology Reports of Tenderloin Public Safety Incidents	https://sf.gov/sites/default/files/2023-06/3.098%20and%203.099%20Incident%20and%20Police%20Reports.pdf
3027	Contamination Fee Distribution By Customer Type	https://sf.gov/sites/default/files/2023-06/FW_%20RRA%20question%202.30%20-%20Contamination%20Outreach_Fees.pdf
3028	OMRI Generic Materials List	https://sf.gov/sites/default/files/2023-06/OMRI-GML-2017small_0.pdf
3029	SB 1383 Compostable Plastics Notification Letter From Recology To San Francisco Environment Department	https://sf.gov/sites/default/files/2023-06/SB%201383%20Compostable%20Plastics%20Letter%20-%20San%20Francisco.pdf
3030	Recology Blossom Valley Organics Request For Facility Improvements	https://sf.gov/sites/default/files/2023-06/Signed%20Staff%20Approval.pdf
3031	Recology Schedule H.1 Amended Overtime Hours for RSF and RSS RGG	https://sf.gov/sites/default/files/2023-06/3.118%20and%203.124%20Overtime%20Hours.pdf
3032	Revised Annual Rate Adjustments for Impact of New Balancing Account Amortization	https://sf.gov/sites/default/files/2023-06/Balancing%20Acct%20Volatility%2020230516.pdf
3033	Recology CARB Compliance Vehicle Breakout	https://sf.gov/sites/default/files/2023-06/CARB%20Compliance%20Vehicle%20Breakout%20%281%29.pdf
3034	Recology Diversion Discount Calculator	https://sf.gov/sites/default/files/2023-06/Diversion%20Discount%20Calculator%20v20230515.pdf
3035	Diversion Discount Flowchart	https://sf.gov/sites/default/files/2023-06/Diversion%20Discount%20Flowchart.pdf

3036	Operating Ratio Analysis for Recology By Crowe LLP	https://sf.gov/sites/default/files/2023-06/Recology%20OR%20Memo%205-16-23%20Final.pdf
3037	Recology Revised Pension Proposal May 18 2023	https://sf.gov/sites/default/files/2023-06/Recology%20Revised%20Pension%20Proposal.pdf
3038	Recology Variance Summaries from Refuse Rate Board Hearing 1	https://sf.gov/sites/default/files/2023-06/RRB%20Hearing%201%20Question%20Tables%20%283%29.pdf
3039	Corporate Fee Allocation Cost Allocation Methodology Analysis Prepared By Armanino LLP for Recology	https://sf.gov/sites/default/files/2023-06/Armanino%20Recology%20Cost%20Allocation%20Methodology%20Analysis%202018.pdf
3040	San Francisco Proposed 5 Year Financial Plan	https://sf.gov/sites/default/files/2023-01/Five%20Year%20Financial%20Plan%20FY23-24%20through%20FY%2027-28%20FINAL.pdf
3041	Recology March 2023 Growth Assumptions Update	https://sf.gov/sites/default/files/2023-06/Growth%20Assumptions_Update%20for%20March%202023%20City%20Report_20230525.pdf
3042	Recology Health Insurance	https://sf.gov/sites/default/files/2023-06/Health%20Insurance.pdf
3043	Recology Schedule H.1 Amended Payroll	https://sf.gov/sites/default/files/2023-06/Payroll.pdf
3044	Recology Professional Services Expenses	https://sf.gov/sites/default/files/2023-06/Professional%20Services%20GG.SS%20and%20RSF.pdf
3045	Recology Summary of Proposed Changes Requested By The Refuse Rates Administrator	https://sf.gov/sites/default/files/2023-06/Summary%20of%20Proposed%20Changes.pdf
3046	Recology Rate Model With 6 Refuse Rates Administrator Requested Changes	https://sf.gov/sites/default/files/2023-06/Rate%20Model%20-%20All%20Six%20Changes.pdf
3047	Recology Rate Model With Impound Account Changes Requested By the Refuse Rates Administrator	https://sf.gov/sites/default/files/2023-06/Rate%20Model%20-%20Impound%20Increase%20%281%29.pdf
3048	Recology Rate Model With Inflation Changes Requested By the Refuse Rates Administrator	https://sf.gov/sites/default/files/2023-06/Rate%20Model%20-%20Inflation%20Adjustment.pdf
3049	Recology Rate Model With Organics Pre-Processing Changes Requested By the Refuse Rates Administrator	https://sf.gov/sites/default/files/2023-06/Rate%20Model%20-%20Organics%20Pre-Processing%20Alternative%20%281%29.pdf
3050	Recology Rate Model With Pension Changes Requested By the Refuse Rates Administrator	https://sf.gov/sites/default/files/2023-06/Rate%20Model%20-%20Pension%20Adjustment%20from%20%2425M%20to%20%2412M%20%282%29.pdf

3051	Recology Rate Model With Waste Zero Enhancement Requested Removed By the Refuse Rates Administrator	https://sf.gov/sites/default/files/2023-06/Rate%20Model%20-%20Removal%20of%20Waste%20Zero%20Enhancements%20Contamination%20Outreach%20and%20Contamination%20Revenue.pdf
3052	Recology Rate Model With Grey Bin Processing Test And Seismic Study Changes Requested By the Refuse Rates Administrator	https://sf.gov/sites/default/files/2023-06/Rate%20Model%20-%20Remove%20Black%20Cart%20Processing%20and%20Seismic%20Study%20%281%29.pdf
3053	Recology Rate Proposal Health Insurance	https://sf.gov/sites/default/files/2023-06/Recology%20Rate%20Proposal%20Health%20Insurance.pdf
3054	Recology Rate Proposal Payroll	https://sf.gov/sites/default/files/2023-06/Recology%20Rate%20Proposal%20Payroll.pdf
3055	Recology Rate Proposal Pre Processing Organics	https://sf.gov/sites/default/files/2023-06/Recology%20Rate%20Proposal%20Pre%20Processing%20Organics.pdf
3056	Recology Rate Proposal Professional Services	https://sf.gov/sites/default/files/2023-06/Recology%20Rate%20Proposal%20Professional%20Services.pdf
3057	Recology Rate Proposal Recycling Revenue	https://sf.gov/sites/default/files/2023-06/Recology%20Rate%20Proposal%20Recycling%20Revenue.pdf
3058	Recology Rate Submission Service Level Agreements May 19 2023	https://sf.gov/sites/default/files/2023-06/Recology%20Rate%20Submission%20SLAs%20-%205558464.pdf
3059	Recology Schedule F.3 Revised With Quarter 2 2023 Actuals	https://sf.gov/sites/default/files/2023-06/Recycling%20Revenue.pdf
3060	Refuse Rates Administrator Proposed Residential and Apartment Refuse Rates Sheet Effective October 1, 2023	https://sf.gov/sites/default/files/2023-06/Residential%20Rates%20RY%202024.pdf
3061	Refuse Rates Administrator Proposed Residential and Apartment Refuse Rates Sheet Effective October 1, 2024	https://sf.gov/sites/default/files/2023-06/Residential%20Rates%20RY%202025.pdf
3062	Recology Schedule G1 Reconciliation of RSF Expenses	https://sf.gov/sites/default/files/2023-06/Recology%20Schedule%20G1%20Reconciliation%20of%20RSF%20Expenses.pdf
3063	Recology Proposed Language for an Extraordinary Service Fund	https://sf.gov/sites/default/files/2023-06/Recology%20Proposed%20Language%20for%20an%20Extraordinary%20Service%20Fund.pdf
3064	Schedule C2 Waste Collection Revenue Detail update	https://sf.gov/sites/default/files/2023-06/1.03%201.04%20Schedule%20C2%20Waste%20Collection%20Revenue%20Detail%20update.pdf

3065	Recology CY 2022 Customer Call Tracking	https://sf.gov/sites/default/files/2023-06/Customer%20Call%20Tracking_CY2022_Jan_Dec.pdf
3066	Recology Response to RRA Question Schedule C.1	https://sf.gov/sites/default/files/2023-06/RRA%20Question%20Schedule%20C.1.pdf
3067	Recology Contamination Process	https://sf.gov/sites/default/files/2023-06/Contamination%20Process.pdf
3068	Recology update to J.2 Detailed Capital and Lease Expenses	https://sf.gov/sites/default/files/2023-06/3.057%20-%20J.2%20Detailed%20Capital%20and%20Lease%20Expenses%20%281%29.pdf
3069	Recology Update to Schedule O.1 Professional Services Expenses	https://sf.gov/sites/default/files/2023-06/3.032%20-%20O.1%20Professional%20Services%20Expenses%20%281%29.pdf
3070	Recology 2022 Independent Accountants' Agreed-Upon Procedures Report Conducted By KPMG	https://sf.gov/sites/default/files/2023-05/Recology%20Reconciliation%20AUP%202022%20w%20Signatures.pdf
3071	Recology ESOP Informational Statement for Employee Owners	https://sf.gov/sites/default/files/2023-06/3.078%20ESOP%20Response.pdf
3072	Health & Retirement Benefits for Employees of Recology Golden Gate, Recology Sunset Scavenger, and Recology San Francisco	https://sf.gov/sites/default/files/2023-06/3.079%20San%20Francisco%20Health%20%26%20Retirement%20Benefits%20Chart.pdf
3073	Recology Professional Services GG.SS and RSF	https://sf.gov/sites/default/files/2023-06/Professional%20Services%20GG.SS%20and%20RSF_0.pdf
3074	Recology RRB Hearing 1 Question Tables Requested By RRA	https://sf.gov/sites/default/files/2023-06/RRB%20Hearing%201%20Question%20Tables%20%283%29_0.pdf
3075	Recology Diversion Discount Flowchart	https://sf.gov/sites/default/files/2023-06/Diversion%20Discount%20Flowchart_0.pdf
3076	Recology Balancing Account Volatility	https://sf.gov/sites/default/files/2023-06/Balancing%20Acct%20Volatility%2020230516_0.pdf
3077	Overtime Hours	https://sf.gov/sites/default/files/2023-06/3.118%20and%203.124%20Overtime%20Hours_0.pdf
3078	Recology List of Current Fees Page 1	https://sf.gov/sites/default/files/2023-06/2.05%20List%20of%20Fees%20p1.pdf
3079	Recology List of Current Fees Page 2	https://sf.gov/sites/default/files/2023-06/2.05%20List%20of%20Fees%20p2.pdf

3080	Recology Reconciliation of Commercial Customers	https://sf.gov/sites/default/files/2023-06/1.02%20Reconciliation%20of%20Commercial%20Customers.pdf
3081	Recology Revised Schedule A2	https://sf.gov/sites/default/files/2023-06/1.02%20Revised%20Tab%20A.2.pdf
3082	Recology Schedule J2	https://sf.gov/sites/default/files/2023-06/3.058%20-%20J.2%20Detailed%20Capital%20and%20Lease%20Expenses.pdf
3083	Recology Notional Balancing Account Exhibit	https://sf.gov/sites/default/files/2023-06/Recology%202023%20Rate_Application%20Balancing%20Account%20Exhibit.pdf
3084	Recology COLA and Other Annual Rate Adjustments Exhibit	https://sf.gov/sites/default/files/2023-06/Recology%202023%20Rate_Application%20COLA%20Exhibit.pdf
3085	Recology Pension Exhibit	https://sf.gov/sites/default/files/2023-06/Recology%202023%20Rate_Application%20Pension%20Exhibit.pdf
3086	RSF Management 2023	https://sf.gov/sites/default/files/2023-06/Recology%20SF%202023.pdf
3087	Recology Intercompany Processing	https://sf.gov/sites/default/files/2023-06/3.011%20Intercompany%20Processing.pdf
3088	Recology Schedule O2 Corporate Service Expenses	https://sf.gov/sites/default/files/2023-06/1.17%20O.2%20Corporate%20Services%20Expenses.pdf
3089	Recology Schedule K.1 Insurance Expense	https://sf.gov/sites/default/files/2023-06/1.14%2C%203.064%2C%203.067%2C%203.068%20Insurance%20Expense%20%281%29.pdf
3090	Recology Schedule D.5 Processing Tonnage	https://sf.gov/sites/default/files/2023-06/1.08%20D.5%20Processing%20Tonnage.pdf
3091	Recology Fuel Expenses	https://sf.gov/sites/default/files/2023-06/3.023%20Fuel%20Expense.pdf
3092	Recology Educational Tour - Artist in Residence Programs	https://sf.gov/sites/default/files/2023-06/3.024%20Educational%20Tour%20-%20Artist%20in%20Residence%20Programs.pdf

3093	Recology Contract Services	https://sf.gov/sites/default/files/2023-06/3.029%20Contract%20Services.pdf
3094	Recology Corporate Services Expense	https://sf.gov/sites/default/files/2023-06/3.037%20Corporate%20Services%20Expense.pdf
3095	Recology Depreciation Expenses for RY2020 and RY2021	https://sf.gov/sites/default/files/2023-06/Depreciation%20Expenses%20for%20RY2020%20and%20RY2021.pdf
3096	Recology Schedule G.1 Refuse Collection Detail	https://sf.gov/sites/default/files/2023-06/G.1%20Refuse%20Collection%20Detail.pdf
3097	Recology Modified 3 Bin Weekend Cleanups Proposal	https://sf.gov/sites/default/files/2023-06/Recology%20Modified%203%20Bin%20Weekend%20Cleanups%20Proposal.pdf
3098	Recology Modified Trommel Purchase Proposal	https://sf.gov/sites/default/files/2023-06/Recology%20Modified%20Trommel%20Purchase%20Proposal.pdf
3099	Recology Modified Estimated Contamination Revenue	https://sf.gov/sites/default/files/2023-06/Recology%20Modified%20Estimated%20Contamination%20Revenue.pdf
3100	Outreach and Artist In Residence Questions	https://sf.gov/sites/default/files/2023-06/Outreach%20and%20Artist%20In%20Residence%20Questions.pdf
3101	Pension Costs	https://sf.gov/sites/default/files/2023-06/Pension%20Costs.pdf
3102	Recology Proposed Modifications to Refuse Rate Order	https://sf.gov/sites/default/files/2023-06/Recology%20Proposed%20Modifications%20to%20Refuse%20Rate%20Order%20-%205580778.pdf
3103	Residential and Apartment Refuse Rates Sheet Effective January 1, 2024	https://sf.gov/sites/default/files/2023-07/Residential%20Rates%20RY%202024%20Final%20Rate%20Order%20for%20Jan%201%202024.pdf
3104	Residential and Apartment Refuse Rates Sheet Effective October 1, 2023	https://sf.gov/sites/default/files/2023-07/Residential%20Rates%20RY%202024%20Final%20Rate%20Order%20for%20Oct%201%202023.pdf
3105	Residential and Apartment Refuse Rates Sheet Effective October 1, 2024	https://sf.gov/sites/default/files/2023-07/Residential%20Rates%20RY%202025%20Final%20Rate%20Order%20for%20Oct%201%202024.pdf

3106	Recology Golden Gate Sunset Rate Year 2024 2025 Rate Model Schedule B1 for Rate Board Order	https://sf.gov/sites/default/files/2023-07/GGSS%202024%20Rate%20Model%20FINAL%20-%207.19.2023.pdf
4001	Proposition F Written Comments and Objections As Of June 20, 2023	https://sf.gov/sites/default/files/2023-06/2023%20Refuse%20Rate-Setting%20Process%20Public%20Comment%20or%20Objection%20June%2020%202023.pdf
4002	Proposition F Written Comments and Objection Online Form	https://forms.office.com/g/h1UFMBbG69
4003	Recology Responses to Refuse Rates Administrator Questions Regarding Rate Request Submission For Rate Years 2024 and 2025	https://sf.gov/sites/default/files/2023-06/Recology%20Responses%20to%20Refuse%20Rates%20Administrator%20Questions%20Regarding%20Rate%20Request%20Submission%20For%20Rate%20Years%202024%20and%202025.pdf
5001	San Francisco June 2022 Proposition F - Refuse Rate Reform Ordinance Full Text	https://sf.gov/sites/default/files/2023-06/2022-06-07-PropF.pdf
5002	Public Integrity Review: Preliminary Assessment - Refuse Rate-Setting Process Lacks Transparency and Timely Safeguards - April 14, 2021	https://openbook.sfgov.org/webreports/details3.aspx?id=2951
5003	Public Integrity Review: Preliminary Assessment - Refuse Rate-Setting Process - Update Based on Additional Reviews and Meetings with Recology - May 16, 2022	https://openbook.sfgov.org/webreports/details3.aspx?id=3093
5004	San Francisco Environment Department Reporting Requirements for Recology Rate Year 2023	https://sf.gov/sites/default/files/2023-06/RecologyReportingToSFE.pdf
5005	Resolution Encouraging the Refuse Rate Administrator and the Refuse Rate Board to Approve a Refuse Rate Adjustment for Rate Years 2024 and 2025 that Helps San Francisco Advance Its Zero Waste and Related Climate Goals	https://sfenvironment.org/sites/default/files/events/item_11._resolution_file_no._2023-08-coe.pdf

Appendix B: List of Programs, Their Tracking Metrics, and Reporting Schedule

ABANDONED MATERIALS COLLECTION

1. Number of notices of abandoned materials to which the SF Recology Companies have responded in the applicable period;
2. Total number of notices of abandoned materials to which the SF Recology Companies are projected to respond in the rate year (for the 3 months, 6 months, and 9 months quarterly rate reports);
3. Number of days during the applicable period on which the SF Recology Companies responded to more than 329 notices;
4. Number of responses to notices of abandoned materials received during the applicable SLA Measurement Period completed within the time limits described in the SLA;
5. Total tons of abandoned materials collected during the applicable period with a separate breakout of the total tons of abandoned carboard collected on the Abandoned Cardboard Collection routes described above; and
6. Total hours spent on Additional Public Works Directed Sweeps and calculated equivalent of 311 system notices.

PUBLIC RECEPTACLES COLLECTION

1. Number of notices for public receptacle collection to which the SF Recology Companies have responded in the applicable period;
2. Total number of notices for public receptacle collection to which the SF Recology Companies are projected to respond in the rate year (for the 3 months, 6 months, and 9 months quarterly rate reports);
3. Number of days during the applicable period on which the SF Recology Companies responded to more than 241 notices for public receptacle collection;
4. Number of responses to notices for public receptacle collection received during the applicable SLA Measurement Period completed within the time limits described in the SLA; and
5. Total tons of material collected from public receptacles outside of regular collection route service.

PUBLIC RECEPTACLES DOOR & LINER REPLACEMENTS

1. Date, location, and type of replacement performed (e.g., door replaced, liner replaced) for each instance of replacement work performed.

OTHER PROGRAM METRICS

Number	Category	Type	Purpose/Specifications	Existing or New Requirement	Frequency
1	Financial Reports	Annual Audited Financials	- To provide an accurate and reliable representation of a company's financial performance and position for a specific period. - provide consolidated financials and San Francisco region audited financials - includes balancing account footnote disclosure	Existing	Annually
2	Financial Reports	Pension Report	To support the pension funding levels on an annual basis.	New	Quarterly
3	Financial Reports	Reconciliation between Rate Report and Annual Audited Financials	To reconcile between the audited F/S and Annual Rate Report, part of the Audited F/S as supplemental schedules	Existing	Annually
4	Rate Reports	Quarterly Rate Report	To provide financial visibility into cumulative rate activities. New accounts (e.g. Programmatic Reserve and Zero Waste Capital Reserve) will be included in Appendix A. Substituted Costs - to report all material, elective expenses incurred, not approved in the previous rate order as reportable expenses in Tables 9 and 10. Balancing Account - New Balancing Account	Existing	Quarterly

5	Rate Reports	Annual Rate Report	To provide financial visibility into annual rate activities. Substituted Costs - to report all material, elective expenses incurred, not approved in the previous rate order as reportable expenses in Tables 9 and 10. Balancing Account - New Balancing Account	Existing	Annually
6	Rate Reports	Intercompany Property Rental Agreed Upon Procedures Report	To account for the Recology properties paid for with ratepayer funds.	New	Annually
7	Operations Reports	Monthly Route Collection Reports	To report data from collection routes	Existing	Monthly
8	Operations Reports	Report by Line of Business	To report on the number of accounts, containers in service, set-out rates, route hours, route labor hours, vehicles, route maintenance, lifts, and hauls	New	Annually
9	Customer reports	Customer Call Tracking	To report customer call tracking	Existing	Quarterly
10	Customer reports	Apartment & Commercial (AR and ALTAR accounts)	To report out commercial, residential and apartment collection service for any refuse stream (and if noted SFE compliant), should tie to quarterly rate report Table 4.	Existing	Monthly
11	Customer reports	Commercial & Apartment Customer Outreach for Source Separation	To report out Commercial and apartment building accounts (defined by SIC code) with one or more assists (e.g., site visit, presentation, phone exchange, email or letter offering outreach, outreach materials sent, self-assessment forms completed, waste zero champion sign-up, service level recovery improvement). Include relevant account details including address, zip code and language served for assists .	Existing	Quarterly

12	Processing and Disposal Reports	Compost procurement and distribution	To report out on SB 1383-qualified "organic waste products" procured on behalf of the City & County of SF ratepayers and distributed directly within SF as part of the programs outlined in the approved rate order. Keep and provide records including: dates provided, source of product (including name, physical location, contact information for each entity, operation or facility from whom Recovered Organic Waste Products were procured), type of product, quantity provided, and invoice or other record or documentation demonstrating purchase, procurement or transfer of material to giveaway location.	New	Annually
13	Processing and Disposal Reports	Where Our Recyclables Go	To report out on detailed disposition of recycling materials according to material type and recycling market location	New	Quarterly
14	Processing and Disposal Reports	Weight Scale Records	Recology, the Environment Department, and the Refuse Rates Administrator will develop a validation process for Table 3	New	Annually
15	Processing and Disposal Reports	Refuse Separation Compliance Ordinance	To report out Large refuse generator (LRG) accounts (compactor or 40 cy/week total refuse collection volume). Used to communicate to new LRGs and identify audit needs.	Existing	Quarterly
16	Program Reports	Household Hazardous Waste	Report out via Narrative Report, Form 303 data, Battery Bucket Collection Report.	New	Quarterly
17	Program Reports	Abandoned Materials	To monitor the performance of abandoned materials from the agreed upon Service Level Agreements (SLA)	New	Quarterly
18	Program Reports	Public Receptacles	To monitor the performance of public receptacles from the agreed upon Service Level Agreements (SLA)	New	Quarterly
19	Program Reports	Contamination Charges and Recovery Discount removals	Report out accounts with contamination charges and/or discount removals. Include when contamination was identified, when account was noticed, when account	Existing	Quarterly

			was charged, and how much the account is being charged		
20	Appendix-Program metrics	Bulky Item Recycling	To report out on appointments, tons and time.	New	Quarterly
21	Appendix-Program metrics	Abandoned Materials Collection	To report out requests, tons, and response times by dedicated zone, Bayview tons, Zone K tons, abandoned cardboard tons, and number of DPW directed sweeps for the applicable period as outlined in "Reporting" section of the SLA	New	Quarterly
22	Appendix-Program metrics	Public Receptacle Collection	To report notices by route, 311 response times, for measurement period and receptacle liner and door repair reporting	New	Quarterly
23	Appendix-Program metrics	Disposal of Street Sweeping and Abandoned Waste	To report out on tons collected and vehicle count.	New	Quarterly
24	Appendix-Program metrics	District Clean Up	To report out on the number of events, locations and tons cleaned up.	New	Quarterly
25	Appendix-Program metrics	Battery Recycling	To report out battery recycling by pounds collected.	Existing	Quarterly
26	Appendix-Program metrics	Christmas Tree	To report out on tons collected	New	Quarterly
27	Appendix-Program metrics	Construction and Demolition	To report out on the diversion percentage and tons collected	Existing	Quarterly
28	Appendix-Program metrics	Public Refuse and Recycling Area	To report out by customer count and tons collected	New	Quarterly
29	Appendix-Program metrics	Household Hazardous Waste Drop Off	To report out number of customers and pounds	Existing	Quarterly
30	Appendix-Program metrics	Door-to-door Household Hazardous Waste Collection	To report out number of stops/customers and pounds	Existing	Quarterly

31	Appendix-Program metrics	Household Hazardous Waste Retail Take-Back Program	To report out number of stops and pounds	Existing	Quarterly
32	Appendix-Program metrics	Very Small Quantity Generator Program	Report out by number of appointments	Existing	Quarterly
33	Appendix-Program metrics	E-Waste Recycling	Report tons collected	New	Quarterly
34	Appendix-Program metrics	Safe Needle Program	To report by the number of container drop-offs	New	Quarterly
35	Appendix-Program metrics	Perfectly-Good Reuse Program	To report outbound trailers for beneficial use	New	Quarterly
36	Appendix-Program metrics	Mattress Recycling	To report by mattress count	New	Quarterly
37	Appendix-Program metrics	Tire Recycling	To report out by tons collected	New	Quarterly
38	Appendix-Program metrics	Styrofoam Drop Offs	To report by the number of dropoffs	New	Quarterly
39	Appendix-Program metrics	Film Plastic Drop Offs	To report by the number of dropoffs	New	Quarterly
40	Appendix-Program metrics	Litter Collection from CBDs	To report out by the number of customers, service level and cost.	New	Quarterly
41	Appendix-Program metrics	Event Recycling	Report out by the number of events and volume	Existing	Quarterly
42	Appendix-Program metrics	Artist in Residence	Report the number of artists per year, visitors per year, testimonials and number of applicants.	New	Quarterly
43	Appendix-Program metrics	Educational Tour Program	To report out on the number of visitors and number of tours	New	Quarterly
44	Appendix-Program metrics	Compost Giveaway	To report out by the volume of compost giveaways and the number of events	New	Quarterly

Quarterly and Annual Reporting Due Dates					
Rate Year	Report Period	Date Period	Days due after Reporting Period	Due Date	Due following business day when Due Date lands on a weekend
RY2024	Q1 2024	12/31/2023	60	2/29/2024	
	Q2 2024	3/31/2024	60	5/30/2024	
	Q3 2024	6/30/2024	60	8/29/2024	
	Q4 2024	9/30/2024	120	1/28/2025	
RY2025	Q1 2025	12/31/2024	60	3/1/2025	3/3/2025
	Q2 2025	3/31/2025	60	5/30/2025	
	Q3 2025	6/30/2025	60	8/29/2025	
	Q4 2025	9/30/2025	120	1/28/2026	

Monthly Reporting Due Dates					
Rate Year	Report Period	Date Period	Days due after Reporting Period	Due Date	Due following business day when Due Date lands on a weekend
RY2024	Oct-23	10/31/2023	30	11/30/2023	
	Nov-23	11/30/2023	30	12/30/2023	1/2/2024
	Dec-23	12/31/2023	30	1/30/2024	
	Jan-24	1/31/2024	30	3/1/2024	
	Feb-24	2/29/2024	30	3/30/2024	4/2/2024
	Mar-24	3/31/2024	30	4/30/2024	
	Apr-24	4/30/2024	30	5/30/2024	
	May-24	5/31/2024	30	6/30/2024	7/1/2024
	Jun-24	6/30/2024	30	7/30/2024	
	Jul-24	7/31/2024	30	8/30/2024	
	Aug-24	8/31/2024	30	9/30/2024	
	Sep-24	9/30/2024	30	10/30/2024	
RY2025	Oct-24	10/31/2024	30	11/30/2024	12/2/2024
	Nov-24	11/30/2024	30	12/30/2024	12/31/2024
	Dec-24	12/31/2024	30	1/30/2025	
	Jan-25	1/31/2025	30	3/2/2025	3/3/2025
	Feb-25	2/28/2025	30	3/30/2025	3/31/2025
	Mar-25	3/31/2025	30	4/30/2025	
	Apr-25	4/30/2025	30	5/30/2025	
	May-25	5/31/2025	30	6/30/2025	
	Jun-25	6/30/2025	30	7/30/2025	
	Jul-25	7/31/2025	30	8/30/2025	9/1/2025
	Aug-25	8/31/2025	30	9/30/2025	
	Sep-25	9/30/2025	30	10/30/2025	

Appendix C: Accounts Summary

SOLID WASTE FEE IMPOUND ACCOUNT (IMPOUND ACCOUNT)

The Impound Account funds select services at the City's Department of Public Works and the Environment Department, which includes Citywide refuse-rated cleaning services at Public Works and services to support meeting the City's Zero Waste Goals at the Environment Department. The Refuse Rate Board may consider the cost of City refuse programs when setting refuse rates, and order refuse companies to deposit a portion of their revenues in the Impound Account to fund these programs. Allowable Use: Funds can be used for City programs if the City program has a direct relationship to the residential ratepayer, and whether the program benefits residential ratepayer in a manner that is different from how the program may benefit the public at large.

Funding: This account is funded through the rates. The Refuse Rates Administrator is proposing $24.2 million in Rate Year 2024 and $24.6 million in Rate Year 2025.

Balance: Refuse Rates Administrator is estimating a balance of $23.8 million. Refuse Rates Administrator is proposing use of balance for:

- New Trash Cans: $15 million
- Refuse Rates Administration: $857k in FY23-24 and $1.08 million in FY24-25
- Work Supporting Next Cycle: $2-$3 million over next two rate years
- Seismic Study: $1 million
- Trash Processing Pilot: $500k

RATE STABILIZATION FUND 2022

This fund was established to offset any future rate increases using any remaining settlement funds from the March 2021 Settlement. The total agreement was $101.52 million, $94.52 million of which was used to reimburse ratepayers for overcharges and interest (restitution payments) and $7.00 million was a settlement payment.

Allowable Use: Any balance from this fund "shall be placed in an interest-bearing account to be used to offset any future rate increases." The Settlement Agreement allows use of the balance to be spread across multiple years.

Funding: Any remaining restitution payments.

Balance: $4.48 million. This balance must be used over the next two rate years to offset rate increases.

ZERO WASTE INCENTIVE ACCOUNT

Zero Waste Incentive Account is a financial incentive account that Recology can draw down on if certain targets are met. Meeting all targets would equal an additional 2% operating ratio for Recology.

Allowable Use: Currently, unearned Tier 3 and Tier 4 funds can be used with approval from SFE. Otherwise, any unearned funds are rebated to ratepayers the following year. The Refuse Rates Administrator is proposing suspension of this fund.

Funding: Funded through rates at 2% operating ratio, which is approximately $8.25M. Refuse Rates Administrator is proposing suspension of fund.

Balance: Any amount unearned is returned to ratepayers the following year and no balance is held.

PROGRAMMATIC RESERVE

The programmatic reserve allows the City to make requests when needed beyond those established in the Refuse Rate Board's Rate Order. These requests would be accompanied by budget proposals and approval by the Refuse Rates Administrator.

Allowable Use: Requests beyond those established in the Refuse Rate Board's Rate Order. Requests require approval from the Refuse Rates Administrator and should include how this request is not in the base level service, and if it is part of the base level service, why there is need for an enhancement.

Funding: Funded through the rates. The amount of funding is equivalent to the proposed Corporate Allocations cut of 5%. $761K in Rate Year 2024 and $784K in Rate Year 2025.

Balance: Any unspent funds for Rate Year 2024 will be carried over in the Rate Year 2025. Any unspent funds from Rate Year 2025 can be carried over into the following year or can be used to offset rate increases over a number of years determined by the Refuse Rates Administrator during the rate-setting process.

BALANCING ACCOUNT 2023

The December 2022 Settlement Agreement established a $25 million balancing account. Any balance remaining from the account after Rate Year 2023 can be used to offset rate increases.

Allowable Use: Any balance will be used to offset rates increases, which will be spread evenly between Rate Year 2025 and Rate Year 2029.

Funding: The Balancing Account 2023 was funded through the December 2022 Settlement Agreement.

Balance: Current balance as of March 31, 2023 (Q2 Rate Report) is $4.95 million.

BALANCING ACCOUNT RATE YEAR 2024 AND RATE YEAR 2025

This balancing account would adjust by 50% of above- or below-target profit earned or losses incurred based on the 91% Operating Ratio.

Allowable Use: Any balance, positive or negative can be used to adjust rates in subsequent years, and balance can be spread across multiple years, no more than five years.

Funding: The balancing account will have a beginning balance of $0. Balances will be determined after actuals are determined and can be used in the following rate year. (e.g. amounts for Rate Year 2024 will be determined in Rate Year 2025 and can be used to adjust rates between Rate Year 2026 and Rate Year 2030).

Balance: Beginning balance of $0.

LANDFILL AGREEMENT SPECIAL RESERVE

The purpose of the reserve fund is to reimburse Recology San Francisco for landfill disposal costs it incurs but cannot fully recover through the rate-setting process due to timing issues

Allowable Use: Costs consist of i) the Solid Waste Fee, the Organics-Free Waste Fee and the Beneficial Use Material Fee, and all adjustments thereto, and ii) any other costs relating to the performance of the Landfill Agreement and/or the collection, Transport, processing or Disposal of City Waste or other waste generated in San Francisco that the City Administrator and Recology agree may be reimbursed from the Reserve Fund, including the costs of control and alternative disposal of Hazardous and Designated Wastes.

Funding: The Agreement states that the City is responsible for funding the reserve fund and maintaining minimum balances in it.

Balance: As of the March 31, 2023 (Q2 2023 Rate Report), there is $10.1 million in the reserve.

Appendix D: Operating Ratio Calculation

ALLOWABLE OPERATING RATIO

Recology Sunset Scavenger (RSS) and Recology Golden Gate (RGG) (together, the Collection Companies) and Recology San Francisco (RSF) (all three companies together, the SF Recology Companies) shall each be allowed to earn a 91% Operating Ratio on Operating Ratio-Eligible Costs. To calculate the amount of revenue required from the rates to cover Operating Ratio-Eligible Costs, the SF Recology Companies divide Operating Ratio-Eligible Costs by 0.91.

COST CATEGORIES

The SF Recology Companies activities include costs for: 1) Uniform Rate Schedule Customers, including Residential Refuse Collection Customers and Commercial Refuse Collection Customers, for which the applicable Rates and Charges are included the 6 Rate Schedules considered during the development of the 2023 Rate Order, 2) Negotiated, Contract Commercial Refuse Collection Customers, and 3) Other Non-Rate Order Activity.

Operating Ratio-Eligible Costs: All costs, except those listed below as non-Operating Ratio-Eligible Costs, Costs Not Included in Rates Subject to Rate Setting and Non-Rate Order Activity Costs, are Operating Ratio-Eligible Costs.

Non-Operating Ratio-Eligible Costs: Costs to which an operating ratio may not be applied (i.e., expenses on which the SF Recology Companies earn no profit) are:

- Intercompany disposal and processing (including costs covered under the Landfill Disposal Agreement)
- Licenses
- Permits
- Solid Waste Fee Impound Account funding

Costs Not Included in Rates Subject to Rate Setting: Costs, including those incurred directly by the SF Recology Companies or indirectly through corporate allocations charged to the SF Recology Companies by a Recology subsidiary or parent company, that are not Operating Ratio Eligible Costs and are disallowed costs for purposes of the Operating Ratio calculation used for rate setting include:

- Advertising and Marketing
- Donations
- Dues & Subscriptions
- Employee Stock Ownership Plan (ESOP) Costs
- Travel & Meal Costs

- Employee Recognition Costs
- Permit Violation, Settlement, Penalty, Fine and Citation Costs included related Insurance and Legal Costs
- Allocated Interest Costs, unless where specifically noted and under the terms approved by the Refuse Rate Board.

Non-Rate Order Activity Costs: Non-Rate Order activity, including open market debris box and contract customer service, is separated from Rate Order activity before the required rate adjustment percentage is calculated. Non-Rate Order-related revenues for open market debris box and contract customer service (with an estimate of associated expenses for these services) are removed from all Rate Order-related calculations and must be reported separately and consistently as part of the comprehensive Quarterly and Annual Rate Reports.

Appendix E: Program Summaries

1. RECYCLABLES COLLECTION (Blue bin): Collection of comingled recyclables, including paper, bottles, cans, and hard plastics (e.g., cups, tubs, lids, buckets), from residential, apartment, and commercial customers.

2. ORGANICS COLLECTION (Green bin): Collection of food scraps, plant materials, and soiled paper from residential, apartment, and commercial customers.

3. TRASH COLLECTION (Grey bin): Collection of non-recyclable and non- organic materials from residential, apartment, and commercial customers.

4. BULKY ITEM RECYCLING (RecycleMyJunk.com): Curbside collection and recycling of bulky items is offered to residential and apartment customers through scheduled on-call pick-ups. Acceptable items include appliances, electronics, furniture, scrap metal, wood, etc.

5. PUBLIC REFUSE RECEPTACLE COLLECTION: The SF Recology Companies collect from over 3,000 public refuse receptacles around the City. Public receptacle collection is described in more detail in the corresponding SLA.

6. ABANDONED MATERIALS COLLECTION: The SF Recology Companies collect non-hazardous abandoned materials identified through the City's 311 reporting system or by Recology personnel. Abandoned materials collection is described in more detail in the corresponding SLA.

7. DISPOSAL OF STREET SWEEPING AND ABANDONED WASTE: Public Works may self-haul certain nonhazardous materials it collects to the Transfer Station and dump them at no charge. Public Works disposal is described in more detail in the corresponding SLA.

8. DISTRICT CLEAN-UP EVENTS: Weekend clean-up events will be held once annually in each of the City's eleven Supervisorial Districts to allow residents to drop off items too big to fit in the regular collection bins. Acceptable items may include appliances, electronics, furniture, scrap metal, wood, etc.

9. BATTERY RECYCLING: Residential and apartment customers place household batteries in bags on top of their trash bins. Collectors then place the batteries in a special container in the collection truck. The SF Recology Companies are working with SFE to consider updates to this program.

10. CHRISTMAS TREE RECYCLING: Christmas trees are collected at the curb during the first two weeks of January, chipped, and composted.

11. CONSTRUCTION AND DEMOLITION (C&D) DEBRIS RECYCLING: The Recology iMRF, located at the Transfer Station, receives and processes C&D to recover metal, wood, sheetrock, rigid

plastic, and other materials. This operation is registered under the City's Construction and Demolition Debris Recovery Ordinance.

12. PUBLIC REUSE AND RECYCLING AREA (PRRA): The Tunnel Avenue facility receives self-haul trash, organics, recyclables, and reusable items from San Francisco residents and businesses. Material hauled by the public is weighed and processed on a Ptarmigan Sorting line, as needed.

13. HOUSEHOLD HAZARDOUS WASTE DROP-OFF: RSF operates the San Francisco Household Hazardous Waste Collection Facility (HHWCF), where residential customers can drop off household hazardous wastes (e.g., paint, oil, pesticides, household chemicals) three days per week for safe recycling and disposal. This facility has been open since 1987 and was among the first permanent HHWCFs in the nation.

14. DOOR-TO-DOOR HOUSEHOLD HAZARDOUS WASTE COLLECTION: The Collection Companies collect household hazardous wastes directly from homes using specialized trucks for handling and transporting these materials.

15. HOUSEHOLD HAZARDOUS WASTE RETAIL TAKE-BACK PROGRAM: The Collection Companies use the same specialized trucks to collect paint, fluorescent lights, and household batteries at San Francisco retailers who partner with SFE and volunteer to "take-back" small quantities of these common hazardous wastes from San Francisco residents. Retail "take-back" hazardous wastes are transported to the HHWCF and consolidated and repackaged there for safe recycling and disposal.

16. VERY SMALL QUANTITY GENERATOR PROGRAM: Qualifying small business generators of hazardous waste located in San Francisco may use the HHWCF by appointment for a fee on designated days each month.

17. E-WASTE RECYCLING: Most electronic waste is banned from landfill in California. Computers, monitors, televisions, computer peripherals, and other electronic devices are collected from bulky item recycling appointments and at Tunnel Avenue. The material is then shipped to facilities specializing in recycling specific types of e-waste.

18. SAFE NEEDLE PROGRAM: The San Francisco Safe Needle Disposal Program (SFSNDP) provides San Francisco residents with safe, convenient disposal of home-generated sharps at participating pharmacies throughout the City. Residents can pick up empty sharps containers at participating pharmacies, fill them, and return them for disposal as medical waste.

19. PERFECTLY-GOOD REUSE PROGRAM: The SF Recology Companies pull items that are in good condition for reuse (e.g., bicycles, furniture, clothing) from loads brought to the PRRA by individuals and small businesses. The reusable items are either donated directly or given to organizations such as St. Vincent de Paul that process them for distribution in thrift stores.

20. MATTRESS RECYCLING: Mattresses from residents, hotels, PRRA drop- offs, and designated collection trucks are loaded onto trailers at the Tunnel Avenue facility and transported to a local company specializing in mattress recycling.

21. TIRE RECYCLING: Used tires are handled separately at the Tunnel Avenue facility and then taken to a company that shreds and recycles the rubber.

22. STYROFOAM DROP-OFF: Residents and businesses can drop off clean expanded polystyrene (EPS) at the PRRA for recycling. RSF operates a special densifier that compacts loose pieces of EPS into cubes, which are recycled into products such as baseboards and moldings.

23. FILM PLASTIC DROP-OFF: Residents and businesses drop off clean polyethylene film plastic (e.g., plastic bags) at Recycle Central and the PRRA for recycling. The film plastic is baled and shipped to plastic recycling markets.

24. LITTER COLLECTION FROM COMMUNITY BENEFIT DISTRICTS (CBDs): Certain CBDs collect litter, sweep sidewalks and gutters, and "top off" public refuse receptacles in their areas. The Collection Companies collect eligible material from these activities at no additional charge to the CBDs. The City and the SF Recology Companies have agreed on terms for this program to ensure the service is used only for the intended purpose and that CBDs are treated consistently. CBDs will only be charged if commercial/residential refuse or other ineligible material is found in the CBD's material.

25. EVENT RECYCLING: The Collection Companies provide recycling, organics, and trash collection services to neighborhood festivals and major functions such as the Chinese New Year Parade, Cesar Chavez Holiday Parade, Carnaval, Pride Parade, Italian Heritage Parade, among others.

26. ARTIST IN RESIDENCE: Recology's Artist in Residence program is a unique art and education program that provides Bay Area artists with a four-month residency during which they create unique works of art from material scavenged from Recology's public disposal area. Artists also receive a stipend and a large studio space at Recology's facilities. By supporting artists who work with reused materials, Recology hopes to encourage people to conserve natural resources and promote new ways of thinking about art and the environment. Since 1990, over 200 artists and 50 students have completed residencies.

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

28. COMPOST GIVEAWAY: Periodically, the SF Recology Companies may provide free compost to San Francisco residents at various locations. The compost is derived from food and garden materials generated in San Francisco and composted at one of Recology's composting facilities.

Appendix F: The 2024 Balancing Account Mechanism[71]

The 2024 Balancing Account shall start with a zero balance for the Fiscal and Rate Year beginning 10/1/2023. The SF Recology Companies shall increase or decrease the notional balance of the 2024 Balancing Account based on profits earned or losses incurred for each rate year covered by the Refuse Rate Board's Rate Order in an amount calculated by multiplying 50% by the estimated profits earned above or below the target profit that would be earned using a 91% Operating Ratio on Eligible Costs for each rate year and according to the timing provisions and methodology specified below. This process should be followed until superseded by a subsequent Rate Order by the Refuse Rate Board

At the end of each quarter, the SF Recology Companies shall increase or decrease the notional balance to 50% of the quarterly estimated profit above or below the target profit on Eligible Costs that would have been earned using a 91% Operating Ratio, calculated according to the methodology specified in the next section, titled "Calculation of Above-/Below-Target Profit." As of the end of each subsequent quarter, the SF Recology Companies shall true-up the Balancing Account (increase or decrease the notional balance, as necessary) to reflect the difference in the calculation between the estimates for the prior quarter calculated as described in the preceding sentence, and the actual figures for the prior quarter. Following the end of the Rate Year and the issuance of the Audited Annual Financial Statements for the Fiscal Year, which ends on September 30th along with the same for the Rate Year and the associated Annual Rate Report, the SF Recology Companies shall true-up the Balancing Account (increase or decrease the notional balance, as necessary) for the Rate Year to reflect the difference in the calculation between the actual figures used in the previous quarters of the Rate Year and the actual figures included in the Annual Rate Report. Each Quarterly and the Annual Rate Report shall include a schedule showing these adjustments to the notional Balancing Account, along with the Rate Year and Quarterly beginning and ending notional balances, along with a summary of explaining the key Revenue Subject to Rate Setting by the City and/or Eligible Costs factors causing the adjustments.

CALCULATION OF ABOVE-/BELOW-TARGET PROFIT

The quarterly increase or decrease shall be calculated by taking the difference between actual net profits earned or losses incurred during each quarter and reported in the quarterly rate report, as

[71] The 2022 Settlement approved by the Board of Supervisors, included a Balancing Account (the '2022 Balancing Account') with a $25.0 million beginning notional balance for the benefit of San Francisco Ratepayers, in addition to other settlement agreement provisions and safeguards. The 2022 Settlement terms and conditions were considered in the development of the 2023 Rate Order and continue. The terms and conditions of the 2022 Settlement govern the beneficial, eligible uses of the notional balance of the 2022 Balancing Account for San Francisco Ratepayers along with the planned timeline for the use and draw down. The 2023 Rate Order shall have a separate 2024 Balancing Account with the noted terms and conditions included herein and shall be required to be tracked separately to ensure full transparency and implementation of both the 2022 Settlement Balancing Account and the Rate Order for Rate Year 2024 and Rate Year 2025 Balancing Account.

applicable, and (actual Operating Ratio-Eligible Costs for the applicable period divided by 91% operating ratio less actual Operating Ratio-Eligible Costs) as illustrated in the equation below, where "expenses" means Operating Ratio-Eligible Costs and "actual net profits" means actual net profits or losses based on actual Eligible Costs and revenues reported in the quarterly or annual rate reports:

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

Above- or below-target profit, as adjusted, shall be calculated separately for RSS and RGG, on the one hand, and for RSF, on the other. The results of these calculations shall be added to obtain a combined adjusted net above- or below-target profit. Elimination of intercompany charges must be made to ensure the target profit amount is not being inflated and that each of the Operating Ratio-Eligible Costs represent costs with no imbedded profit accruing to another Recology subsidiary or the parent corporation.

A positive value of the combined adjusted net above- or below-target profit shall result in the SF Recology Companies increasing the notional balance of the Balancing Account in an amount equal to 50% of that positive value, i.e., funds be identified as held on the behalf and for the benefit of San Francisco Ratepayers in future periods. A negative value of the combined adjusted net above- or below-target profit shall result in the SF Recology Companies decreasing the notional balance of the balancing account in an amount equal to 50% of that negative value, including below zero, if applicable. Reductions or negative value amounts reflect funds identified as due from San Francisco Ratepayers in future periods.

NO EFFECT ON PROFIT CALCULATION

Increases or decreases in the notional balance of the 2024 Balancing Account shall have no effect on the calculation of above- or below- target profit for Rate Years 2024 or Rate Year 2025, nor shall the associated adjustments impact profit target on Operating Ratio-Eligible Costs in subsequent years.

USE OF NOTIONAL BALANCE

Any notional balance, positive or negative after true-up occurs, and as reported in an audited schedule filed as a component of the SF Recology Companies' Audited Annual Financial Statements and the Annual Rate Report shall be applied to adjust rates in any subsequent years beginning in Rate Year 2026, over a period not to exceed five years, based on an allocation determined by the Refuse Rates Administrator. If the notional balance at the end of the rate year is positive, the positive notional balance shall offset otherwise upward rate changes in any subsequent rate years, over a period not to exceed five years, based on an allocation determined by the Refuse Rates Administrator. The amount of the offset shall cause the notional balance of the Balancing Account to decrease by an equal amount. If the notional balance at the end of the Rate Year is negative, the negative notional balance shall increase rates charged in any subsequent rate year, over a period not to exceed five years, based on an allocation determined by the Refuse Rates Administrator. The amount of the increase shall cause the notional balance of the balancing account to increase by an equal amount.

INTEREST ON BALANCING ACCOUNT NOTIONAL AMOUNTS

Notional Interest shall be calculated due to SF Ratepayers for positive balances (and due from SF Ratepayers for negative balances) at the lesser of 2.00% per annum, the annualized interest rate that the SF Recology Companies credits the Solid Waste Fee Impound Account balances held by the company, prior to those amounts being transferred to the City, to cover Rate Board approved programs, or the annualized interest rate that the SF Recology Companies credits the approximately $10M Reserve Account held by the SF Recology Companies, that was funded by San Francisco Ratepayers. The Interest Rates for all Accounts, including but not limited to the Balancing Account(s), Reserve Account, Solid Waste Fee Impound Account and the Zero Waste Capital Reserve Account, shall be required to be reported on all Quarterly and Annual Rate Reports covered by the Refuse Rate Board's Rate Order.

REPORTING

Each Quarterly and Annual Rate Report shall include a schedule showing all adjustments to the notional balance of the Balancing Account, showing separately the 2022 Settlement Balancing Account and the 2024 Balancing Account, during the period of the report and shall include beginning and ending notional balances for the Rate Year (to-date) and Quarter.

In the Annual Rate Report, with the submission of the SF Recology Companies' audited financial statements and annual rate report to the Refuse Rates Administrator, whichever occurs later, the SF Recology Companies' audited financial statement shall include disclosure of the activities and adjustments included in the balancing account over the same period, for Rate Year 2024 and onward. Until the audited financial statements include disclosure of the activities and adjustments included in the balancing account for the rate year, the schedule must be separately the subject of and accompanied by an Agreed Upon Procedures report issued by SF Recology Companies' external, independent auditors.

Appendix G: Impound Account Use for Seismic Study and Trash Processing Pilot

The Refuse Rate Administrator proposes using up to a total of $1.5 million of unspent Impound Account funds that have accrued in previous rate years to fund both: (1) a Trash processing Pilot and (2) a Seismic Study at Pier 96.

Prior to commencement of any work, the SF Recology Companies shall be required to file, for both the Trash Processing Pilot and the Seismic Study at Pier 96, a detailed scope of work, schedule and budget including defined deliverables for any self- and contractor-performed work, performance metrics and measures that include environmental goal-related and service level standard-related, as well as cost-effectiveness metrics and measures, as agreed upon jointly with the Department of the Environment, the Port of San Francisco and the Refuse Rate Administrator.

Upon commencement of: (1) the Trash Processing Pilot and (2) the Seismic Study at Pier 96, the SF Recology Companies shall be required to submit electronic copies of all invoices from vendors of these projects to the Refuse Rates Administrator no later than 15 days after each date that the SF Recology Companies are required to make payment to the vendors of these projects. All invoices shall be subject to public disclosure reporting and should be appended by SF Recology Companies to the applicable Quarterly and Annual Rate Report. The SF Recology Companies shall be entitled to reimbursement (made as a credit offset to and reported on the Solid Waste Fee Impound Account schedule as required to be included in the Rate Report) for the full, undisputed amounts paid to these vendors, as determined by the Refuse Rate Administrator.

The Refuse Rates Administrator shall not unduly deny, though may request additional information for any disputed charges and hold pending consideration for approval said charges, approval of the use of the Solid Waste Fee Impound Account Balance for these payments no later than 15 days after receiving invoice copies. Upon approval, Recology may credit the Impound Account for the amount approved. Recology may credit the Impound Account by reducing its quarterly payments into the Impound Account.

Appendix H: Impound Account Deposits & Remittances to the City

The funds from the Impound Account will be utilized for certain "pass-through" obligations including costs required by law or contract and funding for City programs as described in the 2023 Director's Report. The Companies are required to make deposits to the Impound Account for the rate year beginning October 1, 2023, in the amounts specified in the Director's Report.

The Impound Account will be held with a separate bank account earning the highest available market rate interest.

The uses are as follows:

Payee	Purpose
City & County of San Francisco	Department of Environment and Department of Public Works costs, and Refuse Rates Administration as approved by City budget

The use of funds from the Account shall be subject to the following conditions:

a) The purpose of expenditures shall be limited to the above listed obligations and shall not be enlarged to cover any unrelated purposes.

b) The unexpended balance of the funds shall be invested for the benefit of the ratepayers, and all investment earnings shall be deposited to the Impound Account in addition to the amount specified in (d) of these procedures.

c) The Impound Account will be continued as a separate bank account under the combined control of Recology San Francisco and the City Administrator of the City and County of San Francisco.

d) Recology San Francisco will have the responsibility of depositing revenues monthly upon receipt from collection companies in the amounts specified in the Director's Report.

e) For reimbursement of City costs, the bank will draw monthly from the Impound Account checks in favor of the City in care of the City Administrator.

f) Disbursements from the Impound Account will require the signatures of two parties – the President of Recology San Francisco, or his or her designee, and the City Administrator, or his or her designee.

g) Recology San Francisco shall report quarterly on deposits and expenditures from the account and shall submit an annual audited report.

Appendix I: Programmatic Reserve Provisions

PURPOSE

The purpose of the programmatic reserve fund is to provide a payment mechanism for the City to make service requests beyond those services outlined in the Rate Order. The Programmatic Reserve may only be used to fund services that are above and beyond the service levels and the associated service level agreements funded, consistent with the Rate Order as approved by the Refuse Rate Board. The Programmatic Reserve may not be used for service requests that are normally billed to private refuse customers and contract Commercial Customers of the SF Recology Companies, including any City department's baseline service costs covered under the City & County's negotiated refuse contract.

FUNDING

During the term of the Refuse Rate Board's Rate Order, the SF Recology Companies shall make quarterly deposits into the Programmatic Reserve, an amount equivalent to 5% of the Corporate Allocations costs proposed in Recology's Rate Change Request submission. Based on the request, the Refuse Rates Administrator calculates this to be $760,667 in Rate Year 2024 and $783,886 in Rate Year 2025.

WITHDRAWAL

Upon receiving a request from a City department for additional public purpose services that are not otherwise covered and funded in the Refuse Rate Board's Rate Order or subject to the City's negotiated, contract for services with the SF Recology Companies, the SF Recology Companies shall forward the request to the Refuse Rates Administrator with an estimate of the cost of service for the request along with a separate line item showing the allowed target profit using the 91% Operating Ratio for the request, a description of the supplemental service or in the case of it being an enhancement, a description of how the request is above and beyond the base service levels, why this enhancement is needed, along with the proposed coverage period and completion date. Upon the Refuse Rates Administrator's approval of the service request to be performed, the SF Recology Companies shall remit a final invoice for payment (i.e., the request to draw down from the Programmatic Reserve). Any invoice for services shall, at a minimum, include the name of the Requesting City Agency and City Agency Requestor/Contact, the date(s) of service, a description of service(s) provided including line-item detail for the costs of service (without allowed target profit), the allowed target profit amount pursuant to 91% Operating Ratio authorized under the 2023 Rate Order, along with the total amount due. Following the completion of the work performed, the Requesting City Agency must notify jointly, the Refuse Rates Administrator and the SF Recology Companies, that work has been performed, is satisfactory, and had been completed. Disputed charges will be timely reviewed by the Refuse Rates Administrator, who is authorized to make the final determination of amounts due by the Rate Board, if the Requesting City Agency and the SF Recology Companies are not in agreement. The Administrator's determination shall be final.

LIMITATIONS

All service requests must be for periods not to exceed one rate year and not to extend beyond the end of RY 2025. In the event that a new rate order is not effective as of October 1, 2025, the beginning of RY 2026, City departments may renew such supplemental or enhancement requests for service, but may be subject to delay depending on the remaining balance of the Programmatic Reserve. For a service request to be fulfilled, the balance of the Programmatic Reserve Fund must be sufficient to allow the SF Recology Companies to draw the estimated cost for that service request plus the allowed profit target associated with the 91% Operating Ratio as authorized by the 2023 Rate Order. The balance of the Programmatic Reserve may not fall below zero.

REPORTING

All activity of the Programmatic Reserve in the applicable period shall be reported as a separate column in the Reserves & Accounts Appendix (presently Appendix A) in the Quarterly and Annual Reports of the SF Recology Companies. The actual expenses incurred for each service request, offset by the amount received from the Programmatic Reserve for the requested services, shall be included in calculating above- or below-target profit for the purposes of Balancing Account adjustments.

UNUSED BALANCE

Any unused balance of the Programmatic Reserve Fund at the end of Rate Year 2024 will roll over into Rate Year 2025. The Refuse Rates Administrator is authorized to fund future requests if any unused balances exist following the end of Rate Year 2025, and if a new Rate Order has not superseded the 2023 Rate Order. Unused Programmatic Reserve balances may also be recommended by the Refuse Rates Administrator to the Refuse Rate Board to roll over into the subsequent Rate Year or be used to offset rate increases for subsequent rate year(s).

INTEREST ON THE PROGRAMMACTIC RESERVE BALANCE

Interest shall accrue on any balance of the Programmatic Reserve at the greater of the annualized interest rate that the SF Recology Companies credits the Solid Waste Fee Impound Account balances held by the company, prior to those amounts being transferred to the City, to cover Rate Board approved programs, or the annualized interest rate that the SF Recology Companies credits the approximately $10M Reserve Account held by the SF Recology Companies, that was funded by San Francisco Ratepayers. The Interest Rates for all Accounts, including but not limited to the Programmatic Reserve, the Balancing Account(s), the Reserve Account, Solid Waste Fee Impound Account and Zero Waste Incentive Account, shall be required to be reported on all Quarterly and Annual Rate Reports covered by the Refuse Rate Board's Rate Order.

Appendix J: Substituted Costs

DEFINITION

"Substituted Costs" means all Material, Elective Expenses incurred by the San Francisco Recology Companies (Recology Sunset Scavenger, Recology Golden Gate, and Recology San Francisco) not included in the cost base used to set rates in the 2023 Rate Order. For purposes of this definition, a Material Expense is an annual variance greater than $500,000 compared to each projected expense line item listed in Schedule G, as approved by the Refuse Rate Board in the Rate Order for Rate Year 2024 and Rate Year 2025. 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 customer service levels, refuse volumes or tonnage, including but not limited to, 1) the number of employees, employee overtime, and employee benefits to meet Service Level Agreement as adopted in the Rate Order, 2) associated fuel costs related to refuse collection and disposal, and 3) disposal and processing costs relating to those changes in refuse volumes or tonnage; (b) changes in employee costs due to Collective Bargaining Agreements (CBA) effective after July 24, 2023; (c) federal, state, local or other taxes or regulatory requirements; (d) GAAP required changes in accounting rules, to the degree said GAAP-basis Eligible Expenses were included in the Rate Order, i.e., GAAP changes that are related to Non-GAAP-basis, e.g. Rate-basis, Cash-basis, etc. shall not be permitted; (e) requirements of arms-length, third-party lease amendments or agreements relating to real property leased by any of the San Francisco Recology Companies; and (f) bad debt, limited to the revenues subject to rate setting pursuant to the Rate Order. In no event, shall uncollected revenues and bad debt, associated with Ratepayer revenues that are not subject to the Refuse Rate Board's Rate Order, be included as a Substituted Cost.

REPORTING AND NOTIFICATION

(a) The SF Recology Companies shall submit to the Refuse Rates Administrator a report of any and all Substituted Costs incurred by the San Francisco Recology Companies during the applicable reporting period, including a clear and complete description as to why the Substituted Costs were needed and not originally included for public review in the preceding rate change request submission. This report shall be due 60 days after the conclusion of the applicable reporting period and, in addition, be included as a scheduled in the applicable quarterly or annual Rate Report to ensure full public transparency.

Upon reporting of the Substituted Costs for the applicable rate year, and to the extent outlined and consistent with the provisions and definition enumerated above, the Refuse Rate Administrator shall have the right to review such Substituted Costs and may for good cause deny the SF Recology Companies the ability to include such Substituted Costs in its true-up calculation of actual above- or below-target profit following the end of Rate Year 2024 and the end of Rate Year 2025, as described in Appendix F, if the Substituted Costs were not considered to be Eligible Expense types as per the 2023 Rate Order. The Refuse Rate Administrator's determination described in the preceding sentence must be made within 30 days of receiving an annual report of Substituted Costs.

OBJECTION

The SF Recology Companies may file an objection to the Refuse Rate Administrator's determination with the Refuse Rate Board. Such appeal shall be in writing and shall be filed with the Rate Board not later than 30 days after the Refuse Rate Administrator's determination, with a copy to the Refuse Rates Administrator. If the Refuse Rate Board hears the matter and agrees with the objections, its decision will become effective at the beginning of the subsequent rate year unless the Refuse Rate Board states otherwise.

Appendix K: Zero Waste Capital Reserve Fund

1. Purpose

The Capital Reserve Fund is intended to accumulate funds in anticipation of future capital infrastructure investments necessary to serve San Francisco ratepayers. Building up a Capital Reserve Fund will help reduce the burden on San Francisco ratepayers at the time a capital infrastructure investment is made. The Capital Reserve Fund shall be held in an interest-bearing bank account to be managed by the SF Recology Companies and the interest crediting rate provided shall in no case be less than the rate being charged to SF Ratepayers on equipment leasing costs. The Capital Reserve Fund may not be used to fund additional services of the type to be funded by the Programmatic Reserve Fund though may be used as a rate stabilization mechanism. No allowed profit shall be allowed until Capital Reserve Fund balances are actually spent on capital approved by the Rate Administrator, who has the authority to approve up to $250,000 per Rate Year (RY), or the Refuse Rate Board for all amounts exceeding $250,000.

2. Funding and Withdrawals

In Rate Year 2024, the SF Recology Companies shall make equal monthly deposits into the Capital Reserve Fund which shall total $3,522,325, 1% of projected annual net revenue in the Rate Order for Rate Year 2024. Beginning February 2024, these deposits shall be made monthly and by the 15th calendar day of the end of the preceding month, ending after the ninth deposit.

The SF Recology Companies may submit a proposal for withdrawal of funds from the Capital Reserve Fund to cover expenses for capital infrastructure investments. All such submissions must explain the purpose of the capital infrastructure investment, its intended benefits for San Francisco ratepayers, its estimated cost, and the projected actual spending amounts and timeline. A submission may be made as part of a rate application and approved by the Refuse Rate Board as part of a process to change refuse rates or a submission may be made to the Refuse Rate Administrator outside of a rate application process. The Refuse Rate Administrator shall timely forward submissions for estimated costs of greater than $250,000 to the Refuse Rate Board. Review of submissions made outside of a rate application process shall begin within 30 days of receiving the submission and approval shall be granted or denied within 90 days of receiving the submission.

The SF Recology Companies may encumber but not withdraw from the Capital Reserve Fund funds approved amounts for capital infrastructure investment and may withdraw funds when actual costs are incurred. The dates for all deposits, encumbrances and withdraws shall be included in the quarterly and annual rate reports.

Upon completion of the capital infrastructure investment, the SF Recology Companies shall prepare a reconciliation of the actual costs of the capital infrastructure investment and include it in the quarterly and annual rate report.

3. Reporting

All activity of the Capital Reserve Fund in the applicable period shall be reported as a separate appendix in the quarterly and annual reports of the SF Recology Companies. The encumbrances and withdrawals, which must be based on incurred costs, from the Capital Reserve Fund shall be separately reported as a separate table in the quarterly and annual rate reports of the SF Recology Companies entitled "Amortization of Capital Reserve Funds for Capital Expenditures." The current period amortization will also be reported as a discrete line item on the current period capital expenditure expense as reported in Tables 9 and/or 10 of the rate reports. The withdrawals activity of the Capital Reserve Fund shall be included in the calculation of above- or below-target profit for the purposes of balancing account adjustments, in the year where actual costs are incurred. In no event shall, allowed target profit be permitted on the OR eligible capital reserve funded expenditures until costs are actually incurred by the SF Recology Companies.