



Refuse Rate Board

Order 002

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

Prepared by the Office of the Controller
 Jay Liao, Refuse Rates Administrator

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 is attached and incorporated herein as the Refuse Rate Board 2023 Rate Order, as well as the modified Refuse Rates Administrator’s Proposed Rate Order specifying the provisions in the Rate Order incorporated herein as Refuse Rate Order for Rate Year 2024 and Rate Year 2025.

Rate Order Summary

On March 7, 2023, Recology Sunset Scavenger and Recology Golden Gate submitted a request to increase rates to be charged for refuse collection services rendered to residential and apartment buildings. Recology’s 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 investigated 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 a 3.91% increase in Rate Year 2025, for a cumulative 2-year increase of 3.92%.

The Refuse Rate Board’s Rate Order set rates at no increase for the first three months of Rate Year 2024 and then increased rates by 1.33% on January 1, 2024 (3 months into Rate Year 2024) and 2.32% in beginning of Rate Year 2025, for a cumulative 2-year increase of 3.68%.

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 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.

Rate Year 2024 Refuse Collection Rates Schedule

The following schedules of refuse collections rates shall be charged effective October 1, 2023 and January 1, 2024, by Recology Sunset Scavenger and Recology Golden Gate in the City and County of San Francisco:

Description of Monthly Charge	10/1/23	1/1/24
Rates for 1-5 Unit Residential Buildings		
Base Charge for Service		
Per dwelling unit	17.55	17.78
Trash Volume Charge for Weekly Collection		
16-gallon bin	7.33	7.43
20-gallon bin (current customers only)	7.33	7.43
Premium for service above 32-gallons per dwelling unit	11.70	11.86
Recycling or Composting Volume Charge for Weekly Collection		
32-gallon bin	7.33	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.	12.53	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.	13.60	13.78
Weekly access charge per bin	7.88	7.98
Rates for 6 Unit and Larger Apartment Buildings		
Base Charge for Service		
Per dwelling unit	5.83	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	28.12	28.49
1-cubic yard bin	177.42	179.98
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	7.95
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.		

Rate Year 2025 Refuse Collections Rates

Recology shall increase the schedule of refuse collection rates from the Rate Year 2024 by 2.32% effective October 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.
- Residential and apartment rates apply to single and multi-family homes, flats, apartments, condominiums, tenancies in common, in-law units, lofts, live/workspaces (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.

Summary of Changes from Refuse Rates Administrator's Proposed Rate Order

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.