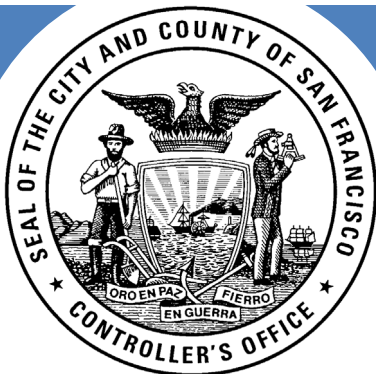


# Rate Order for Rate Year 2024 and Rate Year 2025



**CITY & COUNTY OF SAN FRANCISCO**

Office of the Controller, Office of the Refuse  
Rates Administrator

July 24, 2023

- Prop 218 Protests
- Prop F Objections and Comments
- Refuse Rate Order

## **Prop 218 Protests**

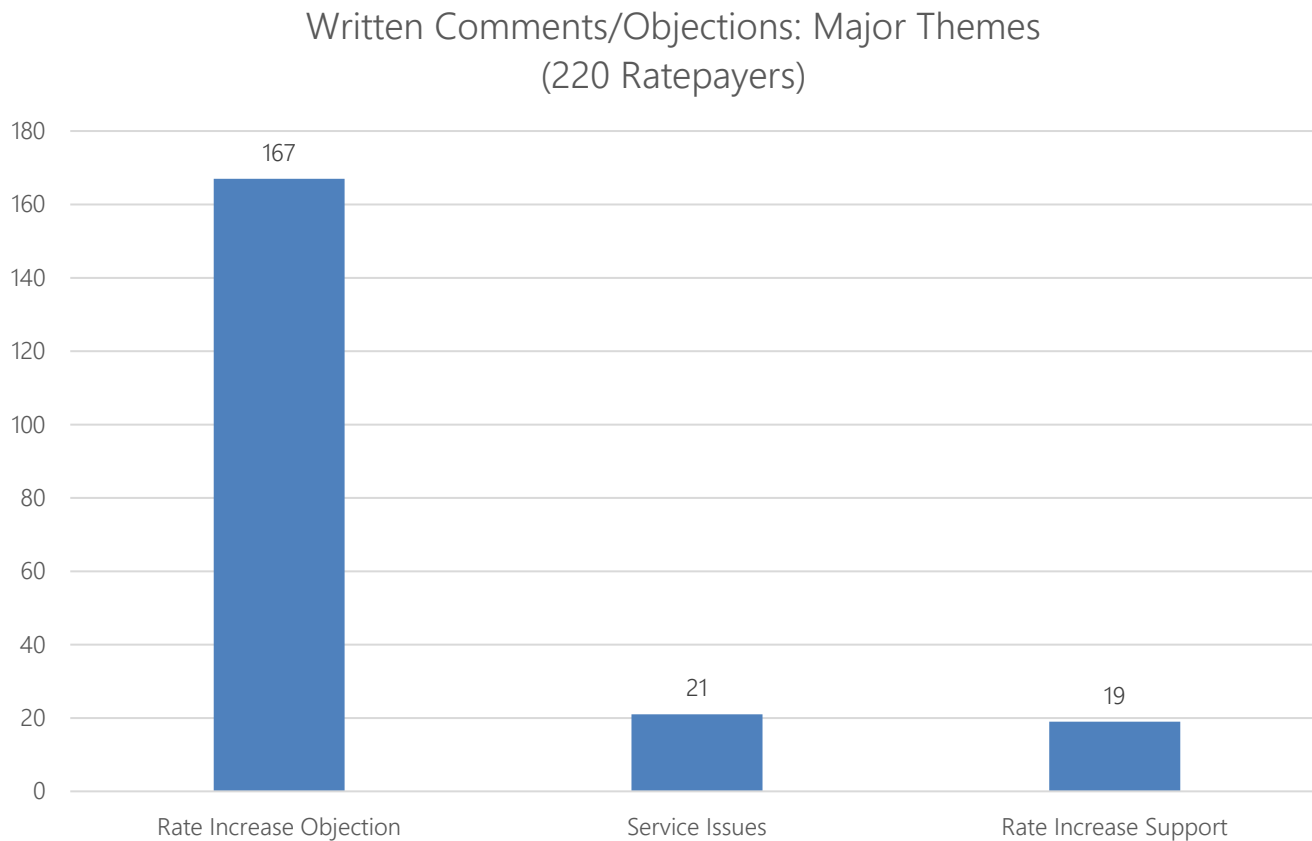
- Proposition 218 requires notification of proposed changes to rates for service to be sent 45 days prior to a scheduled public hearing.
- Prop 218 notices were sent on June 1, 2023. Prop 218 hearing occurs on July 24<sup>th</sup>.
- As of July 24, we have received 275 Prop 218 protests (0.2%).
- No rate changes may be imposed if a “majority protest” exists. 73,287 protests are required for a “majority protest.”
- The number of protests fails to meet the threshold for a majority protest.

## **Prop F Written Objections and Comments**

# Prop F Written Objection and Comment Hearing

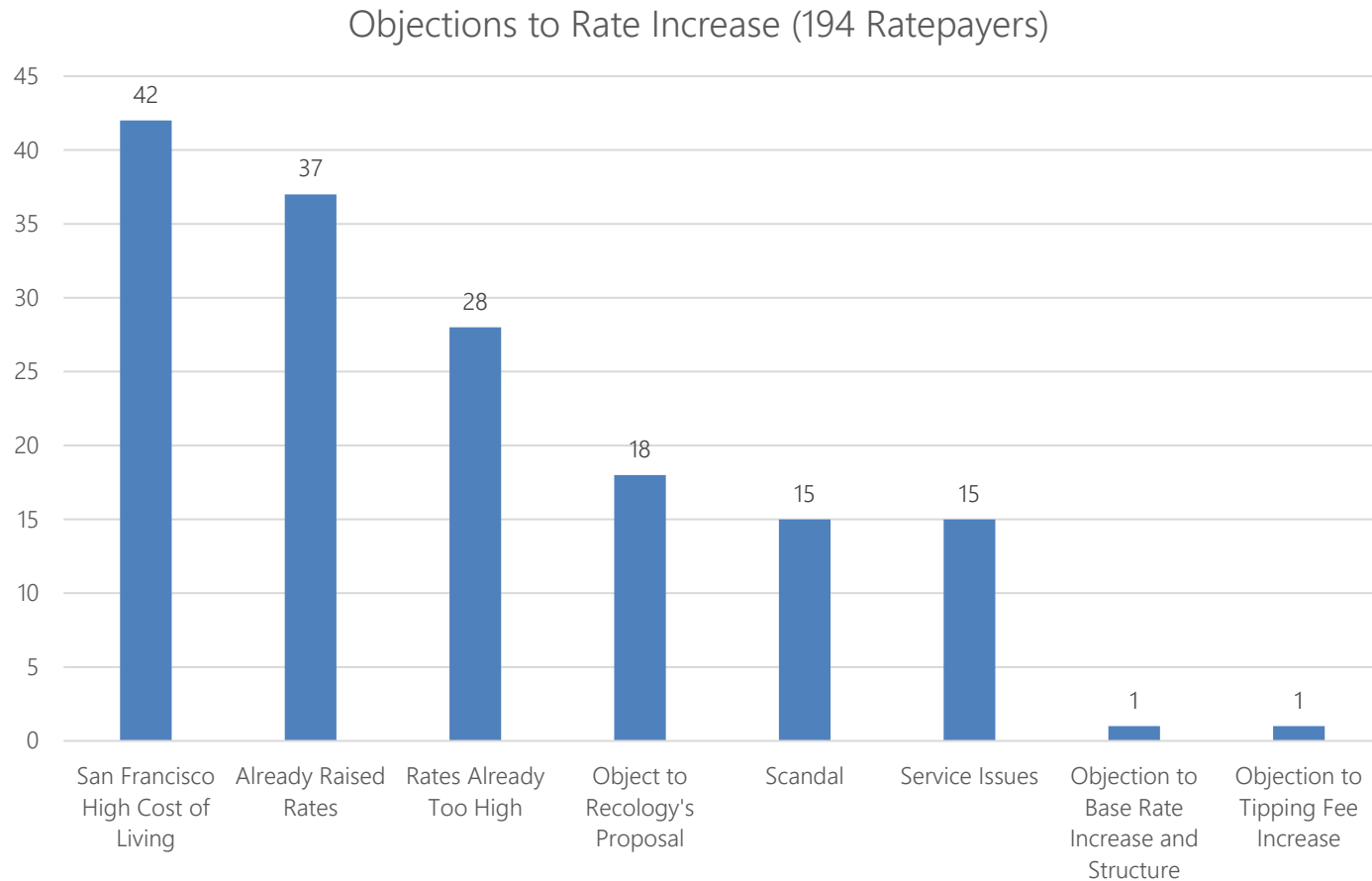
6

As of June 14, 2023, 220 ratepayers have filed written comment or objection.



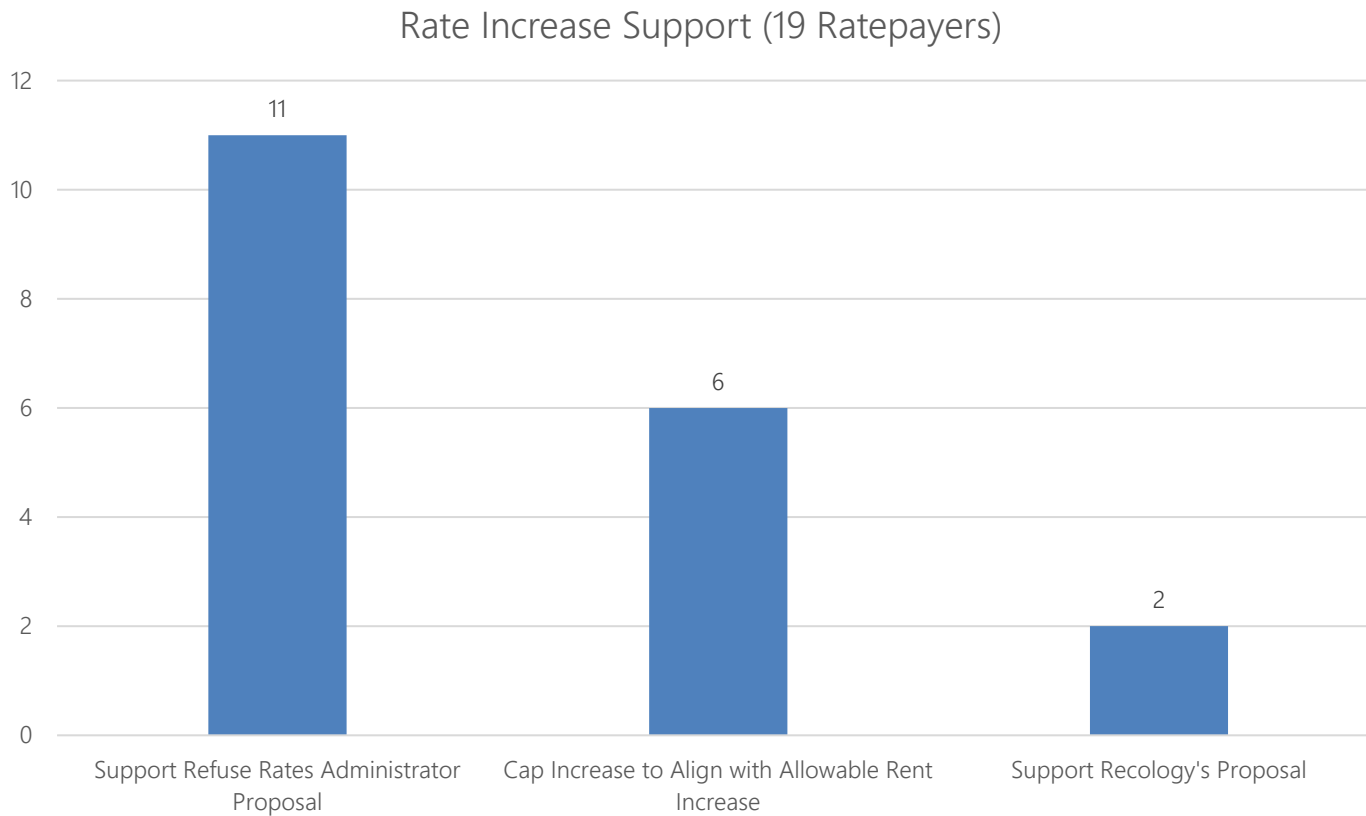
# Prop F Written Objection and Comment

Of the respondents who objected to a rate increase, the most common reason cited was that San Francisco is already an expensive place to live and that the rate increase compounds other costs increases.



# Prop F Written Objection and Comment

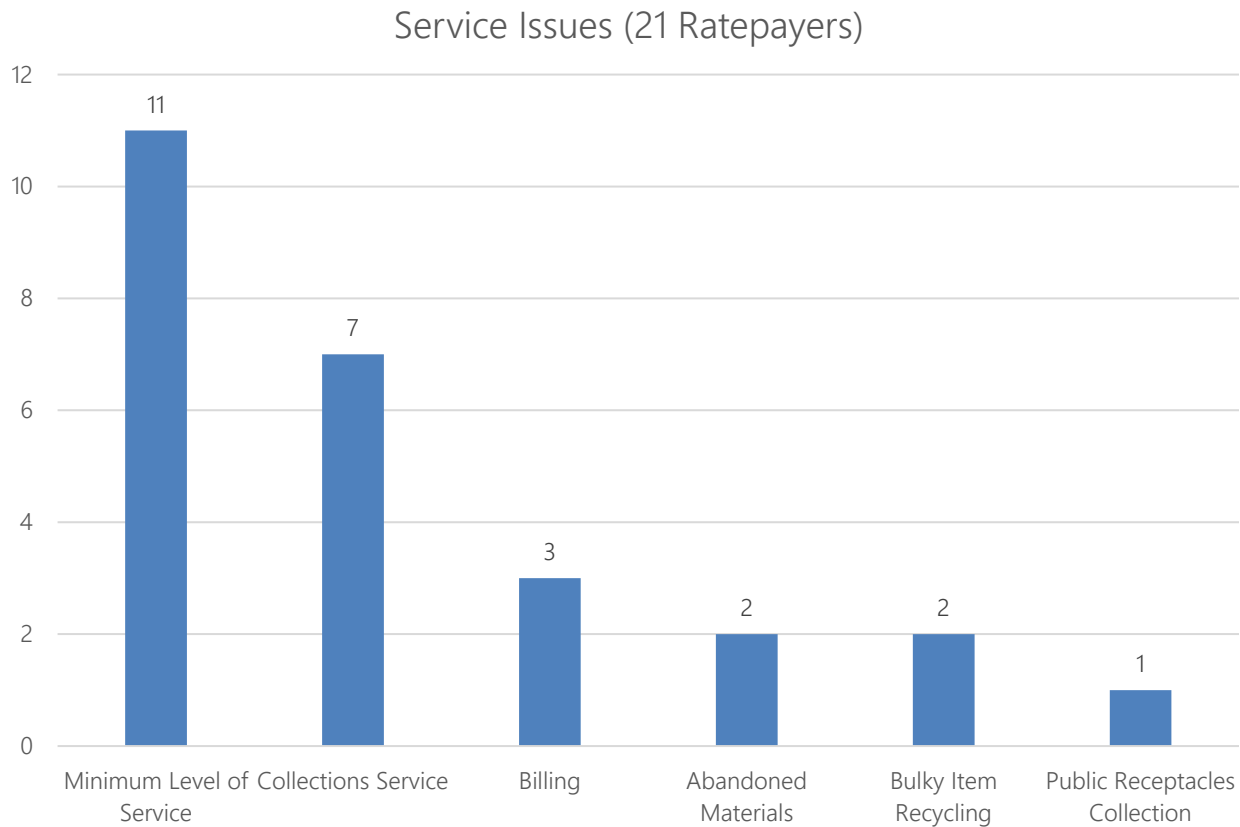
Of the respondents who supported some form of rate increase, 11 supported the Refuse Rates Administrator's Proposal





# Prop F Written Objection and Comment

Of respondents who made comments around Service Issues, 10 respondents requested lowering the minimum level of service.



Refuse Rate Order

# Rate Adjustment 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
<b>Effective Date</b>	<b>Oct 1, 2023</b>	<b>Oct 1, 2023</b>	<b>Jan 1, 2024</b>	<b>Oct 1, 2023</b>	<b>Oct 1, 2023</b>	<b>Oct 1, 2024</b>
% 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 sets rate to no change at the beginning of Rate Year 2024 on October 1, 2023. Then, on January 1, 2024 (3 months into Rate Year 2024), the Rate Order will increase rates by 1.33%.
- The Rate Order further increases rates by 2.32% in Rate Year 2025
- This will amount to a 3.68% cumulative 2-year increase, which is lower than Recology’s proposal of a 6.15% cumulative rate increase and the Refuse Rates Administrator’s proposal of a 3.92% cumulative rate increase.

# Rate Order New Investments

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Goal	Investment
<b>Maintaining Service Levels</b>	Estimated 3.4% increase in Rate Year 2024 and an additional 1% in Rate Year 2025, which accounts for negotiated salaries and benefits and growth in other costs to operations
<b>Enhancing Service Levels</b>	Abandoned Materials Collections: 2 new drivers and an additional zone to increase capacity by 20%
	Public Receptcales Collections: 2 new drivers and 2 additional routes. Increases capaicty by 20%.
	Enhancing Operations and Administration: 2 Relief Drivers to ensure adequate and regular collection; 2 Cardboard Pickup Drivers; additonal supervisors and amnagers to support new drivers, improve safety and efficiency in collections and maintenance; analytical support to address new reporting requirements.
<b>Ensuring Safety</b>	3 additional drivers to establish two-person routes as well as new supervisor for increased supervision.
<b>Improving Contamination and Diversion</b>	Organics Pre-processing Investment Trash Processing Pilot
<b>Building In Flexibility</b>	Programmatic Reserve to allow for City requests beyond Rate Order
<b>Finding Cost Savings</b>	Savings would not impact service delivery.
<b>Improving Reporting</b>	Increased reporting requirements for greater transparency and tracking of oepritional and financial performance.

# Rate Adjustment Summary

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

1. **Pensions Costs:** Pensions costs were adjusted so that annual contributions aligned with Target Normal Cost, resulting in a 5-year fully funded target.
2. **Corporate Allocations:** 5% cut in 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 this 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 funding to ZWIA, which has not correlated with landfill diversion for at least the last 10 years.

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:** 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.

The Refuse Rate Board ordered two other major changes:

- 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. This provision has no impact on rates.
- 2. Zero Waste Capital Reserve:** The Refuse Rate Board seeks to establish a Zero Waste Capital Reserve that would support future capital infrastructure investments, prioritizing Zero Waste Goals. During the June 26 hearing, the proposal would fund the Capital Reserve one-time at 1% of net revenue in Rate Year 2024.

## Rate Stabilization Fund Update

- Since the Refuse Rate Administrator's Proposed Rate Order was published, the Rate Stabilization Fund 2022 balance was updated.
- The balance of the fund was increased by \$230K from \$4.25 million to \$4.84 million.
- The Refuse Rate Board's Rate Order takes into account this balance increase and applies the entirety of the increase to Rate Year 2025.



# Public Receptacles Pickup

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- This Rate Order includes additional investments in Public Receptacle pickup:
  - 2 new drivers/trucks
  - 2 new routes
- This adds to the existing 10 drivers/trucks for a total of 12 drivers/trucks.
- This enhancement allows Recology to modify routes across the same area to include 2 new routes to the existing 10 routes, for a total of 12 routes.
- This effectively increases the capacity for public receptacle pickup by 20% for all 7 days of the week.
- In addition, the Rate Order memorializes a service level agreement where Recology will pickup all overflow bins when noticed, places on-time performance standards for both sensed and non-sensed notices up to a certain number of pickups, and establishes maintenance requirements, clean-up service around the bins, and reporting requirements.

- Recology, the Refuse Rates Administrator, and the Department of Public Works has come to agreement on Public Receptacles Collections. The Provisions include:
  - Pick-Up Requirements:
    - For 241 Notices Per Day and 87,825 notices per year service levels:
      - Within 2 Hours for full/overflow, non-sensored notices
      - Within 8 Hours when sensors notice at 75% capacity
    - No cap on pickups, but any notices in excess of 241 per day and 87,825 per year will not be held to these response times.
  - Debris Cleanup: Materials bagged, boxed, bundled or contained will be collected within a 5-foot radius of a public receptacle
  - Can Maintenance: Liners will be replaced for all City cans. Doors will continue to be replaced for receptacles with outer facings of concrete.
  - Reporting: Includes, pickup, on-time performance, tons, as well as tracking of replacement liner and door use for maintenance.

# Additional Enhancement Proposal

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- Implement 2 additional abandoned waste sweep routes (similar to Zone K and Bayview)
- Sweep routes to be deployed to collect materials in highly impacted areas and address urgent material issues
- Sweep routes to run all 7-days per week (i.e., Monday – Sunday)
- Sweep routes to run at agreed upon times – estimated to be 12:00pm – 8:30pm to provide afternoon coverage in impacted areas such as neighborhood commercial/corridor areas
- Sweep routes to operate in sweep fashion in select neighborhood corridors – including but not limited to: Bayview, SoMA, Tenderloin, Chinatown, Mission, Excelsior, Castro, Sunset and Richmond
- Estimated annual total cost to be \$640,000
- Assumes using existing trucks for this rate period