



Refuse Rates Administrator's Report



Office of the Controller
Office of Refuse Rates Administration

September 30, 2024

Report Items

1

Introduce Controller and Deputy Controller

2

Introduce New San Francisco Fellow

3

Rate Order Implementation Update

4

Rate-Setting Process



Rate Order Implementation Update

Office of Refuse
Rates Administration

Rate Order Implementation Update

- **Impound Account Procedures**—Status Update
- **Establishing Rate Reports**—Status Update
- **Rate Monitoring**
 - Service Enhancements and Project Overview
 - Abandoned Materials Collection Study
 - Performance Metrics Framework Proposal
 - HF&H
 - Capital Planning
 - Cost Allocation
 - Common Practices
 - SB 54



Establishing Rate Reports

- The Rate Order specified 27 different types of reporting requirements. 14 of which are new or modified.
- Development of new reports and reporting formats has been completed. All quarterly reports have been implemented.
- Reached agreement Agreed Upon Procedures (AUP) for third-party auditor to reconcile rate reports with annual audited financials, confirm property revenues and costs, and confirm balancing account.

Type of Report	Required Reporting	Frequency
Financial Reports	Annual Audited Financials	Annual
	Pension Report	Quarterly
	Collective Bargaining Agreement Cost Estimates	Ratification
Rate Reports	Quarterly Rate Reports	Quarterly
	Annual Rate Report	Annual
Operations Reports	Monthly Route Collection Reports	Monthly
	Report by Line of Business	Annual
Customer Reports	Customer Communication Tracking	Quarterly
	Apartment & Commercial (AR and ALTAR Accounts)	Monthly
	Commercial & Apartment Customer Outreach for Source Separation	Quarterly
	Refuse Separation Compliance	Quarterly
	Special Event Service	Quarterly
Processing and Disposal Reports	Compost Procurement and Distribution	Annually
	Where our Recyclables Go	Quarterly
	Weight Scale Records	Annually
Program Reports	Household Hazardous Waste	Quarterly
	Abandoned Materials	Quarterly
	Public Receptacles	Quarterly
	Other Program Metrics	Quarterly
	Contamination Charges and Recovery Discount Removals	Quarterly
Delinquent Account Reports and Files	Commercial Delinquent List	Monthly
	Complaint of Nonpayment PDF and CSV file	Monthly
	Pre-Summary File	Monthly
	Summary File	Monthly
	Real Transmission File	Monthly
	Copies of Collector's bills issued to account holder	Monthly
	Documents Needed to Process and Validate Records	Monthly

Service Enhancements and Project Overview

Contamination Mitigation and Diversion



Source Separation

- **Contamination Outreach and Enforcement Protocols:** Additional support for Waste Zero team, development of new contamination procedures.
- **On-Board Camera Pilot:** Piloting six cameras on collections trucks to identify contamination.

Post-Collections Processing

- **Trash Processing Pilot:** Testing San Francisco trash at trash processing facilities to determine impacts on diversion.
- **Organics Pre-Processing:** Testing efficacy of screening of organics at the transfer station

Approved Studies



- **Pier 96 Seismic Study:** Port requiring Recology to conduct a seismic study of Pier 96. Impound fund balance approved use.
- **Waste Characterization Study:** Impound fund balance approved use.

Other Enhancements



Admin and Operations

- **Administrative Support:** 2 analysts for additional rate-related analytical support and to address new reporting requirements.
- **Operational Enhancements:** 2 Relief Drivers to ensure regular collection and 3 additional drivers to establish two-person routes as well as a new supervisor for increased supervision.

Clean Streets

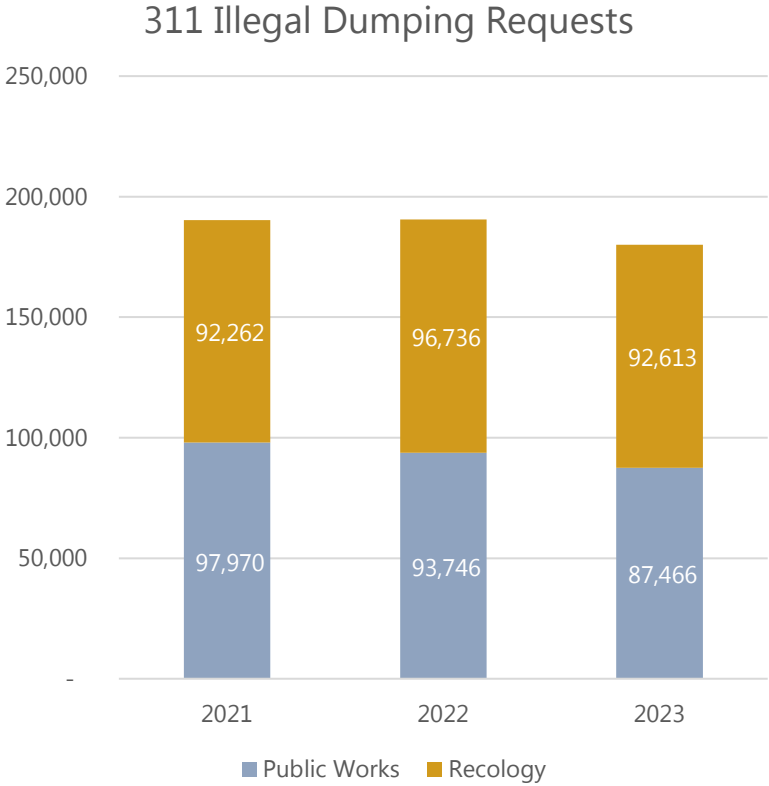


Collections

- **Public Receptacles Pickup:** Added 2 new PRC routes and 2 new trucks/drivers.
- **Abandoned Material Collections:** Increased AMC zones from 5 to 6. Added 2 new trucks/drivers.
- **Cardboard Pickup:** Added 2 Cardboard Pickup Drivers
- **Weekend Cleanup Events:** Each Supervisorial District will have an annual weekend clean-up events for residents to drop-off bulky-items

Abandoned Material Collections: Illegal Dumping Programs

Department of Public Works	Recology
<ul style="list-style-type: none"> • Responds to 311 requests in 6 zones (i.e. Litter Patrol) • M-F Proactive Bayview Sweeps w/Recology • Outreach and Enforcement Team (OnE) • Volunteer clean-up events (800 in 2023) • Manages public garbage can sensor pilot to prevent overflowing cans. 	<ul style="list-style-type: none"> • Responds to 311 requests and maintains 6 illegal dumping zones. • M-F Proactive Bayview Sweeps w/DPW • Zone K Proactive Route (Tenderloin, Chinatown, North Beach, FiDi) • Operates 3 cardboard-only routes • Administers Bulky-Item Recycling program • Services 3,000+ public garbage cans.



Abandoned Material Collections: Alignment



Alignment Findings

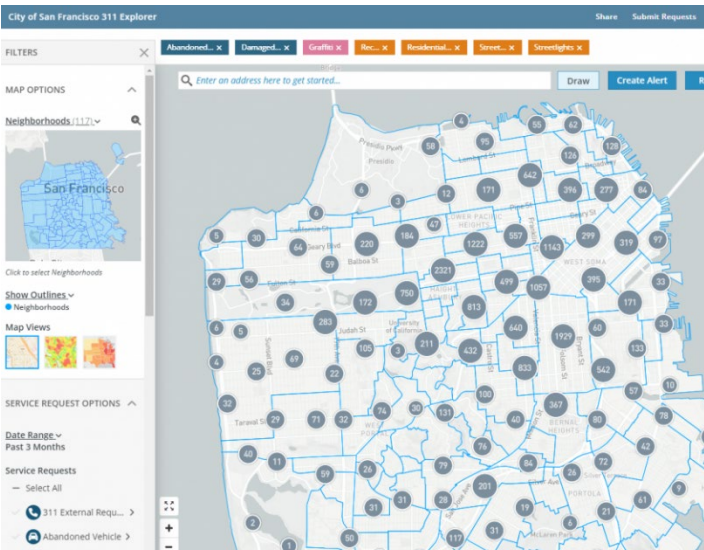
- Definitions for illegal dumping and geographics boundaries differ across City Departments
- San Francisco does not have framework to guide illegal dumping mitigation activities
- Recology is required to report performance metrics. Public Works currently has no requirement under the Rate Order.



Alignment Recommendations

- Come to clear consensus for illegal dumping in San Francisco. (Public Works, 311, Recology)
- Establish a clear goal to advance current and future illegal dumping work. (Public Works)
- Establish the same basic reporting measures for illegal dumping work conducted by Recology and Public Works to the Refuse Rates Administrator in future Rate Order. (Public Works, Refuse Rates Administrator)

Abandoned Material Collections: Data Collection Protocols

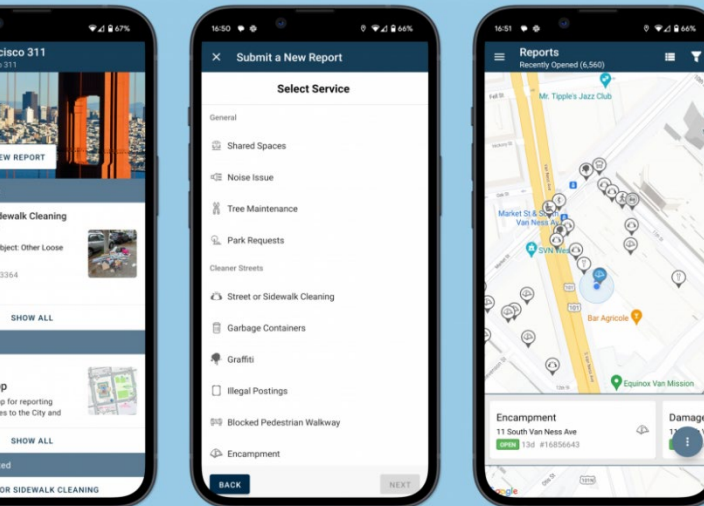


Data Collection Findings

- 311 tickets are not updated after on-site personnel respond to illegal dumping tickets. This makes the data collected less reliable and leads to inaccurate records of material types, resolution reasons, and ticket transfers.
- Labeling Nordsense notifications to service cans as an “overflow” in 311 is misleading for reporting purposes and to the public.
- There is very little data available of where illegally dumped material is coming from in the City. Any evidence is anecdotal and not collected through 311.

Data Collection Recommendations

- 311 staff should establish a closure protocol for illegal dumping tickets that include 311 staff updating “Nature of Request,” “Request Type”, and “Closure” based on on-site information documented in Closure Description. (311)
- Create a new “Source” category in 311 and ask Public Works/Recology on-site personnel to input source of illegal dumping (Resi/Com/Other) when completing tickets. (311, Public Works, Recology)
- Update categories to better track information: Create “Nordsense Sensor Request”, clear “illegal dumping” category, update “Case Resolved” to “Case Closed” and have discrete Closure Descriptions/Status Notes categories. (311)



Abandoned Material Collections: Performance Metrics



Performance Metric Findings

- Recology is generally meeting the requirements of the SLA and the SLA's are tracking Recology's performance adequately. Minor adjustments to reporting are needed to more clearly document performance.
- Bulky-Item Recycling (BIR) is minimally reported and currently underutilized compared to prior years, and is largely used by single-family residents.
- SLA performance metrics only cover material collected by Recology from 311 requests and the Public Receptacles Collection program. More resources are needed to prevent and capture unreported illegal dumping through piloting new strategies.



Performance Metric Recommendations

- Reporting Adjustments (Refuse Rates Administrator, Recology):
 - Report AMC customer calls coming directly to Recology. Separately report AMC tons (currently combined with street sweeping tons)
 - Adjust "Daily Limit" to include stated prioritization for completing overflowing requests over sensor requests. Include provision to complete all overflowing container tickets received within two hours.
- Require Recology to report total number of requests for BIR by account type and participation rate. Require annual outreach. (Refuse Rates Administrator, Recology)
- Add annual budget for illegal dumping pilot projects to be agreed upon before the start of each rate-setting process. (Public Works, Refuse Rates Administrator, Recology)

Performance Metrics Proposal

Objectives:

- Establish performance standards
- Monitoring and analysis to ensure accountability
- Improved reporting

Products:

- Database
- Online dashboards
- Annual performance report



Performance Metrics Selection Criteria

S.M.A.R.T.

- Specific
- Measurable
- Adequate
- Relevant
- Time-bound

Limitations

- Data can be Collected
- Ability to Impact Results
- Stakeholder Buy-In

Focus for Dashboards

- Of interest to the general public
- Aligned with the City's goals

Performance Metrics Categories

1

Rate Fairness and Stability

Focus on cost of service – Expectations from refuse perspective and general utility perspective

2

Reliability of Service

Ensure residential services are provided and held to established standards

3

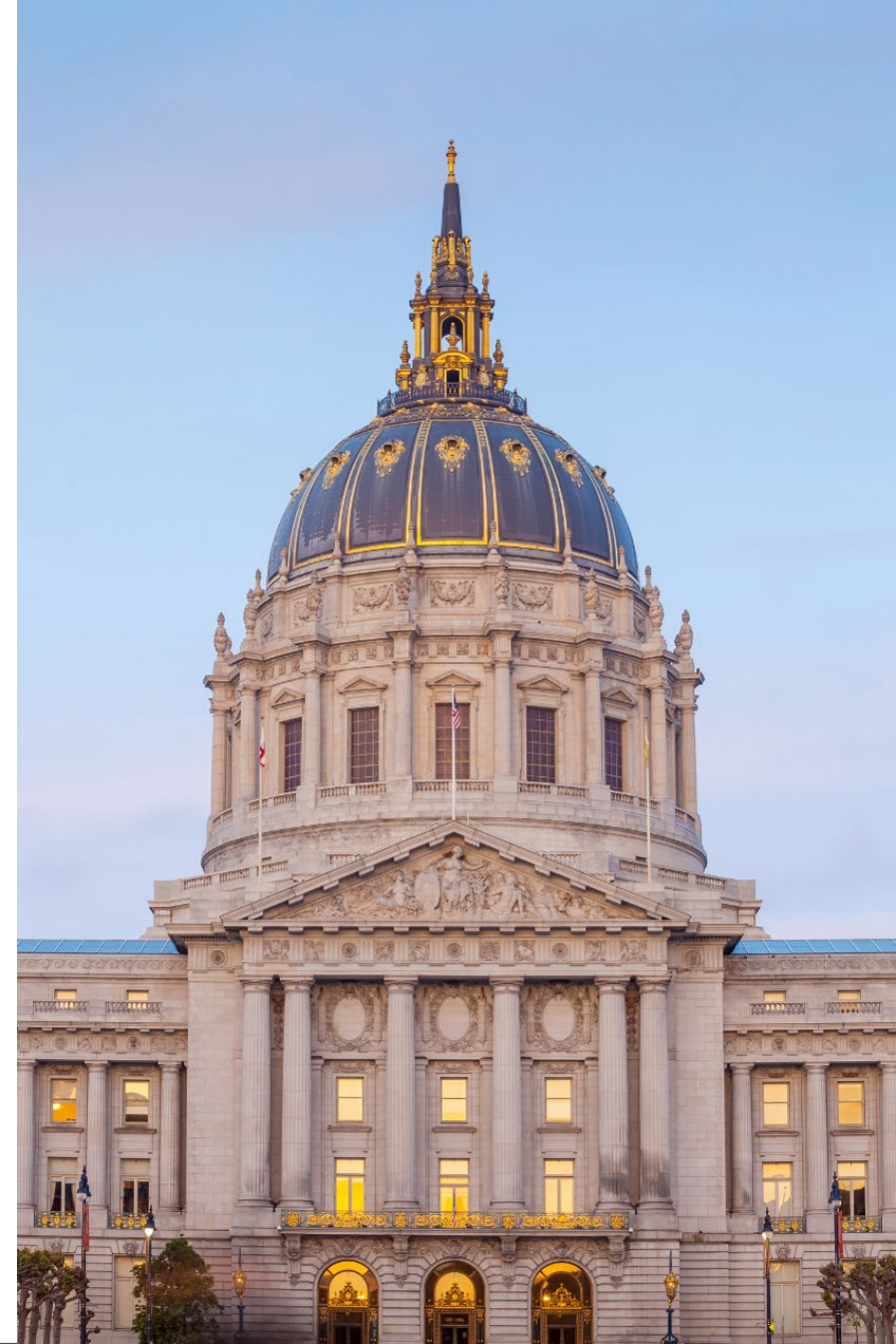
Environmental Goals

Measure efficacy of projects in reducing overall waste and greenhouse gas emissions and improving material recovery

4

Rate Monitoring

Ongoing analysis to ensure all programs meet ratepayers' expectations and comply with the Rate Order and other legislative requirements



Potential Performance Metrics Categories

Rate Fairness and Stability	Reliability of Service	Environmental Goals	Rate Monitoring
<p>SF Residential Refuse Collection Rates vs.:</p> <ul style="list-style-type: none"> • CPI • Average of Similar CA Jurisdictions • Other Utilities (Phone, Electric/Natural Gas, Gasoline, Water/Sewer) <ul style="list-style-type: none"> • Average monthly cost and/or comparison of annual increase in cost 	<ul style="list-style-type: none"> • Annual Customer Satisfaction Survey • % of On-Time Refuse Collection vs. Missed Pickups • Customer Call Wait-Times and Dropped Calls • In-Language Customer Support Services 	<ul style="list-style-type: none"> ▪ Landfill, Recycling, and Composting Rates ▪ Mandatory recycling and compost compliance rate ▪ Number of households/businesses contacted about what goes where ▪ Number of accounts with active contamination charges ▪ Number of businesses committed to using reusable foodware ▪ Street cleanliness, spilled trash 	<ul style="list-style-type: none"> • Ongoing Database Updates • Refinement and Goal-Setting • Annual Detailed Report • Department and Impound Account Metrics

Performance Metrics Steps

Performance metric selection – Working with stakeholders and evaluating metrics

Rate Order Proposal - Inclusion in proposed rate order for input from Rate Board

Phase 1:
Sept – Oct 2024

Phase 2:
Oct – Dec 2024

Phase 3:
Jan – Jul 2025

Phase 4:
Aug – Oct 2025

Product development – Database development, data collection, dashboard development, annual report format development

Implementation of dashboards and reports – Dashboard launch, annual report publication, collection of new data, implementation of reporting

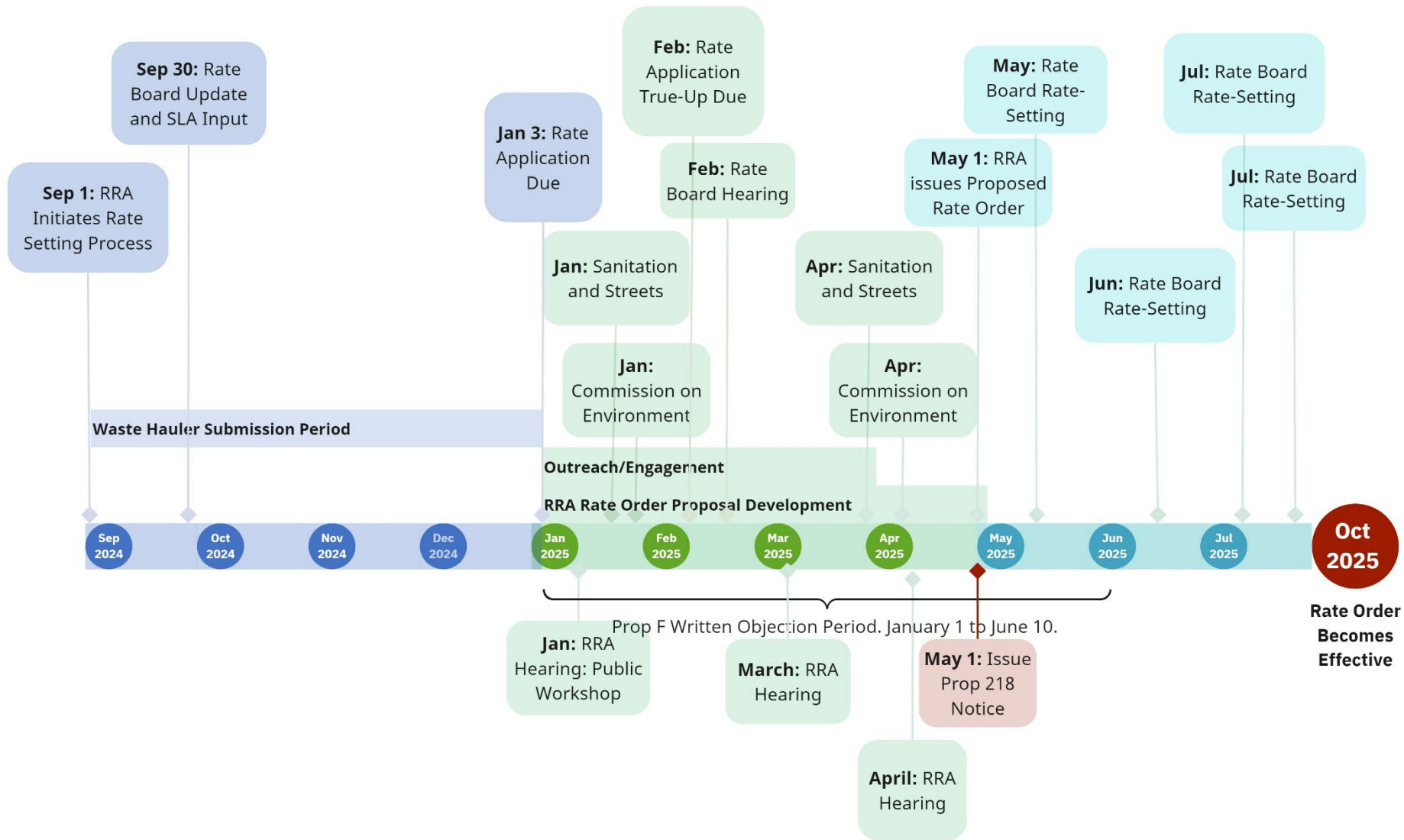
Rate-Setting Process 2024-25

**Office of Refuse
Rates Administration**

Rate-Setting Process

Phase I: Rate Application	Phase II: Rate Order Development	Phase III: Rate Board Hearings
<p>Rate Application</p> <ul style="list-style-type: none"> • Shared Rate Model • Supplemental Schedules for Revenue and Operational Validation • Program Cost Forms <p>Application Submission</p> <ul style="list-style-type: none"> • Regulated hauler to address administrative and operational needs, as well as City priorities. • Department Impound Account Proposals 	<p>Rate Review</p> <ul style="list-style-type: none"> • Financial, Operational, and Program Analyses • Research • Jurisdiction Comparisons <p>Record Building</p> <ul style="list-style-type: none"> • Interrogatory Process • Refuse Rate Administrator's Hearings • Commission hearings <p>Ratepayer Input</p> <ul style="list-style-type: none"> • Prop F Written Objections • Stakeholder Meetings • Focus Groups 	<p>Proposed Rate Order</p> <ul style="list-style-type: none"> • Refuse Rates Administrator's Report • Proposed Rate Order • Prop 218 Mailers <p>Refuse Rate Board Hearings</p> <ul style="list-style-type: none"> • Consideration of Refuse Rates Administrator's Proposed Rate Order • Consideration of Prop F Written Objections as presented by the Refuse Rates Administrator • Prop 218 Protest Determination

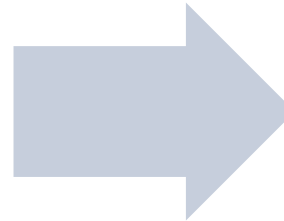
Rate-Setting Timeline



Rate-Setting 2024-25 Improvements

Rate-Setting 2023

- Set up new transparent rate-setting process, prioritizing transparency and accountability.
- Established financial controls and reporting requirements
- Invested in immediate operational and administrative needs



Rate-Setting 2024-25

- Improve rate-setting process
- Improve rate-monitoring tools
- Address capital needs and mitigate long-term costs



Process and Rate Monitoring Improvements

Relieving Time Pressure

- Extended rate-setting period by 4 months
- Determining City priorities and initial cost estimates during rate application period
- Outline Service Level Agreements during rate application period

Improved Ratepayer Outreach/Engagement

- New outreach channels: BOS Newsletters, Recology Newsletter, Targeted Email Campaign
- Key Stakeholder Meetings (e.g. Small Property Owners of SF, SF Apartment Association, etc.)
- Focus Groups

Improved Rate Review

- Shared rate model
- New supplemental schedules for additional revenue and operational detail to improve validation
- Program forms to distill specific program costs and outline program parameter

Rate Monitoring Improvements

- Separating Refuse Rate Administrator's Report from Rate Order
- Improved Rate Order format, prioritizing implementation
- Comprehensive Performance Tracking
- Improved Customer Service Monitoring



Possible Rate Impacts

End of One-Time Savings

- Rate Stabilization Fund (\$2.7M)
- ZWIA (End RY24, \$5.3M)
- Corporate Allocations (\$784k)
- Pension Costs (\$6.2M)

External Factors

- Business Tax
- Economic Factors
- SB54 (Could lower rates)
- ZEV Requirements



Rate Expenditures

- Capital Needs
- City Priorities/New Projects
- Balancing Account

Capital Needs and Long-Term Cost Mitigation

- Advanced Clean Fleet: Zero Emissions Vehicles Transition
- Post-Collection Processing:
 - Trash Processing
 - Recyclables Processing
 - Organics Processing
- IT Infrastructure Modernization



City Priorities and New Initiatives

Environment Department

- Trash Processing
- Diversion Discount Base Adjustment
- Re-Use
- Contamination Mitigation and Enforcement
- Other Zero Waste Initiatives

Public Works

- Clarify Service and Memorialize Expectations to Improve Cleanliness
- Deployment of City Trash Cans
- Abandoned Materials
- Self-Haul

Controller

- Move Refuse Rates Administration into Rates
- Additional Rate Monitoring Support
- Customer Satisfaction Survey

Balancing Account

- A notional balancing account was created that would increase or decrease based on profits earned or losses incurred for Rate Years 2023-24 and 2024-25.
- The amount in the notional balancing account is 50% of estimated profits earned above or below the target profit that would be earned based on the 91% Operating Ratio on eligible costs.
- Any balance at the end of the rate cycle, positive or negative can be allocated over the subsequent five rate years.
- Our office is anticipating a negative balance at the end of the rate cycle.



Credit and Rate Reduction Approval

The Refuse Rate Board is being asked to vote on endorsing the following actions to be taken by Recology:

Recology will issue a retroactive credit for Sunset Scavenger and Golden Gate Customers

- A credit equivalent to 1.91% would be issued to all ratepayers billed between October 1, 2023 and December 31, 2023.
- A credit equivalent to 3.24% would be issued to all ratepayers billed between January 1, 2024 and September 30, 2024.
- Recology San Francisco issuing credit adjustments to self-haul customers equivalent to 1.78% of the total per-ton tipping fees paid by such customers on refuse tons delivered to the Recology San Francisco transfer station by such customers between October 1, 2023 and September 30, 2024.
- If a ratepayer eligible for a credit adjustment as provided above no longer has an account with Recology Sunset Scavenger or Recology Golden Gate, Recology Sunset Scavenger or Recology Golden Gate will use good faith efforts to locate the ratepayer and refund them an equivalent amount.
- If a self-haul customer eligible for a credit adjustment as provided above did not have or no longer has an account with Recology San Francisco, Recology San Francisco will use good faith efforts to identify and locate the self-haul customer and refund them an equivalent amount.

Recology will reduce the planned October 1, 2024 increase

- Tipping Fee: Change adjustment to tipping fee from 3.08% to 1.39%, which would lower the anticipated tipping fee from \$248.52 to \$244.44, effective October 1, 2024.
- Collections Adjustment: Change adjustment to anticipated rate changes for collections fees from 2.47% to -1.01%, effective October 1, 2024.