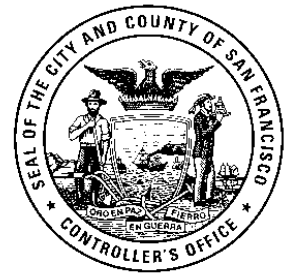


# Refuse Rate Application Instructions

For Rate Cycle Beginning Rate Year 2025-26



September 3, 2024

City & County of San Francisco  
Office of the Controller  
Office of Refuse Rates Administration

## About the Office of Refuse Rates Administration

The Office of Refuse Rates Administration (RRA) was created in the Office of the Controller through an amendment to the Refuse Collection and Disposal Ordinance that voters approved in June 2022. The amendment requires that the RRA 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. RRA ensures the financial integrity of the refuse rate setting process, and promotes efficient, effective, and accountable service by:

- Regularly monitoring refuse rates and appear before the Refuse Rates Board to recommend rate adjustments or propose changes.
- Providing actionable recommendations to city leaders to promote and enhance accountability and improve the overall performance and efficiency of refuse collection, processing, and remediation.
- Facilitating the refuse rates public review process and investigating reports received of fraud, waste, or abuse of public resources.

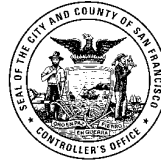
### Office of Refuse Rates Administration:

Greg Wagner, *Controller*

ChiaYu Ma, *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](mailto:CON-RefuseRatesAdministration@sfgov.org)



<http://www.sfcontroller.org>



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# Introduction

In June 2022, San Francisco voters passed Proposition F, making the Controller's Office the City's Refuse Rates Administrator. Proposition F also restructured the membership of the Refuse Rates Board, modified the process by which refuse rates are set, and established new processes for how future changes shall be made. 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 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 Refuse Rate Administrator, shall be conducted in line with high professional ethical standards.

The Refuse Rates Administrator is responsible for proposing a rate order to the Refuse Rate Board. As part of the Proposed Rate Order, the Refuse Rates Administrator will consider applications for changes to the rates. This document provides information on how to submit a Rate Application to adjust rates for the next rate cycle beginning October 1, 2025. All applications will be due January 3, 2025.

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# Rate-Setting Process

Issuance of the Refuse Rate Application Instructions by The Office of Refuse Rates Administration effectively initiates a rate-setting process to set refuse rates for the next two-to-five-year rate cycle beginning with Rate Year 2025-26.

## **Phase 1: Rate Application**

Both regulated and unregulated entities may submit proposals to change refuse rates. Any submissions will be included as part of the public record documenting the rate-setting process. The deadline for submission is January 3, 2025. Regulated entities will have an opportunity to amend their application on February 4, 2024 to account for any Rate Year 2023-24 timing true-ups.

## **Phase 2: Rate Application Review and Report**

The Office of Refuse Rates Administration will conduct a review of any Rate Application submitted and produce a report evaluating proposed changes to inform the Refuse Rates Administrator's Proposed Rate Order.

### ***Research and Analyses***

The Office of Refuse Rates Administration will conduct analyses and research of any assumptions, forecasts, or proposed changes to provisions in services by analyzing financial and operational reports, conducting jurisdictional surveys for comparisons, evaluating assumptions and forecasts, analyzing proposed changes to services, and conducting research legislative compliance.

### ***Interrogatory Process***

The Office of Refuse Rates Administration will conduct a publicly documented Interrogatory Process where the Office will submit formal written inquiries about the application or requests for additional information to applicants. Applicant responses will also be submitted into public record.

### ***Refuse Rates Administrator Hearings***

During this phase, the Refuse Rates Administrator will conduct two to three Refuse Rates Administrator Hearings intended for the Office of Refuse Rates Administration staff to gain a full understanding of the rate application, to request additional documentation, and to facilitate public input and understanding of issues involved.

### ***Proposition F Written Objection***

The Office of Refuse Rates Administration will facilitate a process by which any member of the public may provide written input either virtually or by mail. All written input will be compiled, analyzed, and presented to the Refuse Rate Board for consideration during Refuse Rate Board hearings.

### ***Refuse Rate Board Hearings, Commission Hearings, and Public Input***

The Refuse Rates Administrator will require applicants to present to the Refuse Rate Board, the Streets and Sanitation Commission, and the Commission on Environment with the intent of seeking

input from their members on any proposed service changes or rate changes, to request any additional documentation, and to facilitate public input through public comment.

***Other Stakeholder and Public Input***

The Refuse Rates Administrator may require applicants to participate in meetings with various stakeholders and members of the public for additional public input.

**Phase 3: Proposed Rate Order Issuance and Final Rate Order Adoption**

The Refuse Rates Administrator will take into consideration all public records generated through this process and develop a Proposed Rate Order that will include proposed rates and detail programs and service to be provided.

The Rate Board is required to conduct a hearing within 30 days of receipt of the Refuse Rates Administrator's Proposed Rate Order. The Refuse Rate Board is anticipated to conduct 2-4 hearings to review the Proposed Rate Order, to request additional information, studies, or investigations, and to consider public input, both written and oral. Upon conclusion of the hearings, the Refuse Rate Board may adopt a new Rate Order.

In the final Rate Board Hearing, the Rate Board will also hear the results of submitted Proposition 218 protests. Property owners will be sent notice at least 45 days ahead of this hearing and may protest the proposed rate changes. If a majority of affected property owners protest then the proposed fee will be rejected.

## Anticipated Timeline

The timeline below is to give applicants a general sense of timing for the rate-setting process. Finalized dates will be posted on [the Refuse Rates Administrator's website](#).

Description	Dates
<b>Phase I: Rate Application</b>	
Initiation of Rate-Setting Process and Application Instructions Released	9/3/2024
Rate Application Due	1/3/2025
<b>Phase II: Rate Application Review and Report</b>	
Proposition F Written Objection Open	1/3/2025
Refuse Rates Administrator Hearing #1	3rd Week of January
Streets and Sanitation Commission Hearing #1	Month of January
Commission on the Environment Hearing #1	Month of January
Impound Account Budget	End of January
Rate Application True-Up (Recology Submission Revised Q4 and Impound Account True-Up)	1st Week of February
Refuse Rate Board Hearing #1	2nd Week of February
Refuse Rates Administrator Hearing #2	2nd Week of March
Refuse Rates Administrator Hearing #3 If needed	1st Week of April
Proposition 218 Mailer Drafted	3rd week of April
Streets and Sanitation Commission Hearing #2	Month of April
Commission on the Environment Hearing #2	Month of April
Office of Refuse Rates Administration Report Issued	5/1/2025
<b>Phase III: Proposed Rate Order Issuance and Final Rate Order Adoption</b>	
Proposed Rate Order Issued	5/1/2025
Proposition 218 Notice Mailed	5/1/2025
Refuse Rate Board Hearing #2	Week of May 12
Refuse Rate Board Hearing #3	Week of June 16
Refuse Rate Board Hearing #4: If Needed	Week of July 14
Refuse Rate Board Hearing #5: If Needed	Week of July 28

# Application Instructions

## ***Regulated Entities***

Regulated entities seeking to propose changes to the rates must file an application with the Office of Refuse Rates Administration that is substantially in the format specified in these instructions. Applicants may propose modifications to the standardized format, provided the application contains comparable information that allows for adequate evaluation and validation by the Office of Refuse Rates Administration.

The Office of Refuse Rates Administration has provided four forms to be used for applications:

- [Collections Rate Model](#)
- [Post-Collections Rate Model](#)
- [Supplemental Schedules](#)
- [Program/Service Form](#)

In addition, applicants will be expected to provide a narrative summary of their application and of their assumptions, as well as rate sheets for any proposed rate changes.

The deadline for submitting this application to the Office of Refuse Rates Administration is January 3, 2025. If no application is received, the Refuse Rates Administrator may make any recommended rate changes to the Refuse Rate Board or upon no action, the existing Rate Order will be extended.

An application true-up will be allowed on February 4, 2024. This true-up will allow for revisions to estimates based on Rate Year 2023-24 fourth quarter actuals and any changes to the City's Solid Waste Impound Account budget.

## ***Non-Regulated Entities***

Members of the public or other persons that are not regulated entities do not need to file in the format specified in these instructions, but must include:

- Statement of how the entity or person is affected by the rates
- Narrative summary of the desired increase, decrease, or adjustment in the rates, and the reasons and justification for the proposed changes
- Relevant documentary evidence, written statements, reports, and any other factual or evidentiary support for the requested change.

## ***Office of Refuse Rates Administration Support***

All applicants may request support from [the Office of Refuse Rates Administration](#) in filing an application.

## A. RATE CALCULATIONS AND RATE SCHEDULE

### Rate Calculation

Regulated entities should use the “[Collections Rate Model](#)” spreadsheet to calculate their proposed rate changes. If regulated entities are also proposing changes to the tipping fee, then they should use the “[Post-Collections Rate Model](#)” spreadsheet. Applicants may propose modifications to the Office of Refuse Rates Administration.

### General Rate Calculation Requirements

#### **Format**

- Applications must adhere substantially to the formats specified in the Collections Rate Model and the Post-Collections Rate Model.
- Applications where calculated cells are hardcoded will not be accepted.

#### **Rate Adjustment Terms and Assumptions**

- Applicants must propose and specify a reasonable Operating Ratio.
- Applicants may propose rate changes for a minimum of 2 years and a maximum of 5 years.
- Assumptions must be specified (e.g. growth rates, projected CPI, etc.) and linked to where they are applied.

#### **Actuals and Projections**

- Applicants must include actuals for Rate Years 2021-22 and Rate Year 2022-23.
- Applicants must include actuals for the first three quarters of Rate Year 2023-24 plus a 4<sup>th</sup> quarter projection.
- Applicants must include projections for Rate Year 2024-25.

#### **Validation**

- The Office of Refuse Rates Administration should be able to tie historical data for Rate Years 2022-23 and 2023-24 to Annual Audited Financials or any other reporting that has been reconciled with the Annual Audited Financials by a 3<sup>rd</sup> party auditor.
- All line-item costs and revenues must have sufficient backup for validation.
- Applicants must detail line-item costs and revenues that are not rate eligible.
- Applicants must detail which line-item costs are Operating Ratio Eligible.



## B. SUPPLEMENTAL SCHEDULES

Regulated entities must complete additional backup to support validation of the proposed rate changes. Applicants may use the [schedules provided](#) or may propose alternative schedules. These supplemental schedules may be presented as point-in-time.

### Revenue Detail

Regulated entities must include additional schedules to support the validation of Ratepayer Revenue by line of business. Applicants may use the format provided in the “[Supplemental Schedules](#)” sheet in tables SS.CRD.1a through SS.CRD.1f.

Applicants must provide detail to validate bin collection revenue, any other charges such as base charge, access fees, etc. as well as any discounts provided.

### Operations Detail

Regulated entities should submit details on operations such as aggregated line of business details, vehicles, lifts, hauls, and maintenance and operations personnel. These schedules will be used to support validation of costs in the rate models.

Applicants may use the format provided in the “[Supplemental Schedules](#)” sheet in tables SS.OD.1 through SS.CRD.7.

## C. PROGRAM/SERVICE FORM

Regulated Entities must complete a “[Program/Service Form](#)” for each program and service they intend to provide in their rate application. Applicants must describe the terms of the programs and services they will be providing and to detail the costs and any revenue offsets related to the program. Applicants may use the provided format or propose their own format. Applicants must complete a separate form for each program or service.

Applicants must include actuals for the first three quarters of Rate Year 2023-24 plus a 4<sup>th</sup> quarter projection and projections for Rate Year 2024-25. Applicants must show projections and proposed changes to costs for their proposed rate cycle period.

Information in the form must include:

### ***Program Description***

This includes the program name and a description of the terms of service and any performance metrics to track service levels. Applicants must describe if the request is to maintain an existing program, to enhance an existing program, or if it is a new program. Applicants should note if it is part of their collections or post-collections service. If there is a statutory requirement, applicant must reference the statute requiring the program or service.

### ***Cost Summary***

Applicants must detail all direct costs, indirect costs, and any revenue offsets. If the program or service includes labor costs the applicant should detail the labor support needed, including the

positions, full-time equivalent, and cost to payroll for each position. If the program or service includes vehicles, the applicant must detail type and number of vehicles.

### ***Indirect Costs***

Indirect costs may be computed as 10% of direct costs or using an Indirect Cost Rate Proposal (ICRP). If applicants choose not to elect to use the de minimis 10% flat rate, they may develop their own ICRP that also outlines the allocation methodology. Applicants may use Federal guidelines for developing an ICRP (<https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200?toc=1>).

### ***Revenues Generated from Service***

Applicants must detail all revenues generated from the program or service.

## **C. NARRATIVE SUMMARY AND ASSUMPTIONS**

Regulated entities must provide a narrative summary of their application. This summary should include:

- Summary of services.
- Proposed changes to existing services.
- Proposed Operating Ratio and justification.
- Description of any assumptions used to develop the rate proposal and methodology or references for source of those assumptions.
- Description of any cost allocations needed to develop the rate proposal and methodology used.
- Description of any proposed new investments.
- Comparison of proposed rates to other jurisdictions.

## **D. PROPOSED RATE SHEET**

Applicants must provide proposed rate sheets for each line of business for which they are proposing rate changes and for each rate year in which they are proposing rate changes. Rate sheets must include proposed rates for each bin type and size and for any other charges (e.g. base charges, access fees, elevation fees, etc.) and description of any discounts.