



December 13, 2016

**VIA HAND DELIVERY**

Mr. Mohammed Nuru, Director  
Ms. Julia Dawson, Deputy Director, Finance and Administration  
San Francisco Public Works  
City Hall, Room 348  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

Re: 2017 Refuse Rate Application from Recology Sunset Scavenger, Recology Golden Gate,  
and Recology San Francisco

Dear Mr. Nuru and Ms. Dawson,

Recology Sunset Scavenger, Recology Golden Gate, and Recology San Francisco (collectively “Recology”) are pleased to submit the attached rate application for the period of July 1, 2017 to June 30, 2018.

We share a mutual goal with the City and County of San Francisco to minimize the amount of material deposited in the landfill. Our partnership has yielded some of the most innovative diversion programs in the nation, and we look forward to continuing to develop these programs to support the City’s Zero Waste goals.

This 2017 Refuse Rate Application focuses on infrastructure and service improvements to help advance the City towards its Zero Waste goals. One initiative was recently completed, another is underway, and several others are proposed. The recently completed initiative is an \$11.6 million upgrade to the sort lines and equipment at Recycle Central, increasing the throughput capacity and enabling Recology to recover additional materials not currently captured, such as textiles and aseptic containers.

Underway is the construction of a new West Wing facility at Recology’s Tunnel Avenue complex to service the growing organics stream. The West Wing will replace the current Organics Annex and provide greater capacity for the City’s green bin program. The new building will feature a state-of-the-art Best Available Control Technologies (BACT) odor control system to mitigate the impact on nearby communities.

Recology proposes to begin processing 100 tons per day of trash to capture divertible material previously bound for the landfill. This is the culmination of a pilot trash processing program that pressurizes loads of trash to extract organic material suitable for anaerobic digestion. The end

product is currently being used to generate energy at an East Bay Municipal Utility District (EBMUD) facility. Beginning in 2017, Recology intends to also screen trash loads prior to pressing to capture other possibly divertible materials (such as plastic, bottles, and cans).

The 2017 Refuse Rate Application features adjustments to Recology's collection services designed to help customers increase their diversion rates. The upgrades to the Recycle Central processing equipment allow Recology to accept additional recyclables in customers blue bins (includes bagged textiles, cartons, metal, and unpainted wood). The fact that these new materials are now recyclable will be promoted in customer communications.

Another proposed initiative encourages single family curbside customers to dispose less trash by making a smaller, 16-gallon black bin the default service level. In tandem with the smaller black bin, customers will be encouraged to increase their recycling and organics subscription levels. Multi-family and commercial customers will similarly be encouraged to decrease their trash subscription levels while increasing diversion services.

To better serve the rising diversion subscription levels that are expected from these initiatives, Recology proposes to redesign its existing routes to collect recyclables using single-chamber vehicles and split-chamber vehicles for trash and organics. Currently, recyclables and trash are collected in split-chamber vehicles while organics are collected in single-chamber vehicles. This redesign will increase Recology's capacity to collect the City's rising volume of recyclables.

Recology proposes to install onboard Route Management Systems (RMS) in all collection vehicles. These systems will allow drivers and customer service to communicate service changes in real-time, helping to streamline the collection process. The system will also be an excellent tool to identify possible sources of contamination as drivers can photograph improperly sorted material and share the findings with customer service and the Waste Zero Specialists to advance customer education efforts.

Over the years, Recology has found that customer education is vital to the success of the City's diversion programs. During rate year 2018, Recology proposes to offer additional outreach to help customers better participate in diversion programs. The additional outreach will include multiple mailings, cart hangers, social media campaigns, and community-based outreach efforts.

Recology proposes to place special focus on multi-unit properties through a new Multi-Unit Diversion Program. Because of residential density, apartments and condominiums are excellent opportunities to capture more divertible material. This multi-faceted program, which will include a robust social media component, can be offered at select apartment buildings beginning in rate year 2018 to increase tenant engagement.

Recology intends to support the City's measurement of its progress towards its Zero Waste goals by using a disposal-based reporting methodology developed by the California Department of Resources Recycling and Recovery (CalRecycle). This methodology measures jurisdictional progress based on program implementation and per capita disposal reductions, rather than simply tons diverted from landfill, and should be more understandable for residents and businesses as they work to reduce their amount of black bin material.

Other program advancements in this 2017 Refuse Rate Application include an additional collection vehicle and driver to service the Household Hazardous Waste Home Collection Program and Retail Drop-off Program and additional Bulky Item Collection routes and Abandoned Waste routes.

To continue to progress toward Zero Waste, Recology believes the rate structure must be changed because it is currently too dependent on revenue from the black bin. Recology therefore proposes to transition to a rate structure that more accurately reflects its cost structure, enabling the company, and the City, to operate in a world without landfill waste. To achieve that goal, we recommend increasing the fixed cost component of the residential rates (defined as buildings with less than six units). Additionally, we propose increasing the volumetric charge for blue and green bins while reducing the cost of the black bin. Residential rate increase percentages will vary depending on the composition and volume of service.

By way of example, the typical household (which has 32-gallon service in all three material streams) would see an increase from \$35.18 to \$41.00 per month in rate year 2018. Under this structure, residential customers who transition to the newest default 16-gallon trash and 64-gallon recycling will receive 16-gallons of additional capacity for the same price as a customer with 32-gallons of each service. This proposed structure is a step towards aligning the rates charged with the true cost components for residential service.

This 2017 Refuse Rate Application also includes two contingent schedules for proposed projects that are awaiting necessary permit approvals. Under the first contingent schedule, Recology would construct a new C&D debris recovery facility at a permitted industrial site located within the City. This facility would replace the current iMRF located at the Tunnel Avenue facility. The new C&D facility would be capable of processing 1,000 tons per day, significantly increasing capacity from the approximate 600 tons per day currently processed at the iMRF.

Once the C&D processing is relocated from Tunnel Avenue iMRF, Recology would have ample space to execute its second contingent schedule: a Zero Waste processing facility that would process all trash collected in the City to recover divertible material. This proposed facility would be capable of processing more than 1,100 tons per day of trash. Costs for both contingent schedules are identified in Contingent Schedules 1 and 2, and are not included in the base rate application.

Any communications regarding this draft application and later applications, including notices of hearings, should be sent to the following persons:

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For almost 100 years, Recology has had the privilege of working with the City and County of San Francisco to develop diversion programs that have served as a model for municipalities around the world. We are excited to continue working with the City towards our mutual goal of Zero Waste.

Sincerely,

Mark Arsenault  
Vice President and Group Manager  
Recology Sunset Scavenger,  
Recology Golden Gate, and  
Recology San Francisco

cc: (w/o encls.)  
Deborah Raphael, Department of the Environment  
Robert Haley, Department of the Environment  
Manu Pradhan, Esq., Deputy City Attorney  
John Porter  
Michael Baker, Esq.  
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