



# San Francisco Draft Rate Application

Funding the SF Recycling Program  
and Pursuing Zero Waste by 2020

# 80 Percent Diversion Rate in SF

- San Francisco customers are recycling and composting more and use of the black bin is shrinking.
- Recology has reduced the trash they send to landfill by half, from 730,000 tons in 2000 to 370,000 tons last year

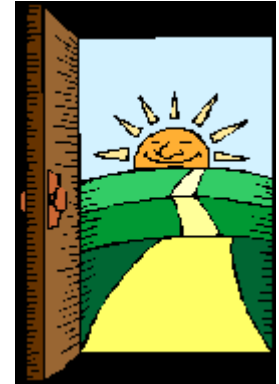


# There's Still Work to Do

- We still send 1,400 tons a day to landfill.
- Landfills emit greenhouse gases including methane, which the US EPA reports is 23 times more potent than carbon dioxide.
- Landfilling and incineration are unsustainable.



# The Path Towards Zero Waste



- Greater Participation in Existing Programs Through Increased Education and Outreach
- Research and Implementation of New Processing Techniques and Technologies
- Designing and Building New Facilities
- Source Reduction, Material Re-Use, Increased Producer Responsibility

# A Fiscal Challenge Along the Zero Waste Path

- Reductions in Program Funding Due to Customer Migration to less Black Cart Service
- Increases in Existing Program costs
- New Programs
- How to Implement an Evolved Rate Structure to Support Zero Waste



# SF Companies Draft Rate Application

## Goals of Rate Application –

- Establish a sustainable Zero Waste rate structure
  - Move towards cost of service for all programs
  - Maintain recycling and composting incentives
- Reset revenue to fully fund existing programs
  - Account for migration to diversion services
  - Adjust for changed economic activity
- Fund new activities and recover cost increases
  - Black cart processing
  - Abandoned waste and other City services
  - Zero Waste facility development
  - Routeware and Less Than Weekly Pilot
  - Inflationary increases since July 2011



# A Sustainable Zero Waste Residential Rate Structure

- Proposed Residential Structure and Rates
  - \$5.00 base charge per dwelling unit
    - Approximates 10% of total residential revenue
    - Partially covers fixed costs (administrative, regulatory, etc)
  - \$2.00 per 32 gallons of recycling and composting
    - Higher volumes are charged proportionally
    - Step towards cost of collection service
    - Rewards Source Reduction Efforts
  - \$25.81 per 32 gallons of trash service
    - Covers remaining cost of collection service
    - 20 Gallon rate is proportional (\$16.13)
    - Maintains economic incentives to reduce trash volume
  - Rate increase capped at 23.75% for 1<sup>st</sup> Year

# Residential Customer Rate Samples

<b><u>Sample 1</u></b>	Size	Quantity	Current Rate	New Rate
• Trash	32	1	27.91	25.81
• Recycling	32	1	0.00	2.00
• Composting	32	1	0.00	2.00
• Base Unit Charge		1	0.00	5.00
• Cap Credit (year 1)		1	0.00	-0.27
			<u>0.00</u>	<u>-0.27</u>
			<u>\$27.91</u>	<u>\$34.54</u>
				<u>\$ 6.63</u>
				<u>\$ 6.63</u>

<b><u>Sample 2</u></b>	Size	Quantity	Current Rate	New Rate
• Trash	20	1	21.49	16.13
• Recycling	32	1	0.00	2.00
• Composting	32	1	0.00	2.00
• Base Unit Charge		1	0.00	5.00
• Cap Credit (year 1)			0.00	0.00
			<u>0.00</u>	<u>0.00</u>
			<u>\$21.49</u>	<u>\$25.13</u>
				<u>\$ 3.64</u>
				<u>\$ 3.64</u>





# A Sustainable Zero Waste Apartment Rate Structure

- Proposed Apartment Structure and Rates
  - Apartment Structure Patterned after Commercial Structure Implemented in 2006
  - Apartments include all buildings with 6 or more units
  - \$5.00 base charge per dwelling unit
    - Approximates 10% of total apartment revenue
    - Partially covers fixed costs (administrative, regulatory, etc)
  - Discounted Volume charge for all service
    - \$27.91 per 32 gallons of volume for each bin
    - Discounts up to 75% of volume charge
    - Discounts available for diversion between 11% and 85%
  - Rate increases are capped at 25% in RY 2014 and 50% in RY 2015

## Apartment Customer Rate Example

	Size	Quantity	Current Rate	New Rate	Adj Rate
• Trash	96	2	167.46	167.46	83.73
• Recycling	96	2	0.00	167.46	251.19
• Composting	64	1	0.00	55.82	55.82
• Base Unit Charge		8	0.00	40.00	40.00
• Diversion Discount				-183.66	-269.61
• Cap Credit (year 1)		1	0.00	-37.75	0.00
Total New Rate			<u>\$167.46</u>	<u>\$209.33</u>	<u>\$161.13</u>

\* Adjusted rate shows impact of converting one trash container to recycling

# A Sustainable Zero Waste Commercial Rate Structure

- Proposed Commercial Structure Changes
  - 10% fixed charge as a percentage of gross volume charges (up from 5%)
  - Discounted Volume charge for all service
    - Discounts available for diversion between 11% and 85%
    - Discounts still available up to 75% of volume charge
  - Commercial Structure Changes Designed to Encourage Customers to Increase Diversion

# Establish a Sustainable Zero Waste Rate Structure

- Recycling and Composting Incentives
  - Recycling and Composting rates are substantially lower than Trash rates
  - Customers that recycle and compost more of their refuse see greater discounts

## Reset Revenue to Fully Fund Existing Programs

- Customers migrated to discounted recycling and composting services
- Recycling sale revenues are down from 2007 level
- \$35 million collection revenue shortfall due to the above reasons and other economic pressures

# Fund New Activities & Recognition of Cost Increases

- Trash (black cart) stream recovery
  - Increased diversion of compostable material
  - Requires extra sorting and processing
- Abandoned waste and other City services
  - Collect and process abandoned waste
  - Increase City can collections
- Zero Waste facility planning
  - Entitlement process
  - Brisbane recycling fee
- Routeware and Less Than Weekly Pilot
  - Three year Routeware implementation
  - Less Than Weekly pilot expanded to 4 pods
- Inflationary cost increases
  - Health care costs
  - Fuel

# Contingent Rate Schedule 1

Property acquired for facility expansion

- Increased property rental and property taxes
- Impact on rates:
  - 1.32% increase in tipping fee - \$1.85 per ton
  - 0.53% increase in refuse rates - \$0.15 per month
- Increase effective after property acquisition

## Contingent Rate Schedule 2

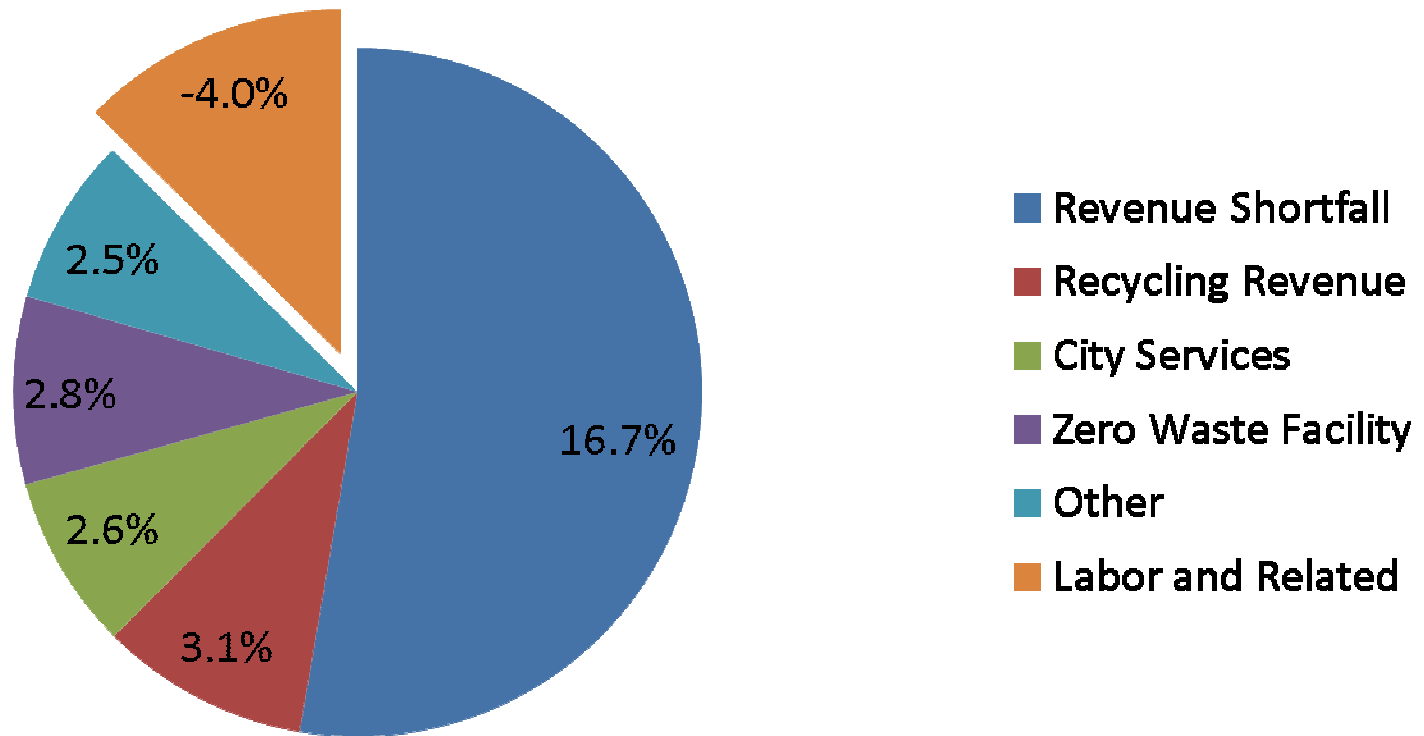
### Facility Improvements and Processing Equipment

- Capital cost recovery
- 14 additional processing employees
- Other operating costs (fuel, utilities, etc.)
- Changes in outside processing and disposal cost
- Impact on rates:
  - 3.62% increase in tipping fee - \$5.09 per ton
  - 1.44% increase in refuse rates - \$0.40 per month
- Increase effective after facility improvements



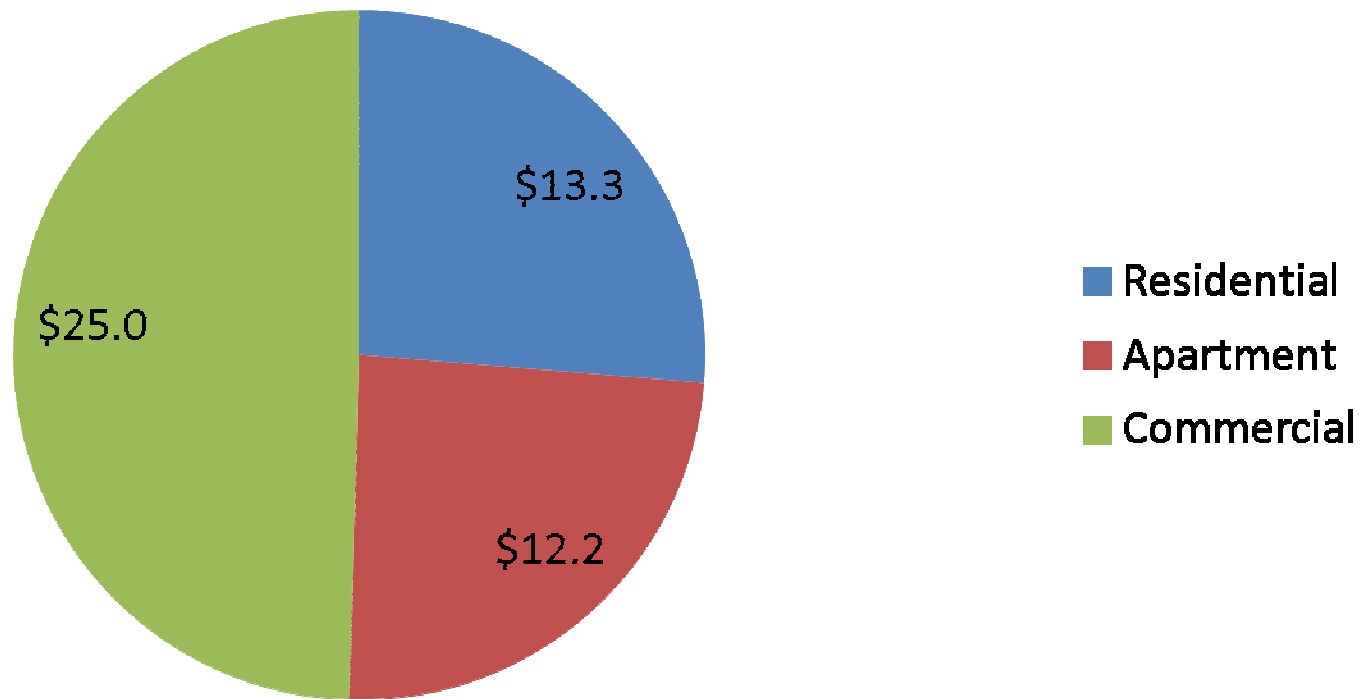
# Draft Rate Application Recap

## Components of Requested Revenue Change



# Draft Rate Application Recap

## Requested Increase by Customer Segment (millions)





## Questions ?

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