

REFUSE COLLECTION AND DISPOSAL RATE BOARD HEARING
CITY AND COUNTY OF SAN FRANCISCO
SPECIAL MEETING

TRANSCRIPT OF PROCEEDINGS

JUNE 16, 2017

1:04 p.m.

One Dr. Carlton B. Goodlett Place, Room 416
San Francisco, California

REPORTED BY:

Dawn A. Stark

CSR No. 7847

1 APPEARANCES:

2

RATE BOARD:

3

JENNIFER JOHNSTON, Chair, Deputy City Administrator

4

TED EGAN, Chief Economist, Office of the Controller

5

MICHAEL P. CARLIN, Deputy General Manager, City Public
Utilities Commission

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7

8 ALSO PRESENT:

9

BRADLEY A. RUSSI, ESQ., Office of the City Attorney,
Rate Board Counsel

10

JACK GALLAGHER, Policy Aide to the Office of the City
Administrator, Clerk

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12

MOHAMMED NURU, Director of Public Works

13

JULIA DAWSON, Deputy Director for Finance and
Administration for Public Works

14

ANNE CAREY, Project Manager for Public Works

15

MANU PRADHAN, Deputy City Attorney

16

JACK MACY, Senior Coordinator for Zero Waste, Department
of the Environment

17

ROBERT HALEY, Zero Waste Manager, Department of the
Environment

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ROSIE DILGER, San Francisco Rate Payer

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Transcript of Proceedings
June 16, 2017

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SAN FRANCISCO, CALIFORNIA;

FRIDAY, JUNE 16, 2017; 1:04 P.M.

THE CHAIR: For the record, it is Friday, June 16th, 2017.

We are in City Hall, Room 416.

It approximately 1:04 p.m.

Moving on to the next Agenda Item, I will now call the roll.

I am Jennifer Johnston, Deputy City Administrator. I'm also Chair of this Rate Board for the City and County of San Francisco.

Joining me are the other two members of the Rate Board: Mr. Ted Egan, Chief Economist, the City and County of San Francisco, and Michael Carlin, Deputy General Manager of the City Public Utilities Commission.

Moving on to Agenda Item No. II, Introductory Remarks by the Chair, which I will read.

Also present today are Deputy City Attorney Brad Russi from the City Attorney's Government Team, who will be serving as counsel to the Rate Board.

We have Jack Gallagher, Policy Aide to the City Administrator, who will be serving as our clerk today.

Mohammed Nuru, Department of Public Works Director.

Julia Dawson, the Deputy Director for Finance

1 Administration for Public Works.

2 Anne Carey, Project Manager for Public Works.

3 Manu Pradhan, Deputy City Attorney, who advises
4 Public Works.

5 Jack Macy, Senior Coordinator for Zero Waste in the
6 Department of Environment.

7 Robert Haley, Zero Waste Manager, Department of the
8 Environment.

9 And San Francisco Rate Payer, Rosie Dilger.

10 Thank you.

11 We also have representatives from Recology here
12 today, I understand.

13 Our hearing is being transcribed by a stenographer,
14 Dawn Stark.

15 We are also recording this hearing so that -- I ask
16 that you speak clearly and precisely into the microphone to
17 make sure that we have a full record.

18 And when speaking, also please provide your name.

19 Please turn off your cell phones, pagers, and other
20 sound-producing electronic devices so as not to interrupt the
21 meeting.

22 Thank you.

23 The purpose of this rate hearing is to hear and
24 consider objections to the Report and Recommended Orders
25 issued by the Public Works Director on May 12th, 2017,

1 proposing to increase residential refuse collection and
2 disposal rates.

3 The Report and Recommended Orders were issued in
4 response to the February 10th, 2017, Rate Application filed
5 by Applicants Recology Sunset Scavenger, Recology Golden
6 Gate, and Recology San Francisco, which I will hereinafter
7 collectively refer to as "Recology."

8 Upon receipt of the application, I, as Chair of the
9 Board, referred the application to the Director of Public
10 Works for hearings, reports, and recommendations as required
11 by the Refuse Collection Disposal Ordinance as amended,
12 which I'll just refer to as the "Ordinance."

13 Public Works Director held a series of informational
14 workshops and public hearings on the Rate Application prior
15 to issuing the Report and Recommendation -- or Recommended
16 Order.

17 At the Director's hearings, Recology representatives
18 and City staff were given the opportunity to present
19 testimony and cross-examine witnesses, and the independent
20 Rate Payer Advocate conducted cross-examinations.

21 Public comment was taken at each hearing.

22 The transcriptions from those hearings are available
23 on the Public Works' website.

24 Also, on that table on the side of the room, we have
25 copies of the agenda for this hearing to pick up, along with

1 copies of the written objections that will be heard by this
2 Board (indicating).

3 There are also binders of materials that you may
4 review. But please keep them in the room and don't alter
5 them.

6 They are -- the brown binder contains Recology's
7 Rate Application.

8 The two white binders contain the Public Works
9 Director's May 2017 Report and Recommended Orders, along with
10 the exhibits.

11 And that's, I believe -- did the Public Works
12 provide copies of the transcripts or -- great; okay.

13 We'll make sure those are available at the next
14 meeting.

15 As a reminder, these materials are also available on
16 the Public Works' website, and there's a link to them on the
17 Rate Payer Advocate's website, as well.

18 Today's session will end at 5:00 p.m.

19 If needed, until -- and until the Agenda is
20 concluded, we will continue our hearing at 9:00 a.m., on
21 Monday morning, June 19th, in this same room -- City Hall,
22 Room 416 -- and at 9:00 a.m. on Wednesday, June 21st, in the
23 South Light Court, if necessary, which is located on the
24 first floor of City Hall.

25 Should we need to continue the hearing to June 19th

1 and June 21st, we will take a lunch recess from noon to
2 1:00 p.m. on the 19th and 21st and otherwise -- unless
3 otherwise requested by a Rate Board member, we may need -- we
4 may need to take breaks from time to time.

5 (Remarks outside the record.)

6 THE CHAIR: We'll need to take breaks.

7 Please note that I retain the discretion to modify
8 the schedule and the order or time limits of the posted
9 Agenda in order to ensure a fair and efficient hearing.

10 Regarding procedures generally, I'll now briefly
11 explain how we plan to proceed.

12 This hearing is primarily governed by the City's
13 1932 Initiative Ordinance that establishes the rate-setting
14 process and is consistent with the Rules of Procedure adopted
15 by the Public Works Director and in conformance with the
16 Sunshine Ordinance and Brown Act.

17 We'll move on through the Agenda Items once they are
18 completed. We will not go back to the Agenda Items that have
19 concluded unless otherwise agreed to upon a majority of this
20 Board.

21 We will continue with the hearing until all Agenda
22 Items are completed.

23 We may be required to schedule additional hearing
24 dates in the event we are unable to conclude all Agenda Items
25 by 5:00 p.m. on Wednesday, the 21st.

1 My hope, though, is that we'll be able to conduct
2 this fair and efficient hearing and be able to conclude the
3 Agenda no later than that, though.

4 So if you'd like to follow along with the agenda, we
5 are now on Item No. II, Introductory Remarks by the Chair.

6 Following Introductory Remarks by the Rate Payer
7 Advocate on Agenda Item No. III, we'll move to Agenda Item
8 No. IV, to hear presentations from the 13 Objectors who filed
9 written objections to the proposed rate by the May 30th
10 statutory deadline.

11 We have identified a total of 53 objections from the
12 13 -- I'm sorry, 52 objections from the 13 Objectors.

13 Objectors will be called and heard in the order on
14 the Agenda. Each of the 13 Objectors will be given a maximum
15 of 10 minutes to present their particular objections.

16 If members of the Rate Board have questions, those
17 questions and answers will not be counted against that
18 Objector's 10 minutes.

19 The descriptions of the objections on the Notice and
20 Agenda are for general information purposes only and are not
21 intended to represent any position or decision by the City or
22 by the Rate Board.

23 If you disagree with the way your objection is
24 stated on the Agenda, please let us know when you make the
25 presentation.

1 Also, please remember that as provided in the City
2 Ordinance establishing this rate-setting process, no new or
3 additional objections may raised orally or filed in writing
4 at this hearing for action by the Rate Board. Only
5 objections filed by the May 30th statutory deadline can be
6 heard and acted upon by this Rate Board.

7 Also, please note that only evidence previously
8 placed in the Administrative Record through testimony or
9 documents at the Public Works Director's 2013 -- I'm sorry,
10 2017 Rate Hearings may be used to support the objections or
11 respond to those objections. New evidence is not admissible
12 before this Rate Board.

13 Objectors may make their presentations orally and/or
14 in writing.

15 Each Objector should state his or her objection,
16 tell us the evidence in the Administrative Record that
17 supports those objections, and also indicate why the Objector
18 believes the Administrative Record supports a change to the
19 proposed Public Works Director's Report and Recommended Order
20 on those issues.

21 Once Agenda Item No. IV is completed following the
22 presentation by the final Objector, we will move on to Agenda
23 Item No. V to allow members of the public to comment on any
24 or all of the 53 objections.

25 We will then move on to hear the Public Works

1 Director's presentation on the report, recommended orders,
2 and responses to the objections.

3 We will then again allow public comment on the
4 Public Works Director's presentation, and then general public
5 comment on matters within the Rate Board's jurisdiction.

6 Regarding procedures governing public comment, in
7 order to ensure that the public comment portion of the
8 hearing is conducted fairly and efficiently, we request that
9 anyone who wishes to speak complete a speaker card -- and
10 there are some available right there next to Mr. Gallagher,
11 the blue cards (indicating).

12 There are speaker cards available next to
13 Mr. Gallagher.

14 I also suggest that any group of persons with
15 similar interests designate a representative to act as a
16 spokesperson.

17 Each person will be given the same amount of time, a
18 maximum of 3 minutes per person.

19 Please be advised that although the Board will
20 listen to all general public comment on matters within the
21 Board's jurisdiction, the Board cannot use any information
22 provided in finally deciding the rates unless the comment
23 specifically is tied to one or more of the objections being
24 heard by the Board today.

25 And again, to reiterate, as provided in the City

1 Ordinance, no new or additional objections may be raised
2 during this proceeding and only evidence previously placed in
3 the Administrative Record, through testimony or documents,
4 may be heard or used today to support the objections.

5 We are not permitted to consider new evidence.

6 After hearing remarks from the Rate Payer Advocate,
7 the Objectors' presentations, the Public Works Director's
8 presentation, and all public comment, the Rate Board will
9 move to Agenda Items -- Agenda Item No. IX, which, at that
10 time, it will deliberate and take action to approve or deny
11 the Rate Application in whole or in part.

12 In this process, the Board will separately address
13 each objection.

14 The Rate Board will also discuss and possibly act on
15 the proposed uses of the Special Reserve Fund of the 1987
16 Waste Disposal Agreement in the recommended in the Report and
17 Recommended Order.

18 We may then consider and approve a resolution
19 consistent with the findings reached during our
20 deliberations.

21 The Board acts by majority vote.

22 If, for any reason, the Board does not act within
23 60 days of the Public Works Director's issued Recommended
24 Order, which was May 12th, the DPW Director's order will be
25 deemed the Order of the Board.

1 Also, please note that in my capacity as Chair, I
2 may modify these procedures as the hearing progresses, as may
3 be needed to ensure a fair and efficient hearing.

4 Okay. On to the next Agenda Item No. III.

5 May I call on the Rate Payer Advocate, Rosie Dilger,
6 please?

7 And I would like to begin by thanking you for
8 ensuring that -- the efforts in representing the interests of
9 the Rate Payers for the City. I know that this was an
10 extensive process, and I very much thank you for that.

11 MS. DILGER: Thank you for having me.

12 Good afternoon.

13 (Remarks outside the record.)

14 MS. DILGER: Good afternoon.

15 I'll just briefly go over some of the operational,
16 general business that we conducted as Rate Payer Advocate,
17 although I think you're familiar with the items you already
18 submitted into the last proceedings.

19 Just for reference, we entered in two memos that
20 were Items 82 and 102.

21 In our capacity as Rate Payer Advocate, from the
22 beginning of this process, we were involved in reviewing the
23 draft and then the final applications for Recology's rate
24 proposal.

25 (Remarks outside the record.)

1 MS. DILGER: Upon our viewing them, we somewhat
2 translated them so that we'd be able to communicate to the
3 public about the rates that they were going to be seeing,
4 what they paying for, and answered as many questions as we
5 could.

6 We did a lot of outreach. We reached out to
7 approximately 150 community groups, neighborhood
8 associations, and the like.

9 We did approximately 60 presentations to various
10 groups, some of which we even went back to twice. And in
11 that time, we gathered information, answered questions about
12 the rate.

13 And at almost all of them, I think Recology also had
14 a representative to help answer any technical questions.

15 We also posted all of our information on our
16 independent website, which often referred back to Public
17 Works, but also to our own documents.

18 We had a very active social media presence on
19 Twitter and Facebook.

20 We had a phone line that was -- did a voice mail in
21 English, Chinese, and Spanish, as well as actual mail and
22 email correspondence.

23 We did a lot of advertisements, as well, in
24 community and cultural newspapers; readership of over, I
25 think, 220,000 in most of the districts of the City.

1 I think probably the most common themes and
2 feedback -- again, you can refer to these in the items that
3 have already been submitted.

4 But the general buckets here, I would say: Cost of
5 living; disproportional impacts to low-wage generators; a lot
6 of concerns from people in buildings that are two to five
7 units; a lot of concerns of seniors and people on fixed
8 incomes.

9 We also talked a lot about minimum service and
10 pickup requirements.

11 And probably the most popular topic at any community
12 meeting is pilfering and enforcement. I think we discussed
13 that quite a bit in the Director's hearing.

14 There's also some questions as to the public
15 process.

16 I think we did a really incredible amount of
17 outreach, and I think that the number of people that decided
18 to become involved in this process was really telling of how
19 much work not only Public Works, but our Rate Payer Advocate
20 team did, as well.

21 Some questions as to the outreach and education for
22 recycling and composting and being a good actor in general
23 was a popular topic of discussion, and also just
24 understanding and educating the community about Zero Waste
25 and our shared goals.

1 We submitted a number of memos to help inform the
2 staff report and eventually the Director's report. And since
3 then, we have been sharing that information back with the
4 community, with our neighborhood groups, with our most active
5 and engaged Rate Payers, as well as updating our Facebook and
6 social media and website.

7 Do you have any questions?

8 THE CHAIR: In reading the script from the last
9 proceeding in 2013, I know that outreach of Spanish-speaking
10 individuals and Chinese-speaking individuals was kind of a
11 concern of the Rate Board.

12 Could you -- I heard you say that the information on
13 your phone line was, you know, in different languages.

14 And I appreciate the 220,000 readership outreach.

15 But could you just maybe highlight, for our
16 information purposes, the specific outreach to those
17 particular LED communities?

18 MS. DILGER: Absolutely.

19 We had a really incredible team this time around,
20 which I think helped. We had a Spanish speaker and also a
21 Chinese speaker.

22 And in scheduling the presentations that we did, we
23 made sure that -- when we were in neighborhoods or areas
24 where we saw or where we had identified a language need, we
25 made sure to have that person do the presentation.

1 Additionally, we did advertisements Sing Tao in
2 Chinese and also in El Tecolote in Spanish.

3 And then there was also -- whenever we had a hearing
4 for the Director's hearings, we made sure that language
5 access was something that was advertised and available.

6 Most of the hearings, we didn't get requests. But
7 for the one that we did, we worked to make sure that we had
8 translators and that -- our staff person who spoke Spanish
9 was also here when we had a larger group come in and make
10 sure that people felt welcomed and had access.

11 And it was definitely a constant communication
12 between us and Public Works to make sure that the needs of
13 the Rate Payers were being met.

14 THE CHAIR: Okay. Any other questions from -- okay.

15 MS. DILGER: Thank you.

16 THE CHAIR: Thank you.

17 We'll now move on to Agenda Item No. IV, which is
18 Presentations by the 13 Objectors Who Timely Filed Written
19 Objections.

20 We'll go in the order of the Agenda again.

21 And again, each individual has up to 10 minutes.

22 So we'll start with the first Objector.

23 That is -- and forgive me if I misspell your name;
24 please feel free to correct me -- Jeanne Schlatz.

25 Is Ms. Schlatz here?

1 Okay. We'll move on to the second Objector, Mimi
2 and Robert Lindeboom.

3 Mr. Lindeboom?

4 Okay. Do we have Lou Ann Bassan here, the third
5 Objector?

6 Moving on to the next, Joseph Wong.

7 Is Mr. Wong here?

8 Patty Sinn? Ms. Sinn? Okay.

9 Carol Damm?

10 Marian Laffan?

11 MS. DILGER: I do have a comment.

12 Hi. Ms. Laffan was not able to be here; she's
13 traveling internationally. But she did ask that I let you
14 know that.

15 And also, in her original letter, in Item 19, she
16 just wanted to make a correction.

17 She wanted it to read, "Although the report
18 indicates that apartment buildings of greater than six
19 units," whereas in her notice she put "fewer."

20 She just wanted to change "fewer" to "greater."

21 THE CHAIR: Okay.

22 MS. DILGER: Thank you.

23 THE CHAIR: Thank you.

24 Do we have Bronwen Lemmon? Mr. Lemmon?

25 Okay. Martin and Grace Turkis?

1 Kathleen and Thomas Soper?

2 Good afternoon.

3 MR. SOPER: Good afternoon.

4 Can you hear me okay?

5 THE CHAIR: I can.

6 MR. SOPER: Okay.

7 THE CHAIR: If you would be so kind as to just state
8 your name for the record.

9 MR. SOPER: Certainly.

10 My name is Thomas Soper, and this is my wife
11 Kathleen (indicating).

12 THE CHAIR: Okay.

13 MR. SOPER: My wife will be accompanying me in this
14 presentation.

15 And I'd just like to start by saying that I will
16 confine my comments to the summary descriptions in our Appeal
17 Letter, in accordance with the Rules of Procedure sent to us
18 by this Board.

19 We are here to explain in more detail these points
20 which my wife and I have previously submitted as evidence in
21 our Appeal Letter.

22 So how did we get to this dilemma for the City to
23 allow a private corporation, for profit, to submit a poorly
24 thought-out pricing system for refuse collection?

25 And then after the first round of objections, having

1 the Director simply move the numbers around to make it look
2 like a rational plan, let alone fair and just?

3 We, too, have talked to a lot of Rate Payers, and
4 they just roll their eyes when this refuse collection price
5 hike comes up, which we are debating today.

6 For those of you who are asking the question: Where
7 are the people that you just read off today? The answer is a
8 resounding: They are at work, they are raising the families,
9 and trying to make ends meet in one of the most expensive
10 metropolises to live in, in this country.

11 Fortunately, my wife and I are here because we are
12 semi-retired. But we also are here without compensation,
13 unlike those that are here on compensation to nonobject.

14 This is an unappreciated fact. We frankly expect
15 more due diligence from our City.

16 A quick note about my background.

17 I'm a licensed architect and have designed several
18 refuse systems in the 40 years of my practice.

19 Also, as a LEED-accredited design professional, I am
20 familiar with the reasons and the science behind the City's
21 Zero Waste by 2020, which I am in agree with in concept --
22 agreement with in concept.

23 But I also know, as an architect, that there are
24 multiple strategies to arrest greenhouse gasses created by
25 landfills, and this is at the heart -- the real heart of the

1 dilemma that we face here.

2 The bottom line is that these goals must also be
3 well thought out and as -- as well be fair and just.

4 This proposal has been presented to the public in a
5 very obscure manner, with no clear explanation of why
6 Recology needs an extreme price hike, let alone the lack of
7 consideration it will have on the economic viability of
8 living in this City.

9 This rate-hike proposal has created a state of
10 confusion in the public's eye, because if we are really
11 honest about it, the public, by and large, doesn't have the
12 time, or more importantly, the background in math and science
13 of waste management to wade through this quagmire of a
14 proposal.

15 Since Recology has presented their proposal in -- to
16 the public in a "figure it out for yourself" format, we are
17 here to demonstrate that we understand sufficiently what they
18 have given us to go on.

19 Fortunately, there are mathematics involved. So we
20 can minimize the opinion factor and maximize the factual in
21 this debate.

22 In my first Exhibit A, I would like to draw your
23 attention to examining both Recology's proposal compared to
24 the Director's modifications.

25 This is not new information, but it is simply and

1 succinctly made understandable.

2 As you will note in this chart, I have organized it
3 into columns and -- with all the rate hikes proposed over the
4 next four years, with both Recology's initial rate increase
5 proposed side by side, with or without rebate, double-digit
6 inflation; it's pretty conspicuous.

7 I will address the causes of this later on.

8 But first, how do we know who is going to get the
9 22 percent increase and who is not?

10 We might imagine that both these inflationary rates
11 might be reasonable to expect if we lived in Venezuela, but
12 not in this City. Something is deeply wrong, but it doesn't
13 get any better.

14 But in this particular chart, the question marks
15 that I show under the Director's column were simply not shown
16 in his report; they were omitted.

17 Secondly, most people think -- most people think
18 that they fall, hopefully, within -- under the "with rebates"
19 camp, but that's probably a false.

20 But what size building, number of units, do these
21 inflationary numbers really apply to? That's obscure.

22 So in the next exhibit that we have, this is an
23 analysis of the present and repropoed Director rates. So
24 you simply see the four categories that we see on our bills:
25 Trash, compost, recycle, and base charge.

1 And you can see how the rate structure has changed
2 from the present to the proposed. And you can also see how
3 these inflationary rates are out of sight.

4 But the most egregious of the four is the base
5 charge per unit, which is -- is up 191 percent. And the
6 Director brought it down to 191 percent.

7 But this still is way, way out of line.

8 So if we can move up to the impact -- to see the
9 impact of that.

10 So approximately the one unit, single family, is
11 confirmed in our analysis here that it would go up about --
12 we calculated it as being 13.8. The Director calculates it
13 as somewhere over 14 percent.

14 So that's close enough.

15 But if you apply the same math to the two-unit
16 family, that's up 36.5 percent. That's out of line.

17 And then when you take the calculation through the
18 three-unit family, you're up 20.9 percent.

19 The four-unit, 36.4 percent.

20 And the five-unit, you're up 21.1 percent.

21 Now, this is being caused by shifting the price
22 structure to real estate. And this actually is
23 discriminatory towards the Rate Payers of two to five units.

24 So this is a big problem.

25 So I'll move on to the next point in our letter,

1 which is Point 3, Conflicts with Other City Legislation.

2 The Director's ruling does not recognize that owners
3 of two- to five-unit buildings, which had been constructed
4 prior to 2-19-79, will not be able to pass on these rate
5 increases to tenants due to the City's Rent Control
6 legislation.

7 We forgot about that.

8 However, tenants in two- to five-unit buildings
9 constructed after 1979, not under the City Rent Control, will
10 experience the rate increase, which most certainly will be
11 passed on to them.

12 So the problem -- as an architect, we look at this
13 from a problem-solving point of view rather than shifting the
14 price structures around.

15 Black trash is really the commodity that's the
16 problem. And the rate is being increased from \$5.22 to
17 \$6.26.

18 But this is the real problem -- and we need to
19 attack this as a design problem, not by shifting rates
20 around.

21 The blue and green refuse issue is something that is
22 supposed to be an income-generating element. And of course,
23 if you've noticed in the New York Times, you will find that
24 they just published an article on black gold, that the
25 collection companies in New York are taking advantage of

1 this.

2 And of course, I know that Recology is doing that,
3 but that needs to be refined.

4 And so with the blue refuse, in 2012, there was a
5 documentary, that Recology participated with, that showed the
6 income benefits of their -- their reconstitution of recycled
7 things.

8 But what we're seeing here is that both of those
9 categories are going up in a rate of 204 percent.

10 Okay. So -- and then, of course, with the present
11 monopoly pricing, Recology -- and I appreciate them because
12 they do good work; however, they're a monopoly.

13 And so the problem here is that last year, when
14 Prop A went down to the B, which attempted to require
15 competitive bidding for these types of services -- there's a
16 monopoly here.

17 And so the -- but this Board is the last stop to --
18 to address this and to make this a fair and just pricing
19 system.

20 There are also hidden costs in the description. How
21 is a consumer supposed to figure this out when, quote, "the
22 proposed rates" also include charges that the City has asked
23 Recology to include in the application to pay for costs
24 incurred by certain City departments? What is that? And why
25 does the consumer pay for this?

1 The Rate Board should demand full disclosure to
2 determine what these costs are and who really is accountable.

3 And of course, lastly, what is -- and back to the
4 beginning.

5 Why is this rebate a factor here, and how does that
6 play out? Now, something is deeply wrong with this.

7 And I would say that, to summarize, the present
8 rates we get in our bills consist of -- they basically -- so
9 to summarize, the present rates we get consist of these four
10 coded components.

11 I think the Board can readily see that these numbers
12 are out of line. And we recommend that these -- this study
13 be sent back to the drawing board to work with independent
14 experts.

15 And I would be happy to help with that particular
16 problem, because it's really a design problem that really
17 hasn't been addressed.

18 And so I have dedicated my career to -- to try to
19 solve these environmental problems. And from my long
20 experience, I can see that this has just been missed out on;
21 it's a missed opportunity.

22 And I see that the people of San Francisco will pay
23 the price for this.

24 Thank you.

25 THE CHAIR: Any questions?

1 Okay. We'll move on.

2 Is Mr. Garrin Wong here? Mr. Wong?

3 Do we have Gideon Kramer here?

4 MR. KRAMER: Good afternoon, Board Members.

5 My name is Gideon Kramer. I'm -- I'm here to speak
6 on behalf of SPOSF, Small Property Owners of San Francisco,
7 an organization of some 1,500 small property owners with
8 generally two to five rental units.

9 This class of Rate Payers are the mom-and-pop
10 owners, the essential but overstressed housing providers in
11 this City.

12 As an editor of our monthly newsletter, it's my job
13 to keep our members informed on issues that impact them. The
14 outrageous increases for refuse collection being proposed by
15 Recology impacts them in a big way.

16 While Recology has advertised a 16.5 percent
17 increase the first year, it has masked the fact that for
18 small property -- small landlords, the increase will be far
19 greater.

20 Even after the DPW Directors recommended --
21 recommended a modest decrease from Recology's original
22 request, the revised figures are still outrageous: The
23 36.5 percent increase for two-unit buildings; 20.9 percent
24 for three units; 36.4 percent for four units, and
25 21.1 percent for five units.

1 I own an owner-occupied, four-unit building, and so
2 my rates would go up 36.5 percent, which is huge.

3 In the case of small property owners, the increases
4 are made worse because, No. 1, the Rent Ordinance precludes
5 most of our members from passing on a share of the added
6 burden to our tenants.

7 No. 2, we are charged by the number of units we own,
8 not the number of units that are actually occupied.

9 So, for example, if you own a two-unit -- if you own
10 a single-family home with a legal in-law, but you choose to
11 keep that in-law vacant or use it for alternative purposes,
12 or just keep it vacant, you're charged for a two-unit --
13 two-unit pricing, which -- even if you generate no additional
14 refuse.

15 The inflexible rate structure that Recology is
16 proposing does not allow for the fact that we are really
17 generating only one unit's worth of -- of refuse.

18 The same thing is true for more units.

19 If you own a four-unit building and you keep one
20 unit vacant, you're still charged for the four units.

21 Incidentally, an unintended result of this flawed
22 proposal is that owners of multiple buildings and buildings
23 constructed after 1979, as Mr. Soper mentioned in his
24 presentation, those who are under Rent -- who are not under
25 Rent Control will most certainly pass on these inflationary

1 costs to their tenants because they have no restrictions from
2 doing so.

3 The market determines what price people pay.

4 As Rate Payers who will be disproportionately
5 burdened, we strongly object to these increases. We find
6 them unfair, unjustified, and unjustifiable.

7 Thank you very much.

8 THE CHAIR: Okay. Moving on, do we have Noni Richen
9 from the Small Property Owners of San Francisco Institute?

10 Okay. That will conclude item No. IV.

11 Moving on to Item No. V, Public Comment on Any or
12 All of the Objections Items 1 through 20, Agenda Item No. IV.

13 Did anybody submit speaker cards, Mr. Gallagher?

14 MR. GALLAGHER: Just for two people who already
15 spoke for their items.

16 THE CHAIR: I'm sorry?

17 MR. GALLAGHER: Just for two people who spoke on
18 their items already.

19 THE CHAIR: Okay. So does anybody who has not
20 filled out a speaker card -- would anybody like to address
21 public comment at this time?

22 And again, each person will be given the same amount
23 of time, a maximum of 3 minutes per person, and please
24 remember to state your name for the record and speak clearly.

25 MR. PILPEL: Good afternoon.

1 David Pilpel.

2 I attended each of the Director's hearings and the
3 two technical workshops. I believe I was the only person --
4 member of the public who did so.

5 I've participated in prior rate proceedings on and
6 off for more than 20 years in the City, and follow refuse
7 rate collection and operations very closely.

8 As relates to the objections here, I did review them
9 generally, and I've listened carefully to the testimony just
10 given.

11 What I did not hear were specific citations to the
12 record, either through transcripts or the written exhibits,
13 to support the arguments that the Objectors made. And I
14 believe the burden is on the Objectors to cite to the record
15 in support of their objections.

16 I believe that this rate process this year was
17 remarkably thorough, particularly given the number of items
18 that were proposed to change by Recology: The rate-structure
19 changes, the truck-routing changes, the facility changes, the
20 other program changes.

21 Just more things changing in this application than,
22 in general, in prior applications.

23 I believe the process that was used for the
24 Director's hearings and the technical work by DPW and the
25 City's consultants was fair, was rigorous; looked at a

1 variety of alternatives.

2 And frankly, from my perspective, fairly dealt with
3 all of the issues presented and didn't entirely come down on
4 the side of Recology, did not entirely come down on anyone's
5 side, but really looked carefully at all of the issues here.

6 There are somewhat significant -- I don't know if it
7 was "significant."

8 There are some rate increases to all customers.
9 They vary, depending on the type of service and the
10 configuration, as to be expected.

11 There is an intent to move toward cost of service.
12 I think that's appropriate.

13 It's difficult, given both the way the companies
14 operate and the way one could allocate the costs and
15 structure rates to get to an exact cost of service
16 methodology, but I think the approach used is fair.

17 And I therefore support the Director's Report and
18 Recommended Orders, and would encourage the Board to do so,
19 as well.

20 Unless there are questions, thank you.

21 THE CHAIR: Mr. Pilpel, any questions for him?

22 Thank you.

23 Is there anybody else who wishes to provide public
24 comment?

25 Okay. We'll now move on to Agenda Item No. VI,

1 which is the Public Works Director's Recommended Orders --
2 Order and Response to the Objections.

3 We have Mr. Mohammed Nuru here today.

4 MR. NURU: Good afternoon, Members of the Rate
5 Board.

6 I am Mohammed Nuru, Director of Public Works.

7 In my presentation today, I would like to describe
8 the review process for the Recology Rate Application, my
9 findings and recommendation, and the primary themes that have
10 been raised in the 13 letters of objection to my Recommended
11 Orders.

12 We are now at the end of nearly one year of the
13 rate-setting process.

14 In July of 2016, I issued an order defining the
15 Rules of Procedure for consideration of the Rate Application
16 from Recology.

17 In September, Recology notified the City that it
18 intended to file a Rate Application.

19 Recology filed a draft application in December and
20 the final application in February of this year.

21 The City, who obtained the services of the Rate
22 Payer Advocate, who you've heard from today, whose role was
23 to assist the City with the public outreach and education and
24 to represent Rate Payers in the rate process.

25 I want to thank Dwayne Jones and Rosie Dilger of

1 RDJ Enterprises for their tireless efforts on behalf of the
2 City and our residents, and Recology for its outreach efforts
3 in our community, attending more than 50 community meetings
4 to explain the rate proposal.

5 Public Works staff held two workshops, one in
6 October before the draft application and another in February
7 on the final application.

8 Members of the public were able to engage in the
9 discussion with Recology representatives, as well as City
10 staff from Public Works and the Department of Environment, to
11 gain a better understanding of the programs and cost
12 information included in the rate proposal.

13 As Director, I held seven public hearings on
14 Recology's application for a rate increase.

15 City staff, together with financial consultants,
16 spent countless hours reviewing and analyzing materials
17 submitted by Recology.

18 They examined representatives during the hearings,
19 and prepared a thorough review of the proposed programs and
20 expenses detailed in the application and supporting
21 documents, which was submitted during the course of my
22 hearings.

23 They issued a staff report with proposed changes in
24 programs and expenses.

25 After a thorough review of the staff report and

1 additional public hearings at which Recology and members of
2 the public offered comments on the staff report, I issued my
3 Report and Recommended Order on May 12th of this year.

4 In my report, I approved an average increase of
5 21 percent to be phased in over the next four years.

6 14.42 percent for the rate year 2018, which begins
7 in July 1st of this year.

8 5.46 percent in the rate year of 2019.

9 A decrease of 0.55 percent in the rate year 2020.

10 And another increase of 0.79 percent in the rate
11 year 2021.

12 The phased rate increase includes the rebate of
13 surplus revenues that have been accumulated in the Special
14 Reserve Fund and Unearned Zero Waste Incentive Funds.

15 I am recommending the proposed -- I am recommending
16 the proposed use of these funds to offset rates as the most
17 efficient and equitable way to issue a rebate to Rate Payers
18 according to the proceedings governing these funds.

19 In response to my orders, members of the public
20 filed 13 letters with 53 objections.

21 Two are comments on the rate orders.

22 Recology did not file any objections.

23 I have submitted a letter to the Rate Board,
24 responding to the objections, as characterized by the City
25 Attorney's Office. My response is posted on the Public

1 Works' website, and I have brought copies for members of the
2 public (indicating).

3 While I will not attempt to address all of the
4 53 objections in my remarks today, I am available to answer
5 questions you may have on any of these issues.

6 Staff from Public Works and Department of
7 Environment are also available to answer any questions.

8 Instead, I want to take a few minutes to address the
9 main themes that were raised by the Objectors.

10 But before I do that, I'd like to acknowledge the
11 efforts that the members of the public have invested in these
12 proceedings, from the initial workshop on the draft
13 application to the public comment offered in the seven
14 Director's hearings, and in the letters filed with the Rate
15 Board members, the public have demonstrated a level of
16 understanding and engagement that I have appreciated and that
17 has informed my recommendations.

18 Now I'd like to review the objections.

19 While they are numerous and detailed, there are
20 two major themes that stand out: The amount of the overall
21 increase, and the increase in specific elements of the
22 residential rates, primary the fixed-service charge.

23 I agree that an increase of 20 percent, even phased
24 in over four years, is substantial.

25 The City thoroughly reviewed Recology's application,

1 auditing and validating historical revenues and expenditures,
2 and analyzing the proposed new operating expenditures and
3 capital investments.

4 Staff recommended changes and made adjustments to
5 both revenues and expenditures. But the City confirmed that
6 these costs for Recology to collect and process the City's
7 refuse were accurate.

8 The most significant cost drivers in the Rate
9 Application include the new Landfill Agreement that the City
10 entered into in 2016, as well as new collection routes to
11 recover additional recyclables and processing to remove
12 recoverable materials from the trash, which is known as the
13 "black bin."

14 These changes are consistent with the City's
15 progress towards Zero Waste. Recology has been an important
16 partner in achieving those goals, and it is entitled to
17 achieve a reasonable return.

18 An operating ratio of 91 percent, which translates
19 into a 9.9 profit, is used to compute rates. Many items,
20 like intercompany charges, are excluded from this
21 calculation. So Recology's effective profit is, in fact,
22 lower.

23 Now I want to talk about the rate structure, and in
24 particular, the fixed-service charge.

25 I recommended this structural change to the rates in

1 2013. Before that time, the City set rates only on a volume
2 of trash service -- that's the black bin -- even though
3 customers were required to have service for recyclables, the
4 blue bin, and compostables, the green bin, per the City's
5 mandatory recycling and composting ordinance.

6 In 2013, I proposed a new fixed charge per dwelling
7 unit and new volumetric charges for recyclables and
8 compostables, in addition to a higher volumetric charge for
9 trash.

10 Under this rate structure, the majority of
11 Recology's revenues was still generated by the volumetric
12 charge of the trash, even as the volume and costs related to
13 collecting and processing recycles and compostables rose with
14 the City's diversion efforts.

15 In 2013, I recommended that the rate structure
16 continue to move towards a structure that more -- that more
17 closely reflected cost of service, with a greater share of
18 revenue coming from the fixed charge, as well as increasing
19 the volumetric charges for recyclables and compostables.

20 In its application, Recology proposed a substantial
21 increase in the fixed charge per dwelling unit for
22 single-family residences and in two- to five-unit apartment
23 buildings.

24 Recology presented evidence that more than
25 60 percent of its operating costs are fixed, which is

1 consistent with the industry's average.

2 Recology also proposed increasing the volumetric
3 charges for recyclables and compostables, and reducing the
4 volumetric charge for trash, with the cost for volumetric
5 trash service set at twice the amount for recyclables and
6 compostables.

7 While I agreed with Recology's proposal to continue
8 moving rates to reflect the cost of service, I thought that
9 the increase in the fixed charge was too high, and instead,
10 recommended a smaller increase for this rate component and a
11 slightly higher increase in volumetric rates to cover
12 Recology's costs.

13 I agreed with the principle of maintaining the
14 volumetric charge for trash at twice the rate for recyclables
15 and compostables.

16 I also recommended a premium charge in trash for
17 those customers who received more than 32 gallons of service
18 per dwelling unit to encourage them to reduce their trash
19 volume.

20 And I extended the proposed credit for customers
21 with a 20-gallon service for an additional year to offset the
22 different impact on customers who have already moved to a
23 smaller trash service.

24 Some of the objections cited the difference in the
25 percentage rate increase will be higher than the average for

1 two- to five-unit buildings as compared to a single -- to a
2 single-family home or apartment dwelling with six or more
3 units.

4 By increasing the fixed charge to move towards cost
5 of service, the proposed rate structure results in increases
6 that are higher than the average for some customers,
7 including single-family homes with a 20-gallon service that
8 are already at the required minimum service level, and two-
9 to five-unit buildings due to the increase in the fixed
10 charge.

11 It is true that a two- to five-unit building will
12 experience a higher-than-average increase, but the total cost
13 on a per-unit basis is generally less than a minimum cost of
14 service for a single-family resident because multiple-unit
15 buildings can share bins. And some customers will be able to
16 reduce their impact of the rate increase by adjusting their
17 service level to meet their needs.

18 I recommended a reduction to the proposed fixed
19 charge, the continuation of the \$5 credit, and an increase in
20 the volumetric charges in my recommended rates to mitigate
21 the impact of the increase for those customers and increase
22 the amount of control that the customers have over their cost
23 of service.

24 Several of the objections cited the difference
25 between -- in the unit charge between single-family homes and

1 two- to five-unit buildings versus apartment buildings with
2 six or more units.

3 Apartment buildings with six or more units will pay
4 a \$5 unit charge, but the total service charge for larger
5 buildings is computed differently.

6 These customers are charged the same volumetric rate
7 for all three bins, which is then discontinued by the amount
8 of diversion they achieve based on the size of their
9 recycling and composting.

10 These customers will experience a rate increase that
11 is close to the average, and the charge per-unit basis is
12 comparable to or in some cases less than the average charge
13 for single-family residents.

14 I prepared a table summarizing the charges for
15 residential and apartment rates for the typical customer from
16 Recology's proposal to our recommended rates (indicating).

17 For a one-unit building customer, my recommendation
18 reduced the rate by 2 percent, from \$40.88 to \$40.04 per
19 month.

20 For a two-unit building customer, I've reduced the
21 rate by 10 percent, from \$30.44 per unit to \$27.52 per month.

22 For a six-unit building, the rates remain unchanged
23 from Recology's proposal, with this sample customer paying
24 \$40.52 per month.

25 I think I'll stop here as that summarizes the

1 two main points.

2 I'm happy to address any of your questions on the
3 other items before you today. And thank you for giving me
4 the opportunity to present and talk about my report.

5 THE CHAIR: Do you have any questions?

6 (Remarks outside the record.)

7 MR. EGAN: Good afternoon. Thank you for your
8 presentation.

9 MR. NURU: Thank you.

10 MR. EGAN: I noted in response to your comments that
11 the overall rates were too high that there were three sources
12 of additional services that contribute to the cost increase
13 that the rates are paying for.

14 One related to the Landfill Agreement.

15 The second -- and correct me if I have this wrong --
16 increased recycling pickup.

17 And the third was increased processing of trash to
18 recover recyclable or compostable materials.

19 Could you basically break down the relative
20 importance of those three things in contributing to the total
21 cost for us?

22 MR. NURU: So as part of my investigation, and
23 looking at all the information submitted by Recology, we
24 looked at the costs related to doing business -- the actual
25 costs.

1 And we had experts who validated and examined
2 thoroughly what that cost was.

3 Those are costs that we cannot shy from, and those
4 are costs that as -- frankly, somebody has to pay for.

5 This is a process that involves the whole City. And
6 so as a result of looking at that, that's one of the
7 indicators of -- there that was going to be a slight
8 increase.

9 I talked a lot about the volume and the volumetric,
10 and likewise, a similar looking into what it costs to possess
11 those items that they're picking up. It's -- it's an
12 increase, also.

13 And the final one is the cost of landfill, which has
14 actually increased. And so landfill costs increase, and that
15 is a cost where -- if we continue to reduce the load to the
16 landfill, those costs will actually decrease.

17 But as it is right now, those costs are actually
18 going higher. And so as part of the recommendation, we're
19 actually including programs to try to reduce those costs that
20 will go to landfill.

21 But the costs of landfill, in general, statewide
22 have increased.

23 MR. EGAN: So our costs of landfill have increased
24 even though our volume to the landfill has decreased.

25 And you expect it to decrease further?

1 (Remarks outside the record.)

2 MR. EGAN: I'm sorry.

3 And you expect it to decrease further?

4 MR. NURU: Well, we're trying everything we can. I
5 think this is one of the main reasons why we have an
6 application for a rate increase.

7 What this rate does is reduce the size of the black
8 bin, and actually incentivize and allow us to collect more of
9 the recyclables in the blue bin.

10 And some of the collections for the blue bin has
11 resulted in a change in additional routes so that we can
12 capture more of the blue. And the black and the green will
13 remain on one truck and the blue on another truck.

14 So we're trying to do everything we can to get
15 there.

16 (Remarks outside the record.)

17 MR. NURU: Okay. So this slide actually shows where
18 most of the increases are and the proposal -- where they are
19 (indicating).

20 So you can see the largest increase is to the
21 Landfill Agreement, which is 20 percent.

22 And then we also have the new composting cost, which
23 is also an increase, and that's at 26 percent.

24 So both of those two, 20 and 26 percent, is almost
25 40- -- almost half of what the cost increases are.

1 And then we also have the implementation of new
2 programs, which is 20 percent, and a small 2 percent new
3 capital investment, and 14 percent is the change in
4 participation in existing programs.

5 So that piechart gives you an idea of where those
6 increases are.

7 And of course, the 6 percent is the business as
8 usual.

9 MR. CARLIN: Talk about the fixed charge a little
10 bit. This is -- this is a big shift.

11 They're providing a service.

12 They have people.

13 They have trucks.

14 And what went through your thinking to increase the
15 fixed charge so much, you know, given this application?

16 MR. NURU: I think, over the years, the way we have
17 charged for collections has -- has not been really fair and
18 equitably distributed.

19 And so in this application, it really -- to reach
20 some kind of equitable distribution, it has really gone to a
21 focus on a per unit.

22 And so the smaller dwellers, who were really not
23 paying -- or the more multiple-unit dwellers who were not
24 paying, frankly, their fair share. And so by distributing
25 the way we have, everybody has to pay their share per unit.

1 And so that's why you see a little bit of a slightly
2 more increase than the single-family dwelling on the multiple
3 units.

4 And so really -- everybody paying their fair share
5 is really -- is what this rate proposal is about.

6 MR. CARLIN: So it's an equity issue more than
7 anything else that you're trying to correct.

8 And you also mentioned that it's more in line with
9 the industry standard. So I assume that you've looked at
10 other, you know, cities and their rates and such and compared
11 your --

12 MR. NURU: We've looked --

13 MR. CARLIN: -- recommendations?

14 MR. NURU: We've looked at surrounding Bay Area
15 cities and we're well within, and we can provide you with
16 information on what other cities have.

17 And we believe this is a more equitable way to bring
18 everything in line with the needs for collections.

19 MR. CARLIN: And can you elaborate a little bit why
20 the tipping fees -- why the tipping fees are kind of going up
21 at the landfill over time?

22 If we're -- is it -- they're not getting -- again,
23 are they basing it on a volumetric amount that they actually
24 need to take in and that's how their model works and
25 therefore --

1 MR. NURU: I can, but the -- probably the Department
2 of Environment will probably be best -- to have better
3 information than probably I have.

4 Thank you.

5 MR. MACY: Good afternoon, Rate Board Members.

6 We have a new landfill contract that went into
7 effect --

8 THE REPORTER: State your name, please.

9 MR. MACY: Jack Macy, Senior Zero Waste Coordinator
10 with the Department of Environment.

11 On January 2016, we had a new contract that went
12 into effect at the Hay Road Landfill. That was based on a
13 competitive bid process, but those prices almost doubled the
14 previous landfilling price.

15 MR. CARLIN: Thank you.

16 MR. EGAN: I have a question for Mr. Macy, if I can
17 ask.

18 Two of the three items that Director Nuru mentioned
19 referred to the landfill costs and the increased costs of
20 processing to remove recyclable materials.

21 Does that processing sort of pay for itself, in
22 terms of reduced -- you know, reduced volume of materials
23 going to the landfill?

24 Do you follow my question?

25 MR. MACY: Yeah.

1 You're saying there's less tons going to landfill?

2 MR. EGAN: Yes, to offset.

3 THE CHAIR: And also to the extent that those are
4 revenue-producing materials that are being --

5 MR. MACY: No.

6 I mean, I think the overall -- it doesn't.

7 I mean, there's significant costs -- you know,
8 overall collection is similar, and then you have significant
9 processing costs.

10 So while the landfill costs have gone up, the
11 processing costs have also gone up.

12 So there's -- there is -- it doesn't -- the
13 processing costs actually can be more expensive than the
14 landfilling costs.

15 MR. EGAN: Okay.

16 THE CHAIR: And just to make sure that that was
17 taken into consideration, to the extent that we are
18 increasing focus and hopefully moving the populous to really
19 recycling more, and to the extent that those are revenue
20 producing -- you know, the paper and the things that we are
21 able to recycle.

22 I'm assuming that was also taken into consideration
23 under the Rate Application, where -- those projected revenues
24 was something that was taken into consideration?

25 MR. MACY: Yes, absolutely.

1 THE CHAIR: And -- sorry.

2 Pass-throughs, to the extent -- I know, also, I saw
3 during the last proceeding that -- making sure that Public
4 Works and Environment really were focused on and paying
5 attention to make sure that pass-through items weren't
6 included in the -- in the overall rate for determining what
7 the -- what their -- what the profit margin is.

8 MR. MACY: That's correct.

9 THE CHAIR: Can you just kind of go into that a
10 little bit?

11 MR. MACY: Yes.

12 So the Director mentioned that intercompany
13 processing charges are not included. And one of the things
14 that the Director did this year was to expand that.

15 So in the past, the landfill charges didn't have
16 that, but we realized that there were some additional ones.

17 So we've expanded to include all intercompany
18 processing charges do not have profit in them.

19 THE CHAIR: Okay. And then also -- at least judging
20 from the objections, it seems there's some confusion or some
21 lack of clarity on exactly what the rebates are.

22 I think it is an odd term to use.

23 But did you want to kind of explain what the rebates
24 are that were taken into consideration, as well, to offset
25 the increase?

1 MR. MACY: Yeah, I think that term is confusing.

2 THE CHAIR: Uh-huh.

3 MR. MACY: So we would not characterize it as a
4 "rebate."

5 What it is, is there's -- there are funds available
6 from the Special Reserve that were built up from the previous
7 Landfill Agreement, as well as the Zero Waste Incentive
8 Funds.

9 And we're using them to the maximum we believe is
10 prudent to help offset the rates.

11 So they're not a rebate in that they're not going to
12 be showing up as an individual rebate on individual customer
13 bills, but they're taken as -- to offset the total increase.

14 And there is a significant offset to those Special
15 Reserve Funds, as well as the Zero Waste incentives.

16 THE CHAIR: And so that -- that is -- assuming that
17 we agree that -- to dispense the remainder of the funds that
18 are remaining in the Special Reserve Fund for this purpose?

19 MR. MACY: That's correct.

20 And the Director's recommendation basically is to
21 phase the old Special Reserve Fund down to zero over the next
22 three years.

23 So that would take it to four years after the end of
24 the last agreement that the City Attorney previously had said
25 that that would be the outer limit of the -- limit of the

1 statute of limitations.

2 So we feel like there's prudence there.

3 And that's being phased down. So the rebates --
4 sorry, not the --

5 MR. CARLIN: Not the rebates.

6 MR. MACY: So the offset is being applied over the
7 three years. And as you saw, you know, people are looking at
8 the impacts as over the next few years.

9 We feel that that makes sense, to do it all over the
10 three years versus all at once.

11 MR. EGAN: On that point, is it fair to say, though,
12 that if the costs in the next rate period look like they've
13 increased during this period -- or this projected period,
14 that those reserve funds will be exhausted and not be
15 available to do any offsets in the future?

16 MR. MACY: Yeah.

17 So the old reserve would be exhausted, and we are
18 building up -- that's a new Reserve Fund required under the
19 new Landfill Agreement.

20 That's being built up to 10 million by the four
21 years, which the Landfill Agreement allows.

22 MR. EGAN: Right.

23 MR. MACY: And then that's going to accrue interest.

24 And then -- there could be a decision in the future
25 to potentially change that amount. But right now, we're --

1 we're following the requirement of the Landfill Agreement.

2 So there won't be anything left in the old Reserve
3 Fund as potential for the new Reserve Fund to be considered
4 in the future.

5 MR. EGAN: Okay. Thank you.

6 MR. MACY: Thank you.

7 THE CHAIR: Sorry. One more question.

8 (Remarks outside the record.)

9 THE CHAIR: There were some concerns about
10 pilfering, you know, the lack of enforcement or -- you know,
11 for the pilfering of individuals who are going through
12 people's recyclables and trash.

13 I know one of the concerns was the high cost of the
14 locks, which was not aware of. I mean, I think it was \$13 a
15 week, or something. That does seem a little high.

16 So is there -- is there any plan or any sort of any
17 focus or additional focus on the enforcement of ensuring that
18 people's trash aren't pilfered through and -- is there -- are
19 there any efforts included in that?

20 Is that going to be a focus or a point of discussion
21 at all?

22 MR. MACY: There's been a lot of enforcement in the
23 past and -- do you want to address that?

24 MR. NURU: Yes, I can address that.

25 So locks are additional and -- but they also slow

1 down operations, and there's no consistency.

2 I mean, you know, when we have locks, there's --
3 everybody had a key. So it really didn't make that much of a
4 difference.

5 So locks, in this process, has been left to the
6 customer.

7 But in general, I think what we are putting forth is
8 a much more robust and faster collection to get your bin as
9 soon as it comes out so it doesn't stay out longer.

10 So -- but in general, locks have not made that much
11 of a difference.

12 MR. CARLIN: I have another question, and this goes
13 to rate design and how much did you look at in sort of
14 gaming.

15 So now it's cheaper to have a 20-gallon bin -- black
16 bin, larger blue bin, larger green bin. But I'm not going to
17 sort my trash; I'm just going to put it all -- as much as I
18 can in the blue bin.

19 So that drives up the costs for sorting at the -- at
20 the back end.

21 Have you looked at that, you know, as far as -- and
22 maybe this is a question for Recology.

23 Are they seeing more and more items in the blue bins
24 that should not be there, and it's going to drive up costs
25 later on?

1 If I'm a -- I am a resident of San Francisco. And,
2 you know, I will go for the smallest black bin I can possibly
3 have and the largest blue bin that I can possibly have, and
4 others do that.

5 But have you looked at that or have you discussed
6 that with the Recology, or do you have a program to monitor
7 that as we go forward?

8 MR. NURU: So the drivers who drive the trucks, if
9 they see -- we call it "contamination."

10 MR. CARLIN: Yeah.

11 MR. NURU: And if they see that, there is notices
12 and messaging that goes to the homeowner.

13 So you can come home and see a note that you have
14 not done -- you have mixed something, and that they'll give
15 you all the education materials.

16 The Department of Environment has people who go out
17 and check to make sure that people are putting their items
18 away.

19 And lastly, when it does get to the Recology Center,
20 there's people who, when this trash goes up the belt, can see
21 what's happening.

22 So there's lots of controls; there's lots of things
23 that are built in here.

24 But I think, in general, to speak to the citizens of
25 San Francisco, we're doing a really good job as separating

1 and really using our blue bin.

2 I know for me, in my case, I rarely put out my black
3 bin. And I have already gone to a 64-gallon blue because of
4 the size of my household.

5 MR. CARLIN: Okay. Do you keep those records of the
6 drivers putting notices on people's bins that --

7 MR. NURU: I'm sure that's available through the
8 Department of Environment.

9 MR. CARLIN: Good. I think that's important.

10 MR. NURU: Yes.

11 THE CHAIR: Okay. Thank you, Mr. Nuru.

12 MR. NURU: You're welcome.

13 THE CHAIR: We are now on Item No. VIII, General --
14 I'm sorry, Item No. VII, Public Comment on the Public Works
15 Director's Recommended Orders and Response to the Objections.

16 So again, in the order of speaker cards, if there
17 are any, we'll call in that order.

18 If not, if any individual wants to approach and
19 provide public comment, each individual has the same amount
20 of time. That's a maximum of 3 minutes per person.

21 Is there any member of the public who would like to
22 provide public comment?

23 MR. PILPEL: Dave Pilpel again.

24 Let me expand a little bit on some of the questions
25 and comments that you've just discussed as to phasing

1 variable rates.

2 Speaking to Member Carlin, but more generally, the
3 PUC, for example, has a base water service charge that covers
4 certain administrative costs that are considered separate
5 from the volume charge for water and wastewater.

6 And this scheme, as relates to trash and recyclables
7 and compostables, is roughly equivalent. I don't think
8 either Recology or the City has quite figured out exactly how
9 much should be in the base rate versus the volumetric rate.
10 I think we're still figuring that out.

11 But I think the concept is appropriate, and there
12 can be arguments and discussions about where you allocate
13 those costs.

14 But I think that the structure makes sense.

15 The commodity revenues from sales of recovered
16 materials -- bottles, cans, paper, cardboard -- is included
17 as a revenue item in the rates. However, no one should think
18 that the revenue from those commodities somehow exceeds the
19 cost of processing; quite the other way around.

20 The cost of processing exceeds, even with the
21 commodity revenues included.

22 The 1987 Facilitation Agreement provided for the
23 original Special Reserve Fund and provided that any excess in
24 that fund should be rebated to customers.

25 And this Rate Application largely accomplishes that,

1 providing some small amount in the event that there are
2 contingencies at Altamont, and at the same time,
3 appropriately funds the new reserve for the new Landfill
4 Agreement at Hay Road and yet still protects Rate Payer
5 interests in both cases.

6 The contingent schedules that weren't really --

7 THE CHAIR: One more minute.

8 MR. PILPEL: Okay. The contingent schedules that
9 weren't really touched on, I think, have appropriate triggers
10 and conditions for the major facilities projects that are
11 contemplated in this rate.

12 I was going to make a joke, but I will skip that.

13 And as to the last point on potential for additional
14 contamination in blue bins, I think as long as we're all
15 diligent as customers, and the companies and City staff are
16 diligent about enforcement and oversight, that shouldn't be a
17 problem.

18 My understanding is that with the new equipment at
19 Pier 96 that actually the amount of residual from Pier 96
20 processing of blue bins has continued to go down. And
21 hopefully, with the new route software and cameras, that will
22 also continue to monitor contamination of loads coming into
23 collection trucks.

24 Thanks.

25 THE CHAIR: Thank you, Mr. Pilpel.

1 We are now on -- oh, I'm sorry.

2 MR. KRAMER: Yeah.

3 I'd like to address the issue of pilfering.

4 This is something I'm very familiar with and --

5 THE REPORTER: Your name, please.

6 MR. KRAMER: Oh, my name is Gideon Kramer.

7 On our street, in the Mission-Dolores neighborhood,
8 every night -- our -- our pickup is Thursday morning. Every
9 Wednesday evening, a team of people come in and they
10 wholesale empty the blue bins.

11 Calls to the police are completely unaddressed.
12 Basically, the police tell us, "There's nothing we can do
13 about it; it's not our issue.

14 And also, another thing that I have noticed is that
15 all of the concrete public trash receptacles in the City, DPW
16 is slowly moving over to round, more better-armored
17 receptacles that are more difficult to break into.

18 But the majority of trash receptacles are still the
19 old-fashioned concrete trash receptacles, with -- with doors
20 that can be opened with a screwdriver, if anything; there's
21 no lock.

22 And I see so many of these things with wide-open
23 doors.

24 The liner is pulled out.

25 All the recyclables are taken.

1 And this is something that we, the taxpayers and
2 Rate Payers, are paying for directly or indirectly.

3 I'm sure that DPW is very aware of this, and I'm
4 sure they're trying to address it. But something as simple
5 as putting on a more robust lock on these receptacles would
6 go a long way.

7 The police never, ever stop people that they see
8 pilfering these -- these cans. And to me, it's just
9 scandalous how much of this goes -- is -- is stolen.

10 And the last comment I'd like to make is: Several
11 years ago, Recology actually admitted that they do not --
12 they do not sort the trash in the thousands of public trash
13 receptacles in San Francisco.

14 And the spokesman who spoke about this spoke -- I
15 don't think he realized what he was saying. But he said
16 that, "For that, we depend on the army of homeless people."

17 So in other words, all of the homeless people that
18 are rifling through the trash receptacles are the ones that
19 are effectively sorting the trash, the recyclable versus the
20 black trash.

21 And Recology said, "We do not sort the trash because
22 of the public-health issues. We don't know if there are
23 needles or whatever in there."

24 And the -- the indirect message of that was: It's
25 okay for the homeless people to rifle through it and endanger

1 their own health, but Recology will not sort the trash. They
2 just leave it as one -- as trash that includes recyclables,
3 trash, food scraps, whatever.

4 And when you look at the issue on a Citywide scale,
5 I think it's a huge source of waste and also a huge amount of
6 trash that ends up on the streets.

7 And that's something that I've devoted the last
8 15 years of my life to try and bring to DPW's attention, but
9 I don't think it's been addressed nearly as well as it could
10 be.

11 Thank you.

12 MR. SOPER: My name is Thomas Soper, and I'd like to
13 address some of the comments that the Director has made.

14 I certainly appreciate all the hard work that the
15 Department has done to try to sort out a very, very
16 complicated problem.

17 But it's pretty evident, from my experience, sitting
18 down with financial people and experts in the sustainability
19 area, that the reliance on fiscal figures is leading to a
20 self-fulfilling conclusion here.

21 The problem is really reducing the black trash that
22 we have, and we need some education from the City how to
23 improve what we're doing.

24 I think the people in San Francisco do an excellent
25 job of sorting what -- what they can, but that needs to be

1 improved greatly.

2 But we also heard the Director indicate that it is
3 true that two- to five-unit buildings will experience a
4 significant increase in their costs here. And then he
5 mentioned that -- but what is their share?

6 Well, let's use our common sense here.

7 We watch the truck pull up, and we watch them unfill
8 at a single-family unit. And then at a two-unit building,
9 it's the same amount of time.

10 So where is the labor cost here? Where is the
11 common sense that is needed in this very complicated problem?

12 So -- and lastly, we're looking for an equitable
13 way. I know from my own research that there are other places
14 that have figured out a better way.

15 And I haven't heard any discussion -- I know it's
16 new evidence. But my God, we should be researching all of
17 the possibilities. There are other solutions out there to --
18 to be researched.

19 I've had conversations with Waste Management in
20 Texas, and in the Avery Weigh-Tronix group in Minnesota, and
21 even people in Ireland. And they have solutions for this
22 problem.

23 Now, the problem is getting from 70 percent
24 efficiency to -- the last 30 percent is going to be very
25 difficult, and it's a technological problem here.

1 But we have to use more resources at hand than have
2 been expressed here. I appreciate the hard work that they've
3 done, but it's really a half-baked solution.

4 Thank you.

5 MS. SOPER: My name's Kathleen Soper.

6 And I would just like the Board to please take a
7 look at the inequity that's so obvious here with these
8 numbers.

9 If you look at the one-unit building, that's a \$4
10 upcharge.

11 The two-unit building is \$10 for each unit.

12 For the five- or six-unit -- I'm sorry, for the
13 six-unit building, it's \$4.

14 So, I mean, it's just so obviously inequitable. So
15 please take a look at that; I don't know how that could be
16 possibly just passed.

17 Thank you.

18 MR. BAKER: My name is Mike Baker.

19 I'm an attorney for Recology, and I represented
20 Recology at all of the Director rate hearings.

21 I put on the screen a document, which is impossible
22 to read, obviously, from this distance. But it's Exhibit 89.

23 And Exhibit 89 -- and I'm going to zoom in on what I
24 want to point out.

25 But Exhibit 89 was an analysis prepared by a

1 consultant retained by the City, R3. And this particular
2 document took a look at this two- to five-unit issue, which
3 garnered quite a bit of attention during the Rate Hearings,
4 because it is a very difficult problem as the rate structure
5 is changed to increase the fixed charge and not make it so
6 dependent upon the volumetric charge.

7 And what this exhibit shows is that over the past --
8 under the current rate structure and therefore over the past
9 several years, the two- to five-units have enjoyed a benefit,
10 so to speak, that is now slowly being corrected, at least in
11 the view of Recology and in the view of the Director.

12 So if you -- I'm going to try to zoom in on
13 something here, if I can.

14 The way this -- the way this exhibit was structured
15 is it took different configurations.

16 The one at top is 32 gallons of trash, 32 gallons of
17 recycling, and 32 gallons of compost.

18 And then for that particular configuration, it took
19 a look at one unit, two units, three units, four units,
20 five units.

21 And then looked at what the -- what the mix is for
22 each of those.

23 And then does that for other configurations down the
24 left-hand side of the page.

25 What's interesting about it is that when you -- this

1 is a point that Mr. Nuru was making.

2 You can see that the per-unit charge is less per
3 unit depending on how many units there are.

4 So this \$40.88 was the single-family price that the
5 consultant used because that's what Recology was proposing.
6 That's not what the Director ordered, but that's what
7 Recology was proposing.

8 And therefore, with one unit, that's \$40.88 for that
9 unit.

10 Once you go to a two-unit building, the charge is --
11 for this particular configuration is \$60.87.

12 And then that goes to \$30.44 per unit.

13 And then as you go down the page, you'll see the
14 five-unit building is \$24.17 per unit.

15 Now, the Director came up with different numbers,
16 and we can -- this is not an exhibit that is -- that was
17 admitted, but it's just taking what the Director ordered and
18 using the same format and showing -- if I get it up there
19 right -- there you go.

20 This is a very fancy PowerPoint.

21 But you see that for a one-unit, single-family home,
22 instead of \$40.88, the Director took it -- took it down to
23 \$40.04.

24 But then the numbers go down -- an interesting
25 comparison, again, is the per-unit charge of a two-unit

1 building for this configuration, \$27.52; a three-unit
2 building, \$23.35; down the line.

3 So the point is that what -- what Recology is trying
4 to do, in terms of restructuring this, is to make the fixed
5 charge more reflective of the actual charges of service
6 per -- per customer.

7 And Mr. Schultz from R3 testified -- which is also
8 part of the record.

9 On page 649 and 650 of the record, he testified that
10 this -- that Recology's proposed fixed charges, as he had
11 analyzed them, were in line with what he had seen in other
12 communities.

13 And he was an expert picked by the City because of
14 his knowledge of -- of these practices.

15 So that was one point that I wanted to make.

16 A second point that I wanted to make relates to --
17 and by the way, if -- if the Board would like copies of the
18 new monthly rates as ordered by the Director and what they
19 are per unit, we have extra copies here that we can provide
20 to you.

21 The other point I wanted to make quickly is that
22 Mr. Macy pointed out that the landfill tipping charges are
23 now governed by a new agreement that was -- went into effect
24 in January of 2017 (sic).

25 The former Landfill Agreement, as I think the Rate

1 Board knows, dates back to 1987 for Altamont.

2 And when the City put the new contract out for bid,
3 there were two bidders. One was Recology, and one was the
4 incumbent, Waste Management.

5 Recology's tip-fee bid was \$23.34, and Waste
6 Management's was over \$46 per ton. So the City wisely chose
7 Recology and Hay Road.

8 It is more expensive than it has been. But again,
9 we have to keep in mind that the prior charges dated back to
10 a contract from 1987.

11 Two other quick points.

12 One is that the question of pilfering was discussed
13 at great length.

14 For the Director -- Exhibit 74 is an analysis that
15 Recology provided to the Director, which was a cost-benefit
16 analysis, really, of different ways that the -- Recology in
17 the City could approach this problem of pilfering, which is
18 a -- a serious and irritating problem; there's no question
19 about it.

20 From the cost-benefit analysis to do something that
21 would be effective, the testimony and the exhibits showed
22 would cost far more than the loss that's occurring from the
23 pilfering.

24 There is a loss, but the loss doesn't come anywhere
25 near what the cost would be to do something effective.

1 The testimony also showed that Recology and the City
2 joined together several years ago with the Police Department,
3 with the District Attorney, to try to focus activity on both
4 identifying and arresting and prosecuting people responsible
5 for the pilfering.

6 Not so much the people with the grocery carts, but
7 rather the so-called "motherships," where -- who would buy
8 material from the folks with the grocery carts.

9 And Recology spent quite a bit of money on that,
10 because it used a program that allowed private companies to,
11 in effect, pay the police, on overtime, to -- to increase
12 policing, and then to work with -- with the City and District
13 Attorney to prosecute people.

14 And it proved to be extremely difficult to identify
15 who was really responsible from a legal, criminal-law
16 standpoint. It was hard to trace an aluminum can in front of
17 somebody's house to the truck that was serving as the
18 mothership.

19 And the prosecution -- there turned out to be one
20 prosecution. And the -- and the person was -- was not -- was
21 given some sort of probation. It was considered to be a
22 minor crime by the court.

23 So anyway, the point is that Exhibit 74 is there for
24 people who want to really dig into figuring out what might be
25 done.

1 The last point I want to make is that the issue of
2 trash processing was something that was also discussed quite
3 a bit.

4 And as the Board knows, one of the programs that was
5 approved by the Director is a pilot program to determine
6 whether or not it would be effective to recover recyclables
7 from the trash. And that program was approved.

8 And in addition, a contingent rate schedule was also
9 approved by the Director, if the pilot program shows that
10 it's worthwhile to engage in this on a larger scale and
11 Recology has proposed a facility that can be used for that.

12 So that issue has also been addressed, and we're
13 hopeful that will work.

14 Thank you.

15 THE CHAIR: Anybody else wish to make a public
16 comment?

17 MS. THOMPSON: Hi.

18 My name is Tracy Thompson, and I've been coming to
19 some of the hearings and supplied a bunch of protests and
20 signatures to the Department of Public Works, also.

21 I believe that there's a fundamental issue here.

22 If you increase this base service charge by
23 200 percent, which is 5 to \$15 still, I think you're going to
24 lose a lot of the incentive for citizens to generate less
25 trash.

1 They're going to look at that bill and they're going
2 to say, "What have we been doing? You know, we've been
3 generating less trash."

4 And every time -- I think Mark is his name, the
5 lawyer -- he gets up here, and he discusses discounts and
6 benefits of the single-family residents.

7 And in the past year, from 2015 to 2016, my bill
8 went up 25 percent; okay? That doesn't even include before
9 2015, which there was another increases just a couple years
10 ago; all right?

11 And then the people who are in the 20-gallon bin,
12 they're -- he says they were not paying their fair share, and
13 I think we are. We are paying our fair share, and we're not
14 generating a lot -- a lot more trash.

15 In fact, as I said before, people who have the
16 20-gallon bin put their bins out like twice a month.

17 So I think it would behoove Recology to figure out a
18 way to economize that, and figure out some way -- because
19 what's happened in the City, as -- as people -- people
20 legalize their units -- you know, their in-laws that are now
21 illegal, this is a big money -- money grab for those units,
22 as well.

23 And people are not going to legalize those units and
24 create housing for -- you know, when we have a housing
25 crisis, if they're going to find all of their bills are just

1 going to go up like this.

2 People are not happy still with this rate increase,
3 and that's it.

4 Thanks.

5 THE CHAIR: Thank you.

6 Any other members of the public wish to provide
7 public comment?

8 That takes us to Item No. VIII, which is General
9 Public Comment --

10 MR. GALLAGHER: We have one more.

11 THE CHAIR: Oh, I'm sorry.

12 MR. O'ROURKE: Good afternoon.

13 My name is Michael O'Rourke. I'm from District 4.

14 I just want to put my two cents' in worth here -- my
15 two cents' worth in.

16 I'm kind of late to the table with this issue. But
17 I'm just kind of wondering: There seems to be an issue
18 around pilfering.

19 I wonder why there's an issue around pilfering?
20 Could it be that commodities are being stolen, valuable
21 commodities such as tinsplate, aluminum, glass, paper,
22 cardboard, a variety of plastics; not to mention compost?

23 So I'm wondering -- if these commodities are
24 valuable, insofar as pilfering is an issue, I'm wondering how
25 much Recology is making on the reselling of these

1 commodities.

2 Is there a profit here or are they taking a loss on
3 the commodities?

4 I'd like Recology to open its books and show us just
5 how much they're making off the commodities that we give
6 them -- not only do we give it -- give them to Recology, we
7 also pay for the privilege of giving it -- giving them to
8 Recology.

9 So I'd like to know if there's any kind of profit
10 margin there for Recology and how that balances out with a
11 potential rate increase.

12 Thank you.

13 THE CHAIR: Thank you.

14 I believe -- and perhaps maybe just Public Works --
15 Mr. Macy kind of made a comment on this.

16 But I think Public Works, if you just want to
17 comment about -- to the extent that you did -- if I -- I read
18 all the materials.

19 And as I understand it correctly, you audit their
20 books, and then also required consideration of the revenues
21 to be included in the -- in the offsetting the amount of rate
22 increase?

23 MS. DAWSON: Julia Dawson from Public Works.

24 In the Director's Report and Recommended Order,
25 there's a Section 16.3, Recycling Revenues.

1 And in that report, it states that in Rate Area 18,
2 recyclable revenues are projected to be 20.6 million, which
3 is about 15.5 percent of Recology San Francisco's operating
4 costs.

5 They're fully allocated to the benefit of Rate
6 Payers, but the cost exceeds the revenues.

7 THE CHAIR: Thank you.

8 Any other individuals want to comment on the Public
9 Works Director's response to the objections and the
10 recommendation order?

11 Okay. Moving on to Item No. VIII, General Public
12 Comment on Matters within the Jurisdiction of the Rate Board
13 not already heard under Agenda Items V or VII.

14 Does anybody want to make just a general public
15 comment?

16 MR. PILPEL: David Pilpel again.

17 Just to the extent that the Board chooses to grant
18 any of the objections, I would urge you -- unless you're
19 going to modify any of the programs, if you grant some of the
20 relief that was asked for, I strongly urge you to adjust the
21 other rates to continue to meet the revenue requirements so
22 that all of the programs and services are fully funded.

23 Certainly, the CEQA findings would need to be in the
24 Board's Rate Order.

25 And to the extent, after your hopefully interesting

1 discussion to come, when there's a draft resolution of the
2 Board, if that could be made available so the public and
3 interested parties can have an opportunity to review it so
4 that we get the language correct.

5 I'm particularly concerned about the language on the
6 use of the Special Reserve Fund because there's been some
7 concern and possible confusion about that, because of the two
8 different funds.

9 But in any event, that the draft resolution -- that
10 we have all a little time to look at that before the Board
11 takes a final action, whether it be today or Monday or
12 Wednesday or at a subsequent hearing.

13 Thank you very much.

14 THE CHAIR: Thank you, Mr. Pilpel.

15 Okay. We will now move on, seeing no further public
16 comment, to Agenda Item No. IX, Rate Board Consideration of
17 Proposed Order and Objections to Proposed Order; Approve or
18 Deny the Application, in Whole or in Part, Including the
19 Proposed Uses of the Special Reserve Fund under the
20 1987 Waste Disposal Agreement and Whether there is a
21 Continuing Need for the Fund, or Some Portion of It.

22 So moving on, again, our responsibility as Board
23 Members is to consider each of the objections, and then --
24 and then obviously determine whether or not to grant or deny
25 the application, in whole or in part, including the proposed

1 uses of the Special Reserve Fund, based on the evidence
2 submitted in the Director's hearings.

3 Do the Rate Board's members have any questions?
4 Questions for the Rate Payer Advocate? Department of
5 Environment? Public Works?

6 I know I have a few questions.

7 MR. EGAN: Go ahead and start.

8 THE CHAIR: Okay. A few things.

9 With respect to the Rate Application itself, I
10 noticed in the report it says there's two contingent
11 increases, as well.

12 I understand why the rates would increase. But I
13 don't understand what determines if those are going to kick
14 in and what's the process for those kicking in.

15 And if somebody could help me understand this
16 additional potential increase of -- what is it?

17 (Reviewing document.)

18 Potential increase of an additional 1.85 percent and
19 then 2.6.

20 Can someone help me understand those contingent
21 increases and what the process would be for them to --

22 MR. CARLIN: So that was one of my questions and
23 whether or not it would come back to us.

24 THE CHAIR: Yeah.

25 MR. CARLIN: That's something I want to know.

1 MS. DAWSON: They would -- they are integral to the
2 rate. So if you're reviewing the rate, those contingent
3 schedules are part of it.

4 The process for the way in which it would occur is
5 described on the Director's report, pages 13 and 14.

6 Essentially, it requires -- so there's been
7 substantial conversation in the Director's Report about the
8 Director's hearings -- multiple ones about these particular
9 improvements, including a verification of the costs at this
10 point in time.

11 So they were approved in the Director's Report.

12 But there is a prescribed process that Recology has
13 to follow in order to trigger those contingent schedules,
14 which is the final operating and capital costs cannot exceed
15 the amounts that were approved in the application.

16 Recology has to provide substantial documentation
17 that supports its estimate and that the investments will
18 achieve the projected recoveries that were described in the
19 review process.

20 And they also need to provide specifics on the
21 construction, components such as cost estimates, project
22 schedules, permitting, etc.

23 Then this request is actually -- would be posted on
24 the Public Works' website and subject to a 30-day review
25 period.

1 And then there's some other specific contingents
2 around the ways in which the costs would be treated in the --
3 in Recology's costs themselves.

4 THE CHAIR: So they -- so at no point -- or there's
5 no requirement for it, at any time, to come back before the
6 Rate Board?

7 MS. DAWSON: No.

8 THE CHAIR: Okay.

9 MR. CARLIN: It -- it also mentions that the
10 annualized expense will be added into the rate.

11 And have you projected that out when -- when the
12 construction is scheduled, the facilities would be
13 operational?

14 MS. DAWSON: So none of that happens until it gets
15 triggered.

16 So the big --

17 MR. CARLIN: Okay.

18 MS. DAWSON: So the increase itself is projected on
19 current rates and can -- and those -- those costs are already
20 projected with the -- with the rate.

21 MR. CARLIN: So the contingency schedule for
22 building the facility is in a box; there's a -- there's a set
23 number.

24 If it goes over that number, what happens?

25 MS. DAWSON: Well, Recology can decide not to

1 trigger it, or they trigger another Rate Application, in
2 which case, it would come back for a thorough examination of
3 all sorts of Director's hearings and it would be subject to
4 the process of the 1932 Ordinance --

5 MR. CARLIN: Okay.

6 MS. DAWSON: -- including Rate Board.

7 THE CHAIR: And then this is probably a question for
8 the City Attorney.

9 For the Special Reserve Fund, under the 1987
10 Agreement -- Facilitation Agreement, what happens -- so I
11 understand that there's an eventual phase-out or proposed
12 to be -- first of all, if we should decide for the benefit of
13 the Rate Payer.

14 What happens if there is -- I know that the claims
15 are limited to very two narrow causes of action.

16 But just out of curiosity, who -- I guess who's on
17 the hook for that? So what happens if there is no -- what if
18 there's not a sufficient balance of funds in the Special
19 Reserve Fund to cover the cost of any such claim?

20 MR. RUSSI: I think I would have to --

21 (Remarks outside the record.)

22 MR. RUSSI: I would have to -- Brad Russi from the
23 City Attorney's Office.

24 I would have to look into that more closely and get
25 back to you.

1 MR. CARLIN: As I recall, it's associated with the
2 Altamont Landfill?

3 MR. RUSSI: Right -- that's right.

4 MR. CARLIN: And that's closing.

5 And I believe the statute of limitations would
6 run --

7 (Remarks outside the record.)

8 MR. CARLIN: I'm sorry.

9 The statute of limitations would run out -- I'm
10 looking at the Department of the Environment.

11 If they have specific information, come forward.

12 THE CHAIR: I believe that the agreement itself
13 terminated back in January.

14 MR. CARLIN: Right.

15 THE CHAIR: But the statute of limitations, there
16 are -- if I'm correct on this, there's two causes of action
17 that could still be bought under that agreement -- I can't
18 recall what they are now.

19 But that -- and the statute of limitations on any
20 such claims is four years. So I believe that concludes
21 January 2020.

22 MR. MACY: That's correct.

23 Previously, the Deputy City Attorney, Thomas Owen --

24 MR. CARLIN: Right.

25 MR. MACY: -- has said that you can project a

1 statute of limitations out as far as four years from the end
2 of that agreement, which would be January 2020.

3 THE CHAIR: And you don't happen to know the answer
4 to my question as to what happens if there's not sufficient
5 funds to cover any such claim?

6 MR. MACY: Well, I think that -- you know, no.

7 I think legally one -- maybe there's an argument
8 legally that Waste Management is not going to have a basis
9 for making the suit if they're not those funds.

10 In the -- in the record that was presented to the
11 Board last year on this issue, our Director sent a letter to
12 Waste Management, confirming -- after the end of the
13 contract, confirming it. And the language in the agreement
14 sort of says, you know, "costs during" -- "during the
15 agreement."

16 So the letter by the Director said, "The agreement
17 is over. It's our understanding there is no more -- there's
18 no -- there will be no more basis for requests for these
19 types of funds.

20 "If so, please let us know"; they didn't.

21 So I think there's a legal argument to say that they
22 won't have a basis to do that, but there's --

23 THE CHAIR: I don't think nonresponse precludes them
24 from bringing a cause of action, although I understand the
25 chances of any such -- I know it's fairly low.

1 I was just wondering maybe what the consequences
2 would be, but -- okay.

3 MS. DAWSON: (Indicating.)

4 THE CHAIR: Sure.

5 Ms. Dawson?

6 MS. DAWSON: Just if it would help the Rate Board,
7 the proposal itself does have essentially -- you know, takes
8 little by little, with the declining and the ideas that it
9 maps up with the relative risk of a claim.

10 If a claim were to be very large, the amount in the
11 reserve would -- may or may not be sufficient cover.

12 But I think from our perspective and from Recology's
13 perspective, it seemed prudent for us to be able to use money
14 that had been collected from Rate Payers for their benefit as
15 this risk declined, and provide some rate relief to what
16 would otherwise be an even greater rate increase.

17 THE CHAIR: So just for the record, so should we
18 decline the request to phase out the fund, it would -- it
19 would increase the amount that our Rate Payers would have to
20 pay as a result; right?

21 MS. DAWSON: Yes.

22 THE CHAIR: Yeah.

23 MS. DAWSON: And it would be significant.

24 THE CHAIR: Significant, yeah.

25 Can I ask a question?

1 This is the pilot program -- because I've heard -- a
2 lot of objections and a lot of the individuals who spoke
3 today -- two concerns.

4 One question I did have was for the vacant unit.

5 Is it still -- are property owners still required or
6 is there a way for them to opt out or somehow be not charged
7 a fee for vacant units?

8 And then my other question is -- well, I guess -- so
9 I guess that's my first question.

10 Does anybody -- does anybody have a response on
11 that?

12 It must be the case that --

13 MR. HALEY: Good afternoon.

14 I'm Robert Haley with the Department of the
15 Environment.

16 The way it works is it depends how the units are
17 listed with the Planning Department. There's a website, and
18 that's the determination that's used by Recology for the unit
19 charge.

20 THE CHAIR: Okay.

21 MR. EGAN: Excuse me, Bob.

22 In relation to whether or not they're occupied or
23 vacant, or to whether or not they're legal or not legal?

24 MR. HALEY: As to how many units are in that
25 building --

1 MR. EGAN: So --

2 MR. HALEY: -- and that's the basis of the refuse
3 charge.

4 MR. EGAN: So it doesn't matter whether they're
5 vacant or not?

6 MR. HALEY: Not for the unit charge.

7 However, there are vacation -- you can cancel your
8 service for vacation. So you can then have some adjustments
9 to some of the charges temporarily, but not on a permanent
10 basis.

11 MR. EGAN: And I have one more question.

12 We also heard other comment in relation to the Rent
13 Ordinance and the inability to pass through additional
14 increases and charges to Rent Control tenants.

15 Is that your understanding?

16 MR. HALEY: Yes, it is.

17 And that's been discussed in prior rate processes
18 and determined beyond the scope of this process.

19 MR. EGAN: Okay.

20 THE CHAIR: I'd just like to ask the Department of
21 Recology to kind of think about the vacant unit issue.

22 It just doesn't seem like a -- like a fair -- to the
23 extent, in the next Rate Application, if you could give that
24 some thought.

25 MR. HALEY: Thank you.

1 THE CHAIR: I also had another question.

2 There was a pilot program -- and I'm just wondering
3 what the status of it is -- a pilot program where people
4 would only put the trash out -- and this, I think, is also
5 going to the concern about individuals not using a lot of
6 trash and yet being, you know, required to bear a lot of the
7 burden of the cost.

8 What happens -- so can you give us just kind of an
9 overview on that pilot program so it's -- homeowners can
10 choose only to put their trash out or -- I'll let you go --
11 and also let know what the status of that is and --

12 MR. HALEY: Yes.

13 The Department of the Environment, with Recology,
14 conducted three different tests.

15 One was called "Pay Per Setout." So the Rate Payer
16 would only pay when they put their trash out.

17 The other one was you could put your trash out every
18 other week -- or only every other week at most.

19 And the third one was shrinking the size of the
20 trash bin.

21 And there was also a control group in the study.

22 There's an exhibit in the record that summarizes the
23 study and I think gives a very good picture of it.

24 But the conclusion was that shrinking the trash bins
25 was the best option, that it had the most benefits versus

1 costs.

2 And that's why Recology proposed, and it was
3 throughout the hearings discussed and in the Director's
4 Order, to make the default trash bin, going forward,
5 16 gallons.

6 So shrinking the bins somewhat Citywide for
7 single-family homes.

8 THE CHAIR: And so is there no further consideration
9 of having another program for individuals who don't produce a
10 lot of trash?

11 That seems to be another common theme is, you know,
12 a lot of people are concerned because they really don't
13 produce a lot of trash and so they're still being expected to
14 pay for it.

15 And I'm just -- I'm wondering if that -- I'm hoping
16 that that kind of option is not -- has not been completely
17 taken off the table.

18 MR. HALEY: We're continuing to look at this.

19 Obviously, if we're going to get to Zero Waste, we
20 want to eliminate the black trash bin. That's our eventual
21 goal.

22 But it's really kind of an incremental process.

23 We're also looking at shrinking the blue and green
24 bins for people who don't have a lot of recyclables or
25 compostables.

1 We would like to look more at "every other" trash.
2 We couldn't do it this time, but you can shrink bins and
3 still go to "every other" trash.

4 You can still do paper setout.

5 You can do all of them in combination.

6 So we're very open to all of these and are going to
7 continue to test these with Recology.

8 MR. EGAN: If I could just ask another question or
9 make another point on that.

10 In relation to the difference in the increase for
11 two- to five-unit buildings versus single-family buildings,
12 both Mr. Nuru and the gentleman from Recology, the attorney,
13 made reference to the fact that multiple units in a two- to
14 five-unit building could essentially share bins, and also
15 that the charge per unit in a two- to five-unit building was
16 lower than a single family.

17 However, that was assuming the same amount of trash
18 capacity.

19 I'm wondering if -- if there is a goal to move
20 towards equity, whether -- and you're essentially recognizing
21 that unit -- residents of a four-unit building, for example,
22 could get by with a 32, a 32, and a 32, which averages to an
23 8.

24 Why couldn't the single family have an 8?

25 MR. HALEY: We're looking at all of those things.

1 MR. EGAN: Okay.

2 MR. HALEY: Part of it is kind of evolving over
3 time, trying to really get towards cost of service.

4 The others, we have to look at trying to maintain an
5 efficient system. Right now, there is no 8-gallon bin that
6 can work with the equipment.

7 And it's problematic to go back to manual
8 collections. There's a lot of injuries associated with that.

9 And that was part of why we wanted to look at "every
10 other week" collection. You still have some of the
11 efficiencies, rather than getting to the less-and-less
12 efficient system of picking up smaller and smaller bins from
13 lots of stops.

14 And we do recognize there's different costs for
15 different sharing configurations and that kind of thing.
16 We're looking at all of that and trying to have the most
17 equitable system.

18 I think we're -- we've gotten another step closer to
19 equity.

20 We've eliminated, if you will, some subsidies, and
21 we're trying to now get closer to cost of service.

22 And the multi-tenant -- the two to fives are still
23 are paying less per unit. And that does recognize, I think,
24 some of the cost structure.

25 But I think we're getting closer and closer to cost

1 of service.

2 MR. EGAN: Okay.

3 MS. DAWSON: Julia Dawson again, Public Works.

4 Mr. Haley didn't mention a couple things, but he's
5 more an expert than I am. So I want him to stay close
6 (indicating).

7 One is that -- that I did want to point out in this
8 Rate Application that the minimum is going down from a
9 32-gallon trash to a 16. So actually, people can start to
10 right-size their service and reduce their cost if truly they
11 don't need that capacity.

12 I also wanted to mention: In the pilot study that
13 Mr. Haley was referencing, one of the challenges that
14 happened with "every other week" setout were contamination.

15 So the reason that -- you know, really, we've gone
16 towards this other solution of just trying to shrink the bins
17 is for that reason.

18 We still need ideally to have all the streams be
19 able to be processed to the benefit of Rate Payers, because
20 if there's contamination, they're not getting those revenues.

21 MR. HALEY: And I would just add: The contamination
22 was one of many considerations in going to small bins.

23 MR. PORTER: John Porter, Group Controller for
24 Recology.

25 I'd just like to make a point of clarification on

1 the "vacant unit" question. Everything Robert Haley said was
2 correct; just a minor point of clarification.

3 If you have a separate address or separate parcel
4 number, you can ask to have a unit deemed vacant. That is
5 actually administered by the Department of Public Health
6 since adequate refuse service is a public-health issue.

7 If your unit is declared vacant and you have a
8 separate parcel number or address, we will suspend service as
9 a vacant unit, at which point that unit charge would no
10 longer be levied.

11 But again, you know, it must be vacant.

12 And I will say that, historically, we've had issues
13 with people claiming that units are vacant or parcels are
14 vacant, and in fact, they are not, after looking at utility
15 records.

16 THE CHAIR: Thank you.

17 I -- I spent a lot of time over the past weekend --
18 a lot of time poking around on the websites.

19 Maybe you could include that in an FAQ either on the
20 Department of Environment's website or Recology's, just so
21 people are clear that that is an option.

22 Can Environment or Recology maybe just include that
23 as an FAQ?

24 Mr. Haley?

25 (Remarks outside the record.)

1 MR. HALEY: Can you please restate the question?

2 Someone was talking to me.

3 THE CHAIR: I was just wondering if you could
4 include that as information somewhere for property owners,
5 just that they -- that it is possible to have a unit deemed
6 vacant, if in fact it is, to suspend the service.

7 MR. HALEY: Sure.

8 Most of that kind of information is on Recology's
9 website, and in some cases, it could be on Public Works'.
10 But I think Recology's website is the primary one.

11 THE CHAIR: Okay. So if you could just make sure
12 that's there, that's -- thanks.

13 MS. DILGER: Hi.

14 This is a actually something that's come up quite a
15 bit in --

16 (Remarks outside the record.)

17 MS. DILGER: Rosie Dilger, Rate Payer Advocate.

18 We've had numerous calls and emails from customers
19 and Rate Payers who have had this exact issue. And so it
20 required us to do a bit of research.

21 It is available on the Public Health website, and
22 you can call their regular number and make that request.

23 There's definitely a little bit of the bureaucratic
24 back-and-forth, and not everyone has been satisfied with the
25 answer they've received.

1 But that information is certainly available.

2 THE CHAIR: I just wouldn't know to poke around the
3 DPH website, is all.

4 So just to the extent we can have it somewhere
5 rather than intuit the search would be good.

6 MS. DILGER: I think that a link on Recology and
7 probably Public Works' websites, with just one brief sentence
8 pointing them to Department of Public Health, would probably
9 be very helpful, because our office has definitely been the
10 middleman for the people that have called in response to
11 that.

12 THE CHAIR: Okay. Great.

13 Questions? Comments?

14 MR. EGAN: I have a question for the Chair,
15 actually, about the scope of the things that we consider in
16 our deliberation.

17 Are we really considering what has been presented to
18 us today in --

19 (Remarks outside the record.)

20 MR. EGAN: Are we considering only the objections
21 that are before us today -- the items that are raised in
22 those objections, when we make our deliberations?

23 THE CHAIR: I'll leave it to Mr. Russi to correct me
24 if I'm wrong.

25 But what we can consider is whatever is in

1 evidence in the Director's -- so this massive binder
2 (indicating).

3 But we do have to consider each of the objections.

4 To the extent that there was additional evidence or
5 information provided today that's not included in the record,
6 we cannot consider that.

7 MR. RUSSI: And the ordinance provides that the Rate
8 Board duty is to grant the application in whole or in part.

9 THE CHAIR: Based on the "just and reasonable"
10 standard.

11 MR. RUSSI: Yes.

12 THE CHAIR: So with that understanding, do either of
13 my colleagues have any additional questions? Comments?
14 Concerns?

15 MR. CARLIN: No.

16 MR. EGAN: (Shaking head.)

17 THE CHAIR: Perhaps it would make sense, then, to
18 move to discuss the objections themselves, because I believe
19 that we have to consider each of them.

20 MR. RUSSI: The rules and procedure for the -- for
21 this proceeding say that the Rate Board can consider the
22 objections individually or collectively.

23 So you could make a motion to deny them all.

24 You could discuss each of them individually and
25 grant or deny them in groups, based on similarity.

1 It's really up to the Chair how to -- the Rate Board
2 members how to proceed.

3 THE CHAIR: Okay.

4 MR. EGAN: I'm sorry.

5 Does that refer to the objections that were
6 submitted or to the objections that we heard today?

7 MR. RUSSI: The objections that were submitted.

8 I think you need to address all of them.

9 MR. EGAN: Okay.

10 THE CHAIR: You know, before -- and I'm sorry.

11 I just -- I want to make sure that I'm clear,
12 because it has been a source of contention, about how -- and
13 I think it's important to understand a few things, in terms
14 of why this is such a significant increase.

15 But I -- just understanding for single-family homes
16 and those smaller units, could you just help us -- help me
17 understand exactly how it is they weren't paying their fair
18 share, so to speak, before, and now this -- this Rate
19 Application really does do a better job of considering
20 their -- you know, what level of contribution is appropriate?

21 Not to belabor the point, but I do want to just make
22 sure I'm clear on that and everybody else is clear, too.

23 MR. NURU: Okay. So in terms of trash collection,
24 we're -- we're trying to get to zero. And so now we're at
25 about 80 percent, and so we have to get to 20 percent.

1 To get to 20 percent, we have to work harder. I
2 think we'll agree with that.

3 To work harder, we're looking at collection, and the
4 best way is to collect other garbage. What's before you is a
5 bigger blue and options for a smaller black or a smaller
6 green.

7 The cost increases -- you've seen them, whether it's
8 landfill, whether it's operational costs; all those costs,
9 you've seen.

10 Those costs and that -- this increase will cover
11 those costs to be able for us to get better recyclables and
12 to be able to reach our goals.

13 And that's what really this application is about.

14 The cost -- the cost for the workers, who have not
15 received an increase in a while; maintaining the standards;
16 costs for new equipment; costs for landfill has increased;
17 costs for collecting organics, compostables; all those costs
18 are costs that are real costs now.

19 What has worked to our advantage is -- and I
20 stated in my presentation -- the actual increase is actually
21 21 percent. But because of the Zero Waste account and income
22 account, we're able to offset to be able to get more of our
23 recyclables and do better to get to zero.

24 THE CHAIR: Oh, I'm sorry. But my question was
25 specific to the single-family homeowners.

1 There was a comment that they -- this is really --
2 the rate is now really -- I hate the word "fair share."

3 But they weren't paying the adequate amount before;
4 they weren't contributing to the level that they should have
5 been.

6 I'm just trying to understand how it is that -- how
7 it was that they weren't contributing their fair share. And
8 I think that --

9 MR. CARLIN: That's -- that's the point.

10 So the equity issues in your rate design, how you
11 have -- looking at this, and who is not contributing their
12 fair share to the cost of service, as projected out, and what
13 you did to bring those up and what you did to others to
14 bring -- to make them more in line, providing their fair
15 share to the costs of service?

16 MR. NURU: So in --

17 MR. CARLIN: Is that right?

18 THE CHAIR: Yes.

19 MR. NURU: In the testimonies you've heard today, a
20 lot of these multiple units haven't been paying their fair
21 share.

22 And so when you look at it as a cost per unit,
23 that's the way to get to more equitable, which is what I
24 think everyone is trying to reach to.

25 In terms of number of accounts, we can share that

1 with you. They're obviously -- we have a number of accounts
2 in various brackets.

3 But what has been put before you today has been just
4 in general for everyone. But there are numbers of how many
5 single-family dwellings they are and what that cost means.

6 Obviously, most accounts in the City are -- our
7 largest number is in single-family dwellings.

8 And then as we come to where -- the multiple units
9 is a less number of accounts. But because we're looking at
10 it per unit, that's why the impact is more greater on those.

11 Did I answer that, or did that confuse the question?

12 MR. EGAN: And is it fair to say, Mr. Nuru --

13 THE CHAIR: I think that --

14 MR. EGAN: -- that on a per-unit basis, the fixed
15 charge is -- is identical, whether it's a single or a two to
16 five?

17 MR. NURU: Yes.

18 MR. EGAN: That's correct?

19 MR. NURU: Yes.

20 MR. EGAN: And so the difference is --

21 MR. NURU: By service, yes.

22 MR. EGAN: Yeah.

23 The differences, either on a per-building or
24 per-unit basis, come from basically how much capacity per
25 unit or --

1 MR. NURU: That's right.

2 MR. EGAN: Okay.

3 MS. DAWSON: So one of the things that we've talked
4 about -- Julia Dawson.

5 One of the things we've talked about in this is
6 that 60 percent of Recology's expenses are fixed and only
7 40 percent are variable.

8 So the whole need to move away from the volumetric
9 charge and to shift into the fixed charge has to do with
10 trying to get a lot closer to reflecting what Recology's
11 actual costs are to simply function, whether or not
12 they're -- you know, no matter where they're going.

13 It isn't the cost-per-collection-basis issue.
14 There's an awful lot of fixed costs that go into just being
15 able to collect.

16 MR. CARLIN: So going back to your piechart,
17 Ms. Dawson, can you point out what the 40 -- roughly
18 40 percent of the variable are?

19 MS. DAWSON: Yeah. Actually, we have that exhibit.

20 But it really -- what I'm talking about is it
21 relates not to the overall costs, but to the ratio in
22 Recology's costs between fixed and variable.

23 And there is an exhibit that we actually pulled
24 earlier, that I can put up here, that shows you exactly what
25 that looks like.

1 And I can have John Porter speak to the study
2 because he's the one that introduced it into evidence.

3 MR. PORTER: That's correct.

4 John Porter.

5 Exhibit 43 is a study that was performed by a
6 third-party accountancy firm, Armanino & McKenna, which
7 analyzed Recology's cost structure.

8 And as Julia mentioned, it showed that approximately
9 60 percent of our costs are fixed and 40 percent of our costs
10 are variable.

11 And so when we talked about fixed and variable
12 costs, you know, the unit charge is the charge that we use to
13 recover our fixed cost.

14 Essentially, whether or not you rolled your bin out
15 that day, just having our truck drive by your house, or bulky
16 item recycling program, you know, for picking up, you know,
17 your goods on an annual basis -- those costs are considered
18 fixed.

19 And so -- Julia has pulled that up.

20 And you can see the headers at the top, which show
21 the variable versus fixed, coming to the bottom with
22 61 percent showing fixed.

23 And this same analysis was done as part of the 2013
24 Rate Application and had very similar results. So our cost
25 structure has not changed dramatically since that time.

1 And as Mr. Nuru pointed out earlier, you know, in
2 his Director's Report from the 2013 process, recommended
3 moving closer to cost of service as part of the next Rate --
4 next Rate Application.

5 As part of the last application, the \$5 unit charge
6 was introduced and this \$15 --

7 (Remarks outside the record.)

8 MR. PORTER: This \$15 charge is kind of an
9 incremental step in -- to that step in the cost-of-service
10 direction.

11 MR. EGAN: Okay. And Mr. Porter, just on
12 Exhibit 43, the reason that this firm determines things like
13 90 percent of your payroll costs are fixed, 90 percent of
14 your truck maintenance costs are fixed, etc., is because
15 it's -- it's envisioning that you're going to do the same
16 amount of pickups, with the same number of trucks, with the
17 same workforce, regardless of how much is actually picked up,
18 what's in the containers?

19 MR. PORTER: Correct.

20 You know, whether or not you decide to put your cart
21 out one week, we're still diving by your home and seeing
22 whether or not it's there. And if it is, we're picking it
23 up.

24 The variable cost would be volumetric tonnage based.
25 So when we actually collect those goods, we have to process

1 them.

2 MR. EGAN: Right.

3 And DPW -- I mean, in the -- in the big picture of
4 the strategy, we're trying to move to a world where we're
5 leaving less stuff out the curb, particularly trash, but not
6 exclusively trash.

7 So is the -- is the thinking that that decline in
8 the need for the service will -- is something for the future
9 beyond the period that we're talking about here?

10 MS. DAWSON: I think that we've -- actually, what
11 we're doing is adjusting the way things are collected.

12 So we haven't talked about this, but there is a
13 change going on with the way that the tracks are designed so
14 that the capacity is increasing towards recycling.

15 And the split trucks that are now split between
16 recycling and the black bin are actually now going to be
17 composting and the black bin because on a volumetric basis,
18 you're shrinking the black; the composting generally is not
19 as big by volume as the others; and the recycling is
20 generally larger.

21 And right now, the way that the collection system is
22 working, it's at capacity. They actually cannot always
23 collect as much recycling as people are producing.

24 So we are shifting -- you still have to have the
25 trucks -- to Mr. Porter's point, and even if your neighbor

1 isn't putting it out, the next house is.

2 So it's very tricky to back off of these variable
3 costs. There's still going to be a substantial amount of
4 fixed costs, and that's true in the waste management industry
5 in general.

6 This isn't just Recology; this is just the reality
7 of this business.

8 MR. CARLIN: So --

9 MR. EGAN: But if -- I'm sorry.

10 But if we did go to, say, pick up every other week
11 at some point in the future, what you're now calling "fixed
12 costs" would go down?

13 MS. DAWSON: Yes.

14 But the -- but you'd have to consider: You'd have
15 to adoption amongst a very large amount of the public. So it
16 has to evolve.

17 We're taking steps each time to both recognize
18 the -- in terms of -- so when we're doing rate making, we're
19 assessing essentially costs that Recology collects as
20 revenues towards their operations.

21 What we're trying to do here is to deaccentuate
22 generating revenue on the trash and recognize that not only
23 does the operation have a significant fixed cost at
24 60 percent, but that these variable cost components --
25 there's costs to process all of these streams, not just the

1 black bin.

2 But in previous rate structures, we've been busily
3 moving to recognize the fixed costs and to -- while we still
4 had a substantial price on trash, this is the next step in
5 the evolution, where we're deemphasizing the cost of trash.

6 There's still a 2-to-1 ratio between trash and then
7 recyclables and compostables.

8 So there's still the incentive, but we're also
9 trying to recognize that all these streams have a cost to
10 process.

11 MR. EGAN: Okay.

12 MR. CARLIN: I was just going to build on your
13 point.

14 They're providing a service, and so they have to
15 have a minimum level of staffing and equipment to provide
16 that service.

17 Right now, they're executing their business plan as
18 it is written today. But going to your future scenario, it
19 may mean a different business plan and different, you know,
20 amounts of staff and fleet and such; and therefore, the costs
21 could adjust.

22 I think the point we're trying to make is: We
23 understand their business plan.

24 We understand the rate making, when it took place.

25 It's a service you provide. Even if you went to

1 every other week, you know, you would still probably need the
2 same amount of people, the same amount of trucks, at this
3 point in time to process all that material.

4 And until we get to a point of Zero Waste, less
5 volume, then the business plan changes, and then we have to
6 look at a different rate source.

7 MS. DAWSON: Right, and I think that's fair.

8 And as the City's growing, that challenge has
9 actually increased. We have a lot more density; we have a
10 lot more apartments.

11 And the challenge of having really people source,
12 separate, and act accordingly is hard.

13 MR. EGAN: While you're up here, Ms. Dawson, I
14 wonder if we could speak briefly about the split between the
15 base charge and the flexible charge a little more.

16 What -- what would be the risk of saying, "We don't
17 need a per-unit charge; we're just going to get all of the
18 revenue from per container"?

19 MS. DAWSON: I think you would potentially erode the
20 need for revenue to cover fixed costs. So I think some
21 amount of fixed cost is necessary.

22 MR. EGAN: Because people would essentially say,
23 "That's too much; I don't want such a big bin" or "I don't
24 want that bin at all"?

25 MS. DAWSON: And it doesn't -- so people would be --

1 even if they have a small volume, there's still -- 60 percent
2 of the cost is simply having a truck to pick up a very small
3 bin.

4 MR. EGAN: Okay.

5 MS. DAWSON: So you really -- the cost structure in
6 this business is capital intensive, and the processing and
7 the trucking and all that is significant.

8 MR. EGAN: So the only savings you get from people
9 using a smaller bin is there's less volumetrically to dispose
10 of?

11 MS. DAWSON: Right.

12 And so there is -- I mean, there are incremental
13 costs. The reasons we still have volumetric charges is it
14 does take longer and we would need more.

15 And so, you know, Recology estimates on how that is
16 in their customer base, and then they size their routes
17 accordingly so that they can actually manage the capacity
18 they have.

19 But they still have to run the street whether you
20 have 20 gallons or 64.

21 MR. EGAN: Okay.

22 (Remarks outside the record.)

23 THE CHAIR: Why don't we go ahead and break for
24 10 minutes?

25 We will resume here at half-past.

1 (Short recess taken.)

2 THE CHAIR: We are resuming the Rate Board hearing.

3 And it is approximately 3:31.

4 And again, we are in City hall, Room 416.

5 Is there a -- I understand that somebody -- there
6 was a member of the public who felt -- who would like an
7 opportunity to --

8 MR. EGAN: A member of the public came to speak to
9 me during the break, and said he understood there was public
10 comments all afternoon long.

11 And I told him that the items relating to public
12 comment had ended, but that we may be able to ask him
13 questions as part of our item.

14 However, I don't see him in the room right now.

15 THE CHAIR: Oh, I see.

16 UNKNOWN SPEAKER: He left.

17 THE CHAIR: Oh, okay. Thank you.

18 We have heard a lot of testimony today. And I think
19 that we -- it is important for me to understand the answer to
20 my question about what happens with the -- with the old
21 Special Reserve if it's been fully depleted of funds and
22 there is a claim of risk, be it low, though it may be.

23 And you know, just -- I think it would also be
24 helpful to kind of have a kind of shell of a document to kind
25 of help us walk through what our resolution may -- may look

1 like.

2 And to that end, I think -- I would propose that we
3 recess for this afternoon meeting and resume Monday morning,
4 with vote by my colleagues.

5 But return Monday morning to really give some
6 additional thought to what we've heard today.

7 And then also kind of have more of a structured
8 document to kind of help us -- guide us through the decisions
9 we have to make.

10 And then also understand that legal question with
11 respect to the Reserve Fund.

12 Is that something that I guess would take -- it's by
13 majority vote of the -- of the Board.

14 MR. RUSSI: Right.

15 You're moving to continue the meeting --

16 MR. CARLIN: I'll move to continue the meeting --

17 MR. RUSSI: -- not to --

18 MR. CARLIN: I will move to continue the meeting to
19 Monday at 9:00 a.m.

20 THE CHAIR: Second?

21 MR. EGAN: I will second.

22 THE CHAIR: All right. So with that --

23 (Remarks outside the record.)

24 THE CHAIR: All in favor?

25 MR. CARLIN: Aye.

1 MR. EGAN: Aye.

2 THE CHAIR: Okay. Before concluding, however, I
3 would like to say: We will allow for -- I intend to allow
4 for public comment again Monday morning before we move back
5 into Agenda Item IX, which is to deliberate on the
6 Recommended Order and the objections.

7 So at that time, just so everybody is aware, you
8 will have another opportunity to provide public comment, up
9 to a maximum of 3 -- 3 minutes per person.

10 UNKNOWN SPEAKER: You'll have a draft document?

11 THE CHAIR: I'm sorry?

12 UNKNOWN SPEAKER: You'll have a draft document?

13 THE CHAIR: Yes, we will have a draft -- a draft
14 document, yes.

15 I've asked the City Attorney's Office to come up
16 with a shell for us to help guide us through the discussions
17 of the issues.

18 With that, unless -- would either one of you like to
19 ask for more information or if you have any questions that
20 have not been addressed, before Monday morning when resume?

21 MR. CARLIN: No.

22 MR. EGAN: No.

23 THE CHAIR: All right. With that, we will go ahead
24 and recess until Monday morning at 9:00 a.m.

25 Thank you very much.

1 The time is 3:34.

2 (Proceedings adjourned at 3:34 p.m.)

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A handwritten mark consisting of a large, stylized letter 'D' with a vertical stroke on the left side, followed by a long horizontal line extending to the right.

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Transcript of Proceedings
June 16, 2017

<hr/> <p style="text-align: center;">\$</p> <hr/> <p>\$10 60:11 \$13 50:14 \$15 66:23 96:6, 8 \$23.34 64:5 \$23.35 63:2 \$24.17 62:14 \$27.52 39:21 63:1 \$30.44 39:21 62:12 \$4 60:9,13 \$40.04 39:18 62:23 \$40.52 39:24 \$40.88 39:18 62:4,8,22 \$46 64:6 \$5 38:19 39:4 96:5 \$5.22 23:16 \$6.26 23:17 \$60.87 62:11</p> <hr/> <p style="text-align: center;">0</p> <hr/> <p>0.55 33:9 0.79 33:10</p> <hr/> <p style="text-align: center;">1</p> <hr/> <p>1 27:4 28:12 1,500 26:7 1.85 72:18 10 8:15,18 16:21 39:21 49:20 101:24 102 12:20 12th 11:24 33:3 13 8:8,12,14 16:18 31:10 33:20 73:5 13.8 22:12 14 22:13 43:3 73:5 14.42 33:6</p>	<p>15 58:8 15.5 70:3 150 13:7 16 82:5 85:9 16.3 69:25 16.5 26:16 18 70:1 19 17:15 191 22:5,6 1932 7:13 75:4 1979 23:9 27:23 1987 11:15 54:22 64:1,10 71:20 75:9 19th 6:21,25 7:2 1:00 7:2 1st 33:7</p> <hr/> <p style="text-align: center;">2</p> <hr/> <p>2 27:7 39:18 43:2 2-19-79 23:4 2-to-1 99:6 2.6 72:19 20 28:12 29:6 34:23 42:21,24 43:2 90:25 91:1 101:20 20-gallon 37:21 38:7 51:15 67:11,16 20.6 70:2 20.9 22:18 26:23 200 66:23 2012 24:4 2013 9:9 15:9 36:1,6,15 95:23 96:2 2015 67:7,9 2016 31:14 35:10 45:11 67:7 2017 6:9 9:10 63:24 2018 33:6 2019 33:8</p>	<p>2020 19:21 33:9 76:21 77:2 2021 33:11 204 24:9 21 33:5 91:21 21.1 22:20 26:25 21st 6:22 7:1, 2,25 22 21:9 220,000 13:25 15:14 25 67:8 26 42:23,24</p> <hr/> <p style="text-align: center;">3</p> <hr/> <p>3 10:18 23:1 28:23 53:20 30 59:24 30-day 73:24 30th 8:9 9:5 32 37:17 61:16, 17 83:22 32-gallon 85:9 36.4 22:19 26:24 36.5 22:16 26:23 27:2 3:31 102:3</p> <hr/> <p style="text-align: center;">4</p> <hr/> <p>4 68:13 40 19:18 94:7, 17,18 95:9 40- 42:25 416 6:22 102:4 43 95:5 96:12</p> <hr/> <p style="text-align: center;">5</p> <hr/> <p>5 66:23 5.46 33:8 50 32:3 52 8:12 53 8:11 9:24 33:20 34:4 5:00 6:18 7:25</p>	<hr/> <p style="text-align: center;">6</p> <hr/> <p>6 43:7 60 11:23 13:9 36:25 94:6 95:9 98:24 101:1 61 95:22 64 101:20 64-gallon 53:3 649 63:9 650 63:9</p> <hr/> <p style="text-align: center;">7</p> <hr/> <p>70 59:23 74 64:14 65:23</p> <hr/> <p style="text-align: center;">8</p> <hr/> <p>8 83:23,24 8-gallon 84:5 80 90:25 82 12:20 89 60:22,23,25</p> <hr/> <p style="text-align: center;">9</p> <hr/> <p>9.9 35:19 90 96:13 91 35:18 96 55:19 9:00 6:20,22</p> <hr/> <p style="text-align: center;">A</p> <hr/> <p>a.m. 6:20,22 absolutely 15:18 46:25 access 16:5,10 accompanying 18:13 accomplishes 54:25 accordance 18:17 account 91:21, 22</p>
---	---	---	---

Transcript of Proceedings
June 16, 2017

accountable 25:2	58:13 86:3,8 90:8	agreed 7:19 37:7,13	answers 8:17
accountancy 95:6	addressed 25:17 58:9 66:12	agreement 11:16 19:22 35:9	anyone's 30:4
accounts 92:25 93:1,6,9	adequate 86:6 92:3	40:14 42:21 48:7,24 49:19, 21 50:1 54:22	apartment 17:18 36:22 38:2 39:1,3,15
accrue 49:23	adjust 70:20 99:21	55:4 63:23,25 71:20 75:10	apartments 100:10
accumulated 33:13	adjusting 38:16 97:11	76:12,17 77:2, 13,15,16	Appeal 18:16,21
accurate 35:7	adjustments 35:4 80:8	ahead 72:7 101:23	application 6:7 11:11 24:23 29:21 31:8,15, 18,19,20 32:6, 7,14,20 34:13, 25 35:9 36:20 42:6 43:15,19 46:23 54:25 71:18,25 72:9 73:15 75:1 80:23 85:8 89:8 90:19 91:13 95:24 96:4,5
achieve 35:17 39:8 73:18	administered 86:5	allocate 30:14 54:12	applications 12:23 29:22
achieving 35:16	administrative 9:8,16,18 11:3 54:4	allocated 70:5	applied 49:6
acknowledge 34:10	admissible 9:11	allowed 65:10	apply 21:21 22:15
act 7:16 10:15 11:14,22 100:12	admitted 57:11 62:17	Altamont 55:2 64:1 76:2	appreciated 34:16
acted 9:6	adopted 7:14	alter 6:4	approach 30:16 53:18 64:17
action 9:4 11:10 71:11 75:15 76:16 77:24	adoption 98:15	alternative 27:11	appropriately 55:3
active 13:18 15:4	advantage 23:25 91:19	alternatives 30:1	approve 11:10, 18 71:17
activity 65:3	advertised 16:5 26:16	aluminum 65:16 68:21	approved 33:4 66:5,7,9 73:11,15
actor 14:22	advertisements 13:23 16:1	amount 10:17 14:16 28:22 34:20 37:5 38:22 39:7 44:23 49:25 53:19 55:1,19 58:5 59:9 69:21 78:10,19 83:17 92:3 96:16 98:3,15 100:2,21	approximately 13:7,9 22:10 95:8 102:3
acts 11:21	advised 10:19	amounts 73:15 99:20	architect 19:17,23 23:12
actual 13:21 40:24 63:5 91:20 94:11	Advocate 8:7 11:6 12:5,16, 21 14:19 31:22 72:4 87:17	analysis 21:23 22:11 60:25 64:14,16,20 95:23	area 44:14 58:19 70:1
add 85:21	Advocate's 6:17	analyzed 63:11 95:7	areas 15:23
added 27:5 74:10	afternoon 12:12,14 18:2, 3 26:4 28:25 31:4 40:7 45:5 68:12 79:13 102:10	analyzing 32:16 35:2	argument 77:7, 21
addition 36:8 66:8	agenda 6:19 7:9,17,18,21, 24 8:3,4,7,14, 20,24 9:21,22 11:9 12:4 16:17,20 28:12 30:25 70:13 71:16	and/or 9:13	arguments 29:13 54:12
additional 7:23 9:3 11:1 27:13 33:1 35:11 37:21 40:12 42:11 47:16 50:17,25 55:13 72:16,18 80:13 89:4,13	agree 19:21 34:23 48:17 91:2	Ann 17:4	Armanino 95:6
Additionally 16:1		annual 95:17	
address 11:12 21:7 24:18 28:20 34:3,8 40:2 50:23,24 56:3 57:4		annualized 74:10	

army 57:16	balance 75:18	bin 35:13 36:2, 4 42:8,9,10 51:8,15,16,18 52:2,3 53:1,3 67:11,16 81:20 82:4,20 84:5 95:14 97:16,17 99:1 100:23,24 101:3,9	10,16,22 74:6 75:6 77:11 78:6 89:8,21 90:1 102:2 Board's 10:5,21 70:24 72:3 Bob 79:21 books 69:4,20 bottles 54:16 bottom 20:2 95:21 bought 76:17 box 74:22 brackets 93:2 Brad 75:22 break 40:19 56:17 101:23 102:9 breaks 7:4,6 briefly 7:10 12:15 100:14 bring 44:17 58:8 92:13,14 bringing 77:24 Bronwen 17:24 brought 22:6 34:1 brown 6:6 7:16 buckets 14:4 build 99:12 building 21:20 27:1,19 38:11 39:17,20,22 49:18 59:8 60:9,11,13 62:10,14 63:1, 2 74:22 79:25 83:14,15,21 buildings 14:6 17:18 23:3,8 26:23 27:22 36:23 38:1,9, 15 39:1,3,5 59:3 83:11 built 48:6 49:20 52:23 bulky 95:15 bunch 66:19 burden 27:6 29:14 81:7
arrest 19:24	balances 69:10	binder 6:6 89:1 binders 6:3,8 bins 38:15 39:7 51:23 53:6 55:14,20 56:10 67:16 81:24 82:6,24 83:2, 14 84:12 85:16,22 bit 14:13 43:10 44:1,19 47:10 53:24 61:3 65:9 66:3 87:15,20,23 black 23:15,24 35:13 36:2 42:7,12 51:15 52:2 53:2 57:20 58:21 82:20 91:5 97:16,17,18 99:1 blue 10:11 23:21 24:4 36:4 42:9,10, 12,13 51:16, 18,23 52:3 53:1,3 55:14, 20 56:10 82:23 91:5 board 6:2 7:3, 20 8:16,22 9:4,6,12 10:19,21,24 11:8,12,14,21, 22,25 15:11 18:18 24:17 25:1,11,13 26:4 30:18 31:5 33:23 34:15 45:5 60:6 63:17 64:1 66:4 70:12,17 71:2,	
arresting 65:4	base 21:25 22:4 54:3,9 66:22 100:15 101:16	bins 38:15 39:7 51:23 53:6 55:14,20 56:10 67:16 81:24 82:6,24 83:2, 14 84:12 85:16,22 bit 14:13 43:10 44:1,19 47:10 53:24 61:3 65:9 66:3 87:15,20,23 black 23:15,24 35:13 36:2 42:7,12 51:15 52:2 53:2 57:20 58:21 82:20 91:5 97:16,17,18 99:1 blue 10:11 23:21 24:4 36:4 42:9,10, 12,13 51:16, 18,23 52:3 53:1,3 55:14, 20 56:10 82:23 91:5 board 6:2 7:3, 20 8:16,22 9:4,6,12 10:19,21,24 11:8,12,14,21, 22,25 15:11 18:18 24:17 25:1,11,13 26:4 30:18 31:5 33:23 34:15 45:5 60:6 63:17 64:1 66:4 70:12,17 71:2,	
article 23:24	based 39:8 45:12 72:1 89:9,25 96:24	binder 6:6 89:1 binders 6:3,8 bins 38:15 39:7 51:23 53:6 55:14,20 56:10 67:16 81:24 82:6,24 83:2, 14 84:12 85:16,22 bit 14:13 43:10 44:1,19 47:10 53:24 61:3 65:9 66:3 87:15,20,23 black 23:15,24 35:13 36:2 42:7,12 51:15 52:2 53:2 57:20 58:21 82:20 91:5 97:16,17,18 99:1 blue 10:11 23:21 24:4 36:4 42:9,10, 12,13 51:16, 18,23 52:3 53:1,3 55:14, 20 56:10 82:23 91:5 board 6:2 7:3, 20 8:16,22 9:4,6,12 10:19,21,24 11:8,12,14,21, 22,25 15:11 18:18 24:17 25:1,11,13 26:4 30:18 31:5 33:23 34:15 45:5 60:6 63:17 64:1 66:4 70:12,17 71:2,	
assessing 98:19	basically 25:8 40:19 48:20 56:12 93:24	binder 6:6 89:1 binders 6:3,8 bins 38:15 39:7 51:23 53:6 55:14,20 56:10 67:16 81:24 82:6,24 83:2, 14 84:12 85:16,22 bit 14:13 43:10 44:1,19 47:10 53:24 61:3 65:9 66:3 87:15,20,23 black 23:15,24 35:13 36:2 42:7,12 51:15 52:2 53:2 57:20 58:21 82:20 91:5 97:16,17,18 99:1 blue 10:11 23:21 24:4 36:4 42:9,10, 12,13 51:16, 18,23 52:3 53:1,3 55:14, 20 56:10 82:23 91:5 board 6:2 7:3, 20 8:16,22 9:4,6,12 10:19,21,24 11:8,12,14,21, 22,25 15:11 18:18 24:17 25:1,11,13 26:4 30:18 31:5 33:23 34:15 45:5 60:6 63:17 64:1 66:4 70:12,17 71:2,	
assist 31:23	basis 38:13 39:11 77:8,18, 22 80:2,10 93:14,24 95:17 97:17	binder 6:6 89:1 binders 6:3,8 bins 38:15 39:7 51:23 53:6 55:14,20 56:10 67:16 81:24 82:6,24 83:2, 14 84:12 85:16,22 bit 14:13 43:10 44:1,19 47:10 53:24 61:3 65:9 66:3 87:15,20,23 black 23:15,24 35:13 36:2 42:7,12 51:15 52:2 53:2 57:20 58:21 82:20 91:5 97:16,17,18 99:1 blue 10:11 23:21 24:4 36:4 42:9,10, 12,13 51:16, 18,23 52:3 53:1,3 55:14, 20 56:10 82:23 91:5 board 6:2 7:3, 20 8:16,22 9:4,6,12 10:19,21,24 11:8,12,14,21, 22,25 15:11 18:18 24:17 25:1,11,13 26:4 30:18 31:5 33:23 34:15 45:5 60:6 63:17 64:1 66:4 70:12,17 71:2,	
associations 13:8	Bassan 17:4	binder 6:6 89:1 binders 6:3,8 bins 38:15 39:7 51:23 53:6 55:14,20 56:10 67:16 81:24 82:6,24 83:2, 14 84:12 85:16,22 bit 14:13 43:10 44:1,19 47:10 53:24 61:3 65:9 66:3 87:15,20,23 black 23:15,24 35:13 36:2 42:7,12 51:15 52:2 53:2 57:20 58:21 82:20 91:5 97:16,17,18 99:1 blue 10:11 23:21 24:4 36:4 42:9,10, 12,13 51:16, 18,23 52:3 53:1,3 55:14, 20 56:10 82:23 91:5 board 6:2 7:3, 20 8:16,22 9:4,6,12 10:19,21,24 11:8,12,14,21, 22,25 15:11 18:18 24:17 25:1,11,13 26:4 30:18 31:5 33:23 34:15 45:5 60:6 63:17 64:1 66:4 70:12,17 71:2,	
assume 44:9	Bay 44:14	binder 6:6 89:1 binders 6:3,8 bins 38:15 39:7 51:23 53:6 55:14,20 56:10 67:16 81:24 82:6,24 83:2, 14 84:12 85:16,22 bit 14:13 43:10 44:1,19 47:10 53:24 61:3 65:9 66:3 87:15,20,23 black 23:15,24 35:13 36:2 42:7,12 51:15 52:2 53:2 57:20 58:21 82:20 91:5 97:16,17,18 99:1 blue 10:11 23:21 24:4 36:4 42:9,10, 12,13 51:16, 18,23 52:3 53:1,3 55:14, 20 56:10 82:23 91:5 board 6:2 7:3, 20 8:16,22 9:4,6,12 10:19,21,24 11:8,12,14,21, 22,25 15:11 18:18 24:17 25:1,11,13 26:4 30:18 31:5 33:23 34:15 45:5 60:6 63:17 64:1 66:4 70:12,17 71:2,	
assuming 46:22 48:16 83:17	bear 81:6	binder 6:6 89:1 binders 6:3,8 bins 38:15 39:7 51:23 53:6 55:14,20 56:10 67:16 81:24 82:6,24 83:2, 14 84:12 85:16,22 bit 14:13 43:10 44:1,19 47:10 53:24 61:3 65:9 66:3 87:15,20,23 black 23:15,24 35:13 36:2 42:7,12 51:15 52:2 53:2 57:20 58:21 82:20 91:5 97:16,17,18 99:1 blue 10:11 23:21 24:4 36:4 42:9,10, 12,13 51:16, 18,23 52:3 53:1,3 55:14, 20 56:10 82:23 91:5 board 6:2 7:3, 20 8:16,22 9:4,6,12 10:19,21,24 11:8,12,14,21, 22,25 15:11 18:18 24:17 25:1,11,13 26:4 30:18 31:5 33:23 34:15 45:5 60:6 63:17 64:1 66:4 70:12,17 71:2,	
attack 23:19	begin 12:7	binder 6:6 89:1 binders 6:3,8 bins 38:15 39:7 51:23 53:6 55:14,20 56:10 67:16 81:24 82:6,24 83:2, 14 84:12 85:16,22 bit 14:13 43:10 44:1,19 47:10 53:24 61:3 65:9 66:3 87:15,20,23 black 23:15,24 35:13 36:2 42:7,12 51:15 52:2 53:2 57:20 58:21 82:20 91:5 97:16,17,18 99:1 blue 10:11 23:21 24:4 36:4 42:9,10, 12,13 51:16, 18,23 52:3 53:1,3 55:14, 20 56:10 82:23 91:5 board 6:2 7:3, 20 8:16,22 9:4,6,12 10:19,21,24 11:8,12,14,21, 22,25 15:11 18:18 24:17 25:1,11,13 26:4 30:18 31:5 33:23 34:15 45:5 60:6 63:17 64:1 66:4 70:12,17 71:2,	
attempt 34:3	beginning 12:22 25:4	binder 6:6 89:1 binders 6:3,8 bins 38:15 39:7 51:23 53:6 55:14,20 56:10 67:16 81:24 82:6,24 83:2, 14 84:12 85:16,22 bit 14:13 43:10 44:1,19 47:10 53:24 61:3 65:9 66:3 87:15,20,23 black 23:15,24 35:13 36:2 42:7,12 51:15 52:2 53:2 57:20 58:21 82:20 91:5 97:16,17,18 99:1 blue 10:11 23:21 24:4 36:4 42:9,10, 12,13 51:16, 18,23 52:3 53:1,3 55:14, 20 56:10 82:23 91:5 board 6:2 7:3, 20 8:16,22 9:4,6,12 10:19,21,24 11:8,12,14,21, 22,25 15:11 18:18 24:17 25:1,11,13 26:4 30:18 31:5 33:23 34:15 45:5 60:6 63:17 64:1 66:4 70:12,17 71:2,	
attempted 24:14	begins 33:6	binder 6:6 89:1 binders 6:3,8 bins 38:15 39:7 51:23 53:6 55:14,20 56:10 67:16 81:24 82:6,24 83:2, 14 84:12 85:16,22 bit 14:13 43:10 44:1,19 47:10 53:24 61:3 65:9 66:3 87:15,20,23 black 23:15,24 35:13 36:2 42:7,12 51:15 52:2 53:2 57:20 58:21 82:20 91:5 97:16,17,18 99:1 blue 10:11 23:21 24:4 36:4 42:9,10, 12,13 51:16, 18,23 52:3 53:1,3 55:14, 20 56:10 82:23 91:5 board 6:2 7:3, 20 8:16,22 9:4,6,12 10:19,21,24 11:8,12,14,21, 22,25 15:11 18:18 24:17 25:1,11,13 26:4 30:18 31:5 33:23 34:15 45:5 60:6 63:17 64:1 66:4 70:12,17 71:2,	
attended 29:2	behalf 26:6 32:1	binder 6:6 89:1 binders 6:3,8 bins 38:15 39:7 51:23 53:6 55:14,20 56:10 67:16 81:24 82:6,24 83:2, 14 84:12 85:16,22 bit 14:13 43:10 44:1,19 47:10 53:24 61:3 65:9 66:3 87:15,20,23 black 23:15,24 35:13 36:2 42:7,12 51:15 52:2 53:2 57:20 58:21 82:20 91:5 97:16,17,18 99:1 blue 10:11 23:21 24:4 36:4 42:9,10, 12,13 51:16, 18,23 52:3 53:1,3 55:14, 20 56:10 82:23 91:5 board 6:2 7:3, 20 8:16,22 9:4,6,12 10:19,21,24 11:8,12,14,21, 22,25 15:11 18:18 24:17 25:1,11,13 26:4 30:18 31:5 33:23 34:15 45:5 60:6 63:17 64:1 66:4 70:12,17 71:2,	
attending 32:3	behoove 67:17	binder 6:6 89:1 binders 6:3,8 bins 38:15 39:7 51:23 53:6 55:14,20 56:10 67:16 81:24 82:6,24 83:2, 14 84:12 85:16,22 bit 14:13 43:10 44:1,19 47:10 53:24 61:3 65:9 66:3 87:15,20,23 black 23:15,24 35:13 36:2 42:7,12 51:15 52:2 53:2 57:20 58:21 82:20 91:5 97:16,17,18 99:1 blue 10:11 23:21 24:4 36:4 42:9,10, 12,13 51:16, 18,23 52:3 53:1,3 55:14, 20 56:10 82:23 91:5 board 6:2 7:3, 20 8:16,22 9:4,6,12 10:19,21,24 11:8,12,14,21, 22,25 15:11 18:18 24:17 25:1,11,13 26:4 30:18 31:5 33:23 34:15 45:5 60:6 63:17 64:1 66:4 70:12,17 71:2,	
attention 20:23 47:5 58:8 61:3	belabor 90:21	binder 6:6 89:1 binders 6:3,8 bins 38:15 39:7 51:23 53:6 55:14,20 56:10 67:16 81:24 82:6,24 83:2, 14 84:12 85:16,22 bit 14:13 43:10 44:1,19 47:10 53:24 61:3 65:9 66:3 87:15,20,23 black 23:15,24 35:13 36:2 42:7,12 51:15 52:2 53:2 57:20 58:21 82:20 91:5 97:16,17,18 99:1 blue 10:11 23:21 24:4 36:4 42:9,10, 12,13 51:16, 18,23 52:3 53:1,3 55:14, 20 56:10 82:23 91:5 board 6:2 7:3, 20 8:16,22 9:4,6,12 10:19,21,24 11:8,12,14,21, 22,25 15:11 18:18 24:17 25:1,11,13 26:4 30:18 31:5 33:23 34:15 45:5 60:6 63:17 64:1 66:4 70:12,17 71:2,	
attorney 48:24 60:19 65:3,13 75:8 76:23 83:12	believes 9:18	binder 6:6 89:1 binders 6:3,8 bins 38:15 39:7 51:23 53:6 55:14,20 56:10 67:16 81:24 82:6,24 83:2, 14 84:12 85:16,22 bit 14:13 43:10 44:1,19 47:10 53:24 61:3 65:9 66:3 87:15,20,23 black 23:15,24 35:13 36:2 42:7,12 51:15 52:2 53:2 57:20 58:21 82:20 91:5 97:16,17,18 99:1 blue 10:11 23:21 24:4 36:4 42:9,10, 12,13 51:16, 18,23 52:3 53:1,3 55:14, 20 56:10 82:23 91:5 board 6:2 7:3, 20 8:16,22 9:4,6,12 10:19,21,24 11:8,12,14,21, 22,25 15:11 18:18 24:17 25:1,11,13 26:4 30:18 31:5 33:23 34:15 45:5 60:6 63:17 64:1 66:4 70:12,17 71:2,	
Attorney's 33:25 75:23	belt 52:20	binder 6:6 89:1 binders 6:3,8 bins 38:15 39:7 51:23 53:6 55:14,20 56:10 67:16 81:24 82:6,24 83:2, 14 84:12 85:16,22 bit 14:13 43:10 44:1,19 47:10 53:24 61:3 65:9 66:3 87:15,20,23 black 23:15,24 35:13 36:2 42:7,12 51:15 52:2 53:2 57:20 58:21 82:20 91:5 97:16,17,18 99:1 blue 10:11 23:21 24:4 36:4 42:9,10, 12,13 51:16, 18,23 52:3 53:1,3 55:14, 20 56:10 82:23 91:5 board 6:2 7:3, 20 8:16,22 9:4,6,12 10:19,21,24 11:8,12,14,21, 22,25 15:11 18:18 24:17 25:1,11,13 26:4 30:18 31:5 33:23 34:15 45:5 60:6 63:17 64:1 66:4 70:12,17 71:2,	
audit 69:19	benefit 61:9 70:5 75:12 78:14 85:19	binder 6:6 89:1 binders 6:3,8 bins 38:15 39:7 51:23 53:6 55:14,20 56:10 67:16 81:24 82:6,24 83:2, 14 84:12 85:16,22 bit 14:13 43:10 44:1,19 47:10 53:24 61:3 65:9 66:3 87:15,20,23 black 23:15,24 35:13 36:2 42:7,12 51:15 52:2 53:2 57:20 58:21 82:20 91:5 97:16,17,18 99:1 blue 10:11 23:21 24:4 36:4 42:9,10, 12,13 51:16, 18,23 52:3 53:1,3 55:14, 20 56:10 82:23 91:5 board 6:2 7:3, 20 8:16,22 9:4,6,12 10:19,21,24 11:8,12,14,21, 22,25 15:11 18:18 24:17 25:1,11,13 26:4 30:18 31:5 33:23 34:15 45:5 60:6 63:17 64:1 66:4 70:12,17 71:2,	
auditing 35:1	benefits 24:6 67:6 81:25	binder 6:6 89:1 binders 6:3,8 bins 38:15 39:7 51:23 53:6 55:14,20 56:10 67:16 81:24 82:6,24 83:2, 14 84:12 85:16,22 bit 14:13 43:10 44:1,19 47:10 53:24 61:3 65:9 66:3 87:15,20,23 black 23:15,24 35:13 36:2 42:7,12 51:15 52:2 53:2 57:20 58:21 82:20 91:5 97:16,17,18 99:1 blue 10:11 23:21 24:4 36:4 42:9,10, 12,13 51:16, 18,23 52:3 53:1,3 55:14, 20 56:10 82:23 91:5	

burdened 28:5	17,21 75:5	43:3 49:25	citizens 52:24
bureaucratic 87:23	76:1,4,8,14,24	97:13	66:24
busily 99:2	89:15 92:9,17	changed 22:1	City 6:21,24
business 12:16	94:16 98:8	61:5 95:25	8:21 9:1 10:25
40:24 43:7	99:12	changing 29:21	12:9 13:25
98:7 99:17,19,	Carol 17:9	characterize	18:22 19:15
23 100:5 101:6	cart 96:20	48:3	20:8 21:12
buy 65:7	carts 65:6,8	characterized	23:1,9 24:22,
	case 27:3 53:2	33:24	24 26:11 29:6
	75:2 79:12	charge 21:25	31:17,21,23
	cases 39:12	22:5 34:22	32:2,9,15
	55:5 87:9	35:24 36:6,8,	33:24 34:25
	categories	12,18,21 37:4,	35:5,9 36:1
	21:24 24:9	9,14,16 38:4,	41:5 48:24
calculated 22:12	caused 22:21	10,19,25 39:4,	54:8 55:15
calculates 22:12	Center 52:19	11,12 43:9,15	56:15 58:22
calculation 22:17 35:21	cents' 68:14,15	54:3,5 61:5,6	61:1 63:13
call 12:5 52:9	CEQA 70:23	62:2,10,25	64:2,6,17
53:17 87:22	Chair 7:6 8:5	63:5 66:22	65:1,12 67:19
called 8:13	12:1 15:8	79:19 80:3,6	75:8,23 76:23
81:15 88:10	16:14,16	83:15 86:9	93:6 102:4
calling 98:11	17:21,23 18:5,	93:15 94:9	City's 7:12
calls 56:11	7,12 25:25	95:12 96:5,8	19:20 23:5
87:18	28:8,16,19	100:15,17	29:25 35:6,14
cameras 55:21	30:21 40:5	charged 27:7,	36:4,14 100:8
camp 21:19	46:3,16 47:1,	12,20 39:6	Citywide 58:4
cancel 80:7	9,19 48:2,16	43:17 79:6	82:6
cans 54:16 57:8	50:7,9 53:11,	charges 24:22	claim 75:19
capacity 12:1,	13 55:7,25	35:20 36:7,19	77:5 78:9,10
21 83:18 85:11	66:15 68:5,11	37:3 38:20	102:22
93:24 97:14,22	69:13 70:7	39:14 47:13,	claiming 86:13
101:17	71:14 72:8,24	15,18 63:5,10,	claims 75:14
capital 35:3	74:4,8 75:7	22 64:9 80:9,	76:20
43:3 73:14	76:12,15 77:3,	14 101:13	clarification
101:6	23 78:4,17,22,	chart 21:2,14	85:25 86:2
capture 42:12	24 79:20 80:20	cheaper 51:15	clarity 47:21
card 10:9 28:20	81:1 82:8	check 52:17	class 26:9
cardboard 54:16	86:16 87:3,11	Chinese 13:21	clear 20:5
68:22	88:2,12,14,23	15:21 16:2	86:21 90:11,22
cards 10:11,12	89:9,12,17	Chinese-speaking	close 22:14
28:13 53:16	90:1,3,10	15:10	39:11 85:5
career 25:18	91:24 92:18	choose 27:10	closely 29:7
carefully 29:9	93:13 101:23	81:10	36:17 75:24
30:5	102:2,15,17	chooses 70:17	closer 84:18,
Carlin 43:9	challenge	chose 64:6	21,25 94:10
44:6,13,19	100:8,11	citations 29:11	96:3
45:15 49:5	challenges	cite 29:14	closing 76:4
51:12 52:10	85:13	cited 37:24	coded 25:10
53:5,9 54:2	chances 77:25	38:24	colleagues
72:22,25 74:9,	change 9:18	cities 44:10,	89:13
	17:20 29:18	15,16	collect 35:6
	35:25 42:11		42:8 91:4

Transcript of Proceedings
June 16, 2017

94:15 96:25 97:23 collected 78:14 97:11 collecting 36:13 91:17 collection 18:24 19:4 23:25 26:14 29:7 35:10 46:8 51:8 55:23 84:10 90:23 91:3 97:21 collections 42:10 43:17 44:18 84:8 collectively 89:22 collects 98:19 column 21:15 columns 21:3 combination 83:5 comment 9:23 10:3,5,6,7,20, 22 11:8 17:11 28:11,21 30:24 34:13 53:14, 19,22 57:10 66:16 68:7,9 69:15,17 70:8, 12,15 71:16 80:12 92:1 102:12 comments 18:16 33:2,21 40:10 53:25 58:13 88:13 89:13 102:10 commodities 54:18 68:20, 21,23 69:1,3,5 commodity 23:15 54:15,21 common 14:1 59:6,11 82:11 communicate 13:2 communication 16:11	communities 15:17 63:12 community 13:7, 24 14:11,24 15:4 32:3 companies 23:25 30:13 55:15 65:10 comparable 39:12 compared 20:23 38:1 44:10 comparison 62:25 compensation 19:12,13 competitive 24:15 45:13 complete 10:9 completed 7:18, 22 9:21 completely 56:11 82:16 complicated 58:16 59:11 component 37:10 components 25:10 73:21 98:24 compost 21:25 61:17 68:22 compostable 40:18 compostables 36:4,8,13,19 37:3,6,15 54:7 82:25 91:17 99:7 composting 14:22 36:5 39:9 42:22 97:17,18 compute 35:19 computed 39:5 concept 19:21, 22 54:11 concern 15:11 71:7 81:5 concerned 71:5 82:12	concerns 14:6,7 50:9,13 79:3 89:14 conclude 7:24 8:2 28:10 concluded 6:20 7:19 concludes 76:20 conclusion 58:20 81:24 concrete 56:15, 19 conditions 55:10 conduct 8:1 conducted 10:8 12:16 81:14 configuration 30:10 61:18 62:11 63:1 configurations 61:15,23 84:15 confine 18:16 confirmed 22:11 35:5 confirming 77:12,13 Conflicts 23:1 conformance 7:15 confuse 93:11 confusing 48:1 confusion 20:10 47:20 71:7 consequences 78:1 consideration 20:7 31:15 46:17,22,24 47:24 69:20 71:16 82:8 considerations 85:22 considered 50:3 54:4 65:21 95:17 consist 25:8,9 consistency 51:1 consistent 7:14 11:19 35:14	37:1 conspicuous 21:6 constant 16:11 constructed 23:3,9 27:23 construction 73:21 74:12 consultant 61:1 62:5 consultants 29:25 32:15 consumer 24:21, 25 container 100:18 containers 96:18 contamination 52:9 55:14,22 85:14,20,21 contemplated 55:11 contention 90:12 continent 55:6 contingencies 55:2 contingency 74:21 contingent 55:8 66:8 72:10,20 73:2,13 contingents 74:1 continuation 38:19 continue 6:20, 25 7:21 36:16 37:7 41:15 55:22 70:21 83:7 continued 55:20 continuing 71:21 82:18 contract 45:6, 11 64:2,10 77:13 contribute 40:12
--	--	--	---

contributing 40:20 92:4,7, 11	cost-benefit 64:15,20	curb 97:5	declined 78:15
contribution 90:20	cost-of-service 96:9	curiosity 75:16	declining 78:8
control 23:5,9 27:25 38:22 80:14 81:21	cost-per- collection-basis 94:13	current 61:8 74:19	decrease 26:21 33:9 41:16,25 42:3
Controller 85:23	costs 24:20,23 25:2 28:1 30:14 35:6	customer 39:15, 17,20,23 48:12 51:6 63:6 101:16	decreased 41:24
controls 52:22	collection-basis 94:13	customers 30:8 36:3 37:17,20, 22 38:6,15,21, 22 39:6,10 54:24 55:15 87:18	dedicated 25:18
conversation 73:7	costs 24:20,23 25:2 28:1 30:14 35:6		deemed 11:25 86:4 87:5
conversations 59:19	collection-basis 94:13	D	deemphasizing 99:5
Coordinator 45:9	costs 24:20,23 25:2 28:1 30:14 35:6	Damm 17:9	deeply 21:12 25:6
copies 6:1,12 34:1 63:17,19	collection-basis 94:13	dated 64:9	default 82:4
corporation 18:23	costs 24:20,23 25:2 28:1 30:14 35:6	dates 7:24 64:1	defining 31:14
correct 16:24 40:15 44:7 47:8 48:19 71:4 76:16,22 86:2 88:23 93:18 95:3 96:19	costs 24:20,23 25:2 28:1 30:14 35:6	Dave 53:23	deliberate 11:10
corrected 61:10	collection-basis 94:13	David 29:1 70:16	deliberation 88:16
correction 17:16	costs 24:20,23 25:2 28:1 30:14 35:6	Dawson 69:23 73:1 74:7,14, 18,25 75:6 78:3,5,6,21,23 85:3 94:3,4, 17,19 97:10 98:13 100:7, 13,19,25 101:5,11	deliberations 11:20 88:22
correctly 69:19	counted 8:17	day 95:15	demand 25:1
correspondence 13:22	countless 32:16	days 11:23	demonstrate 20:17
cost 14:4 30:11,15 32:11 35:8 36:17 37:4,8 38:4, 12,13,22 40:12,21 41:2, 13,15 42:22,25 50:13 54:19,20 59:10 64:22,25 70:6 73:21 75:19 81:7 84:3,21,24,25 85:10 91:7,14 92:12,22 93:5 95:7,13,24 96:3,24 98:23, 24 99:5,9 100:21 101:2,5	country 19:10	deaccentuate 98:21	demonstrated 34:15
	couple 67:9 85:4	deadline 8:10 9:5	density 100:9
	court 6:23 65:22	dealt 30:2	deny 11:10 71:18,24 89:23,25
	cover 37:11 75:19 77:5 78:11 91:10 100:20	debate 20:21	Department 32:10 34:6 45:1,10 52:16 53:8 58:15 65:2 66:20 72:4 76:10 79:14,17 80:20 81:13 86:5,20 88:8
	covers 54:3	debating 19:5	departments 24:24
	create 67:24	December 31:19	depend 57:16
	created 19:24 20:9	decide 74:25 75:12 96:20	dependent 61:6
	credit 37:20 38:19	decided 14:17	depending 30:9 62:3
	crime 65:22	deciding 10:22	depends 79:16
	criminal-law 65:15	decision 8:21 49:24	depleted 102:21
	crisis 67:25	declared 86:7	Deputy 76:23
	cultural 13:24	decline 78:18 97:7	describe 31:7
			description 24:20

descriptions 8:19 18:16	59:2 60:20 61:11 62:6,15, 17,22 63:18	distributing 43:24	dwelling 93:5, 7
design 19:19 23:19 25:16 51:13 92:10	64:14,15 66:5, 9 77:11,16	distribution 43:20	<hr/> E <hr/>
designate 10:15	Director's 6:9	District 65:3, 12 68:13	earlier 94:24 96:1
designed 19:17 97:13	9:9,19 10:1,4 11:7,23,24 14:13 15:2	districts 13:25	economic 20:7
detail 18:19	16:4 20:24 21:15 23:2	diversion 36:14 39:8	economize 67:18
detailed 32:20 34:19	29:2,24 30:17 31:1 34:14 48:20 53:15	diving 96:21	editor 26:12
determination 79:18	69:24 70:9 72:2 73:5,7,8, 11 75:3 82:3	document 60:21 61:2 72:17 102:24	educating 14:24
determine 25:2 66:5 71:24	89:1 96:2	documentary 24:5	education 14:21 31:23 52:15 58:22
determined 80:18	Directors 26:20	documentation 73:16	effect 45:7,12 63:23 65:11
determines 28:3 72:13 96:12	disagree 8:23	documents 9:9 11:3 13:17 32:21	effective 35:21 64:21,25 66:6
determining 47:6	disclosure 25:1	doors 56:19,23	effectively 57:19
devoted 58:7	discontinued 39:7	double-digit 21:5	efficiencies 84:11
difference 37:24 38:24 51:4,11 83:10 93:20	discounts 67:5	doubled 45:13	efficiency 59:24
differences 93:23	discretion 7:7	DPH 88:3	efficient 7:9 8:2 12:3 33:17 84:5,12
differently 39:5	discriminatory 22:23	DPW 11:24 26:20 29:24 56:15 57:3 97:3	efficiently 10:8
difficult 30:13 56:17 59:25 61:4 65:14	discuss 11:14 89:18,24	DPW's 58:8	efforts 12:8 32:1,2 34:11 36:14 50:19
dig 65:24	discussed 14:12 52:5 53:25 64:12 66:2 80:17 82:3	draft 12:23 31:19 32:6 34:12 71:1,9	EGAN 40:7,10 41:23 42:2 45:16 46:2,15 49:11,22 50:5 72:7 79:21 80:1,4,11,19 83:8 84:1 85:2 88:14,20 89:16 90:4,9 93:12, 14,18,20,22 94:2 96:11 97:2 98:9 99:11 100:13, 22 101:4,8,21 102:8
dilemma 18:22 20:1	discusses 67:5	dramatically 95:25	elaborate 44:19
Dilger 12:5,11, 14 13:1 15:18 16:15 17:11,22 31:25 87:13,17 88:6	discussion 14:23 32:9 50:20 59:15 71:1	draw 20:22	
diligence 19:15	discussions 54:12	drawing 25:13	
diligent 55:15, 16	dispense 48:17	drive 51:24 52:8 95:15	
direction 96:10	Disposal 11:16 71:20	drivers 35:8 52:8 53:6	
directly 57:2	dispose 101:9	drives 51:19	
Director 7:15 19:1 21:23 22:6,12 31:6 32:13 45:18 47:12,14 58:13	disproportional 14:5	due 19:15 23:5 38:9	
	disproportionate ly 28:4	duty 89:8	
	distance 60:22	Dwayne 31:25	
	distributed 43:18	dwelling 36:6, 21 37:18 38:2 44:2	

element 23:22	equitable 33:17	excluded 35:20	88:4 89:4
elements 34:21	43:20 44:17	exclusively	extra 63:19
eliminate 82:20	59:12 84:17	97:6	extreme 20:6
eliminated	92:23	Excuse 79:21	extremely 65:14
84:20	equitably 43:18	executing 99:17	eye 20:10
email 13:22	equity 44:6	exhausted	eyes 19:4
emails 87:18	83:20 84:19	49:14,17	
empty 56:10	92:10	exhibit 20:22	<hr/> F <hr/>
encounter 37:18	equivalent 54:7	21:22 60:22,	face 20:1
encourage 30:18	erode 100:19	23,25 61:7,14	Facebook 13:19
end 6:18 31:12	essential 26:10	62:16 64:14	15:5
48:23 51:20	essentially	65:23 81:22	Facilitation
77:1,12	73:6 78:7	94:19,23 95:5	54:22 75:10
endanger 57:25	83:14,20 95:14	96:12	facilities
ended 102:12	98:19 100:22	exhibits 6:10	55:10 74:12
ends 19:9 58:6	establishes	29:12 64:21	facility 29:19
enforcement	7:13	existing 43:4	66:11 74:22
14:12 50:10,	establishing	expand 47:14	fact 19:14
17,22 55:16	9:2	53:24	26:17 27:16
engage 32:8	estate 22:22	expanded 47:17	35:21 67:15
66:10	estimate 73:17	expect 19:14	83:13 86:14
engaged 15:5	estimates 73:21	21:11 41:25	87:6
engagement	101:15	42:3	factor 20:20
34:16	evening 56:9	expected 30:10	25:5
English 13:21	event 7:24 55:1	82:13	factual 20:20
enjoyed 61:9	71:9	expenditures	fair 7:9 8:2
ensure 7:9 10:7	eventual 75:11	35:1,2,5	12:3 19:2 20:3
12:3	82:20	expense 74:10	24:18 29:25
ensuring 12:8	eventually 15:2	expenses 32:20,	30:16 43:17,24
50:17	evidence 9:7,	24 94:6	44:4 49:11
entered 12:19	11,16 11:2,5	expensive 19:9	67:12,13 80:22
35:10	18:20 36:24	46:13 64:8	90:17 92:2,7,
Enterprises	59:16 72:1	experience	12,14,20 93:12
32:1	89:1,4 95:2	23:10 25:20	100:7
entitled 35:16	evident 58:17	38:12 39:10	fairly 10:8
Environment	evolution 99:5	58:17 59:3	30:2 77:25
32:10 34:7	evolve 98:16	expert 63:13	fall 21:18
45:2,10 47:4	evolving 84:2	85:5	false 21:19
52:16 53:8	exact 30:15	experts 25:14	familiar 12:17
72:5 76:10	87:19	41:1 58:18	19:20 56:4
79:15 81:13	examination	explain 7:11	families 19:8
86:22	75:2	18:19 32:4	family 22:10,
Environment's	examined 32:18	47:23	16,18 83:16,24
86:20	41:1	explanation	fancy 62:20
environmental	examining 20:23	20:5	FAQ 86:19,23
25:19	exceed 73:14	expressed 60:2	faster 51:8
envisioning	exceeds 54:18,	extended 37:20	February 31:20
96:15	20 70:6	extensive 12:10	32:6
equipment 55:18	excellent 58:24	extent 46:3,17,	fee 79:7
84:6 91:16	excess 54:23	19 47:2 69:17	
99:15		70:17,25 80:23	

feedback 14:2	98:4,11,23	funds 33:14,16, 18 48:5,8,15, 17 49:14 55:3 71:8 75:18 77:5,9,19 102:21	giving 40:3 69:7
feel 16:24 49:2,9	99:3 100:20,21	future 49:15,24 50:4 97:8 98:11 99:18	glass 68:21
fees 44:20	fixed-service 34:22 35:24		goal 82:21 83:19
felt 16:10 102:6	flawed 27:21		goals 14:25 20:2 35:16 91:12
fewer 17:19,20	fleet 99:20		God 59:16
figure 20:16 24:21 67:17,18	flexible 100:15		gold 23:24
figured 54:8 59:14	floor 6:24		good 12:12,14 14:22 18:2,3 24:12 26:4 28:25 31:4 40:7 45:5 52:25 53:9 68:12 79:13 81:23 88:5
figures 26:22 58:19	focus 43:21 46:18 50:17,20 65:3	G	governed 7:12 63:23
figuring 54:10 65:24	focused 47:4	gain 32:11	governing 10:6 33:18
file 31:18 33:22	folks 65:8	Gallagher 10:10,13 28:13,14,17 68:10	grab 67:21
filed 8:8 9:3,5 16:18 31:19 33:20 34:14	follow 8:4 29:6 45:24 73:13	gallons 37:17 61:16,17 82:5 101:20	Grace 17:25
filled 28:20	food 58:3	gaming 51:14	grant 70:17,19 71:24 89:8,25
final 9:22 12:23 31:20 32:7 41:13 71:11 73:14	forgive 16:23	garbage 91:4	great 6:12 64:13 88:12
finally 10:22	forgot 23:7	garnered 61:3	greater 17:18, 20 26:19 36:17 78:16 93:10
financial 32:15 58:18	format 20:16 62:18	Garrin 26:2	greatly 59:1
find 23:23 28:5 67:25	format 20:16 62:18	gasses 19:24	green 23:21 36:4 42:12 51:16 82:23 91:6
findings 11:19 31:9 70:23	Fortunately 19:11 20:19	gathered 13:11	greenhouse 19:24
firm 95:6 96:12	forward 52:7 76:11 82:4	general 8:20 10:4,20 12:16 14:4,22 29:22 41:21 51:7,10 52:24 53:13 68:8 70:11,14 93:4 98:5	grocery 65:6,8
fiscal 58:19	four-unit 22:19 27:1,19 83:21	generally 7:10 26:8 29:9 38:13 54:2 97:18,20	group 10:14 16:9 59:20 81:21 85:23
five- 60:12	Francisco 25:22 26:6 28:9 52:1,25 57:13 58:24	generate 27:13 66:24	groups 13:7,10 15:4 89:25
five-unit 22:20 23:3,8 36:22 38:1,9,11 39:1 59:3 61:2 62:14 83:11, 14,15	Francisco's 70:3	generated 36:11	growing 100:8
five-units 61:9	frankly 19:14 30:2 41:4 43:24	generating 27:17 67:3,14 98:22	guess 75:16 79:8,9
fives 84:22	free 16:24	generators 14:5	
fixed 14:7 36:6,18,21,25 37:9 38:4,9,18 43:9,15 61:5 63:4,10 93:14 94:6,9,14,22 95:9,11,13,18, 21,22 96:13,14	front 65:16	gentleman 83:12	
	full 25:1	get all 100:17	
	fully 70:5,22 102:21	Gideon 26:3,5 56:6	
	function 94:11	give 52:14 69:5,6 80:23 81:8	
	fund 11:15 33:14 48:18,21 49:18 50:3 54:23,24 71:6, 19,21 72:1 75:9,19 78:18		
	fundamental 66:21		
	funded 70:22		

<hr/> H <hr/>	33:1 34:14 60:20 61:3 66:19 72:2 73:8 75:3 82:3	ideally 85:18 ideas 78:8 identical 93:15 identified 8:11 15:24 identify 65:14 identifying 65:4 II 8:5 III 8:7 12:4 illegal 67:21 imagine 21:10 impact 22:8,9 26:13 37:22 38:16,21 93:10 impacts 14:5 26:15 49:8 implementation 43:1 importance 40:20 important 35:15 53:9 90:13 102:19 importantly 20:12 impossible 60:21 improve 58:23 improved 59:1 improvements 73:9 in-law 27:10,11 in-laws 67:20 inability 80:13 incentive 33:14 48:7 66:24 99:8 incentives 48:15 incentivize 42:8 Incidentally 27:21 include 24:22, 23 35:9 47:17 67:8 86:19,22 87:4 included 32:12 47:6,13 50:19 54:16,21 69:21	89:5 includes 33:12 58:2 including 38:7 41:19 71:18,25 73:9 75:6 income 24:6 91:21 income- generating 23:22 incomes 14:8 increase 21:4,9 23:10 26:17, 18,23 32:14 33:4,10,12 34:21,23 36:21 37:9,10,11,25 38:9,12,16,19, 21 39:10 40:12 41:8,12,14 42:6,20,23 43:14 44:2 47:25 48:13 59:4 61:5 65:11 66:22 68:2 69:11,22 72:12,16,18 74:18 78:16,19 83:10 90:14 91:10,15,20 increased 23:16 40:16,17 41:14,22,23 45:19 49:13 91:16 100:9 increases 23:5 26:14 27:3 28:5 30:8 38:5 42:18,25 43:6 67:9 72:11,21 80:14 91:7 increasing 36:18 37:2 38:4 46:18 97:14 incredible 14:16 15:19 incremental 82:22 96:9 101:12 incumbent 64:4
Haley 79:13,14, 24 80:2,6,16, 25 81:12 82:18 83:25 84:2 85:4,13,21 86:1,24 87:1,7 half 42:25 half-baked 60:3 half-past 101:25 hall 6:21,24 102:4 hand 60:1 happen 77:3 happened 67:19 85:14 happening 52:21 happy 25:15 40:2 68:2 hard 58:14 60:2 65:16 100:12 harder 91:1,3 hate 92:2 Hay 45:12 55:4 64:7 head 89:16 headers 95:20 health 58:1 86:5 87:21 88:8 hear 8:8 9:25 18:4 29:11 heard 6:1 8:13 9:6 10:24 11:4 15:12 31:22 59:2,15 70:13 79:1 80:12 90:6 92:19 102:18 hearing 6:20,25 7:9,12,21,23 8:2 9:4 10:8 11:6 12:2,3 14:13 16:3 71:12 102:2 hearings 9:10 16:4,6 29:2,24 32:13,18,22	heart 19:25 held 32:5,13 helped 15:20 helpful 88:9 102:24 hidden 24:20 high 37:9 40:11 50:13,15 higher 36:8 37:11,25 38:6 41:18 higher-than- average 38:12 highlight 15:15 hike 19:5 20:6 hikes 21:3 historical 35:1 historically 86:12 home 27:10 38:2 52:13 62:21 96:21 homeless 57:16, 17,25 homeowner 52:12 homeowners 81:9 91:25 homes 38:7,25 82:7 90:15 honest 20:11 hook 75:17 hope 8:1 hopeful 66:13 hoping 82:15 hours 32:16 house 65:17 95:15 98:1 household 53:4 housing 26:10 67:24 huge 27:2 58:5	<hr/> I <hr/> idea 43:5	

incurred 24:24	intensive 101:6	68:8 70:11	47:9,23 68:16,
independent 13:16 25:13	intent 30:11	71:16 95:16	17 69:9,15
indicating 6:2 10:11 18:11	intercompany 35:20 47:12,17	102:13	80:21 81:8
34:2 39:16	interest 49:23	items 7:17,18,	82:16,22 84:2,
42:19 78:3	interested 71:3	22,24 11:9	15 87:8 96:8
85:6 89:2	interesting 61:25 62:24	12:17,20 14:2	102:24
indicators 41:7	70:25	28:12,15,18	knowledge 63:14
indirect 57:24	interests 10:15	29:17 35:19	Kramer 26:3,4,5
indirectly 57:2	12:8 55:5	40:3 41:11	56:2,6
individual 16:21 48:12	internationally 17:13	45:18 47:5	
53:18,19	introduced 95:2	51:23 52:17	<hr/> L <hr/>
individually 89:22,24	96:6	70:13 88:21	labor 59:10
individuals 15:10 50:11	Introductory 8:5,6	102:11	lack 20:6 47:21
70:8 79:2 81:5	intuit 88:5	IV 8:8 9:21	50:10
82:9	invested 34:11	16:17 28:10,12	Laffan 17:10,12
industry 44:9	investigation 40:22	IX 11:9 71:16	landfill 35:9
98:4	investment 43:3		40:14 41:13,
industry's 37:1	investments 35:3 73:17	<hr/> J <hr/>	14,16,20,21,
inequitable 60:14	involved 12:22	Jack 45:9	23,24 42:21
inequity 60:7	14:18 20:19	January 45:11	44:21 45:6,12,
inflation 21:6	involves 41:5	63:24 76:13,21	19,23 46:1,10
inflationary 21:10,21 22:3	Ireland 59:21	77:2	47:15 48:7
27:25	irritating 64:18	Jeanne 16:24	49:19,21 50:1
inflexible 27:15	issue 23:21	job 26:12 52:25	55:3 63:22,25
inform 15:1	33:17 44:6	58:25 90:19	76:2 91:8,16
information 8:20 10:21	56:3,13 58:4	John 85:23	landfilling 45:14 46:14
13:11,15 15:3,	61:2 66:1,12,	95:1,4	landfills 19:25
12,16 20:25	21 68:16,17,	joined 65:2	landlords 26:18
32:12 40:23	19,24 77:11	joke 55:12	language 15:24
44:16 45:3	80:21 86:6	Jones 31:25	16:4 71:4,5
76:11 87:4,8	87:19 94:13	Joseph 17:6	77:13
88:1 89:5	issued 11:23	judging 47:19	languages 15:13
informed 26:13	31:14 32:23	Julia 69:23	large 20:11
34:17	33:2	85:3 94:4	78:10 98:15
initial 21:4	issues 9:20	95:8,19	largely 54:25
34:12	26:13 30:3,5	July 31:14 33:7	larger 16:9
Initiative 7:13	34:5 57:22	June 6:21,22,25	39:4 51:16
injuries 84:8	86:12 92:10	7:1	66:10 97:20
Institute 28:9	item 8:5,7	jurisdiction 10:5,21 70:12	largest 42:20
integral 73:1	9:21,23 11:9		52:3 93:7
intended 8:21	12:4 16:17	<hr/> K <hr/>	lastly 25:3
31:18	17:15 28:10,	Kathleen 18:1,	52:19 59:12
	11,12 30:25	11 60:5	late 68:16
	53:13,14 54:17	key 51:3	lawyer 67:5
		kick 72:13	leading 58:19
		kicking 72:14	leave 58:2
		kind 15:10 18:7	88:23
		43:20 44:20	leaving 97:5

LED 15:17	load 41:15	51:10 58:13	market 28:3
LEED-ACCREDITED	loads 55:22	69:15 71:2	marks 21:14
19:19	located 6:23	83:13	Martin 17:25
left 50:2 51:5	lock 56:21 57:5	mail 13:20,21	masked 26:17
102:16	locks 50:14,25	main 34:9 40:1	massive 89:1
left-hand 61:24	51:2,5,10	42:5	material 65:8
legal 27:10	long 25:19	maintain 84:4	100:3
65:15 77:21	55:14 57:6	maintaining	materials 6:3,
79:23	102:10	37:13 91:15	15 32:16 35:12
legalize 67:20,	longer 51:9	maintenance	40:18 45:20,22
23	86:10 101:14	96:14	46:4 52:15
legally 77:7,8	looked 29:25	major 34:20	54:16 69:18
legislation	30:5 40:24	55:10	math 20:12
23:1,6	44:9,12,14	majority 7:19	22:15
Lemmon 17:24	51:21 52:5	11:21 36:10	mathematics
length 64:13	61:21	56:18	20:19
less-and-less	lose 66:24	make 6:13 8:24	matter 80:4
84:11	loss 64:22,24	9:13 16:7,9,12	94:12
let alone 19:2	69:2	17:16 19:1,9	matters 10:5,20
20:6	lot 13:6,23	24:18 46:16	70:12
letter 17:15	14:5,7,9 19:3	47:5 51:3	maximize 20:20
18:17,21 22:25	41:9 50:22	52:17 55:12	maximum 8:14
33:23 77:11,16	66:24 67:14	57:10 61:5	10:18 28:23
letters 31:10	79:2 81:5,6	63:4,15,16,21	48:9 53:20
33:20 34:14	82:10,12,13,24	66:1,15 70:14	Mckenna 95:6
level 34:15	84:8 86:17,18	82:4 83:9	means 93:5
38:8,17 90:20	92:20 94:10,14	85:25 87:11,22	media 13:18
92:4 99:15	100:9,10	88:22 89:17,23	15:6
levied 86:10	102:18	90:11,21 92:14	meet 19:9 38:17
licensed 19:17	lots 52:22	99:22	70:21
life 58:8	84:13	makes 49:9	meeting 6:14
Light 6:23	Lou 17:4	54:14	14:12
likewise 41:10	low 77:25	making 47:3	meetings 32:3
limit 48:25	102:22	62:1 68:25	member 7:3 29:4
limitations	low-wage 14:5	69:5 77:9	53:21 54:2
49:1 76:5,9,	lower 35:22	98:18 99:24	102:6,8
15,19 77:1	83:16	manage 101:17	members 8:16
limited 75:15	lunch 7:1	management	9:23 26:4,13
limits 7:8		20:13 59:19	27:5 31:4 32:8
Lindeboom 17:2,	M	64:4 77:8,12	33:1,19 34:1,
3		98:4	11,15 45:5
liner 56:24	Macy 45:5,9,16,	Management's	68:6 71:23
link 6:16 88:6	25 46:5,25	64:6	72:3 90:2
listed 79:17	47:8,11 48:1,	mandatory 36:5	memos 12:19
listen 10:20	3,19 49:6,16,	manner 20:5	15:1
listened 29:9	23 50:6,22	manual 84:7	mention 68:22
live 19:10	63:22 69:15	maps 78:9	85:4,12
lived 21:11	76:22,25 77:6	margin 47:7	mentioned 27:23
living 14:5	made 15:23,25	69:10	44:8 45:18
20:8	16:4 21:1 27:4	Marian 17:10	47:12 59:5
	29:13 35:4	Mark 67:4	95:8

Transcript of Proceedings
June 16, 2017

open 69:4 83:6	oversight 55:16	43:25 45:21	27:2 33:5,6,8,
opened 56:20	overstressed	65:11 69:7	9,10 34:23
operate 30:14	26:10	78:20 81:15,16	35:18 36:25
operating 35:2,	overtime 65:11	82:14	39:18,21
18 36:25 70:3	overview 81:9	Payer 6:17 8:6	42:21,23,24
73:14	Owen 76:23	11:6 12:5,16,	43:2,3,7
operation 98:23	owner-occupied	21 14:19 31:22	59:23,24 66:23
operational	27:1	55:4 72:4	67:8 70:3
12:15 74:13	owners 23:2	75:13 81:15	72:18 90:25
91:8	26:6,7,10	87:17	91:1,21 94:6,
operations 29:7	27:3,22 28:9	Payers 12:9	7,18 95:9,22
51:1 98:20	79:5 87:4	15:5 16:13	96:13 98:24
opinion 20:20		19:3 22:23	101:1
opportunity		26:9 28:4	percentage
25:21 40:4		31:24 33:17	37:25
71:3 102:7		57:2 70:6	performed 95:5
opt 79:6		78:14,19 85:19	period 49:12,13
option 81:25		87:19	73:25 97:9
82:16 86:21		paying 13:4	permanent 80:9
options 91:5		39:23 40:13	permitted 11:5
orally 9:3,13		43:23,24 44:4	permitting
order 7:8,9		47:4 57:2	73:22
8:13 9:19 10:7		67:12,13 84:23	person 10:17,18
11:17,24,25		90:17 92:3,20	15:25 16:8
16:20 31:2,14		payroll 96:13	28:22,23 29:3
33:3 53:16,17		people 14:6,7,	53:20 65:20
69:24 70:10,24		17 16:10 19:7	persons 10:14
71:17 73:13		21:17 25:22	perspective
82:4		28:3,14,17	30:2 78:12,13
ordered 62:6,17		43:12 49:7	phase 48:21
63:18		52:16,17,20	78:18
orders 6:9 10:1		56:9 57:7,16,	phase-out 75:11
30:18 31:1,11		17,25 58:18,24	phased 33:5,12
33:19,21 53:15		59:21 65:4,6,	34:23 49:3
ordinance 7:13,		13,24 67:11,	phasing 53:25
16 9:2 11:1		15,19,23 68:2	phone 13:20
27:4 36:5 75:4		81:3 82:12,24	15:13
80:13 89:7		85:9 86:13,21	pick 98:10
organics 91:17		88:10 97:23	101:2
organization		100:2,11,22,25	picked 63:13
26:7		101:8	96:17
organized 21:2		people's 50:12,	picking 41:11
original 17:15		18 53:6	84:12 95:16
26:21 54:23		per-building	96:22
outer 48:25		93:23	pickup 14:10
outrageous		per-unit 38:13	40:16 56:8
26:14,22		39:11 62:2,25	pickups 96:16
outreach 13:6		93:14,24	picture 81:23
14:17,21 15:9,		100:17	97:3
14,16 31:23		percent 21:9	piechart 43:5
32:2		22:5,6,13,16,	94:16
		18,19,20 24:9	
		26:16,23,24,25	

Pier 55:19	11,19	previously 9:7	41:5 45:13
pilfered 50:18	Porter's 97:25	11:2 18:20	51:5 72:14,21
pilfering 14:12	portion 10:7	48:24 76:23	73:4,12,19
50:10,11 56:3	71:21	price 19:4 20:6	75:4 80:18
57:8 64:12,17,	position 8:21	22:21 23:14	82:22 96:2,25
23 65:5 68:18,	possess 41:10	25:23 28:3	98:25 99:10
19,24	possibilities	45:14 62:4	100:3
pilot 66:5,9	59:17	99:4	processed 85:19
79:1 81:2,3,9	possibly 11:14	prices 45:13	processes 80:17
85:12	52:2,3 60:16	pricing 18:24	processing
Pilpel 28:25	posted 7:8	24:11,18 27:13	35:11 36:13
29:1 30:21	13:15 33:25	primarily 7:12	40:17 45:20,21
53:23 55:8,25	73:23	primary 31:9	46:9,11,13
70:16 71:14	potential 50:3	34:22 87:10	47:13,18
place 99:24	55:13 69:11	principle 37:13	54:19,20 55:20
places 59:13	72:16,18	prior 23:4	66:2 101:6
plan 7:11 19:2	potentially	29:5,22 64:9	produce 82:9,13
50:16 99:17,	49:25 100:19	80:17	producing 46:20
19,23 100:5	Powerpoint	private 18:23	97:23
Planning 79:17	62:20	65:10	professional
plastics 68:22	practice 19:18	privilege 69:7	19:19
play 25:6	practices 63:14	probation 65:21	profit 18:23
point 22:25	precludes 27:4	problem 22:24	35:19,21 47:7,
23:1,13 49:11	77:23	23:12,16,18,19	18 69:2,9
50:20 55:13	premium 37:16	24:13 25:16	program 29:20
60:24 62:1	prepared 32:19	55:17 58:16,21	52:6 65:10
63:3,15,16,21	39:14 60:25	59:11,22,23,25	66:5,7,9 79:1
65:23 66:1	prescribed	61:4 64:17,18	81:2,3,9 82:9
73:10 74:4	73:12	problem-solving	95:16
83:9 85:7,25	presence 13:18	23:13	programs 32:11,
86:2,9 90:21	present 8:15	problematic	19,24 41:19
92:9 94:17	21:23 22:2	84:7	43:2,4 66:4
97:25 98:11	24:10 25:7,9	problems 25:19	70:19,22
99:13,22	40:4	procedure 7:14	progress 35:15
100:3,4	presentation	18:17 31:15	progresses 12:2
pointed 63:22	8:25 9:22	89:20	project 73:21
96:1	10:1,4 11:8	procedures 7:10	76:25
pointing 88:8	15:25 18:14	10:6 12:2	projected 46:23
points 18:19	27:24 31:7	proceed 7:11	49:13 70:2
40:1 64:11	40:8 91:20	90:2	73:18 74:11,
poke 88:2	presentations	proceeding 11:2	18,20 92:12
poking 86:18	8:8 9:13 11:7	15:9 47:3	projects 55:10
police 56:11,12	13:9 15:22	89:21	Prop 24:14
57:7 65:2,11	16:18	proceedings	property 26:6,
policing 65:12	presented 20:4,	12:18 29:5	7,18 27:3 28:9
poorly 18:23	15 30:3 36:24	33:18 34:12	79:5 87:4
popular 14:11,	77:10 88:17	process 7:14	proposal 12:24
23	pretty 21:6	9:2 11:12	20:4,9,14,15,
populous 46:18	58:17	12:10,22	23 27:22 32:4,
Porter 85:23	previous 45:14	14:15,18	12 37:7 39:16,
95:1,3,4 96:8,	48:6 99:2	29:16,23 31:8,	23 42:18 44:5
		13,24 35:6	78:7

<p>proposed 8:9 9:19 11:15 21:3,5 22:2 24:22 26:14 29:18 32:19,23 33:15,16 35:2 36:6,20 37:2, 20 38:5,18 63:10 66:11 71:17,19,25 75:11 82:2</p> <p>proposing 27:16 62:5,7</p> <p>prosecute 65:13</p> <p>prosecuting 65:4</p> <p>prosecution 65:19,20</p> <p>protects 55:4</p> <p>protests 66:19</p> <p>proved 65:14</p> <p>provide 6:12 30:23 44:15 53:19,22 63:19 68:6 73:16,20 78:15 99:15,25</p> <p>provided 9:1 10:22,25 54:22,23 64:15 89:5</p> <p>providers 26:10</p> <p>providing 43:11 55:1 92:14 99:14</p> <p>prudence 49:2</p> <p>prudent 48:10 78:13</p> <p>public 6:8,11, 16 7:15 9:9, 19,23,25 10:3, 4,6,7,20 11:7, 8,23 13:3,16 14:14,19 16:12 20:4,11,16 28:11,21 29:4 30:23 31:1,6, 23 32:5,8,10, 13 33:1,2,19, 25 34:2,6,11, 13,15 47:3 53:14,19,21,22 56:15 57:12</p>	<p>66:15,20 68:6, 7,9 69:14,16, 23 70:8,11,14 71:2,15 72:5 73:24 85:3 86:5 87:9,21 88:7,8 98:15 102:6,8,9,11</p> <p>public's 20:10</p> <p>public-health 57:22 86:6</p> <p>published 23:24</p> <p>PUC 54:3</p> <p>pull 59:7</p> <p>pulled 56:24 94:23 95:19</p> <p>purpose 48:18</p> <p>purposes 8:20 15:16 27:11</p> <p>put 17:19 51:17 53:2 60:21 64:2 67:16 68:14 81:4,10, 16,17 93:3 94:24 96:20</p> <p>putting 51:7 52:17 53:6 57:5 98:1</p> <hr/> <p style="text-align: center;">Q</p> <hr/> <p>quagmire 20:13</p> <p>question 19:6 21:14 45:16,24 50:7 51:12,22 64:12,18 75:7 77:4 78:25 79:4,8,9 80:11 81:1 83:8 86:1 87:1 88:14 91:24 93:11 102:20</p> <p>questions 8:16, 17 13:4,11,14 14:14,21 15:7 16:14 25:25 30:20,21 34:5, 7 40:2,5 53:24 72:3,4,6,22 88:13 89:13 102:13</p>	<p>quick 19:16 64:11</p> <p>quickly 63:21</p> <p>quote 24:21</p> <hr/> <p style="text-align: center;">R</p> <hr/> <p>R3 61:1 63:7</p> <p>raised 9:3 11:1 31:10 34:9 88:21</p> <p>raising 19:8</p> <p>rarely 53:2</p> <p>rate 6:7,17 7:3 8:6,9,16,22 9:4,6,10,12 10:5 11:6,8, 11,14 12:5,9, 16,21,23 13:12 14:19 15:5,11 16:13 19:3 21:3,4 22:1,23 23:4,10,16 24:9 25:1 26:9 27:15 28:4 29:5,7,16 30:8 31:4,8,15,18, 21,24 32:4,12, 14 33:6,8,9, 10,12,17,21,23 34:14 35:8,23 36:10,15 37:10,14,25 38:5,16 39:6, 10,18,21 42:6, 7 44:5 45:5 46:23 47:6 49:12 51:13 54:9,25 55:4, 11 57:2 60:20 61:3,4,8 63:25 66:8 68:2 69:11,21 70:1, 5,12,24 71:16 72:3,4,9 73:2 74:6,10,20 75:1,6,13 78:6,14,15,16, 19 80:17,23 81:15 85:8,19 87:17,19 89:7, 21 90:1,18 92:2,10 95:24</p>	<p>96:3,4 98:18 99:2,24 100:6 102:2</p> <p>rate-hike 20:9</p> <p>rate-setting 7:13 9:2 31:13</p> <p>rate-structure 29:18</p> <p>rates 10:22 13:3 21:10,23 22:3 23:19 24:22 25:8,9 27:2 30:15 33:16 34:22 35:19,25 36:1 37:8,11 38:20 39:15,16,22 40:11,13 44:10 48:10 54:1,17 63:18 70:21 72:12 74:19</p> <p>ratio 35:18 94:21 99:6</p> <p>rational 19:2</p> <p>RDJ 32:1</p> <p>reach 43:19 91:12 92:24</p> <p>reached 11:19 13:6</p> <p>read 17:17 19:7 60:22 69:17</p> <p>readership 13:24 15:14</p> <p>readily 25:11</p> <p>reading 15:8</p> <p>real 19:25 22:22 23:18 91:18</p> <p>reality 98:6</p> <p>realized 47:16 57:15</p> <p>reason 11:22 85:15,17 96:12</p> <p>reasonable 21:11 35:17 89:9</p> <p>reasons 19:20 42:5 101:13</p> <p>rebate 21:5 25:5 33:12,17 48:4,11,12</p>
--	--	--	--

Transcript of Proceedings
June 16, 2017

rebated 54:24	recommend 25:12	82:24 91:11,23	reliance 58:19
rebates 21:18	recommendation	99:7	relief 70:20
47:21,23 49:3,	31:9 39:17	recycle 21:25	78:15
5	41:18 48:20	46:21	remain 39:22
recall 76:1,18	70:10	recycled 24:6	42:13
received 37:17	recommendations	recycles 36:13	remainder 48:17
87:25 91:15	34:17 44:13	recycling 14:22	remaining 48:18
receptacles	recommended 6:9	36:5 39:9	remarkably
56:15,17,18,19	9:19 10:1	40:16 46:19	29:17
57:5,13,18	11:16,17,23	61:17 69:25	remarks 7:5
recess 7:1	26:20,21 30:18	95:16 97:14,	8:5,6 11:6
102:1	31:1,10 33:3	16,19,23	12:13,25 34:4
recognize 23:2	35:4,25 36:15	reduce 37:18	40:6 42:1,16
84:14,23	37:10,16	38:16 41:15,19	50:8 75:21
98:17,22 99:3,	38:18,20 39:16	42:7 85:10	76:7 86:25
9	53:15 69:24	reduced 39:18,	87:16 88:19
recognizing	96:2	20 45:22	96:7 101:22
83:20	recommending	reducing 37:3	remember 9:1
Recology 13:13	33:15	58:21	28:24
20:6,15 24:2,	reconstitution	reduction 38:18	reminder 6:15
5,11,23 26:15,	24:6	refer 14:2 90:5	remove 35:11
16 27:15 29:18	record 7:5 9:8,	reference 12:19	45:20
30:4 31:8,16,	16,18 11:3	83:13	Rent 23:5,9
17,19 32:2,9,	12:13,25 18:8	referencing	27:4,24,25
17 33:1,22	28:24 29:12,14	85:13	80:12,14
35:6,15 36:20,	40:6 42:1,16	referred 13:16	rental 26:8
24 37:2 40:23	50:8 63:8,9	45:19	report 6:9 9:19
51:22 52:6,19	75:21 76:7	refined 24:3	10:1 11:16
54:8 57:11,21	77:10 78:17	reflect 37:8	15:2 17:17
58:1 60:19,20	81:22 86:25	reflected 36:17	21:16 30:17
61:11 62:5,7	87:16 88:19	reflecting	32:23,25 33:2,
63:3 64:3,7,	89:5 96:7	94:10	3,4 40:4 69:24
15,16 65:1,9	101:22	reflective 63:5	70:1 72:10
66:11 67:17	records 53:5	refuse 18:24	73:5,7,11 96:2
68:25 69:4,6,	86:15	19:4,18 23:21	REPORTER 45:8
8,10 70:3	recover 35:11	24:4 26:14	56:5
73:12,16 74:25	40:18 66:6	27:14,17 29:6	represent 8:21
79:18 80:21	95:13	35:7 80:2 86:6	31:24
81:13 82:2	recoverable	regular 87:22	representative
83:7,12 85:24	35:12	reiterate 10:25	10:15 13:14
86:22 88:6	recovered 54:15	related 36:12	representatives
98:6,19 101:15	recoveries	40:14,24	32:9,18
Recology's 6:6	73:18	relates 29:8	represented
12:23 20:23	recyclable	54:6 63:16	60:19
21:4 26:21	40:18 45:20	94:21	representing
32:14 34:25	57:19 70:2	relating 102:11	12:8
35:21 36:11	recyclables	relation 79:22	reproposed
37:7,12 39:16,	35:11 36:3,7,	80:12 83:10	21:23
23 63:10 64:5	19 37:3,5,14	relative 40:19	request 10:8
74:3 78:12	42:9 50:12	78:9	26:22 73:23
86:20 87:8,10	54:6 56:25		78:18 87:22
94:6,10,22	58:2 66:6		
95:7			

<p>requested 7:3 requests 16:6 77:18 require 24:14 required 7:23 36:3 38:8 49:18 69:20 79:5 81:6 87:20 requirement 50:1 74:5 requirements 14:10 70:21 requires 73:6 research 59:13 87:20 researched 59:18 researching 59:16 reselling 68:25 reserve 11:15 33:14 48:6,15, 18,21 49:14, 17,18 50:2,3 54:23 55:3 71:6,19 72:1 75:9,19 78:11 102:21 residences 36:22 resident 38:14 52:1 residential 34:22 39:15 residents 32:2 39:13 67:6 83:21 residual 55:19 resolution 11:18 71:1,9 102:25 resounding 19:8 resources 60:1 respect 72:9 respond 9:11 responding 33:24 response 31:2 33:19,25 40:10 53:15 70:9</p>	<p>79:10 88:10 responses 10:2 responsibility 71:22 responsible 65:4,15 restate 87:1 restrictions 28:1 restructuring 63:4 result 27:21 41:6 78:20 resulted 42:11 results 38:5 95:24 resume 101:25 resuming 102:2 retain 7:7 retained 61:1 return 35:17 revenue 36:18 46:19 54:17,18 70:21 98:22 100:18,20 revenue- producing 46:4 revenues 33:13 35:1,5 36:11 46:23 54:15,21 69:20,25 70:2, 6 85:20 98:20 review 6:4 29:8 31:8 32:19,25 34:18 71:3 73:19,24 reviewed 34:25 reviewing 12:22 32:16 72:17 73:2 revised 26:22 Richen 28:8 rifle 57:25 rifling 57:18 right-size 85:10 rigorous 29:25 risk 78:9,15 100:16 102:22 Road 45:12 55:4 64:7</p>	<p>Robert 17:2 79:14 86:1 robust 51:8 57:5 role 31:22 roll 19:4 rolled 95:14 room 6:4,21,22 102:4,14 rose 36:13 Rosie 12:5 31:25 87:17 roughly 54:7 94:17 round 18:25 56:16 route 55:21 routes 35:10 42:11 101:16 rules 7:14 18:17 31:15 89:20 ruling 23:2 run 76:6,9 101:19 Russi 75:20,22 76:3 88:23 89:7,11,20 90:7</p> <hr/> <p style="text-align: center;">S</p> <hr/> <p>sales 54:15 sample 39:23 San 25:22 26:6 28:9 52:1,25 57:13 58:24 70:3 satisfied 87:24 savings 101:8 scale 58:4 66:10 scandalous 57:9 scenario 99:18 schedule 7:8,23 66:8 74:21 scheduled 74:12 schedules 55:6, 8 73:3,13,22 scheduling</p>	<p>15:22 scheme 54:6 Schlatz 16:24, 25 Schultz 63:7 science 19:20 20:12 scope 80:18 88:15 scraps 58:3 screen 60:21 screwdriver 56:20 script 15:8 search 88:5 Section 69:25 self-fulfilling 58:20 semi-retired 19:12 Senior 45:9 seniors 14:7 sense 49:9 54:14 59:6,11 89:17 sentence 88:7 separate 54:4 86:3,8 100:12 separately 11:12 separating 52:25 September 31:17 service 14:9 30:9,11,15 36:2,3,17 37:5,8,17,21, 23 38:5,7,8, 14,17,23 39:4 43:11 54:3 63:5 66:22 80:8 84:3,21 85:1,10 86:6,8 87:6 92:12,15 93:21 96:3 97:8 99:14,16, 25 services 24:15 31:21 40:12 70:22</p>
--	---	---	--

Transcript of Proceedings
June 16, 2017

serving 65:17	101:7	solution 60:3	spoke 16:8
session 6:18	similar 10:15	85:16	28:15,17 57:14
set 36:1 37:5	41:10 46:8	solutions	79:2
74:22	95:24	59:17,21	spokesman 57:14
setout 81:15	similarity	solve 25:19	spokesperson
83:4 85:14	89:25	somebody's	10:16
shaking 89:16	simple 57:4	65:17	SPOSF 26:6
share 27:5	simply 19:1	Soper 18:1,3,6,	staff 15:2 16:8
36:17 38:15	20:25 21:15,24	9,10,13 27:23	32:5,10,15,23,
43:24,25 44:4	94:11 101:2	58:12 60:5	25 33:2 34:6
59:5 67:12,13	Sing 16:1	sort 45:21	35:4 55:15
83:14 90:18	single 22:10	50:16 51:13,17	99:20
92:2,7,12,15,	38:1 83:16,24	57:12,21 58:1,	staffing 99:15
21,25	93:15	15 65:21 77:14	stand 34:20
shared 14:25	single-family	sorting 51:19	standard 44:9
sharing 15:3	27:10 36:22	57:19 58:25	89:10
84:15	38:2,7,14,25	sorts 75:3	standards 91:15
shell 102:24	39:13 44:2	source 58:5	standpoint
shift 43:10	59:8 62:4,21	90:12 100:6,11	65:16
94:9	67:6 82:7	sources 40:11	start 16:22
shifting 22:21	83:11 90:15	South 6:23	18:15 72:7
23:13,19 97:24	91:25 93:5,7	Spanish 13:21	85:9
short 102:1	Sinn 17:8	15:20 16:2,8	state 9:15 18:7
show 21:15 69:4	sitting 58:17	Spanish-speaking	20:9 28:24
95:20	six-unit 39:22	15:9	45:8
showed 24:5	60:12,13	speak 10:9 26:5	stated 8:24
64:21 65:1	size 21:20 39:8	28:24 52:24	91:20
95:8	42:7 53:4	61:10 90:18	states 70:1
showing 48:12	81:19 101:16	95:1 100:14	statewide 41:21
62:18 95:22	skip 55:12	102:8	status 81:3,11
shown 21:15	slide 42:17	speaker 10:9,12	statute 49:1
shows 42:17	slight 41:7	15:20,21	76:5,9,15,19
61:7 66:9	slightly 37:11	28:13,20 53:16	77:1
94:24	44:1	102:16	statutory 8:10
shrink 83:2	slow 50:25	Speaking 54:2	9:5
85:16	slowly 56:16	Special 11:15	stay 51:9 85:5
shrinking	61:10	33:13 48:6,14,	step 84:18 96:9
81:19,24 82:6,	small 26:6,7,18	18,21 54:23	99:4
23 97:18	27:3 28:9 43:2	71:6,19 72:1	steps 98:17
shy 41:3	55:1 85:22	75:9,18 102:21	stolen 57:9
sic 63:24	101:1,2	specific 15:16	68:20
side 21:5 30:4,	smaller 37:10,	29:11 34:21	stop 24:17
5 61:24	23 43:22 84:12	74:1 76:11	39:25 57:7
sight 22:3	90:16 91:5	91:25	stops 84:13
signatures	101:9	specifically	strategies
66:20	smallest 52:2	10:23	19:24
significant	so-called 65:7	specifics 73:20	strategy 97:4
30:6,7 35:8	social 13:18	spent 32:16	streams 85:18
46:7,8 48:14	15:6	65:9 86:17	98:25 99:9
59:4 78:23,24	software 55:21	split 97:15	street 56:7
90:14 98:23		100:14	101:19

streets 58:6	summary 18:16	telling 14:18	three-unit 22:18 63:1
strongly 28:5 70:20	Sunshine 7:16	temporarily 80:9	Thursday 56:8
structural 35:25	supplied 66:19	tenants 23:5,8 27:6 28:1 80:14	tied 10:23
structure 22:1, 22 27:15 30:15 35:23 36:10, 15,16 38:5 54:14 61:4,8 84:24 95:7,25 101:5	support 9:10 11:4 29:13,15 30:17	term 47:22 48:1	time 7:4,8 10:17 11:10 13:11 15:19 20:12 28:21,23 36:1 44:21 53:20 55:2 59:9 67:4 71:10 73:10 74:5 83:2 84:3 86:17,18 95:25 98:17 100:3
structured 61:14	supporting 32:20	terminated 76:13	Timely 16:18
structures 23:14 99:2	supports 9:17, 18 73:17	terms 45:22 63:4 90:13,23 92:25 98:18	Times 23:23
study 25:12 81:21,23 85:12 95:1,5	supposed 23:22 24:21	test 83:7	tinplate 68:21
stuff 97:5	surplus 33:13	testified 63:7, 9	tip-fee 64:5
subject 73:24 75:3	surrounding 44:14	testimonies 92:19	tipping 44:20 63:22
submit 18:23 28:13	suspend 86:8 87:6	testimony 9:8 11:3 29:9 64:21 65:1 102:18	tireless 32:1
submitted 12:18 14:3 15:1 18:20 32:17,21 33:23 40:23 72:2 90:6,7	sustainability 58:18	tests 81:14	today 10:24 11:4 19:5,7 31:3,7,22 34:4 40:3 71:11 79:3 88:18,21 89:5 90:6 92:19 93:3 99:18 102:18
subsequent 71:12	system 18:24 24:19 84:5,12, 17 97:21	Texas 59:20	Today's 6:18
subsidies 84:20	systems 19:18	thanking 12:7	told 102:11
substantial 34:24 36:20 73:7,16 98:3 99:4	<hr/> T <hr/>	theme 82:11	ton 64:6
succinctly 21:1	table 39:14 68:16 82:17	themes 14:1 31:9 34:9,20	tonnage 96:24
sufficient 75:18 77:4 78:11	takes 68:8 71:11 78:7	thing 27:18 56:14 84:15	tons 46:1
sufficiently 20:17	taking 23:25 62:17 69:2 98:17	things 24:7 29:21 40:20 46:20 47:13 52:22 56:22 72:8 83:25 85:4 88:15 90:13 94:3,5 96:12 97:11	top 61:16 95:20
suggest 10:14	talk 35:23 40:4 43:9	thinking 43:14 97:7	topic 14:11,23
suit 77:9	talked 14:9 19:3 41:9 94:3,5 95:11 97:12	third-party 95:6	total 8:11 38:12 39:4 40:20 48:13
summarize 25:7, 9	talking 87:2 94:20 97:9	Thomas 18:1,10 58:12 76:23	touched 55:9
summarizes 39:25 81:22	Tao 16:1	Thompson 66:17, 18	trace 65:16
summarizing 39:14	taxpayers 57:1	thought 20:3 37:8 80:24	tracks 97:13
	team 14:20 15:19 56:9	thought-out 18:24	Tracy 66:18
	technical 13:14 29:3,24	thousands 57:12	transcripts 6:12 29:12
	technological 59:25		translated 13:2
	Tecolote 16:2		translates 35:18
			translators 16:8

trash 21:25 23:15 35:12 36:2,9,12 37:4,5,14,16, 18,23 40:17 50:12,18 51:17 52:20 54:6 56:15,18,19 57:12,18,19, 20,21 58:1,2, 3,6,21 61:16 66:2,7,25 67:3,14 81:4, 6,10,16,17,20, 24 82:4,10,13, 20 83:1,3,17 85:9 90:23 97:5,6 98:22 99:4,5,6	type 30:9 types 24:15 77:19 typical 39:15	22:23 26:8,24, 25 27:7,8,18, 20 38:3 39:2,3 44:3 61:19,20 62:3 67:20,21, 23 79:7,16,24 83:13 86:13 90:16 92:20 93:8	viewing 13:1 VII 53:14 70:13 VIII 53:13 68:8 70:11 voice 13:20 volume 36:1,12 37:19 41:9,24 45:22 54:5 97:19 100:5 101:1 volumetric 36:7,8,11,19 37:2,4,11,14 38:20 39:6 41:9 44:23 54:9 61:6 94:8 96:24 97:17 101:13 volumetrically 101:9 vote 11:21	
traveling 17:13 treated 74:2 tricky 98:2 trigger 73:13 75:1 triggered 74:15 triggers 55:9 truck 42:13 59:7 65:17 95:15 96:14 101:2 truck-routing 29:19 trucking 101:7 trucks 43:13 52:8 55:23 96:16 97:15,25 100:2 true 27:18 38:11 59:3 98:4 Turkis 17:25 turned 65:19 Twitter 13:19 two- 23:3,8 36:22 38:1,8, 11 39:1 59:3 61:2,9 83:11, 13,15 two-unit 22:15 26:23 27:9,12, 13 39:20 59:8 60:11 62:10,25	<hr/> U <hr/> Uh-huh 48:2 unable 7:24 unaddressed 56:11 unappreciated 19:14 unchanged 39:22 understand 20:17 69:19 72:12,13,15,20 75:11 77:24 90:13,17 92:6 99:23,24 102:5,19 understandable 21:1 understanding 14:24 32:11 34:16 55:18 77:17 80:15 89:12 90:15 understood 102:9 Unearned 33:14 unfair 28:6 unfill 59:7 unintended 27:21 unit 22:5,10 27:20 36:7,21 37:18 38:25 39:4,21 43:21, 25 59:8 60:11 61:19 62:3,8, 9,12,14 63:19 79:4,18 80:6, 21 83:15,21 84:23 86:1,4, 7,9 87:5 92:22 93:10,25 95:12 96:5 unit's 27:17 units 14:7 17:19 21:20	unjustifiable 28:6 unjustified 28:6 UNKNOWN 102:16 unlike 19:13 upcharge 60:10 updating 15:5 urge 70:18,20 usual 43:8 utility 86:14	<hr/> v <hr/> vacant 27:11, 12,20 79:4,7, 23 80:5,21 86:1,4,7,9,11, 13,14 87:6 vacation 80:7,8 validated 41:1 validating 35:1 valuable 68:20, 24 variable 54:1 94:7,18,22 95:10,11,21 96:24 98:2,24 variety 30:1 68:22 vary 30:9 Venezuela 21:11 verification 73:9 versus 39:1 49:10 54:9 57:19 81:25 83:11 95:21 VI 30:25 viability 20:7 view 23:13 61:11	<hr/> W <hr/> wade 20:13 walk 102:25 wanted 17:16, 17,20 63:15, 16,21 84:9 85:12 waste 11:16 14:24 19:21 20:13 33:14 35:15 45:9 48:7,15 58:5 59:19 64:4,5 71:20 77:8,12 82:19 91:21 98:4 100:4 wastewater 54:5 watch 59:7 water 54:3,5 ways 64:16 74:2 website 6:16,17 13:16 15:6 34:1 73:24 79:17 86:20 87:9,10,21 88:3 websites 86:18 88:7

Wednesday 6:22 7:25 56:9 71:12 week 50:15 81:18 84:10 85:14 96:21 98:10 100:1 weekend 86:17 Weigh-tronix 59:20 welcomed 16:10 white 6:8 wholesale 56:10 wide-open 56:22 wife 18:10,13, 20 19:11 wisely 64:6 wishes 10:9 30:23 wondering 68:17,23,24 78:1 81:2 82:15 83:19 87:3 Wong 17:6,7 26:2 word 92:2 words 57:17 work 14:19 19:8 24:12 25:13 29:24 58:14 60:2 65:12 66:13 84:6 91:1,3 worked 16:7 91:19 workers 91:14 workforce 96:17 working 97:22 works 6:8,11 7:15 9:9,19,25 10:4 11:7,23 13:17 14:19 16:12 31:1,6 32:5,10 34:6 44:24 47:4 53:14 66:20 69:14,16,23 70:9 72:5 79:16 85:3 Works' 6:16	34:1 73:24 87:9 88:7 workshop 34:12 workshops 29:3 32:5 world 97:4 worse 27:4 worth 27:17 68:14,15 worthwhile 66:10 writing 9:3,14 written 6:1 8:9 16:18 29:12 99:18 wrong 21:12 25:6 40:15 88:24 <hr/> Y <hr/> year 24:13 26:17 29:16 31:12,20 33:3, 6,7,8,9,11 37:21 47:14 67:7 77:11 years 19:18 21:4 29:6 33:5 34:24 43:16 48:22,23 49:7, 8,10,21 57:11 58:8 61:9 65:2 67:9 76:20 77:1 York 23:23,25 <hr/> Z <hr/> zoom 60:23 61:12	
---	--	--