



MEMORANDUM

TO: Refuse Collection and Disposal Rate Board
FROM: Jack Macy, Zero Waste Program, Department of the Environment
RE: Status of Claims on Special Reserve
DATE: June 24, 2016

As requested by the Refuse Collection and Disposal Rate Board (Rate Board) at its December 16, 2015 hearing, the Department of the Environment (Department) is providing a report on any claims made against the Special Reserve Fund (Fund) related to the Altamont Landfill Agreement. The Rate Board may reconvene in the summer of 2016 to review this report and consider whether to make additional allocations from the Fund.

On October 30, 2015, the Department submitted a report to the Rate Board on the Fund created under the 1987 Waste Disposal Agreement for disposal of San Francisco refuse at the Altamont Landfill. At that time, the Department anticipated that the City would reach the contract limit of 15 million tons in January 2016. The Department's report recommended that \$3.75 million from the Fund be transferred to a new Landfill Disposal Agreement Reserve Fund (New Fund) required under a new agreement to dispose of the City's refuse at the Hay Road landfill in Solano County. The \$3.75 million represents the amount of funding needed over an 18-month period to build the New Fund up to \$10 million within four years, as required under the new agreement. The Department also recommended transferring \$12 million into the New Fund to cover the incremental cost of transporting and disposing refuse at the new landfill for the same 18-month period, until July 1, 2017, when it is anticipated new refuse collection and disposal rates would go into effect.

In December 2015, the Rate Board agreed in part with the Department's recommendations. The Rate Board approved: (1) transferring \$1.25 million from the Fund to provide initial funding of the New Fund; (2) transferring \$12 million from the Fund into the New Fund to cover the incremental cost of transportation and disposal under the new Landfill Disposal Agreement; and (3) retaining \$16.35 million until the Rate Board determines there is no need for the Fund. The Rate Board requested that the Department report on any further claims against the Fund before approving additional funding for the New Fund.

On March 16, 2016, the Department sent a letter to Waste Management of Alameda County (WMAC) confirming the termination of the 1987 Disposal Agreement between San Francisco, Recology and WMAC, as the maximum disposed tonnage in that agreement was reached on January 15, 2016. The letter stated the Department's and Recology's understanding that WMAC and its affiliates had no further rights or claims against the City or Recology in regards to that agreement or against the Fund. The Department requested that WMAC promptly advise the Department and Recology of any claims. The Department and Recology did not receive any response to the letter or claims against the Fund since those shown in the Department's October 30, 2015 report. The Department and Recology conclude that there are no more needs for the Fund under the terminated 1987 Disposal Agreement.

The Department now recommends the transfer of an additional \$2.5 million from the Fund into the New Fund, which would bring the fund balance to \$3.75 million as previously recommended. This would ensure that the New Fund is on track to reach the required \$10 million funding level within the first four years of the new Landfill Disposal Agreement. Additional funding for the New Fund would be included in the next rate application, which is anticipated in January 2017 for new rates to go into effect in July 2017.

As for the remaining balance in the Fund (an estimated \$13.85 million after the proposed transfer of \$2.5 million), the Department recommends no action at this time. Instead, these monies would remain in the Fund until there is a new rate application from Recology. That application would include proposed uses of the remaining balance for the benefit of current and future ratepayers, as specified in the Waste Disposal Agreement.

Department staff will be available to answer questions of the Rate Board when it is reconvened. If you have any questions, please do not hesitate to contact me at (415) 355-3751. Thank you for your consideration.