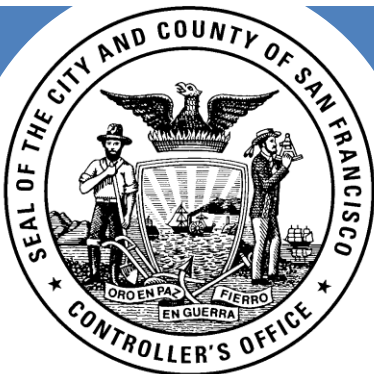


Sanitation and Streets Commission



CITY & COUNTY OF SAN FRANCISCO

Office of the Controller, Office of the Refuse
Rates Administrator

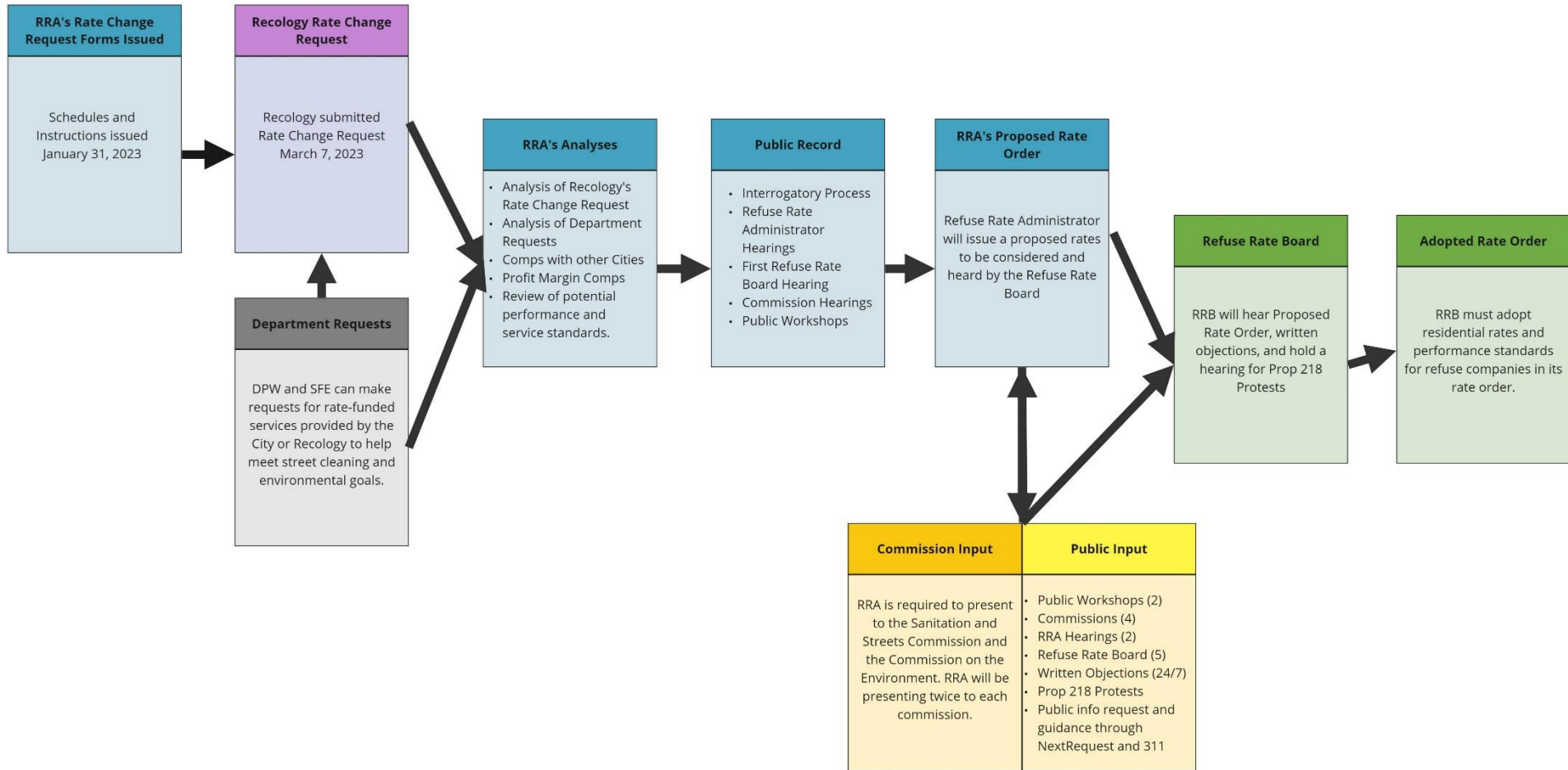
May 15, 2023

Process Status Update

Public Comment To-Date

Preliminary Analyses and Findings

Refuse Rate Administrator's Rate Process



Interrogatory Process

- The RRA has issued a series of requests to Recology, based on analysis of Recology’s Rate Change Request.
- These requests and Recology’s responses are posted publicly on a weekly basis.
- There are three categories requests:
 - ***Schedule Requests:*** These requests track the status of completion and validation of the schedules issued by the RRA
 - ***Exhibits:*** Some parts of Recology’s submission require additional detail or explanation that is not captured in the schedules.
 - ***Questions:*** These are generally clarification questions or requests for answers/justifications for certain assumptions made in Recology’s submission.

As of 5/8/23	Requests	Responses
Schedule Requests	17	11
Exhibits	37	13
Questions	156	96

The Refuse Rate Administrator is utilizing public hearings as part of the record building process. The hearing format allows for real-time questions and answers and additional public participation.

Refuse Rate Board Hearing

Utilize First RRB Hearing to focus on rate and program requests from SFE, DPW and Recology

Refuse Rate Administrator Hearings

RRA will conduct two hearings. Focus on Recology's operational assumptions and any other items relevant to the rate order, such as reporting requirements and performance standards.

Commission Hearings

Final two commission hearings will be used to ask additional questions of Recology and department requests, as well as to receive input from Commissioners.

COMPLETED & ONGOING

Public Website



sf.gov/refuserates explains the rate-setting process and lists all past and upcoming public meetings.

Email Campaigns



Call for public input and list of public meetings sent to 1,700+ recipients, including City departments, Board of Supervisors, local press, and subscribers of Controller's Office updates.

Social Media



Public meeting notices posted on Twitter to remind public of upcoming opportunities for comment. Related City agencies and local press are asked to help share.

Public Records Automation



Alert created in NextRequest (departmental records request software) that directs users to the Refuse Rates Administration website if select keywords are part of their request. We have 1,670+ instances of users being directed to the Refuse Rates website.



Neighborhood Papers

Targeted outreach to local news outlets, specifically neighborhood papers (like Potrero Hill and Richmond Review/Sunset Beacon).



Neighborhood Groups & Districts

Targeted outreach to registered neighborhood organizations in San Francisco with reminders of opportunity to submit Written Objections and all upcoming public meetings. Board Members also asked to help inform constituents.

UPCOMING



Press Releases

Encourage reporters to integrate public meeting reminders and opportunity for the public to submit Written Objections into coverage on Recology and other related topics.



Additional Email Campaigns

Additional email campaigns to encourage public comment and participation in rate-setting process.

Written Comment or Objection

- 10 Written Comments or Objections have been submitted. 9 are related to residential rates, 1 related to both residential and commercial rates.
- All comments object to any increase in rates.
 - Recology has been raising rates for years already and contributes to high cost of living in context of other utility price increases
 - Customers should receive credit for recycling material sales to offset costs.
 - Recology should not be trusted to receive increase in ratepayer funds after corruption scandal
 - Recology received COLA in January 2023 already, should not increase rates again.
- One customer doesn't produce enough for weekly pickup and would like options for less frequency

Hearing and Public Workshop Comments

- Request for more information on impound accounts
- Concerned about nexus and proportionality and use of impound account funds from rates.
- Want to see reasonable and fair rates and good value for ratepayers. Would expect to see some increase in rates.

- Jurisdiction Comparisons
- Profit Margin Comparisons
- Balancing Account
- Impound Account
 - Department of Public Works
 - Environment Department
- Recology Proposal
 - Program Enhancements
 - Abandoned Materials
 - Public Receptacles
 - Labor Enhancements
 - Pension Costs
 - Zero-Waste Incentive Account

Comparable Jurisdictions

Residential Rate Comparison

Comparable Jurisdictions Weekly Residential Service	Service Square Miles	Residential Population	Minimum Monthly Cost of Residential Trash, Recycling, and Compost Collection (Combined)	Total Combined Volume of Minimum Monthly Residential Trash, Recycling, and Compost Collection (Gallons)	Combined Monthly Residential Cost Per Gallon
Jurisdiction					
San Francisco	49	850,000	\$ 46.87	80	\$ 0.59
San Mateo City	363	102,200	\$ 23.59	180	\$ 0.13
Alameda City	12	78,280	\$ 37.50	212	\$ 0.18
Sacramento	99	525,000	\$ 31.93	165	\$ 0.19
Fresno	116	545,000	\$ 31.43	192	\$ 0.16
Los Angeles	502	3,849,000	\$ 36.32	240	\$ 0.15
San Diego	326	1,381,600	\$ -	288	\$ -
San Jose	178	983,500	\$ 49.43	128	\$ 0.39
Long Beach	51	456,000	\$ 34.42	164	\$ 0.21
Santa Ana	27	309,400	\$ 22.94	288	\$ 0.08
Anaheim	50	345,940	\$ 26.46	288	\$ 0.09
Oakland	56	433,820	\$ 48.19	60	\$ 0.80
Burbank	17	105,400	\$ 55.03	192	\$ 0.29
Santa Cruz County	445	260,500	\$ 24.62	148	\$ 0.17
East Palo Alto	3	28,250	\$ 52.90	180	\$ 0.29
Castro Valley	17	66,400	\$ 32.49	60	\$ 0.54
Average	144	645,018	\$ 34.78	187	\$ 0.28

Comparable Jurisdictions

10

Commercial Rate Comparison

Comparable Jurisdictions Weekly Commercial Service	Minimum Monthly Cost of Commercial 3 cart once a week pick up	Volume Minimum Monthly Commercial Collection (Gallons)	Monthly Commercial Trash Collection Cost Per Gallons	Minimum Monthly 3 cart 3x a week pick up	Monthly 1 CY Bin once a week pick up Trash Service	Monthly Commercial Trash Collection Cost Per Gallons
Jurisdiction						
San Francisco	\$ 52.60	32	\$ 1.64	\$ 157.81	\$ 282.63	\$ 1.41
San Mateo City	\$ 62.67	32	\$ 1.96	\$ 168.09	\$ 170.18	\$ 0.85
Alameda City	\$ 32.33	20	\$ 1.62	\$ 96.99	\$ 180.29	\$ 0.90
Sacramento	\$ 145.16	64	\$ 2.27	\$ 286.74	\$ 140.15	\$ 0.70
Fresno	\$ 31.43	64	\$ 0.49	\$ 75.90	\$ 39.59	\$ 0.20
Los Angeles	\$ 217.85	96	\$ 2.27	\$ 309.09	\$ 252.66	\$ 1.26
San Diego	\$ -			\$ -	\$ -	\$ -
San Jose	\$ 49.43	32	\$ 1.54		\$ 146.55	\$ 0.73
Santa Ana	\$ 175.00	35	\$ 5.00		\$ 113.54	\$ 0.56
Anaheim	\$ 63.83	96	\$ 0.66	\$ -	\$ 168.33	\$ 0.84
Oakland	\$ 67.13	20	\$ 3.36	\$ 201.46	\$ 266.31	\$ 1.32
Burbank	\$ 39.06	32	\$ 1.22	\$ -	\$ 154.70	\$ 0.77
Santa Cruz County	\$ 67.89	64	\$ 1.06	\$ 420.93	\$ 249.81	\$ 1.24
Castro Valley	\$ 60.23	20	\$ 3.01	\$ 92.29	\$ 214.15	\$ 1.07
Average	\$ 81.89		\$ 2.01	\$ 150.78	\$ 187.94	\$ 0.94

Recology Profit Margin Request

- Recology Requests a 9.89% Profit Margin (91% Operating Ratio)
- ESOP Presents additional Tax Savings ~2-4%
- RMA Benchmark of Solid Waste Collection Companies with \$25M+ per year Revenue show average Profit Margin of 6.9%
- Current 50% Balancing Account lowers risk further
- Average Profit Margin Excluding Oakland and Cities under same Contract = 13.21%

Jurisdiction	Contractor	Profitability Ratio 2021
San Luis Obispo City	San Luis Garbage Company	7.53%
Sunnyvale	Specialty	8.40%
Arroyo Grande	South County Sanitary Service	8.70%
Atascadero	U.S.A Waste of California	8.70%
Grover Beach	South County Sanitary Service	8.70%
Morro Bay	Morro Bay Garbage Services, Inc.	8.70%
Pismo Beach	South County Sanitary Service	8.70%
San Luis Obispo County	South County Sanitary Service	8.70%
Stanislaus County Area #3	Multiple	10.01%
Marin County	Marin Sanitary Service	10.50%
San Rafael	Marin Sanitary Service	10.50%
San Anselmo	Marin Sanitary Service	10.50%
SBWMA	Recology	10.50%
Newark	Republic	10.72%
Pleasanton	Pleasanton Garbage Service	11.11%
Livermore	Livermore Sanitation	11.11%
Pacifica	Recology	11.11%
Alameda	ACI	11.11%
Marina	GreenWaste Recovery	11.98%
Seaside	GreenWaste Recovery	11.98%
Castro Valley	ACI	12.36%
San Ramon	ACI	12.36%
Stockton (WM)	Waste Management	14.80%
Central Contra Costa SWA	Republic	14.94%
Milpitas	Garden City Sanitation	14.94%
Daly City	Republic	15.26%
Union City	Republic	16.12%
Carmel	GreenWaste Recovery	16.60%
San Jose (Commercial)	Republic	17.25%
Stockton (REP)	Republic	17.65%
West Valley SWMA	Waste Connections	18.06%
Santa Cruz County	GreenWaste Recovery	19.23%
Cupertino	Recology	18.97%
Carlsbad	Republic	21.10%
Oakland (CWS)	CWS	35.85%

- Recology is proposing a balancing mechanism that would allow 100% adjustment to their 0.91 Operating Ratio, which would impact the rate adjustment for Rate Year 2026.
- This proposal has no impact to the proposed Rate Year 2024 and 2025 rate cycle.
- Refuse Rate Administrator is proposing a balancing mechanism with a 50% adjustment, similar to the December 2022 Settlement Agreement.

Review and Analysis of Department Requests

Solid Waste Fee Impound Account (SWIA)

This account funds select services at the City’s Department of Public Works and the Environment Department, which include Citywide refuse-related cleaning services at Public Works and services to support meeting the City’s Zero Waste Goals at Environment Department.

- Total Solid Waste Fee Impound Account Request: \$24.2 Million in FY 2024 and \$24.6 Million in FY 2025
 - Recology’s request assumes \$23.8 Million

Dept Budget Request (\$ Millions)	FY2024	FY2025
Department of Public Works	\$9.5	\$9.5
Environment Department	\$14.7	\$15.1

Initial Findings for DPW Proposal

- DPW is requesting a budget of \$9.5 million annually for the Solid Waste Fee Impound Account.
- The funding would support three existing ongoing programs:
 - Outreach and Enforcement (OnE) Team (10 FTE)
 - Litter Patrol (16 FTE)
 - Trash can Cleaning
- This funding would support 27 FTE, including a request for one new position—Trash Can Manager (1824)

Use of Fund Balance

- DPW is also requesting the use of \$15 million in unspent fund balance for the procurement of new Trashcans and Sensors.

Memorializing Roles and Expectations

- DPW is requesting certain agreements made with Recology in the past are memorialized in the rate order (e.g. removing liter and illegal dumping within 5-foot area around trash cans, frequency of trash service, etc.)

Review and Analysis of Department Requests

15

	Rate Year 23	Recology Proposal	Enhancements	ZWIA	Pension 3yr	Pension 5yr
Single Unit Minimum Service	\$46.87	\$48.70	\$48.36	\$47.55	\$47.64	\$46.98
Total Cost Change (\$ Millions)		\$13.7	\$1.8	\$8.2	\$7.9	\$12.9
% Change		3.90%	3.17%	1.45%	1.65%	0.23%
\$ Change		\$1.83	\$1.49	\$0.68	\$0.77	\$0.11

- Enhancements include \$3.5 million in program enhancements, \$3.3 million in additional unfilled labor enhancements/backfill, and \$5 million in contamination fees.
- ZWIA refers to the Zero Waste Incentive Account. The impact of the account is \$8.2 million in the first year.
- Pension simulation looks at costs with a fully funded target for Rate Year 2026 (3 years) and Rate Year 2028 (5 years)

Program Enhancements

16

Program Enhancement	Rate Year 2024			Rate Year 2025		
	Enhancement	Total Expenditure Rate Board Hearing	Total Expenditures RRA Hearing	Enhancement	Total Expenditure Rate Board Hearing	Total Expenditures RRA Hearing
Abandoned Materials	\$969,000	\$6,369,000	\$7,800,000	\$969,000	\$6,369,000	\$8,000,000
Public Receptacles	\$886,000	\$4,986,000	\$6,300,000	\$886,000	\$4,986,000	\$6,500,000
Total	\$1,855,000	\$11,355,000	\$14,100,000	\$1,855,000	\$11,355,000	\$14,500,000

Program Enhancement	Rate Year 2024		Rate Year 2025	
	New FTE	Total FTE	New FTE	Total FTE
Abandoned Materials	2	15	0	15
Public Receptacles	2	12	0	12
Total	4	27	0	27

- Recology has provided most of the data requested and justifications for enhancements.
- Remaining requests include questions around whether or not these estimates for enhancements account for overtime offsets and a request for expenditure line item detail.

As part of memorializing agreements for these two programs, the Department of Public Works is recommending the including of Service Level Agreements:

- Abandoned Material:
 - 4 hours for most abandoned materials
 - Electronics, mattresses, furniture, appliances, and contained garbage
- Public Receptacles
 - 2 hour for overflowing garbage can
 - 72 hours for litter receptacle maintenance