



Sanitation and Streets Commission Hearing

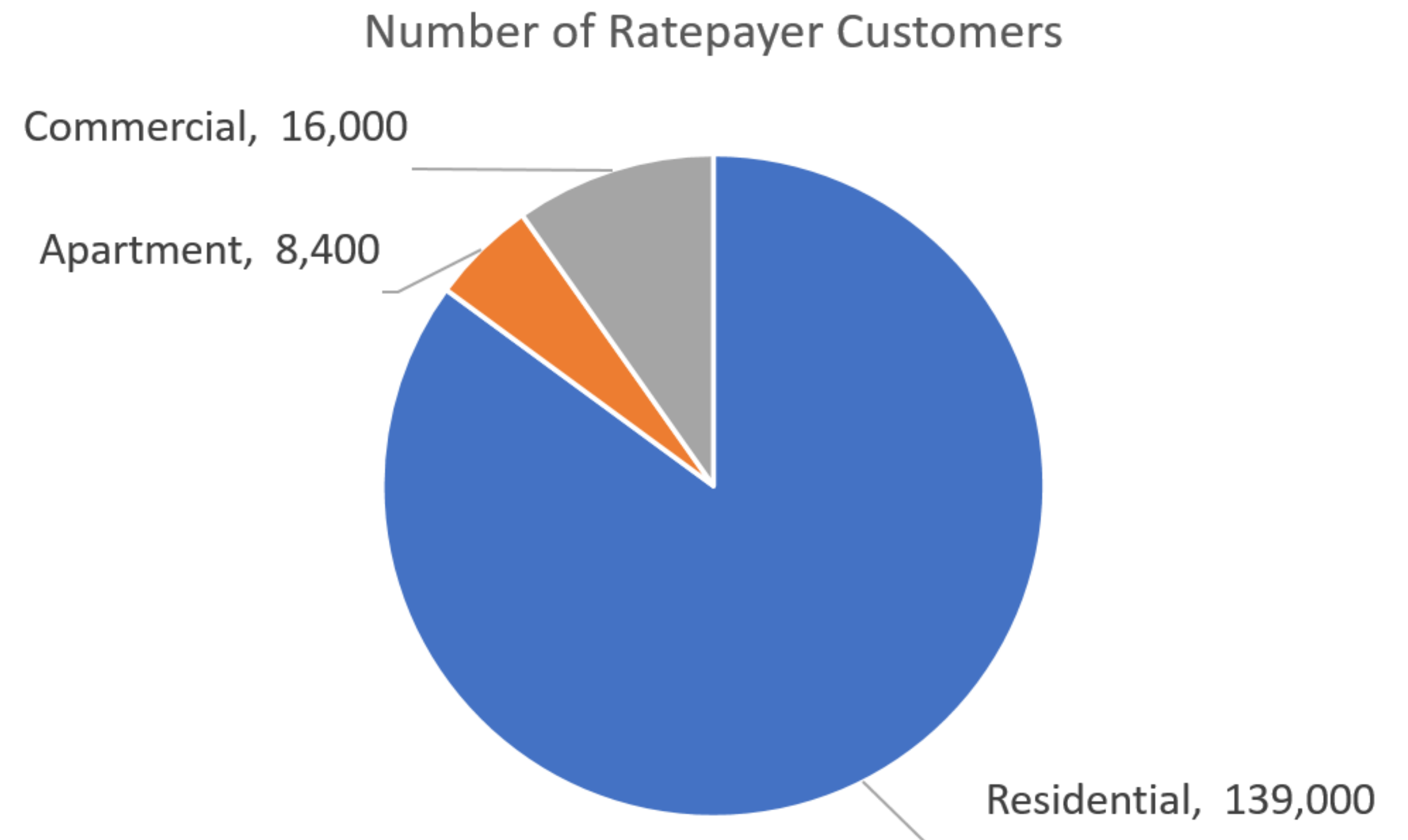
May 15, 2023



Business Overview

Business Structure

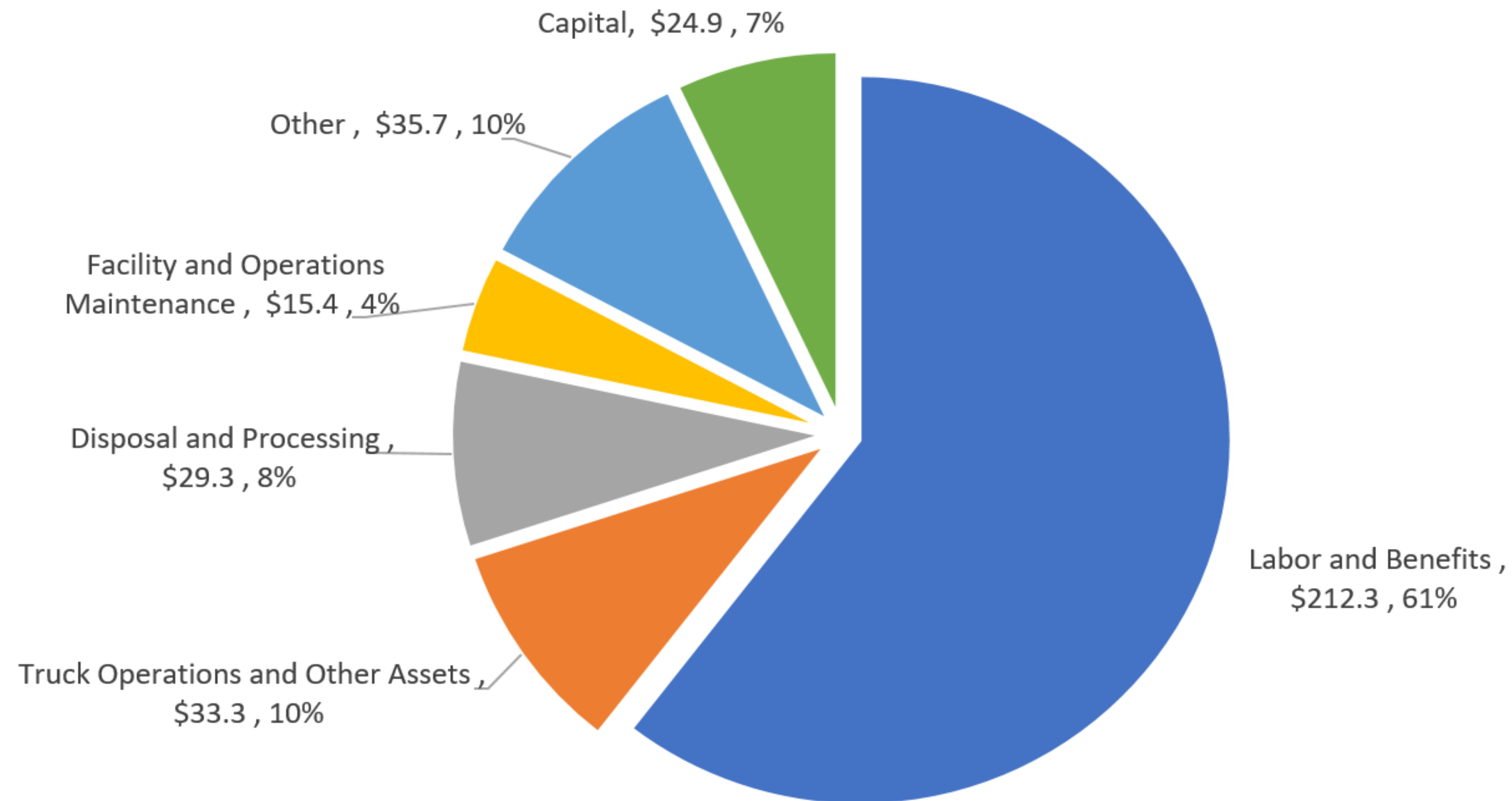
- Collections provided by Recology Sunset Scavenger (“RSS”) and Recology Golden Gate (“RGG”)
- Disposal and processing provided by Recology San Francisco (“RSF”)
 - Recycle Central
 - iMRF
 - Transfer Station
 - Organics
 - Public Reuse and Recycling Area
 - Household Hazardous Waste



Costs

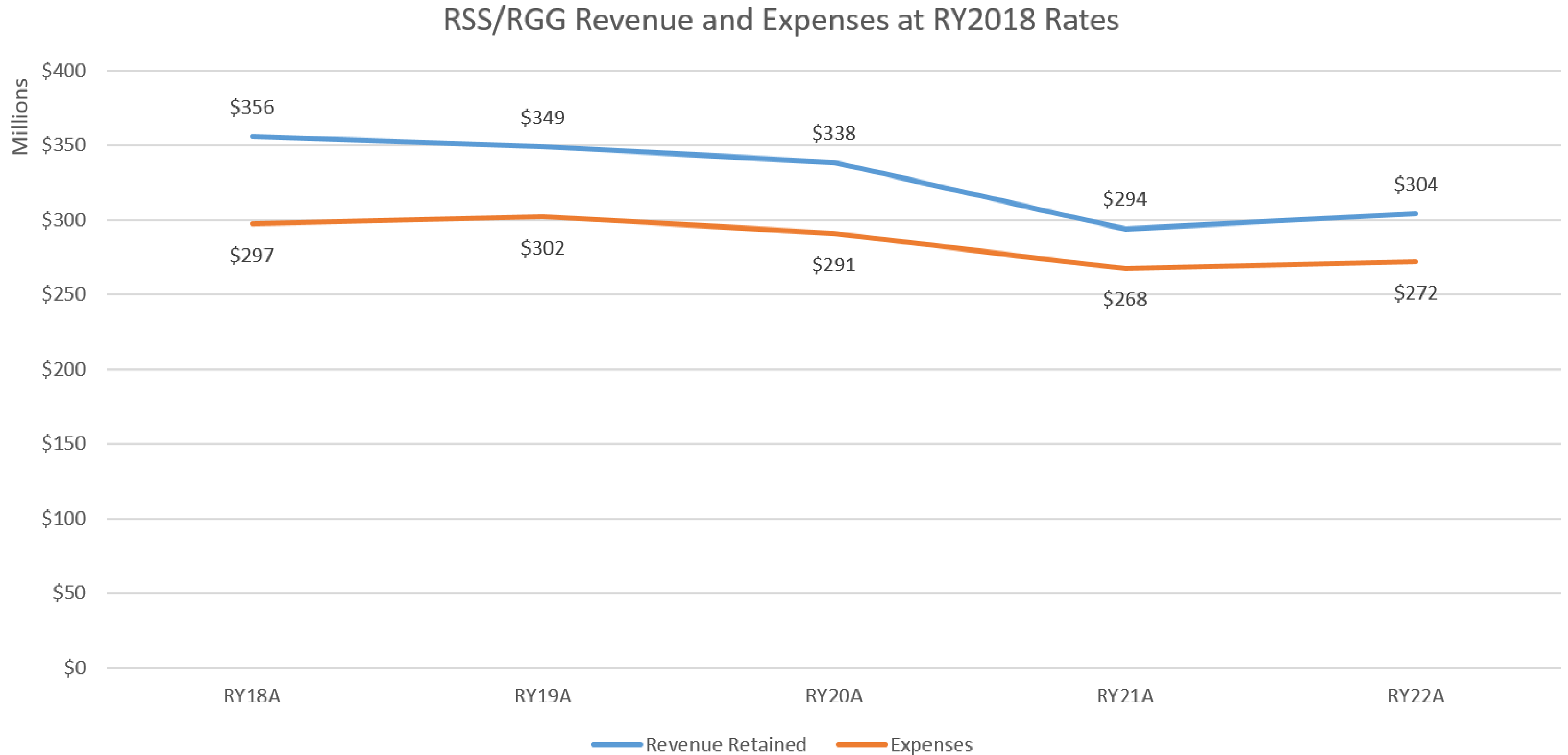
Consolidated SF Recology Companies Costs

RY 2022A, in millions



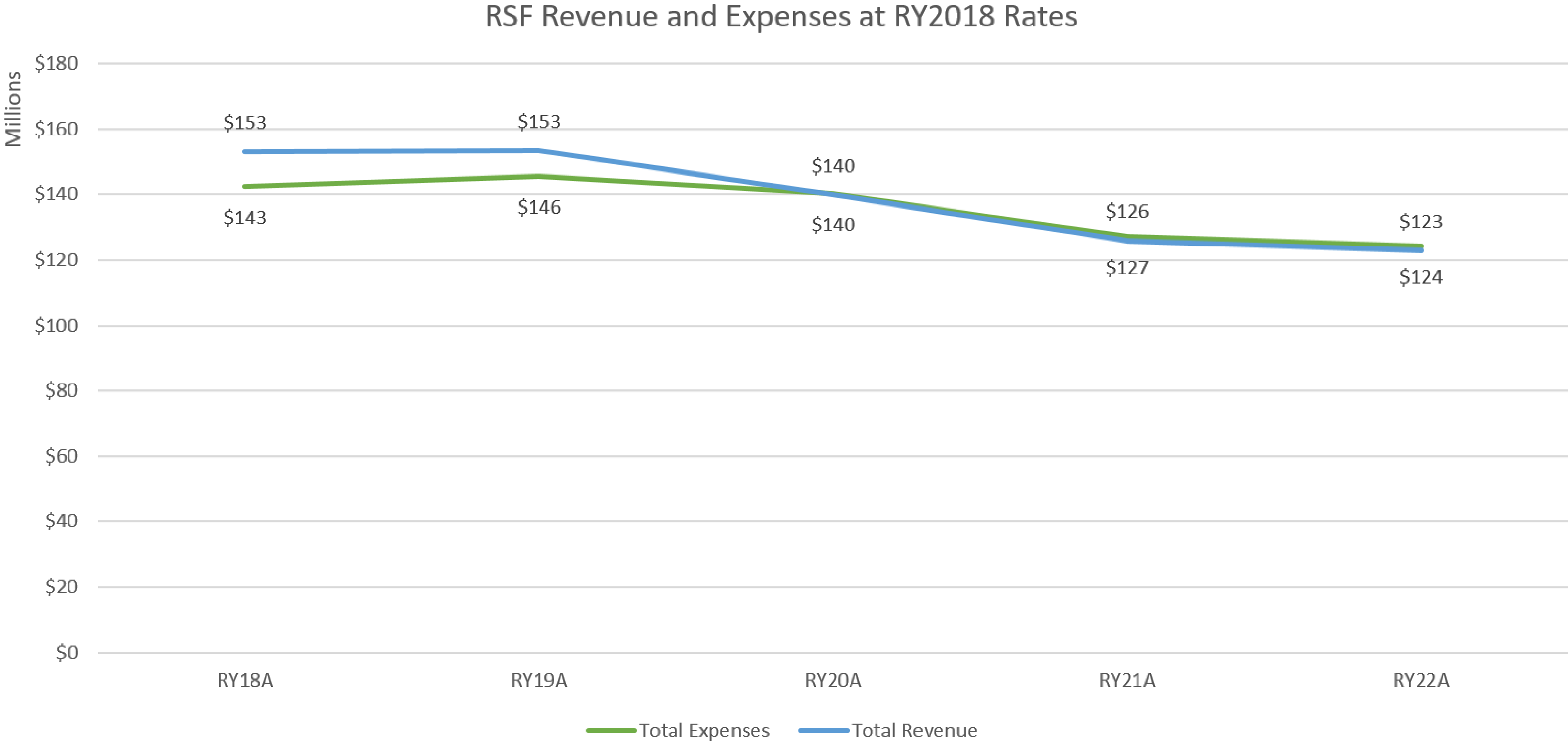
Managing Costs: RSS / RGG

- Costs managed in response to pandemic-related service changes:



Managing Costs: RSF

- Costs managed in response to pandemic-related service changes:

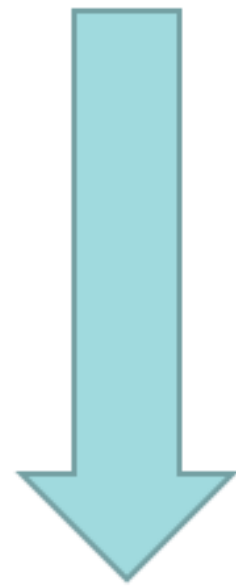


Business Impacts

- Reduction in commercial activity and lower tons collected drives a rate increase



Fewer tons collected
by RSS / RGG



Lower revenue
at RSF



Same fixed
costs at RSF



Higher per-ton
processing costs



Higher tipping
fee needed



Results in higher
RSS / RGG rates

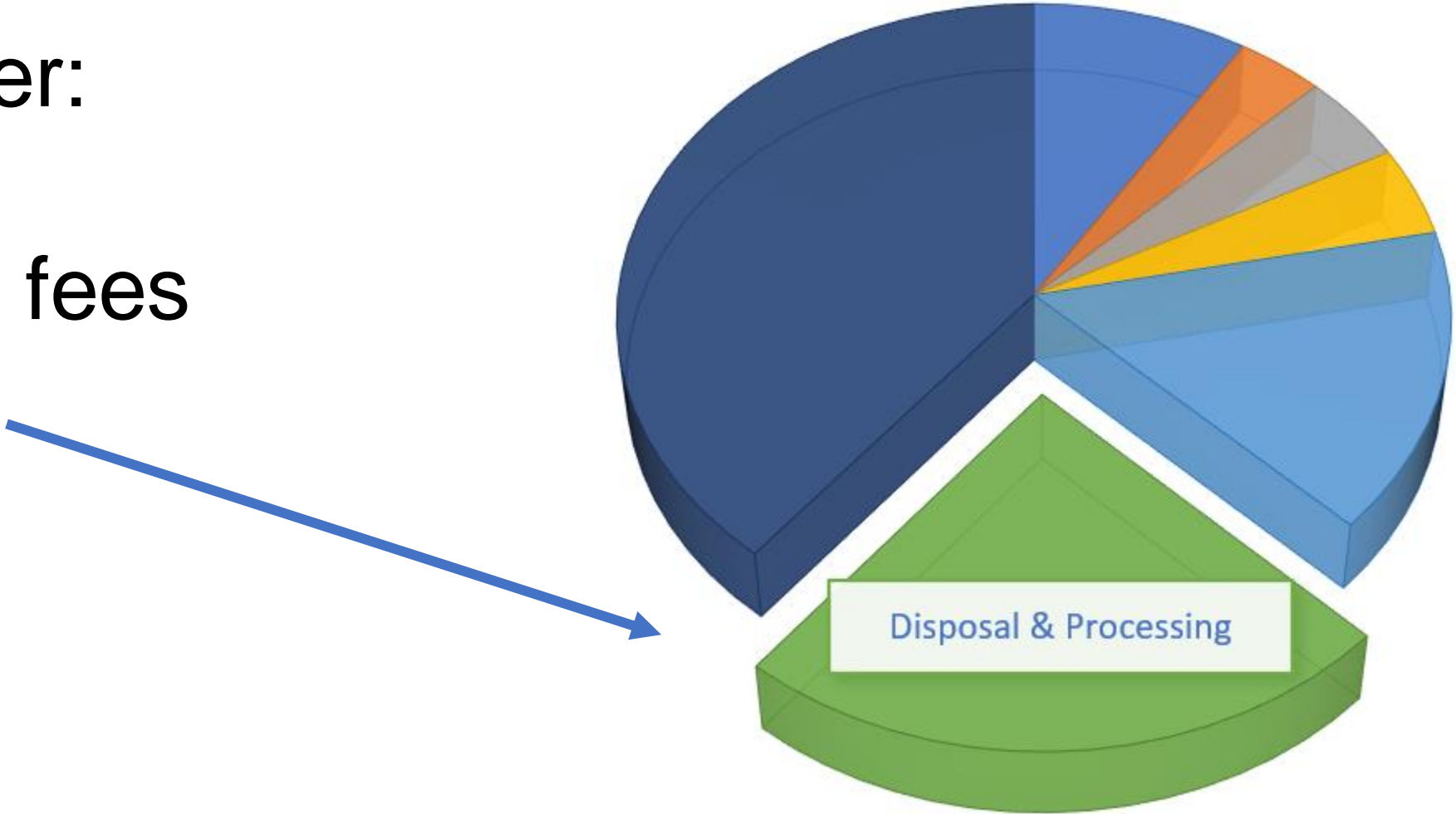
Rate Change Request

	RY 2024	RY 2025
Collection increase	3.90%	2.17%
Tipping fee increase	16.36%	0.08%

RY2024 RATE @\$48.70

Impact of tipping fee increase on ratepayer:

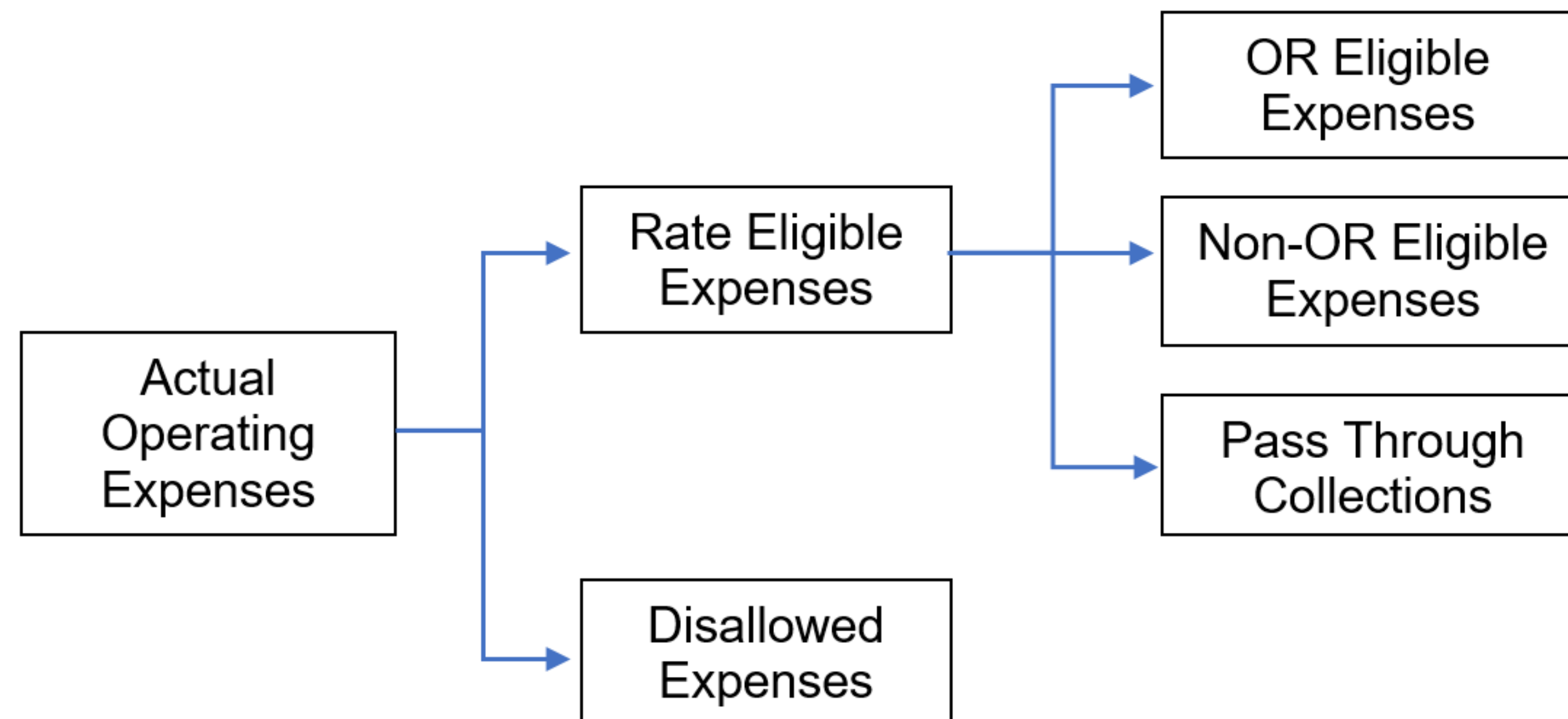
- ~30% of collection rates are for tipping fees



Rate-Setting Methodology

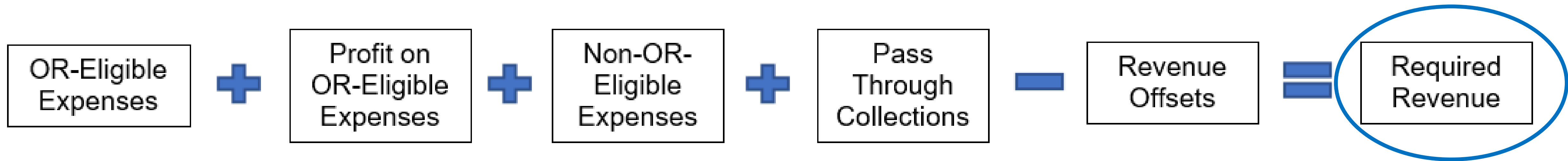
Rate-Setting Methodology

- Cost plus allowed profit model
- Some operating expenses are not included in calculation of rates
- Profit allowed on subset of expenses (“OR eligible expenses”)
- No profit allowed on certain expenses (“Non-OR eligible expenses”)
- Collection of impound and ZWI funding (“Pass through collections”)

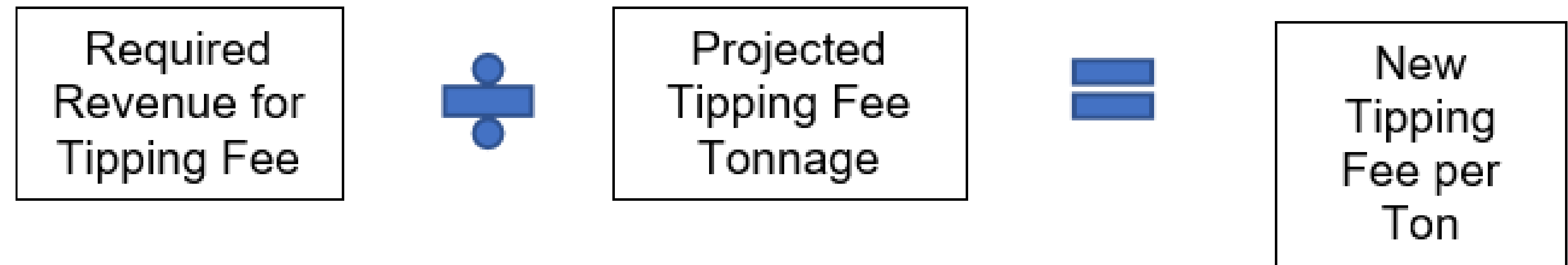


Rate-Setting Methodology

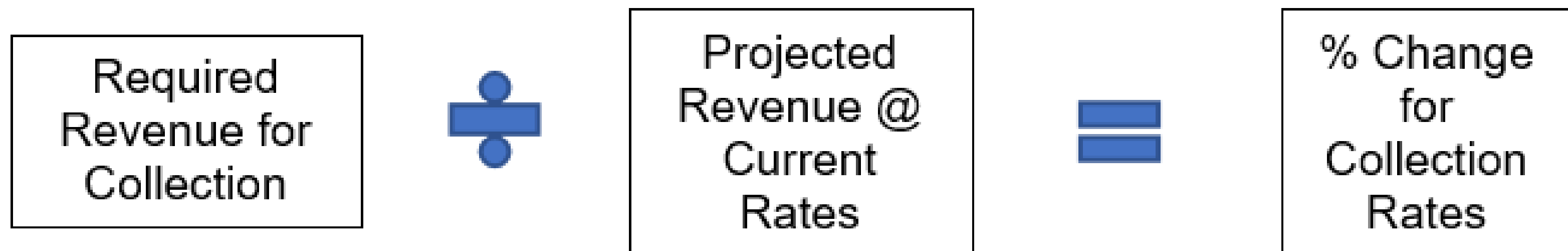
- Rate change calculation:



- RSF tipping fee:



- RSS / RGG rates:

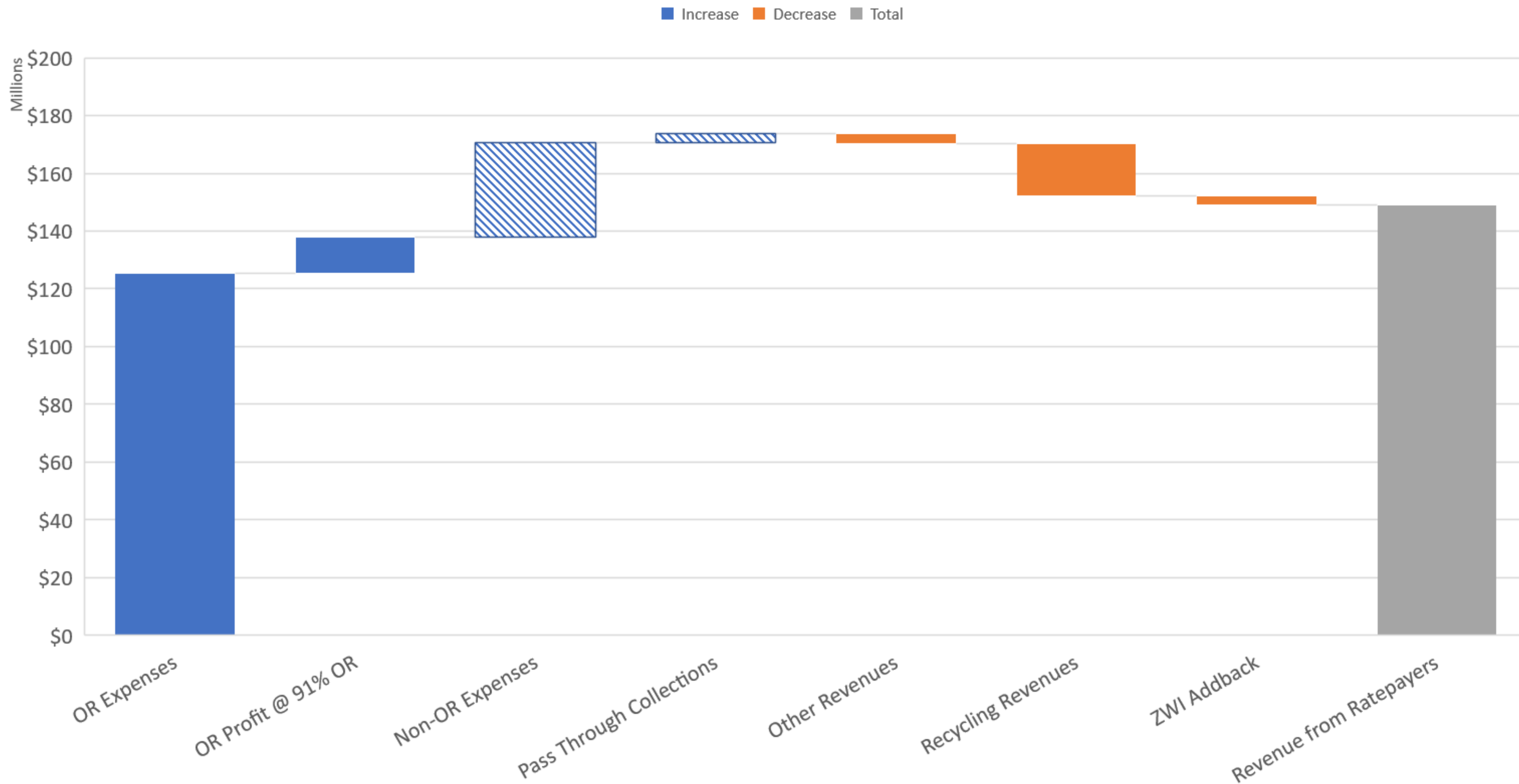


Operating Ratio

- Standard mechanism in waste industry to calculate target profit
- 91% OR generates low profit levels by industry standards
 - High OR = low profit
- Applied only to a portion of expenses (“OR-eligible expenses”)
 - Effective profit margin lower 8.2%
- OR-eligible expenses are approximately 65% of RSS / RGG expenses and approximately 80% of RSF expenses
- Calculation example:
 - OR-eligible expenses of \$1,000.00
 - \$1,000.00 divided by 91% equals \$1,098.90
 - \$1,098.90 less \$1,000.00 equals \$98.90 in profit

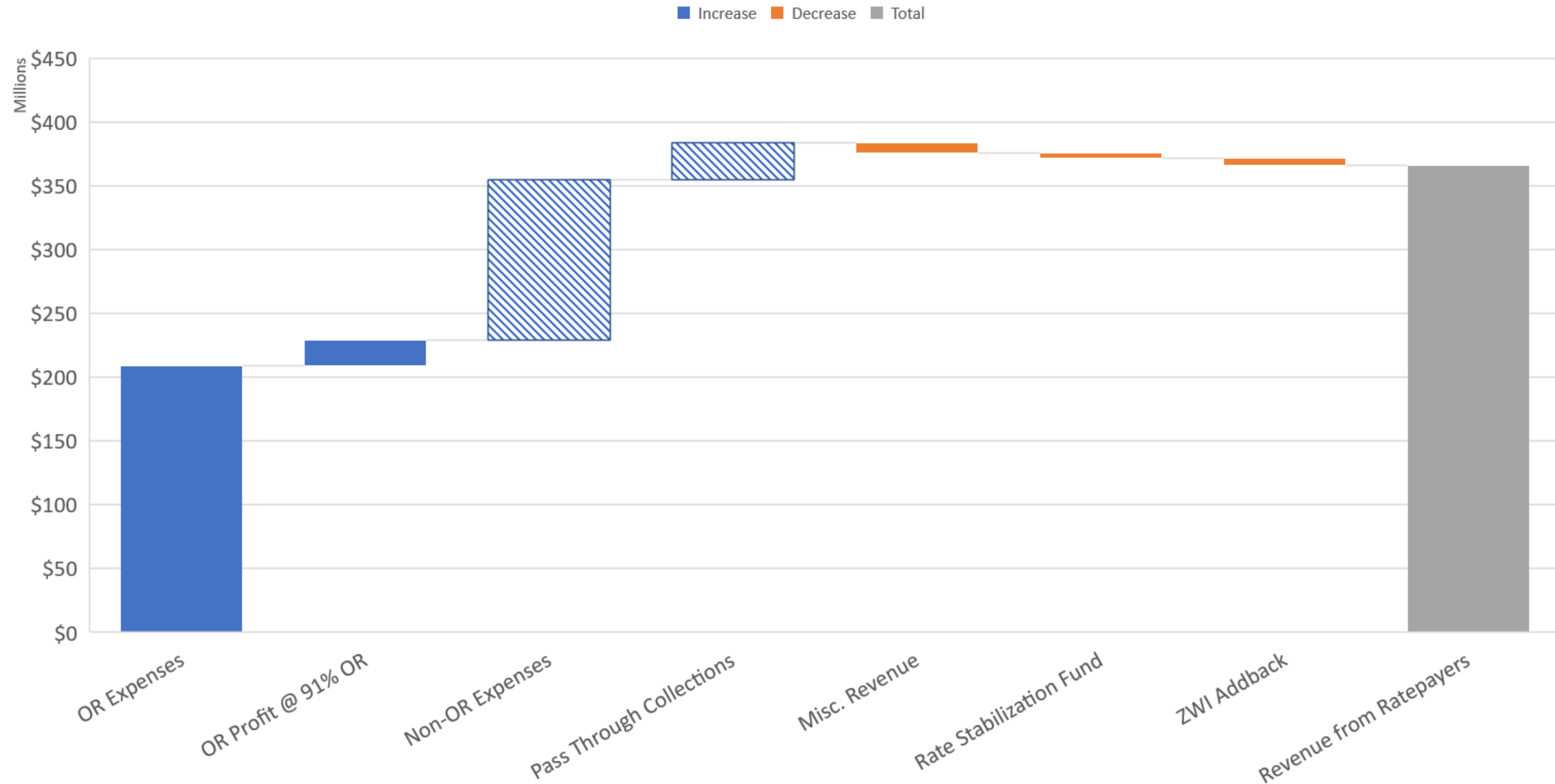
Required Revenue - RSF

RY 2024 RSF Revenue Requirement



Required Revenue – RSS / RGG

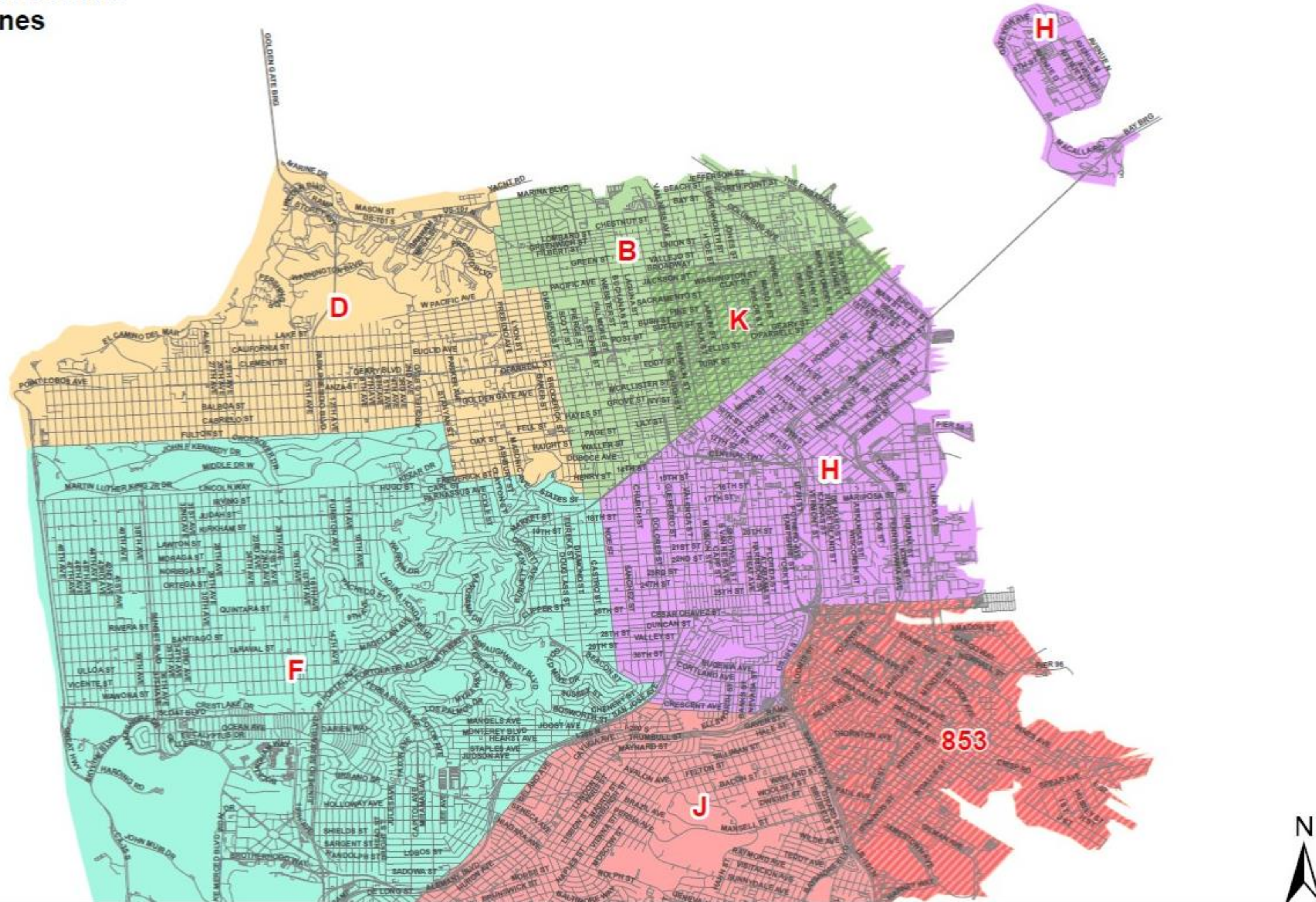
RY 2024 SSGG Revenue Requirement



Abandoned Materials Collection

Abandoned Materials

Abandoned Waste Zones



Abandoned Materials

- Tonnage down slightly and vast majority of calls unique

Ry	Tons Collected	YOY Change	311 Requests	Duplicated	Adjusted 311 Requests	YOY Change
2018	4,655	—	99,804	3,793	96,011	—
2019	4,693	1%	114,816	4,363	110,453	15%
2020	5,456	16%	135,257	5,140	130,117	18%
2021	5,185	-5%	110,104	4,184	105,920	-19%
2022	4,408	-15%	113,282	4,305	108,977	3%
2022 vs 2018		-5%				14%

- Adjusted 311 requests show demand for program, not tonnage
 - Number of unduplicated service requests up by 14% for CY22 vs CY18
 - Tonnage down by 5%, indicating lighter material that is more dispersed
 - Requires more trucks and drivers to meet 4-hour service goal

Abandoned Materials

Enhancement: One Additional Abandoned Materials Zone

Goal

- Existing 5 zones to be split across 6 zones, each with a dedicated route
- To respond to ongoing increases in service requests above current service capacity and provide proactive service capability to all zones covering San Francisco
- With the additional service capability, all zones will be able to more quickly respond to 311 service requests and will be able to proactively drive streets within their zones to collect abandoned material before a 311 call is received

Rate Requirements

- 2 additional driver FTE = \$476K per year
- 2 additional collection vehicles = \$493K truck acquisition cost

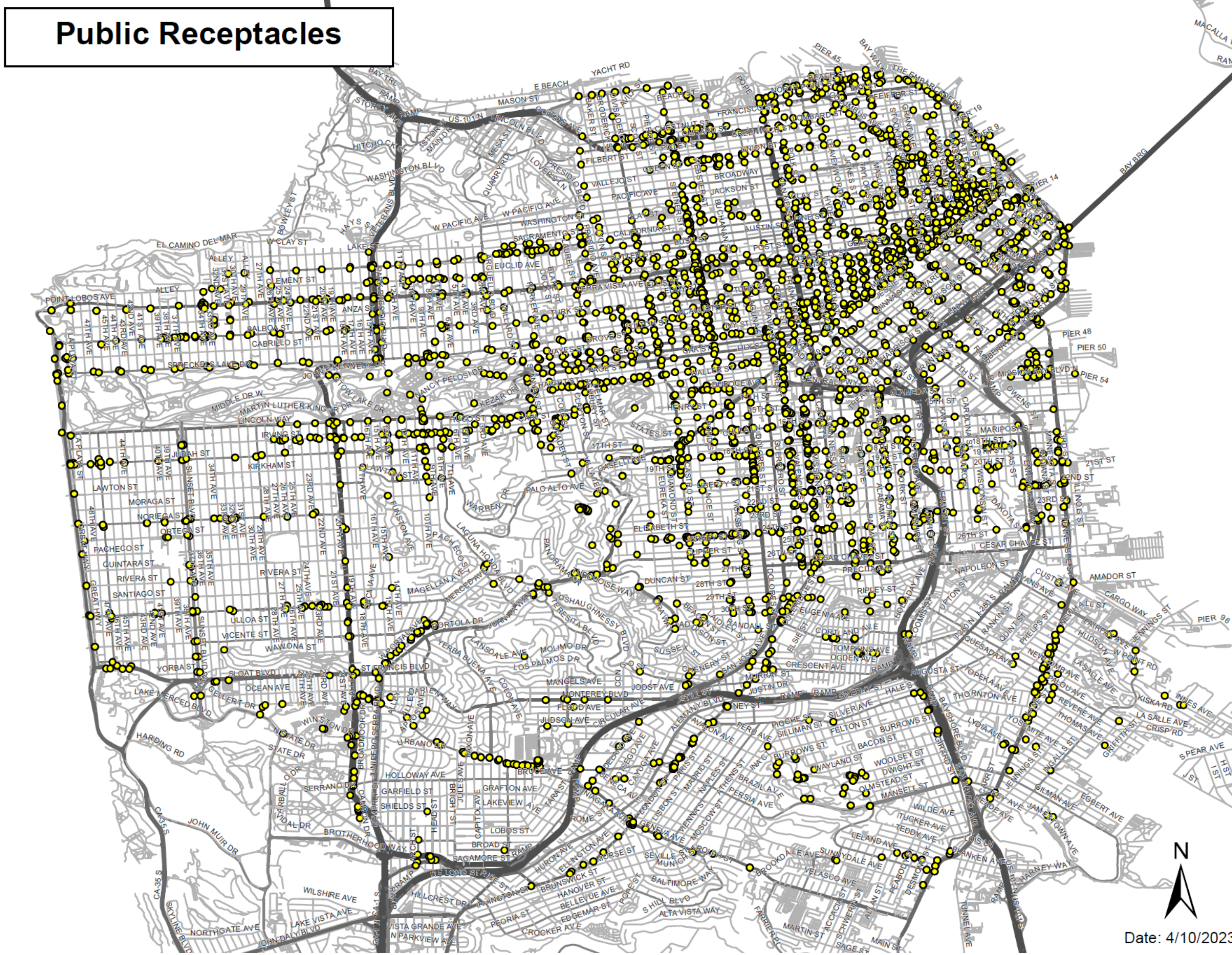
Abandoned Materials - Cardboard

Enhancement: Two Abandoned Cardboard Routes

- Abandoned cardboard grew significantly due to a drop in commodity prices and absence of independent haulers
- City engaged Recology to respond and two dedicated abandoned cardboard routes were deployed to commercial corridors
- Recology proposes to continue these collection routes as they enhance street cleanliness while diverting the material
- Since February, over 160 tons and approximately 20,000 “bundles” of cardboard have been removed
- Cardboard collection: 2 new FTE @ \$476k to replace overtime currently incurred

Public Receptacles

Public Receptacles



Public Receptacles

Current Service Levels

Dedicated public receptacle routes for additional service of high use cans

- 10 driver FTE and 10 route trucks
- Routes are scheduled to begin service after standard collection routes
- Estimated direct program cost = \$4.1M per year

Current Service Analysis

- Commercial corridors outside of the downtown area are requiring additional service of public receptacles
- Installation of sensors is projected to increase the frequency of service requests and need for dynamic routes, which requires additional capacity
- 311 calls for overflow requests for CY 2023 are on pace to increase by 285% over CY 2022

Public Receptacles

Enhancement: Two Additional Dedicated Public Receptacle Routes

Goal

- To provide the additional resources needed to meet increased public receptacle service requests and future scheduling flexibility for sensor deployment
- Additional dedicated public receptacle routes will add capacity for approximately 150,000 additional stops annually

Rate Requirements

- 2 additional driver FTE = \$476K per year
- 2 additional collection vehicles = \$410K truck acquisition cost



Thank you

