City and County of San Francisco

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March 29, 2012

Ms. Naomi M. Kelly
City Administrator
City and County of San Francisco
City Hall, Room 352
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Subject: Rate Year 2012 Refuse Rate Application

Dear Ms. Kelly:

The Department of Public Works (DPW) submits the following refuse rate application to continue the reallocation of the rate surcharge to the Impound Account, beginning with Rate Year (RY) 2012. This request would maintain the residential rates established in DPW Order No. 178,941, and would have no effect on refuse collection payments. I also request that you appoint a hearing officer to conduct a public hearing and issue a report and recommendation, pursuant to the 1932 Refuse Collection and Disposal Ordinance.

2010 Rate Order

In 2010, DPW submitted an application requesting that the existing 1.3% surcharge on volumetric billings be reallocated to the Impound Account to pay for collection and disposal of solid waste and recyclables on City streets and properties, as well as for programs to prevent littering and illegal dumping. On August 12, 2010, the Hearing Officer's Report concluded that the proposal was just and reasonable and issued a Recommended Order to that effect.

On September 30, 2010, the Refuse Collection and Disposal Rate Board (Rate Board) heard objections to the Recommended Order and concurred with the Hearing Officer's findings and Recommended Order, as modified by the Rate Board. Specifically, the Rate Board approved reallocating the 1.3% surcharge to the Impound Account for the period July 1, 2010, through September 30, 2011, and urged the DPW Director and the Department of the Environment to engage in a public process to consider: (1) the appropriate size of the Special Reserve, what should happen to any excess in that Reserve, and whether the 1.3% surcharge on billings that funds the Reserve should be reduced; and (2) the extent to which garbage rate funds should pay for litter and other street-related collection and disposal going forward.

DPW Public Workshop

In response to the Rate Board's directive, DPW conducted a public workshop on March 20, 2012, to solicit public input on the issues raised in the Rate Board's hearing. Notices of the workshop were mailed or emailed to all persons who attended the 2010 hearing and requested notification of future meetings on garbage rates, as well as all members of the public who testified at the 2010 Rate Board hearing. The workshop notice and agenda were prominently posted on DPW's website and at the Government Information Center at the Main Library. DPW and the Department of the Environment presented information on the Special Reserve Fund, as well as on the removal of refuse from City streets and properties. One member of the public attended the workshop. DPW will submit a summary of the workshop at the requested rate hearing.

2012 Proposal

In this application, DPW proposes that the 1.3% surcharge continue to be reallocated to the Impound Account to pay for a portion of DPW's street litter program and removal and recycling of refuse from City streets. The proposal would not affect the overall monthly rate charged for residential collection service as established in 2006, and as approved by the Rate Board in 2010. The 1.3% surcharge on volumetric billings currently generates approximately $2.6 million annually from both residential and commercial customers. This is in addition to the $1.3 million from the Impound Account that was approved for DPW refuse-related activities in the 2006 Order, bringing total annual funding for DPW to approximately $3.9 million.

Special Reserve Fund

In 1987, the City, Oakland Scavenger Company (now "WMAC")—the landfill operator, and Sanitary Fill Company (now "Recology San Francisco")—the City's refuse collector entered into a long-term contract to dispose of the City's solid waste at the Altamont landfill. At the same time, the City and Recology San Francisco entered into a separate "Facilitation Agreement" to implement provisions of the landfill contract. The Facilitation Agreement included a requirement that the parties create a "Special Reserve" fund. The parties may only use the Special Reserve to pay for "justifiable extraordinary increases in costs" associated with the landfill contract, and, subject to certain limitations, for the costs of control and disposal of hazardous wastes, where either set of costs is not fully covered by the refuse collection and disposal rates collected from the rate-payers.

The "Special Reserve" was funded by a 1.3% surcharge on the Companies' volumetric billings to residents and commercial customers; from July 1, 2010 to September 30, 2011, the surcharge has been deposited in the Impound Account. The Facilitation Agreement requires the parties to maintain a minimum balance of $15 million in the Special Reserve during the term of the Agreement. As of September 30, 2011, the Special Reserve account has a balance of more than $29 million. San Francisco is unique in having such a large reserve for unforeseen expenses. According to a 2005 Department of the Environment survey of ten of the largest cities and counties in the state, none maintain such a large reserve.

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re have been only a limited number of withdrawals from the Special Reserve Fund since its creation.[i] Given historic usage, we do not expect the balance to be significantly reduced in the upcoming years. We believe that San Francisco is more than adequately protected by the current balance in the reserve.

DPW Expenditures

DPW estimates that it spends nearly $9 million annually to clean up solid waste generated in the City and reduce the amount going to landfill. Total costs (detailed in Attachment 1) include:

Hauling Refuse for Separation	$2,167,006
Inspection, Education and Enforcement	827,746
Illegal Dumping Cleanup Including Separation of Universal Waste	5,429,540
Anti Litter Campaigns and Outreach	535,455
Total Costs	$8,959,747

These activities are integral to the overall system for collection and disposal of refuse in the City, as provided for in the 1932 Refuse Collection and Disposal Ordinance. These services are also critical to the City's ability to meet and sustain its zero waste goals. Without the additional funds identified in this application, the City will have to make drastic cuts in litter abatement, illegal dumping cleanup and other services. Establishing a more secure funding source for these services will help the City meet its landfill diversion goals. DPW requires the funds requested in this application to maintain the level of cleanliness that is expected by the public, including residents, visitors, employees and businesspeople.

Calculating the Residential Rate-Payers' Share

DPW calculated the residential rate-payers' share of these costs as follows: (1) determining what share of total City refuse is collected from residential sources and what share is collected from commercial sources; (2) applying that same ratio to the City's street litter program costs; and (3) dividing the total residential share of the program costs equally among all residential rate-payers. Based on information provided by Recology, the Department of the Environment determined that 46.7% of City refuse is generated by residential sources, the same percentage as total revenues collected from residential customers by the Companies. Applying this percentage to the DPW costs enumerated above, the annual solid waste management costs attributable to residential rate-payers would be $4.2 million. Applying the same percentage to the amount of funding allocated to DPW from the Impound Account, DPW would recover $1.8 million, or less than half, of these annual costs from residential rate-payers.

The reallocation proposed in this application would carry forward until modified or superseded by a subsequent rate order. We look forward to further review and discussion of these matters and are available to respond to any questions you or your staff may have.

Very truly yours,

Mohammed Nuru
Director of Public Works

cc: Michael J. Sangiacomo, Recology
John Legnitto, Recology
David Assmann, Department of the Environment
Robert Haley, Department of the Environment
Thomas Owen, Deputy City Attorney
Douglas Legg, Department of Public Works

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[i] Special Reserve Fund Withdrawals: $4,249,188 for pre-1995 Cost Recovery as provided in the Implementation Protocol for Cost Recovery Pursuant to Waste Disposal Agreement, June 1995; $383,948 in 2003 and $226,112 in 2005 for e-waste disposal costs mandated by state legislation passed after the 2001 refuse rate process; $658,142 in 2007 for "Subtitle D" construction costs required by environmental regulations. A $196,687 withdrawal for landfill tipper engine retrofit is pending.

Attachment 1

Calculation of Claimed Expenses

1. Hauling DPW Refuse for Separation

600 Weekly Trips (200 by truck drivers and 400 by General Laborers)
40 minutes per trip

Total Annual Hours	Hours/Year	FTE
TRUCK DRIVER	6,933	3.33
GENERAL LABORER	13,867	6.67
GENERAL LABORER SPRVSR. I	2,745	1.32
STREET CLEANING SPRVSR II	600	0.29

	Hourly	MFB/PTO	Overhead	Total
TRUCK DRIVER	36.89	24.49	35.37	96.74
GENERAL LABORER	28.51	19.75	27.34	75.60
GENERAL LABORER SPRVSR. I	31.59	21.26	30.29	83.14
STREET CLEANING SPRVSR II	43.38	27.06	41.59	112.02

Non-Labor Expenses	
Professional Services	22,978
Equiment Maintenance	694
Materials & Supplies	40,909
Lease Payments	83,393
DTIS Infrastructure	4,462
Total 11-12 Cost	**2,167,006**

2. Inspection, Enforcement, & Education

3 Supervisors Annually performing inspection & enforcement duties

Total Annual Hours		FTE
PUBLIC INFORMATION OFFICER	6,240	3.00
STREET CLEANING SPRVSR II	2,080	1.00

	Hourly	MFB/PTO	Overhead	Total
PUBLIC INFORMATION OFFICER	34.55	24.20	33.13	91.88
STREET CLEANING SPRVSR II	43.38	27.06	41.59	112.02

Non-Labor Expenses	
Equiment Maintenance	220
Materials & Supplies	10,127
Lease Payments	9,721
DTIS Infrastructure	1,372
Total 11-12 Cost	**827,746**

3. Illegal Dumping Cleanup Including Costs for Separating Universal Waste

Separating Universal Waste adds approximately 15% to total trip time

Total Annual Hours		FTE
COMMUNICATIONS DISPATCHER I	1,747	0.84
GENERAL LABORER SPRVSR. I	2,908	1.40
STREET CLEANING SPRVSR II	10,066	4.84
TRUCK DRIVER	11,440	5.50
GENERAL LABORER	31,200	15.00

Additional time for Supervisor I to prepare and maintain required documentation.

GENERAL LABORER SPRVSR. I	1,768	0.85	3.0%

	Hourly	MFB/PTO	Overhead	Total
COMMUNICATIONS DISPATCHER I	25.48	17.84	24.43	67.74
GENERAL LABORER SPRVSR. I	31.59	21.26	30.29	83.14
STREET CLEANING SPRVSR II	43.38	27.06	41.59	112.02
TRUCK DRIVER	36.89	24.49	35.37	96.74
GENERAL LABORER	28.51	19.75	27.34	75.60

Non-Labor Expenses	
Professional Services	3,447
Equiment Maintenance	104
Materials & Supplies	109,151
Lease Payments	205,389
Information Technology	11,213
Total 11-12 Cost	**5,429,540**

4. Anti-Litter Campaigns & Outreach

Full time Public Information Officer, Program Support Analyst, and Public Service Aid

Total Annual Hours		FTE
PUBLIC INFORMATION OFFICER	2,080	1.00
PROGRAM SUPPORT ANALYST	2,080	1.00
PUBLIC SERVICE AID	2,080	1.00

	Hourly	MFB/PTO	Overhead	Total
PUBLIC INFORMATION OFFICER	34.55	24.20	33.13	91.88
PROGRAM SUPPORT ANALYST	44.67	31.29	42.83	118.79
PUBLIC SERVICE AID	17.59	12.32	16.86	46.77

Total 11-12 Cost	**535,455**

Grand total 11-12 Cost	**8,959,747**