



# Refuse Rate Order



Office of the Controller  
Office of Refuse Rates Administration

June 25, 2025

**Proposed Rate  
Order**

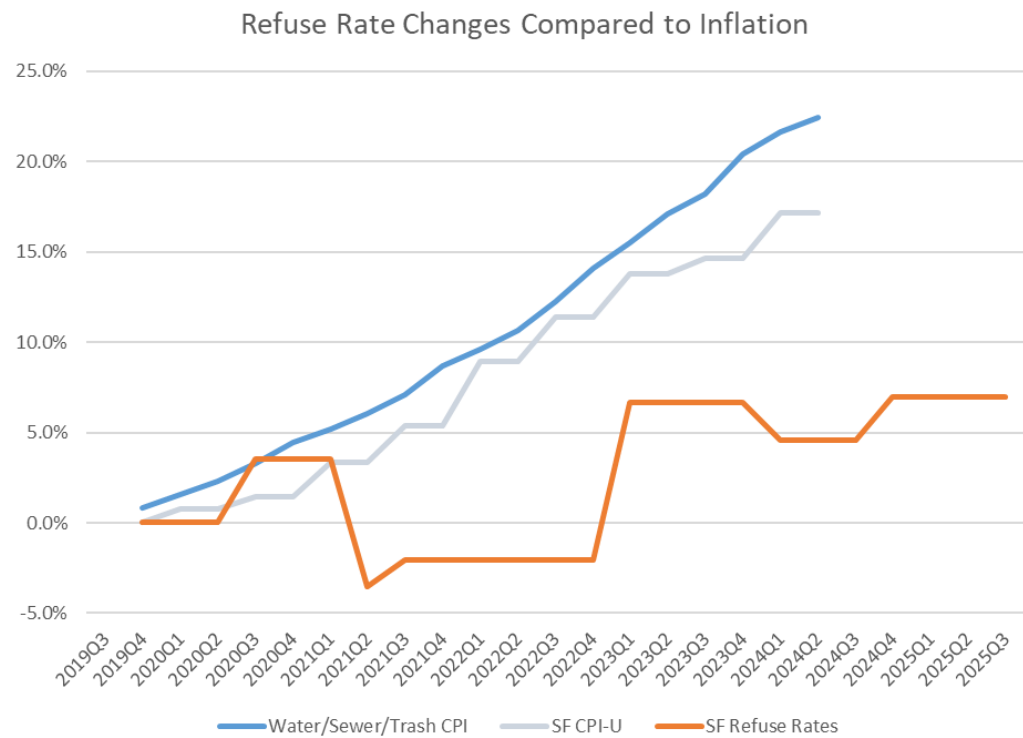
**Refuse Rates  
Administrator**

# Rate Adjustment Summary

Residential Collections Rates	Rate Year 2026		Rate Year 2027		Rate Year 2028	
	Rate Change	Cumulative Rate Change	Rate Change	Cumulative Rate Change	Rate Change	Cumulative Rate Change
Recology Application	18.18%	18.18%	7.53%	27.08%	3.86%	31.98%
Recology Application w/Contingent Sched	18.18%	18.18%	9.02%	28.84%	6.74%	37.52%
Refuse Rates Administrator Proposal	12.59%	12.59%	8.36%	22.00%	4.55%	27.55%

- Refuse Rates Administrator's proposal represents a 5.59% reduction in the rate change in Rate Year 2026, 5.08% 2-year cumulative reduction in Rate Year 2027, and a 4.43% 3-year cumulative reduction in Rate Year 2028.
- Refuse Rates Administrator's proposal does not include a contingent schedule for a mixed-waste processing facility. In comparison to a scenario where the contingent schedule is triggered, the Refuse Rates Administrator's proposal would represent a 6.84% 2-year cumulative reduction in Rate Year 2027, and a 9.97% 3-year cumulative reduction in Rate Year 2028.
- Refuse Rates Administrator's proposal represents \$52 million in adjustments and represent a \$2.45 to \$3.34 per month per unit savings to ratepayers compared to Recology's proposal.
- Rate Year 2026 one-time structural increase accounts for 8.8% of the rate increase and includes three factors: Prior rate order over-projection of revenues, payroll projection error, and business tax increase.

# Rate Increase Context



City	Collections Rate
Los Angeles	\$55.95
Oakland	\$53.36
San Jose	\$53.45
Average	\$54.25
Current San Francisco (Single Family Default)	\$47.00
Recology Application	\$55.55
Refuse Rates Administrator's Proposal	\$52.97

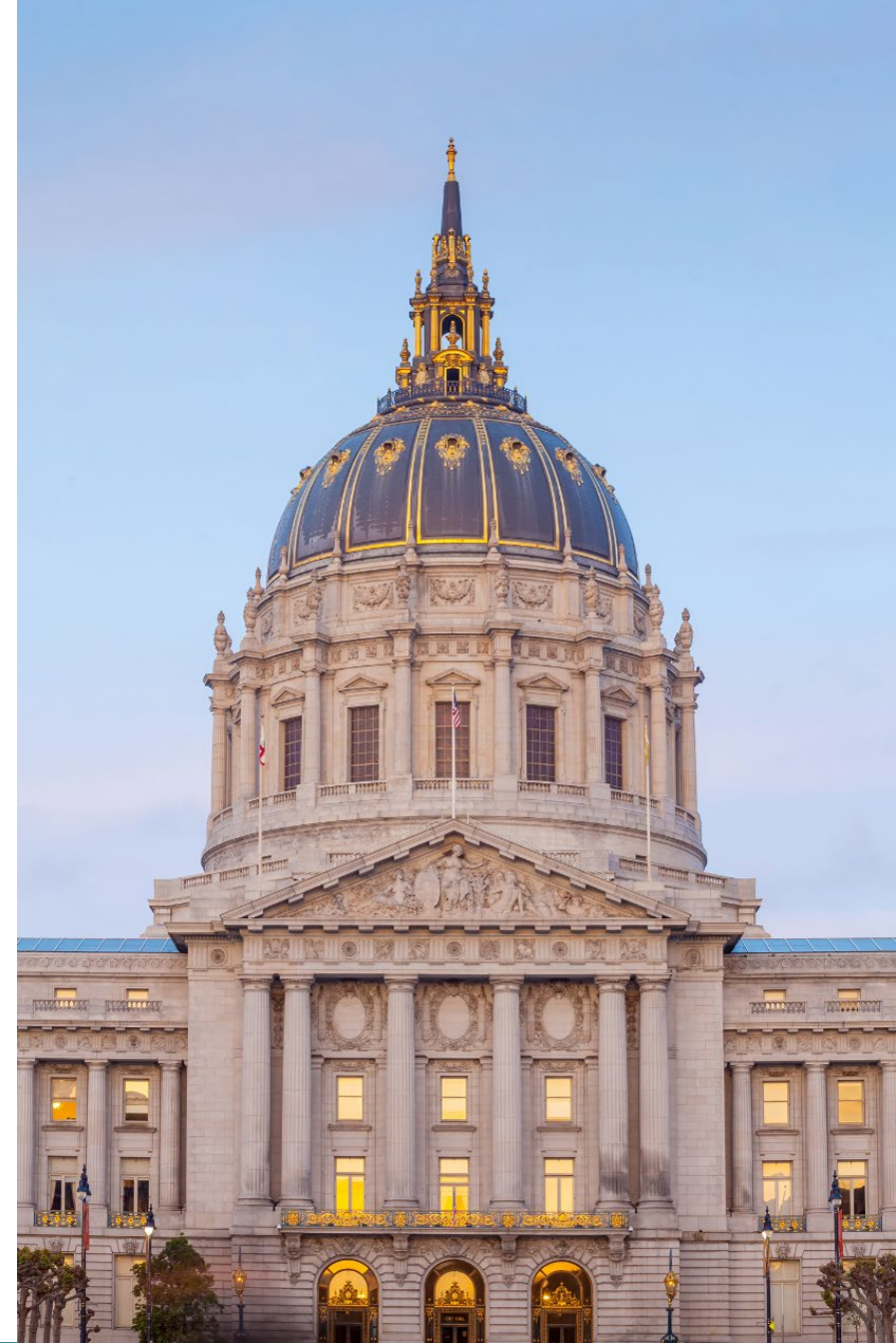
# What's in the rates?



- Proposed rates makes no changes to core services such as weekly curbside collection, transportation, disposal, and composting.
- Proposed rates maintains all 29 programs and services funded in existing rate order are maintained. Ratepayers should expect no changes to core collections and processing and disposal services. Recology will continue to implement other essential services such as abandoned material pickup, public receptacle pickup, household hazardous waste collection, etc.
- New funding is included for improvements and enhancements to meet environmental goals such as mattress recycling, wood recycling, and outreach.
  - Funding for these programs amount to approximately an additional \$1.1 million per year.
  - In addition the rates include investment in an Organics Depackager at \$3.9 million.
- New funding is included for enhancements to improve street cleanliness such as afternoon abandoned material pickup and public receptacle pickup verification.
  - Funding for these programs amount to approximately \$767m per year.
- Recology requested installation of Overload Cameras. Refuse Rates Administrator's reduced this proposal to test first on front-loaders and to institute a first-time warning policy.
  - This investment would generate approximately \$2.1m in revenue per year.

# Regulatory Improvements Summary

- **Service Level Agreements:** Clear documentation of Recology's services to improve accountability, performance evaluation, and impact validation.
- **Cost Controls:** Variance report, baseline operating metrics, cost recovery eligibility rules (e.g. 10% cost cap, capital expenditure approval, 5% variance approval, calculation error disallowance, bad debt disallowance, etc.)
- **Balancing Account:** This would assure Recology will not receive more profit than they are allowed, and Recology will be assured that they receive their allowable operating ratio.



# Regulatory Improvements: Cost Controls

- ***Variance Report:*** This constitutes a review trigger. All line-item revenue-adjusted cost variances of greater than 5% and greater than \$500k from projected costs are subject to eligible cost determination.
- ***Baseline Operating Metrics:*** Metrics to improve performance analyses and tie financial variances to operational variances. Allows us to evaluate cost overages. Regular reporting includes lifts, hauls, personnel, productivity statistics, etc.
- ***Eligible Cost Rules:***
  - Calculation Error
  - Bad Debt
  - Capital Expenditure Review
  - 10% Cost Cap On Major Cost Centers:
    - Payroll and Related Costs
    - Contract Services
    - I/C Processing & Disposal
    - O/S Disposal
    - Vehicle & Machinery & Equipment
    - Facilities
    - Administration

Frequency	Reports
<b>Annual Reporting Requirements</b>	Annual Operating Report
	Annual Financial Report
	Annual Baseline Operating Metrics
	Annual Audited Financial Statements and AUPs
	Weight Scale Records
	Report by Line of Business
	SB 1383 Waste Evaluation
	Hazardous Waste Landfill Report
	Landfill Greenhouse Gas Capture
<b>Quarterly Reporting Requirements</b>	Quarterly Operating Rate Report
	Quarterly Financial Rate Report
	Pension Reports
	Commerical and Apartment Customer Outreach for Source Separation
	Noncompliant Accounts
	Contamination Charges and Recovery Discount Removals
	Refuse Separation Complinance Ordinance
	Household Hazardous Waste Report
	Non-Profit Disclosures
	Customer Communication Record Export
	Special Events
	Compost Procurement and Distribution Invoices
<b>Monthly Reporting Requirements</b>	Route Collection Reports
	AR ALTAR
	Landfill Tonnage and Landfill Fee Statement
	Contact Disclosures
	Bulky-Item Collection Report
<b>As-Needed and Continual Reporting</b>	Bulky-Item Collection Locations
	Supsected Mistake or Error Disclosure Reporting
	Confirmed Material Mistakes or Error Reporting
	Public Receptacle Collection Electronic Documentation
	Abandoned Material Collection
	Collection Locations and Days

# Reporting Requirements and Performance Metrics

- 32 Reports with metrics for financials and all operations. Includes reporting as recommended through public integrity reports.
- Notable New Reporting Requirements:
  - Baseline Operating Metrics
  - Compost Procurement and Distribution invoices for Environment Department monitoring.
  - Public Works Reporting for Coordination and Monitoring
    - Bulky-Item Collection Location
    - PRC Electronic Documentation
    - AMC Data
    - Collection Locations and Days
- Prior reporting on Material Mistakes or Errors, Nonprofit Disclosures, and Contact Disclosures are now incorporated in the service level agreements as the stipulated injunction is set to expire.

# **Adjustments for Rate Board Consideration**

**Refuse Rates  
Administrator**

# Technical and Other Adjustments

Marginal Impacts	Rate Year 2026	Rate Year 2027	Rate Year 2028
Technical Adjustments	0.02%	-0.02%	-0.09%
Landfill Cost Adjustment	-0.09%	0.05%	-0.01%
Overload Camera Revenue Adjustment	-0.11%	0.01%	0.01%
Professional Services Adjustment	-0.06%	0.06%	-0.02%
<b>Estimated Marginal Impact to Rates</b>	<b>-0.24%</b>	<b>0.10%</b>	<b>-0.11%</b>

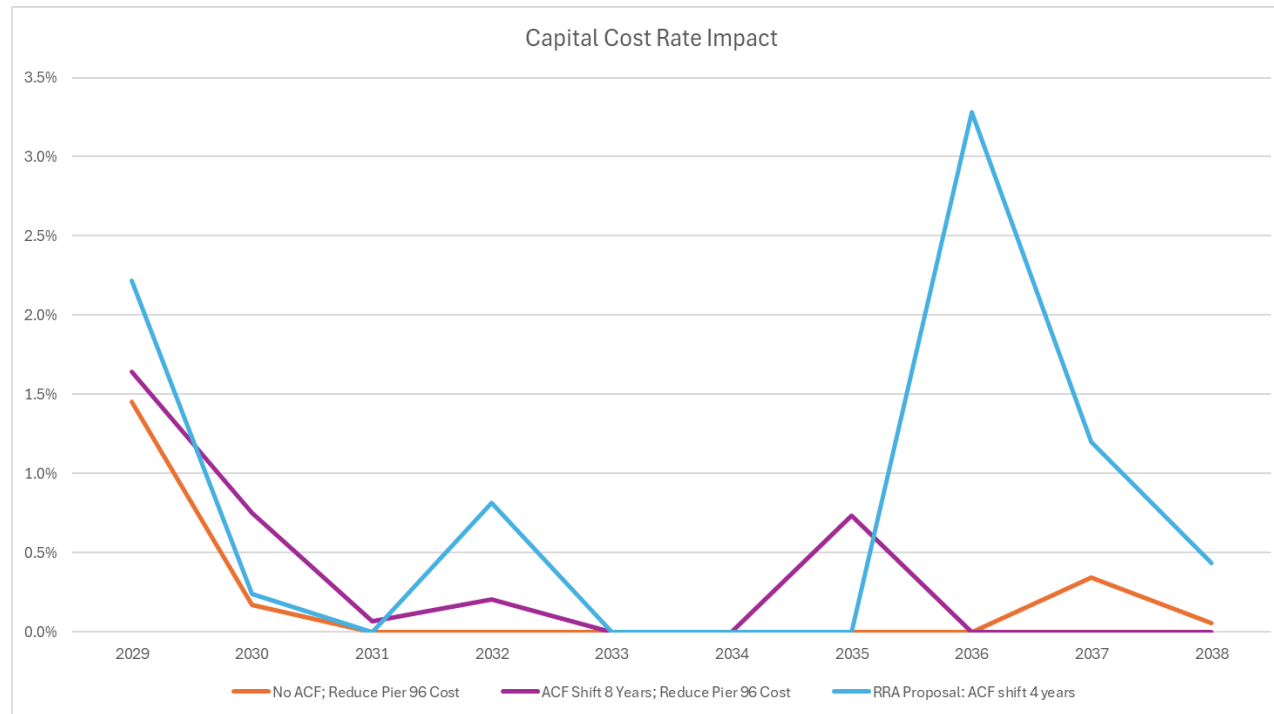
- The Refuse Rates Administrator has made several technical adjustments that have marginal impacts on the rates but improve model precision. The Refuse Rates Administrator is also recommending some cost and revenue adjustments based on updated information.
- Technical Adjustments: Marginal adjustments for better estimation precision for several items such as electric vehicle adjustment and unregulated cost allocation
- Other Adjustments: Landfill cost adjustment, Professional Services (legal fees) reduction, Overload Camera Revenue.

# Program Enhancement Adjustments

Program Enhancements	Rate Application RY 2026	Rate Application RY 2027	Rate Application RY 2028
One Day Compost Event	-\$79,555	-\$82,186	-\$84,737
Carts and Container Stickers	-\$105,000	-\$105,150	-\$105,300
Compost 50cy/month	-\$22,477	-\$23,151	-\$23,845
Bulky-Item Outreach	-\$84,686	\$0	\$0
<b>Total</b>	<b>-\$291,718</b>	<b>-\$210,487</b>	<b>-\$213,882</b>
<b>Estimated Rate Impact</b>	<b>-0.09%</b>	<b>0.03%</b>	<b>0.00%</b>

- One-Day Compost Event: Environment Department is deprioritizing this event.
- Environment Department is recommending eliminating Carts and Container Stickers proposal because it represents a replacement level of stickers and outreach impact would be minimal.
- Environment has identified the Compost 50cy/month as redundant since it is already included in the City Services contract.
- Refuse Rates Administrator is recommending a reduction in Rate Year 2026 funding for the purpose of conducting A/B testing on the effectiveness of bulky-item outreach.

# Zero Waste Capital Reserve



- RRA Proposal funded ZWCR at \$16.34m, which is intended to mitigate rate spikes across 10-year capital plan beginning 2029.
- Recent federal actions have likely pushed the largest potential spike related to the State's ACF policies beyond the 10-year plan.
- In addition, Pier 96 Seismic Study estimates were recently completed and the anticipated costs are greatly reduced.
- The combination of these changes has reduced maximum 2029 capital costs from \$10.4m to \$6.8m. And anticipated 2036 costs from \$19.6m to \$0.
- RRA recommends suspending Zero Waste Capital Reserve or greatly reducing the reserve amount. This would represent a 1.36% reduction in Rate Year 2027 and a 1.06% reduction in Rate Year 2028.
- A reserve maintained at 1% of collections revenues would be approximately \$3.4 million.

# Impound Account

Impound Account (\$ Millions)	Rate Year 2025	Rate Year 2026		Rate Year 2027		Rate Year 2028		RY2029-RY2034	
	Current	Department	RRA	Department	RRA	Department	RRA	Department	RRA
<b>Environment Department</b>	<b>\$13.8</b>	<b>\$15.9</b>	<b>\$13.6</b>	<b>\$16.4</b>	<b>\$14.0</b>	<b>\$16.9</b>	<b>\$14.4</b>		
Rate Funding	\$12.6	\$15.9	\$13.1	\$16.4	\$13.5	\$16.9	\$13.8		
Fund Balance	\$1.2	\$0.0	\$0.6	\$0.0	\$0.6	\$0.0	\$0.6		
<b>Public Works</b>	<b>\$27.1</b>	<b>\$14.8</b>	<b>\$14.8</b>	<b>\$17.3</b>	<b>\$17.3</b>	<b>\$20.0</b>	<b>\$20.0</b>	<b>\$1.5</b>	<b>\$0.0</b>
Rate Funding	\$12.1	\$12.5	\$12.5	\$12.8	\$12.8	\$13.2	\$13.2	\$0.0	\$0.0
Carrforward (Trash Cans)	\$15.0	\$2.3	\$2.3	\$4.5	\$4.5	\$6.8	\$6.8	\$1.5	\$0.0
<b>Refuse Rates Administrator</b>	<b>\$1.7</b>	<b>\$1.1</b>	<b>\$1.2</b>	<b>\$1.2</b>	<b>\$1.1</b>	<b>\$1.8</b>	<b>\$1.7</b>		
Rate Funding	\$0.0	\$1.1	\$1.0	\$1.2	\$1.1	\$1.8	\$1.7		
Fund Balance	\$1.7	\$0.0	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0		
<b>Rate Funding Total</b>	<b>\$24.7</b>	<b>\$29.5</b>	<b>\$26.5</b>	<b>\$30.4</b>	<b>\$27.4</b>	<b>\$31.9</b>	<b>\$28.8</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>Fund Balance Total</b>	<b>\$16.8</b>	<b>\$13.6</b>	<b>\$14.5</b>	<b>\$14.0</b>	<b>\$14.6</b>	<b>\$15.0</b>	<b>\$15.5</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>Total Impound Sources</b>	<b>\$41.5</b>	<b>\$43.0</b>	<b>\$41.0</b>	<b>\$44.5</b>	<b>\$42.0</b>	<b>\$46.9</b>	<b>\$44.3</b>	<b>\$0.0</b>	<b>\$0.0</b>

## Environment

- Requested \$3m per year in new rate funding, which includes 6 new FTE.
- RRA recommends \$523k of rate funding related for landfill contracts and reuse policy compliance that was previously funded through fund balance.
- RRA recommends \$574k in expenses to be placed on fund balance.
- Includes \$200k in RY26 and RY27 for Trash Processing Study.

## Public Works

- No new funding requested by department, COLA adjustments made.
- Refuse Rates Administrator recommends reducing Trash Can budget by \$1.5m eliminating funding for years 4-9 maintenance budget.

## Controller

- RRA costs are being placed on rates as directed by Rate Board.
- RRA is requesting 1 new FTE (1822) to cut consulting costs and reduce rate funding overall.
- RRA is including \$237k in fund balance use in Year 1 to offset Fiscal Year vs Rate Year timing issue as costs are placed on rates.
- **RRA is recommending \$100k in RY26 in to be moved from the rates to fund balance. 0.03% reduction in RY26.**

# Impound Account Adjustments

Impound Account Adjustments	Rate Application RY 2026	Rate Application RY 2027	Rate Application RY 2028
<b>Environment Department</b>	<b>\$1,036,996</b>	<b>\$1,067,587</b>	<b>\$1,099,187</b>
Rate Funding	\$698,425	\$719,028	\$740,311
Fund Balance	\$338,571	\$348,559	\$358,876
<b>Rate Adjustment \$ Impact</b>	<b>\$698,425</b>	<b>\$719,028</b>	<b>\$740,311</b>
<b>Rate Adjustment % Impact</b>	<b>0.20%</b>	<b>-0.04%</b>	<b>0.02%</b>

- Environment Department's original proposal of \$3m in additional funding was reduced in the RRA proposal by approximately \$2m.
- Subsequently, a review of the department proposal was conducted in conjunction with City Attorney and Mayor's Office for nexus and Mayor's Office priority alignment.
- An additional \$1.0 million per year was identified from the original proposal to add back:
  - *On Rates:* Enforcement (\$180k, 1 FTE) and Toxics Reduction (\$518k, 1.5 FTE)
  - *On Fund Balance:* Campaigns to Change Behavior (\$185k, 1 FTE) and Port Rent (\$153k)

# Summary of Potential Refuse Rate Adjustments

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<b>Additional Adjustments w/SFE Addback</b>	<b>12.42%</b>	<b>12.42%</b>	<b>7.13%</b>	<b>20.44%</b>	<b>3.43%</b>	<b>24.57%</b>
<b>Additional Adjustment, Defer SFE Addback</b>	<b>12.22%</b>	<b>12.22%</b>	<b>7.32%</b>	<b>20.43%</b>	<b>3.43%</b>	<b>24.57%</b>
<b>Additional Adjustments w/o SFE Addback</b>	<b>12.22%</b>	<b>12.22%</b>	<b>7.15%</b>	<b>20.24%</b>	<b>3.42%</b>	<b>24.36%</b>

- Additional Adjustments assumes the adoption of all technical and other adjustments, program enhancement adjustments, the suspension of the Zero Waste Capital Reserve.
- Adjustments also assume moving \$100k in consulting costs from the Controller's Office out of the rates and onto fund balance.
- Adjustments also assume adoption of placing Environment Department Port Rent increase and 1 marketing position on fund balance, which will have no impact on proposed rates.