

**FINANCIAL QUARTERLY RATE REPORT
SAN FRANCISCO**

**3rd Quarter of Rate Year 2024
9 Months Ending June 30, 2024**

Recology Golden Gate
Recology Sunset Scavenger
Recology San Francisco

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INTRODUCTION

The City and County of San Francisco Refuse Rate Board adopted the Refuse Rate Order for Rate Year 2024 and Rate Year 2025 (“Refuse Rate Order”) on August 31, 2023 for the Combined San Francisco Companies consisting of Recology Golden Gate (“RGG”), Recology Sunset Scavenger (“RSS”), and Recology San Francisco (“RSF”), which includes quarterly rate reporting requirements. The requirements address several areas, including revenues and expenses, operating ratios and profit margins, amortization of ZWI funds for capital expenditures, and bank activity reporting for the Reserve Fund account, the Impound account, the Zero Waste Incentives account, the Programmatic Reserve account, and the Zero Waste Capital Reserve account. Projections for Rate Year 2024 from the Refuse Rate Order were multiplied by three-fourths to arrive at the amounts listed in the Projection columns in this rate report, with a few exceptions. Recology Golden Gate and Recology Sunset Scavenger revenues and expenses include rate and non-rate activities for reporting purposes. Additional reporting requirements include Substituted Costs, the 2022 Settlement Notional Balancing Account, the 2024 Rate Order Notional Balancing Account, the Programmatic Reserve, and the Zero Waste Capital Reserve. This report covers nine months, October 2023 to June 2024 (Q3 YTD RY2024), of the Rate Year 2024 ending September 30, 2024.

BANK ACCOUNT REPORTING

Appendix A contains reports of the bank account activities for the Reserve Fund account, the Impound account, the Zero Waste Incentives account, the Programmatic Reserve account, and the Zero Waste Capital Reserve account. The reports include beginning balances, deposits, disbursements, interest earned, administrative fees, and ending balances. These activities are reported on a cash basis.

RESERVE FUND

The purpose of the Reserve Fund is to reimburse Recology San Francisco for landfill disposal costs it incurs but cannot fully recover through the rate-setting process due to timing issues. There is no deposit or disbursement activity to report for the Reserve Fund. Interest earned (including accrued interest) and administrative fees are reflected in Table A-2 and Table A-3, respectively.

IMPOUND

The Impound account funds select services at the Department of Public Works and Environment Department, which includes Citywide refuse-related cleaning services at the Department of Public Works and services to support meeting San Francisco’s Zero Waste Goals at the Environment Department. The Refuse Rate Board may consider the cost of the City’s refuse programs when setting refuse rates, and order refuse companies to deposit a portion of their revenues in the Impound account to fund these programs. The Combined San Francisco Companies make deposits to the Impound account in accordance with the amounts approved in the Refuse Rate Order adopted on August 31, 2023.

ZERO WASTE INCENTIVES

The Zero Waste Incentives account is a financial incentive account that the Combined San Francisco Companies can draw down from if certain targets are met. Unearned Tier 3 and Tier 4 funds can be used with approval from Environment Department. Otherwise, any unearned funds are rebated to ratepayers. The Zero Waste Incentives funded during RY2023 were withdrawn in Q1 and Q2 of RY2024 to rebate ratepayers through an offset to the rate adjustment for RY2024, as approved in the Refuse Rate Order adopted on August 31, 2023. There has been a pause placed on new contributions to the Zero Waste Incentive account for RY2024 and RY2025.

PROGRAMMATIC RESERVE

The Programmatic Reserve Fund may be used to reimburse the Combined San Francisco Companies for expenses incurred for services requested by the City that are above and beyond the service levels and the associated service level agreements from the Refuse Rate Order adopted on August 31, 2023. Any unused funds may be applied to offset future rate adjustments.

ZERO WASTE CAPITAL RESERVE

The Zero Waste Capital Reserve is intended to fund future capital infrastructure costs.

SUBSTITUTED COSTS

Appendix B contains a report of Substituted Costs pursuant to Appendix J of the Refuse Rate Order adopted on August 31, 2023.

2022 SETTLEMENT NOTIONAL BALANCING ACCOUNT

Appendix C contains a report of the 2022 Settlement Notional Balancing Account pursuant to Appendix F of the Refuse Rate Order adopted on August 31, 2023.

2024 RATE ORDER NOTIONAL BALANCING ACCOUNT

Appendix D contains a report of the 2024 Rate Order Notional Balancing Account pursuant to Appendix F of the Refuse Rate Order adopted on August 31, 2023.

RATE-ELIGIBLE AND OPERATING RATIO-ELIGIBLE EXPENSES

Rate-eligible expenses are all expenses eligible to be recovered through the rates. Operating Ratio-eligible expenses are rate-eligible expenses that generate a return to the Combined San Francisco Companies through an operating ratio mechanism.

DEFINED-BENEFIT PENSION PLAN

The Combined San Francisco Companies participate in a noncontributory, defined-benefit pension plan (the Plan) sponsored by its Parent for the benefit of union and grandfathered nonunion employees. Benefits are based on a formula that includes years of service and average compensation. As of June 30, 2024, the plan is 93% funded based on the Actuarial Valuation of Assets as determined by the independent plan actuary and 91% funded based on the Market Valuation of Assets as determined by the plan investment managers.

Table 1
Net Revenue Retained
Recology Sunset Scavenger and Recology Golden Gate
October 2023 - June 2024

Revenue Description	Rate and Non-Rate Projection	Less Non-Rate Projection	Rate Projection	Rate and Non-Rate Actual	Less Non-Rate Actual	Rate Actual	\$ Variance - Rate	Percentage Variance - Rate
Residential	\$ 76,431,249	\$ -	\$ 76,431,249	\$ 76,505,334	\$ -	\$ 76,505,334	\$ 74,085	0%
Apartment	62,755,012	-	62,755,012	62,278,141	-	62,278,141	(476,871)	-1%
Commercial	103,626,047	-	103,626,047	108,804,628	-	108,804,628	5,178,581	5%
Commercial Compactors	20,890,406	-	20,890,406	17,322,743	-	17,322,743	(3,567,663)	-17%
Debris Box	2,967,390	-	2,967,390	1,324,207	-	1,324,207	(1,643,183)	-55%
Total Revenue from Ratepayers	\$ 266,670,104	\$ -	\$ 266,670,104	\$ 266,235,053	\$ -	\$ 266,235,053	\$ (435,051)	0%
CalRecycle	\$ 506,704	\$ -	\$ 506,704	\$ 527,271	\$ -	\$ 527,271	\$ 20,567	4%
Miscellaneous Income	375,297	-	375,297	292,290	-	292,290	(83,007)	-22%
Interest Income	-	-	-	225,798	-	225,798	225,798	100%
ZWI Addback	3,985,226	-	3,985,226	4,275,802	-	4,275,802	290,576	7%
Rate Stabilization	1,300,780	-	1,300,780	1,300,780	-	1,300,780	-	0%
Total Non Ratepayer Rate Revenue	\$ 6,168,007	\$ -	\$ 6,168,007	\$ 6,621,941	\$ -	\$ 6,621,941	\$ 453,934	7%
Total Rate Related Revenue	\$ 272,838,111	\$ -	\$ 272,838,111	\$ 272,856,994	\$ -	\$ 272,856,994	\$ 18,883	0%
Open Market Debris Box	\$ 7,236,333	\$ (7,236,333)	\$ -	\$ 6,566,935	\$ (6,566,935)	\$ -	\$ -	0%
Contract Customers	5,995,173	(5,995,173)	-	6,005,788	(6,005,788)	-	-	0%
City Services Contract	7,006,491	(7,006,491)	-	6,460,876	(6,460,876)	-	-	0%
Equipment & Supply Sales	1,306,292	(1,306,292)	-	1,758,451	(1,758,451)	-	-	0%
Total Revenue not Subject to Rate	\$ 21,544,289	\$ (21,544,289)	\$ -	\$ 20,792,050	\$ (20,792,050)	\$ -	\$ -	0%
Total Sources	\$ 294,382,400	\$ (21,544,289)	\$ 272,838,111	\$ 293,649,044	\$ (20,792,050)	\$ 272,856,994	\$ 18,883	0%
Impound Account Funding	\$ (18,163,999)	\$ -	\$ (18,163,999)	\$ (18,163,999)	\$ -	\$ (18,163,999)	\$ -	0%
Programmatic Reserve Funding	(626,923)	-	(626,923)	(626,923)	-	(626,923)	-	0%
Zero Waste Capital Reserve Funding	(2,348,217)	-	(2,348,217)	(2,348,217)	-	(2,348,217)	-	0%
Net Revenue Retained	\$ 273,243,261	\$ (21,544,289)	\$ 251,698,972	\$ 272,509,905	\$ (20,792,050)	\$ 251,717,855	\$ 18,883	0%

Table 2
Net Revenue Retained
Recology San Francisco
October 2023 - June 2024

Revenue Description	Tonnage				Revenue			
	Projection	Actual	Tonnage Variance	Percentage Variance	Projection	Actual	\$ Variance	Percentage Variance
Tonnage & Revenue from Tipping Fee								
Recology Sunset Scavenger/Golden Gate								
Recycle Central	99,025	89,927	(9,098)	-9%	\$ 23,873,736	\$ 21,677,122	\$ (2,196,614)	-9%
Organics	104,661	99,061	(5,600)	-5%	25,232,638	23,833,564	(1,399,074)	-6%
i/MRF	6,769	6,976	207	3%	1,631,863	1,680,241	48,378	3%
Trash	174,122	175,596	1,474	1%	41,978,780	42,303,303	324,523	1%
Other	2,215	1,969	(246)	-11%	534,118	418,225	(115,893)	-22%
Subtotal (Recology Sunset Scavenger/Golden Gate)	386,792	373,529	(13,263)	-3%	\$ 93,251,135	\$ 89,912,455	\$ (3,338,680)	-4%
Non-Account Customers	23,730	23,021	(709)	-3%	5,721,110	5,550,478	(170,632)	-3%
Account Customers	23,115	18,252	(4,863)	-21%	5,572,825	4,266,508	(1,306,317)	-23%
Total San Francisco	433,637	414,802	(18,835)	-4%	\$ 104,545,070	\$ 99,729,441	\$ (4,815,629)	-5%
Total Non-San Francisco	3,660	4,437	777	21%	882,490	1,069,456	186,966	21%
Tipping Fee Tonnage and Revenue	437,297	419,239	(18,058)	-4%	\$ 105,427,560	\$ 100,798,897	\$ (4,628,663)	-4%
Non Tipping Fee Tonnage	-	50,378	50,378	100%	-	-	-	0%
Total Tipping Fee and Non-Tip Fee Tonnage and Revenue	437,297	469,617	32,320	7%	\$ 105,427,560	\$ 100,798,897	\$ (4,628,663)	-4%
Net Recycling Revenue					\$ 13,383,598	\$ 15,094,284	\$ 1,710,686	13%
Minimums for PRRA					2,329,797	2,388,511	58,714	3%
Intercompany Dirt, Inerts & Others					381,652	627,061	245,409	64%
Rental Income					18,000	34,405	16,405	91%
Total Other Revenue					\$ 16,113,047	\$ 18,144,261	\$ 2,031,214	13%
Total Sources					\$ 121,540,607	\$ 118,943,158	\$ (2,597,449)	-2%
ZWI Addback					\$ 2,379,201	\$ 2,552,676	\$ 173,475	7%
Net Revenue Retained					\$ 123,919,808	\$ 121,495,834	\$ (2,423,974)	-2%

Table 3
Net Recycling Revenue
Recology San Francisco
October 2023 - June 2024

Recycle Central	Tons				Revenue				Price Per Ton			
	Projection	Actual	Tons Variance	Percentage Variance	Projection	Actual	\$ Variance	Percentage Variance	Projection	Actual	Price Variance	Percentage Variance
Mixed Paper	29,426	20,230	(9,196)	-31%	\$ 1,660,876	\$ 2,017,492	\$ 356,616	21%	\$ 56.44	\$ 99.73	\$ 43.29	77%
Cardboard	31,795	34,240	2,445	8%	3,898,826	6,189,489	2,290,663	59%	122.62	180.77	58.14	47%
Aseptic Carton	130	88	(42)	-32%	1,300	8,735	7,435	572%	10.00	99.26	89.26	893%
EPS Foam	-	13	13	100%	-	6,375	6,375	100%	-	490.38	490.38	100%
Aluminum	436	407	(29)	-7%	1,710,721	1,744,722	34,001	2%	3,923.67	4,286.79	363.11	9%
Metal/Ferrous	1,437	1,530	93	6%	189,142	282,387	93,245	49%	131.62	184.57	52.94	40%
PET	1,888	1,302	(586)	-31%	3,179,517	2,296,622	(882,895)	-28%	1,684.07	1,763.92	79.85	5%
HDPE Blend	1,134	881	(253)	-22%	797,838	457,133	(340,705)	-43%	703.56	518.88	(184.68)	-26%
Plastic Film	54	-	(54)	-100%	11,213	-	(11,213)	-100%	207.65	-	(207.65)	-100%
Mixed Plastics 3-7	133	270	137	103%	25,178	23,306	(1,872)	-7%	189.31	86.32	(102.99)	-54%
Mixed Glass	17,504	16,191	(1,313)	-8%	2,259,902	2,141,620	(118,282)	-5%	129.11	132.27	3.16	2%
Total Recycle Central	83,937	75,152	(8,785)	-10%	\$ 13,734,513	\$ 15,167,881	\$ 1,433,368	10%				
Tunnel Avenue												
Metal	4,577	4,763	186	4%	\$ 573,767	\$ 688,241	\$ 114,474	20%	\$ 125.36	\$ 144.50	\$ 19.14	15%
Wood	-	1,487	1,487	100%	-	-	-	0%	-	-	-	0%
Mixed Rigid Plastic	577	631	54	9%	4,894	2,724	(2,170)	-44%	8.48	4.32	(4.16)	-49%
SB20/50 E-Waste	221	276	55	25%	84,571	109,934	25,363	30%	382.67	398.31	15.64	4%
Total Tunnel Avenue	5,375	7,157	1,782	33%	\$ 663,232	\$ 800,899	\$ 137,667	21%				
Total Recycling Revenue					\$ 14,397,745	\$ 15,968,780	\$ 1,571,035	11%				
Processing Expenses					\$ (774,621)	\$ (61,181)	\$ 713,440	-92%				
Purchases					(239,526)	(813,315)	(573,789)	240%				
Net Recycling Revenue					\$ 13,383,598	\$ 15,094,284	\$ 1,710,686	13%				

Table 4(A)
Total Expenses
Recology Sunset Scavenger and Recology Golden Gate
October 2023 - June 2024

Item Description	Rate and Non-Rate Projection	Rate and Non-Rate Actual	\$ Variance	Percentage Variance
Payroll	\$ 69,996,712	\$ 72,906,133	\$ 2,909,421	4%
Payroll Taxes	4,927,773	5,498,388	570,615	12%
Pension	5,927,702	5,881,130	(46,572)	-1%
Health Insurance	18,348,252	20,625,815	2,277,563	12%
Workers Compensation	7,213,581	7,243,518	29,937	0%
Total Payroll & Related	\$ 106,414,020	\$ 112,154,984	\$ 5,740,964	5%
Corporate Allocations	\$ 11,123,983	\$ 10,099,444	\$ (1,024,539)	-9%
Bad Debt	416,379	1,123,209	706,830	170%
O/S Billing Services	277,445	372,655	95,210	34%
Office	271,411	275,959	4,548	2%
Postage	138,771	17,726	(121,045)	-87%
Professional Services	1,075,080	723,648	(351,432)	-33%
Security & Janitorial	549,383	604,763	55,380	10%
Taxes	3,360,747	3,459,817	99,070	3%
Telephone	426,924	375,153	(51,771)	-12%
Total Administrative	\$ 17,640,123	\$ 17,052,374	\$ (587,749)	-3%
Building & Facility Repair	\$ 267,979	\$ 274,693	\$ 6,714	3%
Depreciation	827,438	828,508	1,070	0%
Freight	48,440	46,579	(1,861)	-4%
Fuel	4,801,840	4,085,709	(716,131)	-15%
I/C Disposal	42,328,797	44,775,314	2,446,517	6%
I/C Processing	51,060,228	45,637,571	(5,422,657)	-11%
Lease	16,772,869	12,783,181	(3,989,688)	-24%
Liability Insurance	4,264,577	4,619,398	354,821	8%
Licenses & Permits	1,949,869	1,892,898	(56,971)	-3%
O/S Disposal	39,500	36,012	(3,488)	-9%
O/S Equipment Rental	186,855	355,845	168,990	90%
Parts	2,386,068	2,442,461	56,393	2%
Outside Property Rental	625,494	641,263	15,769	3%
Intercompany Property Rental	148,727	148,779	52	0%
Repairs & Maintenance	1,492,188	1,391,122	(101,066)	-7%
Supplies	1,846,952	2,593,686	746,734	40%
Tires & Tubes	598,378	563,566	(34,812)	-6%
Utilities	470,167	496,381	26,214	6%
Total Operating	\$ 130,116,366	\$ 123,612,966	\$ (6,503,400)	-5%
Contract Services	\$ 382,322	\$ 193,182	\$ (189,140)	-49%
Other	1,339,365	2,117,961	778,596	58%
Total Other	\$ 1,721,687	\$ 2,311,143	\$ 589,456	34%
Total Expenses	\$ 255,892,196	\$ 255,131,467	\$ (760,729)	0%

*Environmental Compliance is presented as part of Corporate Allocations beginning with RY2024.

**As of June 30, 2024, there are 662 employees.

***Includes expenses for non-rate activity, these are removed in Table 4(B) for purposes of calculating the rate-related Operating Ratio.

Table 4(B)
Total Expenses Subject to Rate
Recology Sunset Scavenger and Recology Golden Gate
October 2023 - June 2024

Item Description	Rate and Non-Rate Projection	Less Non-Rate Projection	Rate Projection	Rate and Non-Rate Actual	Less Non-Rate Actual	Rate Actual	\$ Variance - Rate	Percentage Variance - Rate
OR Eligible Expenses	\$ 160,553,302	\$ (12,226,463)	\$ 148,326,839	\$ 162,825,684	\$ (12,241,429)	\$ 150,584,255	\$ 2,257,415	2%
Processing	51,060,228	(3,556,980)	47,503,248	45,637,571	(3,187,580)	42,449,991	(5,053,257)	-11%
Disposal	42,328,797	(2,948,727)	39,380,070	44,775,314	(3,127,356)	41,647,958	2,267,889	6%
Licenses & Permits	1,949,869	(124,518)	1,825,351	1,892,898	(132,210)	1,760,688	(64,663)	-4%
Total Expenses	\$ 255,892,196	\$ (18,856,688)	\$ 237,035,508	\$ 255,131,467	\$ (18,688,576)	\$ 236,442,891	\$ (592,616)	0%

Table 5
Total Expenses Subject to Rate
Recology San Francisco
October 2023 - June 2024

Item Description	Projection	Actual	\$ Variance	Percentage Variance
Payroll	\$ 36,362,163	\$ 36,275,602	\$ (86,561)	0%
Payroll Taxes	2,639,800	2,771,642	131,842	5%
Pension	3,599,943	3,674,681	74,738	2%
Health Insurance	10,717,486	11,710,319	992,833	9%
Workers Compensation	2,971,400	2,120,935	(850,465)	-29%
Total Payroll & Related	\$ 56,290,792	\$ 56,553,179	\$ 262,387	0%
Corporate Allocations	\$ 383,645	\$ 379,324	\$ (4,321)	-1%
Bad Debt	27,593	293,589	265,996	964%
Office	173,408	169,207	(4,201)	-2%
Postage	7,019	9,990	2,971	42%
Professional Services	1,617,010	617,083	(999,927)	-62%
Repairs & Maintenance	653,411	634,853	(18,558)	-3%
Security & Janitorial	1,009,552	896,992	(112,560)	-11%
Taxes	2,608,568	2,742,006	133,438	5%
Telephone	246,371	213,695	(32,676)	-13%
Total Administrative	\$ 6,726,577	\$ 5,956,739	\$ (769,838)	-11%
Bridge Tolls	\$ 786,605	\$ 615,077	\$ (171,528)	-22%
Building & Facility Repair	797,308	968,053	170,745	21%
Depreciation	3,558,475	3,688,327	129,852	4%
Amortization of ZWI Funding For Capital Expenditures	(2,123,025)	(2,126,524)	(3,499)	0%
Freight	2,284,423	1,447,778	(836,645)	-37%
Fuel	3,020,384	2,779,360	(241,024)	-8%
I/C Processing & Disposal	21,021,752	19,445,481	(1,576,271)	-7%
Lease	5,065,592	2,738,262	(2,327,330)	-46%
Liability Insurance	1,852,568	1,892,230	39,662	2%
Licenses & Permits	3,513,621	3,605,183	91,562	3%
O/S Disposal	947,491	988,504	41,013	4%
O/S Equipment Rental	174,902	468,474	293,572	168%
Parts	1,506,069	1,827,212	321,143	21%
Outside Property Rental	3,236,492	3,836,729	600,237	19%
Intercompany Property Rental	1,631,027	1,631,027	-	0%
Supplies	1,767,477	1,742,754	(24,723)	-1%
Tires & Tubes	137,260	221,897	84,637	62%
Utilities	2,185,801	1,822,258	(363,543)	-17%
Total Operating	\$ 51,364,222	\$ 47,592,082	\$ (3,772,140)	-7%
Contract Services	\$ 79,733	\$ 70,985	\$ (8,748)	-11%
Other	513,901	548,449	34,548	7%
Total Other	\$ 593,634	\$ 619,434	\$ 25,800	4%
Total Expenses	\$ 114,975,225	\$ 110,721,434	\$ (4,253,791)	-4%

*Environmental Compliance is presented as part of Corporate Allocations beginning with RY2024.

**As of June 30, 2024, there are 393 employees.

Table 6
Statement of Operating Ratios and Profit Margin Subject to Rates
Recology Sunset Scavenger and Recology Golden Gate
October 2023 - June 2024

		Crosswalk	Rate Projection	Rate Actual	\$ Variance - Rate	Percentage Variance - Rate
SOURCES	Residential	See Table 1	\$ 76,431,249	\$ 76,505,334	\$ 74,085	0%
	Apartment	See Table 1	62,755,012	62,278,141	(476,871)	-1%
	Commercial	See Table 1	103,626,047	108,804,628	5,178,581	5%
	Commercial Compactors	See Table 1	20,890,406	17,322,743	(3,567,663)	-17%
	Debris Box	See Table 1	2,967,390	1,324,207	(1,643,183)	-55%
	Total Revenue from Ratepayers		\$ 266,670,104	\$ 266,235,053	\$ (435,051)	0%
	CalRecycle Payment	See Table 1	\$ 506,704	\$ 527,271	\$ 20,567	4%
	Miscellaneous Income	See Table 1	375,297	292,290	(83,007)	-22%
	Interest Income	See Table 1	-	225,798	225,798	100%
	ZWI Addback	See Table 1	3,985,226	4,275,802	290,576	7%
	Rate Stabilization	See Table 1	1,300,780	1,300,780	-	0%
Total Non Ratepayer Rate Revenue		\$ 6,168,007	\$ 6,621,941	\$ 453,934	7%	
(a) Total Sources		\$ 272,838,111	\$ 272,856,994	\$ 18,883	0%	
USES	Impound Account Funding (Not OR Eligible)	See Table 1	\$ 18,163,999	\$ 18,163,999	\$ -	0%
	Programmatic Reserve Funding (Not OR Eligible)	See Table 1	626,923	626,923	-	0%
	Zero Waste Capital Reserve Funding (Not OR Elig)	See Table 1	2,348,217	2,348,217	-	0%
	Processing (Not OR Eligible)	See Table 4(B)	47,503,248	42,449,991	(5,053,257)	-11%
	Disposal (Not OR Eligible)	See Table 4(B)	39,380,070	41,647,958	2,267,889	6%
	Licenses & Permits (Not OR Eligible)	See Table 4(B)	1,825,351	1,760,688	(64,663)	-4%
	(b) OR Eligible Expenses	See Table 4(B)	148,326,839	150,584,255	2,257,415	2%
	(c) Total Uses		\$ 258,174,647	\$ 257,582,030	\$ (592,616)	0%
(d) NET PROFIT = (a) less (c)		\$ 14,663,464	\$ 15,274,964	\$ 611,499	4%	
OPERATING RATIO ON PROFIT ELIGIBLE EXPENSES = 100% less ((d) divided by ((b) plus (d)))			91.0%	90.8%		
OPERATING RATIO ON ALL EXPENSES = 100% less ((d) divided by ((c) plus (d)))			94.6%	94.4%		
PROFIT MARGIN ON ALL EXPENSES = (d) divided by (a)			5.4%	5.6%		

Table 7
Statement of Operating Ratios and Profit Margin Subject to Rates
Recology San Francisco
October 2023 - June 2024

		Crosswalk	Projection	Actual	\$ Variance	Percentage Variance
SOURCES	Tipping Fee Revenue	See Table 2	\$ 105,427,560	\$ 100,798,897	\$ (4,628,663)	-4%
	Net Recycling Revenue	See Table 2	13,383,598	15,094,284	1,710,686	13%
	Other Revenue	See Table 2	2,729,449	3,049,977	320,528	12%
	ZWI Addback	See Table 2	2,379,201	2,552,676	173,475	7%
	Revenue		\$ 123,919,808	\$ 121,495,834	\$ (2,423,974)	-2%
	(a) Total Sources		\$ 123,919,808	\$ 121,495,834	\$ (2,423,974)	-2%
USES	I/C Processing & Disposal (Not OR Eligible)	See Table 5	\$ 21,021,752	\$ 19,445,481	\$ (1,576,271)	-7%
	Licenses & Permits (Not OR Eligible)	See Table 5	3,513,621	3,605,183	91,562	3%
	(b) OR Eligible Expenses	See Table 5	90,439,852	87,670,770	(2,769,082)	-3%
	(c) Total Uses		\$ 114,975,225	\$ 110,721,434	\$ (4,253,791)	-4%
	(d) NET PROFIT = (a) less (c)		\$ 8,944,583	\$ 10,774,400	\$ 1,829,817	20%
OPERATING RATIO ON PROFIT ELIGIBLE EXPENSES = 100% less ((d) divided by ((b) plus (d)))			91.0%	89.1%		
OPERATING RATIO ON ALL EXPENSES = 100% less ((d) divided by ((c) plus (d)))			92.8%	91.1%		
PROFIT MARGIN ON ALL EXPENSES = (d) divided by (a)			7.2%	8.9%		

Table 8
Statement of Operating Ratios and Profit Margin Subject to Rates
Combined San Francisco Companies
October 2023 - June 2024

	Crosswalk	Projection	Actual	\$ Variance	Percentage Variance
RSS & RGG OR Eligible Expenses	See Table 6	\$ 148,326,839	\$ 150,584,255	\$ 2,257,415	2%
RSF OR Eligible Expenses	See Table 7	90,439,852	87,670,770	(2,769,082)	-3%
(b) Combined Recology OR Eligible Expenses		\$ 238,766,691	\$ 238,255,025	\$ (511,667)	0%
RSS & RGG Total Uses	See Table 6	\$ 258,174,647	\$ 257,582,030	\$ (592,616)	0%
RSF Total Uses	See Table 7	114,975,225	110,721,434	(4,253,791)	-4%
(c) Combined Recology Total Uses		\$ 373,149,872	\$ 368,303,464	\$ (4,846,407)	-1%
RSS & RGG Net Profit	See Table 6	\$ 14,663,464	\$ 15,274,964	\$ 611,499	4%
RSF Net Profit	See Table 7	8,944,583	10,774,400	1,829,817	20%
(d) Combined Recology Net Profit		\$ 23,608,047	\$ 26,049,364	\$ 2,441,316	10%
COMBINED OPERATING RATIO ON PROFIT ELIGIBLE EXPENSES					
= 100% less ((d) divided by ((b) plus (d)))		91.0%	90.1%		
COMBINED OPERATING RATIO ON ALL EXPENSES					
= 100% less ((d) divided by ((c) plus (d)))		94.0%	93.4%		
PROFIT MARGIN ON ALL EXPENSES					
= (d) divided by ((c) plus (d))		6.0%	6.6%		

Above/Below Target Profit Calculation	
Combined Recology Actual Net Profit	\$ 26,049,364
Target Profit ((b) divided by 91% less (b))	23,563,684
Above/Below Target Surplus (Shortfall)	2,485,680
50% of Above/Below Target Surplus (Shortfall)	\$ 1,242,840

Table 9
Amortization of ZWI Funds for Capital Expenditures
Recology San Francisco
October 2023 - June 2024

Capital Expenditure Project	ZWI Funds Received	Date Received	Amortization Start Date	ZWI Funds to be Amortized	Cumulative Amortization End of Prior Rate Year	Amortization in Current Report	Cumulative Amortization as of this Report	Remaining Balance
Improvements for Pier 96 - RY14	\$ 2,621,225	2/10/2016	10/1/2016	\$ 2,621,225	\$ (2,291,873)	\$ (243,583)	\$ (2,535,456)	\$ 85,769
Improvements for Pier 96 - RY15	3,157,691	2/10/2016	10/1/2016	3,157,691	(2,760,933)	(293,436)	(3,054,369)	103,322
Improvements for Pier 96 - RY16	3,200,551	9/21/2016	10/1/2016	3,200,551	(2,798,406)	(297,419)	(3,095,825)	104,726
Recycle Central Improvement - 2017	3,247,569	9/29/2017	10/1/2016	2,152,069	(1,881,664)	(199,986)	(2,081,650)	70,419
Recycle Central Improvement - 2017			10/1/2017	1,095,500	(845,185)	(101,802)	(946,987)	148,513
Pier 96 Upgrade Project	2,927,507	11/19/2019	10/1/2019	2,927,507	(1,096,707)	(219,068)	(1,315,775)	1,611,732
Pier 96 Baler Project	437,776	3/31/2020	4/1/2020	437,776	(153,013)	(32,788)	(185,801)	251,975
Tunnel Ave iMRF Upgrade Project	391,174	6/30/2020	10/1/2020	391,174	(141,828)	(35,554)	(177,382)	213,792
Tunnel Ave iMRF Upgrade Project	1,699,530	6/30/2020	10/1/2020	1,699,530	(616,203)	(154,473)	(770,676)	928,854
Tunnel Ave iMRF Upgrade Project	527,966	7/17/2020	10/1/2020	527,966	(191,427)	(47,988)	(239,415)	288,551
Tunnel Ave iMRF Upgrade Project	1,610,589	9/30/2020	10/1/2020	1,610,589	(583,956)	(146,389)	(730,345)	880,244
Tunnel Ave iMRF Upgrade Project	3,895,174	11/30/2020	10/1/2020	3,895,174	(1,412,283)	(354,038)	(1,766,321)	2,128,853
Total	\$ 23,716,752			\$ 23,716,752	\$ (14,773,478)	\$ (2,126,524)	\$ (16,900,002)	\$ 6,816,750

*Funds were released from the ZWI account to offset the cost of capital expenditures incurred by Recology San Francisco.

**The funds received are being amortized and recorded as negative expenses in Table 5 over the same period as the related capital expenditure project assets.

Table 10
Programmatic Reserve
Recology Sunset Scavenger and Recology Golden Gate
October 2023 - June 2024

	Actual
Beginning Balance 10/1/2023	\$ -
Funding	626,923
Eligible Programmatic Expenses	-
Operating Ratio on Programmatic Expenses	-
Interest	12,797
Ending Balance 06/30/2024	\$ 639,720

Table 11
Zero Waste Capital Reserve
Recology San Francisco
October 2023 - June 2024

	Actual
Beginning Balance 10/1/2023	\$ -
Funding	2,348,217
Eligible Capital Expenditures	-
Interest	32,371
Ending Balance 06/30/2024	\$ 2,380,588

APPENDIX A
Combined San Francisco Companies
Bank Account Details

Deposits, Disbursements and Balances for RY2024 Q3

Table A-1

Bank Account Details	Reserve Fund	Impound	Zero Waste Incentive	Programmatic Reserve	Zero Waste Capital Reserve
Beginning Balance 10/1/2023	\$ 10,395,438	\$ 285,857	\$ 9,096,925	\$ -	\$ -
Deposits	-	18,163,999	-	626,923	2,348,217
Disbursements	-	(18,163,999)	(9,102,710)	-	-
Interest	407,430	82,402	5,810	12,797	32,371
Administrative Fees	(2,920)	-	(25)	-	-
Ending Balance 6/30/2024	\$ 10,799,948	\$ 368,259	\$ -	\$ 639,720	\$ 2,380,588

Interest for RY2024 Q3

Table A-2

Interest	Reserve Fund	Impound	Zero Waste Incentive	Programmatic Reserve	Zero Waste Capital Reserve
Oct-23	\$ 45,508	\$ 6,675	\$ 5,792	\$ 37	\$ -
Nov-23	44,321	18,481	7	540	-
Dec-23	45,975	17,043	7	747	-
Jan-24	45,995	5,725	4	1,130	859
Feb-24	43,037	6,444	-	1,367	3,041
Mar-24	46,107	6,471	-	1,648	4,200
Apr-24	44,748	6,652	-	2,260	5,943
May-24	46,507	7,520	-	2,494	8,835
Jun-24	45,232	7,391	-	2,574	9,493
Total	\$ 407,430	\$ 82,402	\$ 5,810	\$ 12,797	\$ 32,371

Administrative Fees for RY2024 Q3

Table A-3

Administrative Fees	Reserve Fund	Impound	Zero Waste Incentive	Programmatic Reserve	Zero Waste Capital Reserve
Oct-23	\$ 580	\$ -	\$ 5	\$ -	\$ -
Nov-23	576	-	5	-	-
Dec-23	580	-	5	-	-
Jan-24	-	-	5	-	-
Feb-24	-	-	5	-	-
Mar-24	-	-	-	-	-
Apr-24	-	-	-	-	-
May-24	590	-	-	-	-
Jun-24	594	-	-	-	-
Total	\$ 2,920	\$ -	\$ 25	\$ -	\$ -

Impound

Deposit Detail for RY2024 Q3

Table A-4

Deposit Detail	Total Deposit Amount
Oct-23	\$ 2,018,222
Nov-23	2,018,222
Dec-23	2,018,222
Jan-24	2,018,222
Feb-24	2,018,222
Mar-24	2,018,223
Apr-24	2,018,222
May-24	2,018,222
Jun-24	2,018,222
Total	\$ 18,163,999

Impound

Disbursements for RY2024 Q3

Table A-5

Payee	Date	Check or ACH #	Total Disbursements
City & County of San Francisco	12/20/2023	1139	\$ 2,018,222
City & County of San Francisco	12/20/2023	1140	2,018,222
City & County of San Francisco	12/20/2023	1141	2,018,222
City & County of San Francisco	1/23/2024	90341585	2,018,222
City & County of San Francisco	2/22/2024	90344334	2,018,222
City & County of San Francisco	3/22/2024	90349080	2,018,223
City & County of San Francisco	4/22/2024	90353537	2,018,222
City & County of San Francisco	5/22/2024	90356628	2,018,222
City & County of San Francisco	6/24/2024	90359927	2,018,222
Total			\$ 18,163,999

*Impound disbursements allocated by the Refuse Rate Administrator:

San Francisco Environment Department - \$1,225,864 per month.

San Francisco Department of Public Works - \$792,358 per month.

Zero Waste Incentives

Disbursements for RY2024 Q3

Table A-6

Disbursement Detail	Description	Total Disbursements
10/25/23	RY2023 Tiers 1 through 4 to Recology Golden Gate and Recology Sunset Scavenger	\$ 5,696,240
10/25/23	RY2023 Tiers 1 through 4 to Recology San Francisco	3,400,685
03/07/24	RY2023 Tiers 1 through 4 to Recology Golden Gate and Recology Sunset Scavenger	3,622
03/07/24	RY2023 Tiers 1 through 4 to Recology San Francisco	2,163
Total		\$ 9,102,710

*The amount of \$9,096,925 was withdrawn on October 25, 2023 and will be recognized ratably in Table 1 and in Table 2, \$1,424,060, and \$850,171, respectively, per quarter in RY2024. The remaining amount of \$5,785 was withdrawn on March 7, 2024 and was recognized in Table 1 and in Table 2, \$3,622 and \$2,163, respectively, in Q2 2024.

Programmatic Reserve

Deposit Detail for RY2024 Q3

Table A-7

Deposit Detail	Total Deposit Amount
Oct-23	\$ 63,389
Nov-23	63,389
Dec-23	63,389
Jan-24	88,466
Feb-24	69,658
Mar-24	69,658
Apr-24	69,658
May-24	69,658
Jun-24	69,658
Total	\$ 626,923

Zero Waste Capital Reserve

Deposit Detail for RY2024 Q3

Table A-8

Deposit Detail	Total Deposit Amount
Oct-23	\$ -
Nov-23	-
Dec-23	-
Jan-24	391,368
Feb-24	391,370
Mar-24	391,370
Apr-24	391,370
May-24	391,370
Jun-24	391,369
Total	\$ 2,348,217

APPENDIX B
Substituted Costs
Combined San Francisco Companies
October 2023 - June 2024

“Substituted Costs” means all Material, Elective Expenses incurred by the San Francisco Recology Companies (Recology Sunset Scavenger, Recology Golden Gate, and Recology San Francisco) not included in the cost base used to set rates in the 2023 Rate Order. For purposes of this definition, a Material Expense is an annual variance greater than \$500,000 compared to each projected expense line item listed in Schedule G, as approved by the Refuse Rate Board in the Rate Order for Rate Year 2024 and Rate Year 2025. For the purposes of this definition, an Elective Expense is an expense incurred by the SF Recology Companies that was not incurred as a result of (a) changes in customer service levels, refuse volumes or tonnage, including but not limited to, 1) the number of employees, employee overtime, and employee benefits to meet Service Level Agreement as adopted in the Rate Order, 2) associated fuel costs related to refuse collection and disposal, and 3) disposal and processing costs relating to those changes in refuse volumes or tonnage; (b) changes in employee costs due to Collective Bargaining Agreements (CBA) effective after July 24, 2023; (c) federal, state, local or other taxes or regulatory requirements; (d) GAAP required changes in accounting rules, to the degree said GAAP-basis Eligible Expenses were included in the Rate Order, i.e., GAAP changes that are related to Non-GAAP-basis, e.g. Rate-basis, Cash-basis, etc. shall not be permitted; (e) requirements of arms-length, third-party lease amendments or agreements relating to real property leased by any of the San Francisco Recology Companies; and (f) bad debt, limited to the revenues subject to rate setting pursuant to the Rate Order. In no event, shall uncollected revenues and bad debt, associated with Ratepayer revenues that are not subject to the Refuse Rate Board’s Rate Order, be included as a Substituted Cost.

Item Description	Recology Company on Schedule G	Q3 YTD RY2024 Projection	Q3 YTD RY2024 Actual	Variance Greater than \$500,000	Carve-Outs	Non-Elective	Substituted Costs	Non-Elective Explanation
Salaries and Wages	Golden Gate and Sunset Scavenger	\$ 69,996,712	\$ 72,906,133	\$ 2,909,421	\$ -	\$ 2,909,421	\$ -	\$1.3M is due to the underestimation of additional rate approved employees that the City was previously made aware of prior to implementation of final rates. ~\$0.8M of the increase is due to additional overtime hours as a result of absenteeism and ~\$0.5M of the increase is primarily due to working three additional Saturdays to accommodate for the Christmas Holiday and New Year Holiday.
Payroll Taxes	Golden Gate and Sunset Scavenger	\$ 4,927,773	\$ 5,498,388	\$ 570,615	\$ 570,615	\$ -	\$ -	Payroll Taxes is carved out per (c) of the substituted costs definition.
Health Insurance	Golden Gate and Sunset Scavenger	\$ 18,348,252	\$ 20,625,815	\$ 2,277,563	\$ -	\$ 2,277,563	\$ -	\$450k is due to the underestimation of additional rate approved employees that the City was previously made aware of prior to implementation of final rates. The remaining non-elective increase is due to larger claims paid out, increased pharmacy benefit costs, HSA funding, recording of an IBNR reserve as required per actuary, offset by claim reimbursements.
Bad Debt	Golden Gate and Sunset Scavenger	\$ 374,741	\$ 1,083,080	\$ 708,338	\$ 708,338	\$ -	\$ -	Bad Debt is carved out per (f) of the substituted costs definition.
Supplies	Golden Gate and Sunset Scavenger	\$ 1,846,952	\$ 2,593,686	\$ 746,734	\$ -	\$ 746,734	\$ -	The non-elective increase is due to expenses related to compactor sales & repairs (all are attributable to non-rate activity) and increased costs of operational supplies.
Other	Golden Gate and Sunset Scavenger	\$ 1,339,365	\$ 2,117,961	\$ 778,596	\$ -	\$ 778,596	\$ -	Non-elective increase is mainly attributed to the increased volume of merchant fees, increased bank fees and additional diversion outreach efforts.
Health Insurance	Recology San Francisco	\$ 10,717,486	\$ 11,710,319	\$ 992,833	\$ -	\$ 992,833	\$ -	The non-elective increase is due to larger claims paid out, increased pharmacy benefit costs, HSA funding, recording of an IBNR reserve as required per actuary, offset by claim reimbursements.
Outside Property Rental	Recology San Francisco	\$ 3,236,492	\$ 3,836,729	\$ 600,237	\$ -	\$ 600,237	\$ -	The non-elective increase is due to a revision to the Recycle Central lease agreement.

*Table includes expenses for Rate and Non-Rate activities, except for bad debt expense which only presents Rate-Related activities.

APPENDIX C
2022 Settlement Notional Balancing Account
Combined San Francisco Companies
As of June 30, 2024

	9 months ending <u>6/30/2024</u>
Beginning notional balancing account balance as of October 1, 2023	\$ 1,424,341
Offsets	<u>-</u>
Ending notional balancing account balance as of June 30, 2024	<u>\$ 1,424,341</u>

APPENDIX D
2024 Rate Order Notional Balancing Account
Combined San Francisco Companies
As of June 30, 2024

	9 months ending <u>6/30/2024</u>
Beginning notional balancing account balance as of October 1, 2023	\$ -
50% of Above/Below Target Surplus (Shortfall)	1,242,840
Notional Interest for RY2024	<u>2,011</u>
Ending notional balancing account balance as of June 30, 2024	<u>\$ 1,244,851</u>