

**CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST**

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To: **Each Member of the Board of Supervisors**
From: **Budget and Legislative Analyst**
Date: **December 12, 2011**
Subject: **Second Amendment to Agreement with Recology**

Item 30
File 11-1201

Departments:
Department of the Environment (DOE)
Office of Contract Administration (OCA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the Second Amendment to the Refuse Collection Agreement between the City and Recology San Francisco, Recology Golden Gate and Recology Sunset Scavenger (Recology) to increase the total not-to-exceed amount of the Agreement by \$5,800,000 from the existing not-to-exceed \$23,537,527 to the proposed not-to-exceed \$29,337,527 covering the period from April 1, 2007 through June 30, 2012, related to refuse collection and recycling services provided by Recology to departments of the City and County of San Francisco.

Key Points

- On March 21, 2007, the Board of Supervisors approved a not-to-exceed \$23,037,527 Memorandum of Understanding (MOU) between the City and Recology for Recology to provide refuse collection and recycling services for City departments (Resolution No. 147-07) for the period from April 1, 2007 through June 30, 2011. The MOU, which was awarded without conducting a competitive procurement process, included two additional one-year options to extend, or through June 30, 2013, at the sole discretion of the Purchaser, after notification to the Board of Supervisors.
- On June 28, 2011, the Office of Contract Administration sent a notification letter to the Board of Supervisors that the Purchaser intended to exercise the first one year option to extend the MOU with Recology, from July 1, 2011 through June 30, 2012. Although not specifically mentioned in this letter to the Board, that first amendment to the MOU with Recology also increased the authorization by \$500,000 from \$23,037,527 to \$23,537,527. Because this increase did not exceed \$500,000, this first amendment was not subject to Board of Supervisors approval.
- The base rates charged by Recology to the City are Recology's standard commercial rate schedules, with annual cost increases indexed to (a) residential rate increases approved by the City's Rate Board on May 22, 2006, (b) annual cost of living increases based on a specified allocation of costs (e.g., fixed and variable labor, materials, capital, fuel), and (c) Diversion

Incentive Rebates. In addition, the City receives a (a) 17 percent reduction off the standard commercial rates for all City departments, except for the Recreation and Park Department, (b) 29 percent reduction off the standard commercial rates for the Recreation and Park Department, (c) Recycling and Composting Incentives, and (d) Cap Credits, to limit General Fund departments costs during the initial years of the MOU.

Fiscal Impacts

- Over the four year period from FY 2006-07 through FY 2010-11, the City expended a total of \$21,016,992, or an average of \$5,254,248 per year for refuse collection and recycling services provided to City departments.
- Under the proposed Second Amendment, Recology would waive their right to a cost of living increase in FY 2011-12, such that the proposed Second Amendment to extend the existing MOU through June 30, 2012, should result in total estimated costs of \$26,717,059. Even providing for an additional five percent contingency, or an additional \$285,003, the total estimated cost would be \$27,002,062 which is \$2,335,465 less than the requested amount of \$29,337,527.

Policy Considerations

- The existing MOU does not specify or detail all of the discount provisions, as reported by the Department of the Environment. Rather, the existing MOU provides for a 25 percent discount for the Recreation and Park Department, rather than the Department of the Environment's reported discount of 29 percent, and then provides general language describing the City's and Recology's desire to encourage recycling and increased diversion of waste generated by City departments, and referencing the 2006 Rate Order.

Recommendations

- Amend the proposed resolution to reduce the total authorized amount by \$2,335,465 from \$29,337,527 to \$27,002,062, based on the actual projected need of \$26,717,059 plus an additional five percent contingency of \$285,003.
- Approve the proposed resolution, as amended.
- The Office of Contract Administration should work with the Department of the Environment to identify all of the specific discounts provided to City departments, and prior to requesting a future amendment for any additional authorization of time extension or needed funding, the MOU should be amended to clearly specify each of the individual discount provisions. Such amendments would be subject to future Board of Supervisors approval.

MANDATE STATEMENT AND BACKGROUND

Mandate Statement

In accordance with City Charter Section 9.118(b), any contract or agreement (in this case a Memorandum of Understanding) that has a term in excess of ten years, or exceeds \$10,000,000 in anticipated expenditures, or the modification of such agreement exceeds \$500,000, is subject to Board of Supervisors approval.

Background

On March 21, 2007, the Board of Supervisors approved a not-to-exceed \$23,037,527 Memorandum of Understanding (MOU) between the City and County of San Francisco, through the Office of Contract Administration, and Sunset Scavenger Company, Golden Gate Disposal & Recycling Company and SF Recycling & Disposal Company, Inc., now known as Recology.¹ The MOU, which was not subject to a competitive procurement process, is for Recology to provide refuse collection and recycling services for departments and facilities of the City and County of San Francisco (City) (Resolution No. 147-07)². The initial four-year and three-month MOU was for the period from April 1, 2007 through June 30, 2011, and included two additional one-year options to extend, or through June 30, 2013, at the sole discretion of the Purchaser. Under the existing MOU, if the Purchaser exercises these options, the Purchaser is required to notify the Board of Supervisors of such extension of the MOU.

According to Ms. Juliana Bryant, the City's Zero Waste Coordinator in the Department of the Environment, the MOU was awarded to Recology, without conducting a competitive procurement process, due to the following reasons:

- Recology is the only permitted hauler for refuse collection in San Francisco. No other companies have been approved for residential or commercial refuse collection services since 1932.
- Recology is the only vendor with a fleet of trucks, transfer station and recycling sorting facility in San Francisco. Past residential and commercial customer payments to the only permitted refuse collection provider have resulted in substantial investments in Recology's infrastructure in San Francisco.
- The City was able to negotiate substantial discounts below commercial customer rates, with annual changes tied to the same annual rate as residential customers. The process for

¹ When this initial MOU was approved in 2007, Sunset Scavenger Company, Golden Gate Disposal & Recycling Company and SF Recycling & Disposal Company, Inc. were subsidiaries of Norcal Solid Waste Systems. On April 27, 2009, Norcal Waste Systems formally changed its name to Recology Inc., such that Recology's three new subsidiaries under contract with the City, through the existing MOU are (a) Recology Sunset Scavenger, (b) Recology Golden Gate, and (c) Recology San Francisco.

² According to Ms. Juliana Bryant of the Department of the Environment, between 2004 and 2007, the City, through the Department of Public Works had an agreement with Norcal Waste Systems to provide refuse collection and recycling services for City departments. Prior to 2004, the City did not have a written agreement with any provider for refuse collection services pertaining to City and County departments. Rather, the City's Rate Board negotiated directly with Norcal for refuse collection services during the rate setting process for approving residential rates in the City and then the Purchaser entered into a series of annual purchase orders with Norcal to secure such services.

determining residential rates is a rate review process between the permitted hauler, Recology, and the City.

- Recology has a history of environmental stewardship that is consistent with the City's policies and goals to move towards zero waste, such that, San Francisco has achieved a 78 percent landfill diversion rate, the highest of any city in the country, and composted over 1,000,000 tons of organic material since the inception of the food scraps composting program in 1996.

As shown in Attachment I, on June 28, 2011, Ms. Jaci Fong, the Acting Director of the Office of Contract Administration sent a letter to the Board of Supervisors notifying the Board that the Purchaser intended to exercise the first one year option to extend the MOU with Recology. On July 1, 2011, the Purchaser approved the first amendment to the MOU with Recology, by executing the first option to extend the existing MOU by one year, from July 1, 2011 through June 30, 2012.

Although not specifically mentioned in the June 28, 2011 letter to the Board of Supervisors, the Budget and Legislative Analyst notes that this first amendment to the MOU with Recology also increased the authorization by \$500,000 from \$23,037,527 to \$23,537,527, the maximum amount to be modified by a City department, and updated language in the MOU to be consistent with current City provisions. Because this increase did not exceed \$500,000, this first amendment was not subject to Board of Supervisors approval.

Under the existing MOU, Recology is required to consolidate, collect, and transport, for recycle and/or disposal all refuse generated by City departments on a specified schedule. In accordance with the existing MOU, the base refuse collection and recycling services rates were established using Recology's standard commercial rate schedules. Over the term of the MOU, cost increases were then indexed to approve increases for residential customers as set forth in the Rate Order and approved by the City's Refuse Collection and Disposal Rate Board on May 22, 2006³.

In addition to the residential rate increases, the existing MOU to provide refuse collection and recycling services for City departments also provided for annual cost of living increases for Recology, effective July 1 of each year, according to a specified allocation of costs (e.g., fixed and variable labor, materials, capital, fuel). In accordance with the 2006 Rate Board order and the existing MOU, a recycling incentive, or Diversion Incentive Rebate was also included, which provided additional funds by formula to Recology if Recology met certain landfill diversion goals each year, and alternatively returned these funds to ratepayers if Recology did not meet the landfill diversion goals each year. According to Ms. Bryant, the proposed MOU also provided specified discounts, including: (a) 17 percent reduction off the standard commercial rates for all City departments, except for the Recreation and Park Department, (b) 29 percent reduction off the standard commercial rates for the Recreation and Park Department⁴, (c) Recycling and

³ Residential refuse collection rates charged to San Francisco residents must be approved by the Director of Public Works, or if such approved rates are appealed by a member of the public, approval must be granted by the City's Rate Board, which is composed of the Director of the Department of Public Works, the Controller, and the Director of the Public Utilities Commission.

⁴ Acknowledging that the Recreation and Park Department (RPD) is the highest user of refuse services, the MOU provides the largest discount to the RPD.

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Composting Incentives for all City departments, which provided discounts based on 95 percent of the subscribed services at each location determined according to the scheduled amount of refuse that was recycled and composted, or otherwise diverted from the City's landfill, and (d) Cap Credits, which limited the General Fund departments total monthly costs to \$398,302, such that monthly credits of up to \$50,971 would be allocated among the various General Fund departments during the initial years of the MOU. According to Ms. Bryant, these discounts are applied to each City department, based on their scheduled type and level of services.

As provided in the existing MOU, Table 1 below, based on data provided by Ms. Bryant, shows the actual base rates for once a week service for a one yard container that was charged to City departments in San Francisco in FY 2006-07, and the subsequent annual and cumulative rate increases, base rates as annually approved for residential customers, as well as the annual cost of living adjustments and the Diversion Incentive Rebates from FY 2007-08 through FY 2010-11.

Table 1: Residential Refuse Approved Rates, Including Annual Changes, Cost of Living (COLA) Adjustments, and Diversion Incentive Rebates from FY 200506 Through FY 2010-11

	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11
BASE RATE per 1 yard Container/Week					
Base Rate	\$185.73	\$190.78	\$194.72	\$198.30	\$202.71
Percent Change from Previous Year	--	2.74%	2.05%	1.84%	2.23%
Cumulative Percent Change from 2006	--	2.74%	4.85%	6.77%	9.15%
COLA ADJUSTMENT					
Annual COLA (%)	--	2.987%	4.429%	0.673%	4.583%
Cumulative COLA (%)	--	2.987%	7.548%	8.272%	13.234%
COLA (\$)	--	\$5.70	\$14.70	\$16.40	\$26.83
Base Rate + COLA	\$185.73	\$196.48	\$209.42	\$214.70	\$229.54
Percent Change from Previous Year	--	5.79%	6.59%	2.52%	6.91%
Cumulative Percent Change from 2006	--	5.79%	12.76%	15.60%	23.59%
Diversion Incentive Rebated to Rate Payers					
Diversion Incentive Rebate (%)	--	--	1.489%	1.120%	0.000%
Diversion Incentive Rebate (\$)	--	--	(\$3.12)	(\$2.40)	\$0.00
Total Rate	\$185.73	\$196.48	\$206.30	\$212.30	\$229.54
Percent Change from Previous Year		5.79%	5.00%	2.91%	8.12%
Cumulative Percent Change from 2006		5.79%	11.08%	14.31%	23.59%
Notes:					
1. Base rates are from the DPW Order No. 176100.					
2. The current rate order covers FY 2007-08 through FY 2010-11. The previous rate is shown for FY 2006-07.					
3. The cumulative COLA is multiplicative. $(1 + \text{Annual COLA1}) \times (1 + \text{Annual COLA2})$, etc.					

Based on the data shown in Table 1 above, refuse collection rates charged by Recology to City departments increased by a cumulative total of 23.59 percent over the four year period from FY 2006-07 through FY 2010-11.

On July 26, 2011, the Board of Supervisors approved a resolution (File 10-1225) authorizing the Department of the Environment (DOE) to execute a new landfill disposal agreement with Recology, based on a competitive bid process, for a period of up to ten years, commencing in 2015 to allow for the deposit of up to 5,000,000 tons of solid waste collected in San Francisco into Recology's Ostrom Road Landfill in Yuba County, California. That resolution also amended an existing Facilitation Agreement between the DOE and Recology, which governs the consolidation of all refuse collected in the City and transportation of that refuse to the City's designated landfill.

Refuse collection in the City is governed by the City's Refuse Collection and Disposal Ordinance of 1932, as previously approved by the voters of San Francisco, which requires that only permitted refuse haulers collect and transport refuse "through the streets of the City and County of San Francisco." The 1932 Ordinance created 97 permanent permits, which, due to a number of acquisitions since the ordinance was approved, are currently all owned by Recology. Therefore, the Refuse Collection and Disposal Ordinance of 1932 has resulted in Recology becoming the exclusive and permanent refuse collector in San Francisco, without Recology ever having gone through the City's normal competitive bidding process.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the Second Amendment to the Refuse Collection MOU between the City and Recology San Francisco, Recology Golden Gate and Recology Sunset Scavenger (Recology) to increase the total not-to-exceed amount of the Agreement by \$5,800,000 from \$23,537,527 to \$29,337,527 to provide refuse collection and recycling services for departments of the City and County of San Francisco.

The not-to-exceed total amount of \$29,337,527 would cover the period from April 1, 2007, when the MOU was awarded to Recology, through June 30, 2012. As noted above, on July 1, 2011, the Purchaser approved the first amendment to the MOU with Recology, by executing the first option to extend the existing MOU by one year, from July 1, 2011 through June 30, 2012. The existing MOU contains one additional option to extend the existing agreement by one additional year, from July 1, 2012 through June 30, 2013.

Under the proposed amended agreement, Recology would waive their right to a cost of living increase during this first option year from July 1, 2011 through June 30, 2012.

FISCAL IMPACTS

As noted above, based on the first amendment approved by the OCA, the existing MOU contains a total not-to-exceed \$23,537,527 authorization for the period through June 30, 2012. Ms. Jennifer Browne, the Assistant Director of the Office of Contract Administration advises that as of November 16, 2011, the entire not-to-exceed authorized amount of \$23,537,527 has been encumbered by City departments, such that the Office of Contract Administration is seeking

approval of the proposed resolution to increase the subject MOU by \$5,800,000 from \$23,537,527 to \$29,337,527 in order to enable Recology to continue to provide refuse collection and recycling services for City departments through June 30, 2012.

As shown in Table 2 below, based on data provided by Ms. Browne, from July 1, 2007⁵ through June 30, 2011, or a period of four years, the City expended a total of \$21,016,992 for such refuse collection and recycling services, or an average of \$5,254,248 per year.

Table 2: Payments Made by the City to Recology for Refuse Collection and Recycling Services to City Departments During the Past Four Fiscal Years, from July 1, 2007 through June 30, 2011

Fiscal Year	Payments
FY 2007-08	\$ 4,653,550
FY 2008-09	5,310,668
FY 2009-10	5,352,707
FY 2010-11	5,700,067
TOTAL	\$ 21,016,992

Based on the already discounted charges by Recology to the City during the three-month period of May, June and July 2011, as shown in Attachment II to this report, provided by Ms. Browne, the five City departments that incurred the highest costs are: (1) the Recreation and Park Department at \$320,401 or 23 percent of the total \$1,382,835 charges during this three-month period, (2) Municipal Railway at \$164,774 or 12 percent, (3) Laguna Honda Hospital at \$133,693 or ten percent, (4) San Francisco General Hospital at \$122,435 or nine percent, and (5) the Real Estate Department, which is responsible for maintaining City buildings such as City Hall, at \$100,597 or seven percent⁶.

As shown in Table 1 above, the existing MOU between Recology and the City for refuse and recycling services to City departments provides for both annual increases based on the residential rate increases previously approved by the City's Rate Board and cost of living increases, effective July 1 of each year, according to a specified allocation of costs (e.g., fixed and variable labor, materials, capital, fuel). According to Ms. Bryant, in 2006, the City's Rate Board approved residential rate increases for five years, such that those five years of increases have already occurred and there are no further residential rate increases approved for FY 2011-12.

Therefore, under the proposed Second Amendment to the MOU, Recology would waive their cost of living increase for FY 2011-12, such that there would be no cost of living increase in the rates charged by Recology to City departments. According to Ms. Browne, based on the formulas included in the existing MOU, the cost of living increase for FY 2011-2012 would otherwise be 3.25 percent. Based on the proposed waiver of the cost of living increase under the proposed amendment to the MOU, the City will therefore save an estimated \$185,252 (\$5,700,067 total annual cost for FY 2010-11 x 3.25%) in FY 2011-2012.

⁵ Although the existing MOU commenced on April 1, 2007, according to Ms. Browne, there were no City charges incurred against the existing MOU's blanket purchase order for the months of April, May or June, 2007.

⁶ Attachment II includes charges ranging from \$3,879 to \$4,144 per month, for May, June and July, 2011, or one percent of the City's total charges for the State of California. According to Ms. Bryant, these charges are paid by the Superior Court directly to Recology for refuse collection and recycling services at 400 MacAllister Street.

Given that there are no projected increases in the rates to be charged by Recology to the City under the proposed MOU for FY 2011-12, the actual total costs of \$5,700,067 incurred by the City in FY 2010-11 (see Table 2 above), should remain approximately the same in FY 2011-12 (see Table 3 below). Therefore, the proposed Second Amendment to extend the existing MOU through June 30, 2012, should result in total estimated costs of \$26,717,059 to the City, as shown in Table 3 below.

Table 3: Payments Projected to be Made by the City to Recology Under the Proposed Amended Agreement

Fiscal Year	Payments
Subtotal	\$ 21,016,992*
FY 2011-12	5,700,067*
TOTAL	\$ 26,717,059
*see Table 2 above	

The Budget and Legislative Analyst notes that the projected \$26,717,059 total costs shown in Table 3 above is \$2,620,468 less than the requested \$29,337,527 in the proposed resolution.

In order to provide sufficient additional flexibility for City departments in FY 2011-12, given that the volume of refuse collected from City departments varies slightly each year, the Budget and Legislative Analyst recommends providing for an additional five percent contingency to the FY 2011-12 projected cost of \$5,700,067, or an additional \$285,003. Based on the total initial projected cost of \$26,717,059 shown in Table 3 above, plus an additional five percent contingency or \$285,003 for FY 2011-12, the total authorized not-to-exceed expenditure should be \$27,002,062. Even with this additional five percent contingency, the total projected not-to-exceed expenditure of \$27,002,062 is \$2,335,465 less than the requested \$29,337,527. Therefore, the Budget and Legislative Analyst recommends that the proposed resolution be amended to reduce the requested amount by \$2,335,465, resulting in a total not-to-exceed authorization of \$27,002,062.

The revenues to pay for the subject MOU are funded through the individual City departments' annual FY 2011-12 operating budgets.

POLICY CONSIDERATIONS

As discussed in the Background Section of this report above, according to Ms. Bryant, the proposed MOU provides specified discounts to various City departments, including: (a) 17 percent reduction off the standard commercial rates for all City departments, except for the Recreation and Park Department, (b) 29 percent reduction off the standard commercial rates for the Recreation and Park Department, (c) Recycling and Composting Incentives for all City departments, which provided discounts based on 95 percent of the subscribed services at each location determined according to the scheduled amount of refuse that is recycled and composted, or otherwise diverted from the City's landfill, and (d) Cap Credits, which limited the General Fund departments total monthly costs to \$398,302, such that monthly credits of up to \$50,971 were allocated among the various General Fund departments during the initial years of the MOU.

However, the Budget and Legislative Analyst notes that the existing MOU does not specify or detail these discount provisions. Rather, the existing MOU provides for a 25 percent discount for

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the Recreation and Park Department, rather than the Department of the Environment's reported discount of 29 percent, and then provides general language describing the City's and Recology's desire to encourage recycling and increased diversion of waste generated by City departments. The existing MOU references the 2006 Rate Order and states that

“Upon ratification of this Agreement, the Companies shall implement the Uniform Commercial Rate Structure, based upon the rates set forth in Appendix A1. In addition to the Uniform Commercial Rate Structure, the Recycling Incentive Program will also be implemented for all City Departments. The Companies, in accordance with its current practices relating to the Recycling Incentive Program, will provide, where appropriate. Recycling Incentive Program discounts and additionally, where appropriate, the Companies will apply service fee caps to allow time for the City departments to transition to the Uniform Commercial Rate Structures. The Companies shall, in good faith, determine the amount of any Diversion and the amounts to be charged to the City Departments as a result of the Recycling Incentive Program.”

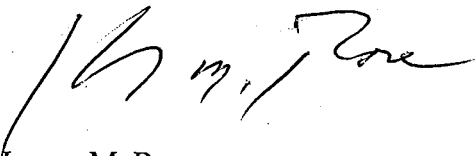
By only providing such general language, without specifying the actual amount of the discounts to be granted under the existing MOU, the Budget and Legislative Analyst questions the ability of individual City departments to determine whether the correct discounts are being provided by Recology. At the same time, the Budget and Legislative Analyst acknowledges that the City has fully encumbered the existing authorized funds and requires additional spending authorization under the existing MOU to enable Recology to continue to provide refuse and recycling services for all City departments. Therefore, the Budget and Legislative Analyst recommends that the proposed resolution be approved to authorize the City to expend a not-to-exceed \$27,002,062. The Budget and Legislative Analyst also recommends that the Office of Contract Administration (OCA) work with the Department of the Environment (DOE) to identify all of the specific discounts provided to City departments. Prior to requesting an amendment for (a) any extensions for additional time, or (b) authorization for additional authorized funding, the MOU should be amended to clearly specify each of the individual discount provisions. Such amendment would be subject to Board of Supervisors approval.

As noted above in the Fiscal Impacts Section of this report, the Budget and Legislative Analyst has recommended that the proposed MOU be amended to provide for a total authorized amount of \$27,002,062 through June 30, 2012. Ms. Browne advises that OCA will work with DOE during the coming months to negotiate with Recology for refuse collection and recycling services for City departments to extend the existing MOU for the one remaining and final option year from July 1, 2012 through June 30, 2013. In order to provide sufficient time and authorization of funds for City departments, OCA, working together with DOE, should seek Board of Supervisors approval for the last option year in April or May of 2012, before the expiration of the existing agreement on June 30, 2012.

At its meeting of December 7, 2011, the Budget and Finance Committee considered the subject resolution and sent it forward to the full Board of Supervisors, without recommendation, for hearing at the Board of Supervisors meeting of December 13, 2011.

RECOMMENDATIONS

1. Amend the proposed resolution to reduce the total authorized amount by \$2,335,465 from \$29,337,527 to \$27,002,062, based on the actual projected need of \$26,717,059, plus an additional five percent contingency of \$285,003.
2. Approve the proposed resolution, as amended.
3. The Office of Contract Administration should work with the Department of the Environment to identify all of the specific discounts provided to City departments, and prior to requesting any additional authorization of time extensions or needed funding, the MOU should be amended to clearly specify each of the individual discount provisions. Such amendments would be subject to future Board of Supervisors approval.



Harvey M. Rose

cc: President Chiu
Supervisor Avalos
Supervisor Campos
Supervisor Chu
Supervisor Cohen
Supervisor Elsbernd
Supervisor Farrell
Supervisor Kim
Supervisor Mar
Supervisor Mirkarimi
Supervisor Wiener
Clerk of the Board
Cheryl Adams
Controller
Rick Wilson

City and County of San Francisco

Office of Contract Administration



Edwin M. Lee
Mayor

Jaci Fong
Acting Director
Purchasing

June 28, 2011

To: Honorable Members of the Board of Supervisors
Through: Amy Brown, Acting City Administrator; Naomi Kelly, Acting Deputy City Administrator
From: Jaci Fong, Acting Director *JF*
Subject: MOU with Recology Golden Gate for Refuse Collection

The Office of Contract Administration (OCA) intends to extend the Memorandum of Understanding (MOU) between the City and County of San Francisco and Sunset Scavenger Company and Golden Gate Disposal Company (both now known as Recology Golden Gate) dated April 1, 2007 and authorized by Board of Supervisor's Resolution #147-07 dated March 21, 2007 for the first of two available Option Periods. This will extend the MOU term from June 30, 2011 until June 30, 2012.

According to Section 2 of the MOU;

"the Purchaser may, in its sole discretion extend this Agreement for two (2) additional one (1) year periods (the "Option Periods" and each an "Option Period"); provided that the compensation rates for any services provided during any Option Period be set forth in Section 5. The Purchaser may exercise this option by providing written notice to the Companies at least six months prior to any applicable termination date for the Initial Term or the first Option Period, as applicable, and shall notify the City's Board of Supervisors of such extension."

Please consider this memo as formal notification of OCA's intent to extend this MOU for one (1) Option Period. I can be contacted directly at 415-554-6701 with any questions.

Attachment II

Billings for May, June & July 2011 for City Departments

Recology Sunset Scavenger Company								
Recology Golden Gate Disposal & Recycling Company								
City Accounts By Departments								
Department	May-11	Dept %	Jun-11	Dept %	Jul-11	Dept %	May - July '11 Aggregate	Dept %
Department Of Health	\$ 17,533	4%	\$ 17,842	4%	\$ 17,457	4%	\$ 52,831	4%
Dept of Emergency Management	\$ 2,042	0.4%	\$ 2,042	0.4%	\$ 2,042	0.4%	\$ 6,126	0%
Dept Of Human Services	\$ 11,760	3%	\$ 12,633	3%	\$ 12,444	3%	\$ 36,836	3%
Dept Of Parking & Traffic	\$ 847	0.2%	\$ 847	0.2%	\$ 1,204	0.3%	\$ 2,898	0%
Dept Of Telecommunications	\$ 1,787	0.4%	\$ 1,787	0.4%	\$ 1,787	0.4%	\$ 5,360	0%
District Attorney	\$ 434	0.1%	\$ 434	0.1%	\$ 434	0.1%	\$ 1,301	0%
Dpw - Bureau Of Building Repair	\$ 3,012	1%	\$ 2,920	1%	\$ 2,900	1%	\$ 8,833	1%
Fine Arts Museum	\$ 10,484	2%	\$ 10,484	2%	\$ 10,484	2%	\$ 31,452	2%
GSA-Central Shops	\$ 215	0.05%	\$ 215	0.05%	\$ 215	0.05%	\$ 644	0%
Laguna Honda Hospital	\$ 45,457	10%	\$ 40,149	9%	\$ 48,087	10%	\$ 133,693	10%
Municipal Railway /Structures	\$ 53,459	11%	\$ 52,849	12%	\$ 58,466	13%	\$ 164,774	12%
Public Defender's Office	\$ 83	0.02%	\$ 83	0.02%	\$ 83	0.02%	\$ 250	0%
Public Utilities Commission	\$ 438	0.1%	\$ 438	0.1%	\$ 438	0.1%	\$ 1,315	0%
Public Utilities Commission PUC	\$ 9,339	2%	\$ 10,212	2%	\$ 8,508	2%	\$ 28,059	2%
Real Estate Department	\$ 20,438	4%	\$ 18,030	4%	\$ 17,480	4%	\$ 55,947	4%
Real Estate Department (GF)	\$ 35,157	8%	\$ 33,876	7%	\$ 31,564	7%	\$ 100,597	7%
S F Sheriff's Dept	\$ 2,711	1%	\$ 2,391	1%	\$ 2,196	0.5%	\$ 7,298	1%
San Francisco Film Commission	\$ -	0%	\$ -	0%	\$ 34	0.01%	\$ 34	0%
SF Animal Care & Control	\$ 3,575	1%	\$ 3,575	1%	\$ 3,575	1%	\$ 10,724	1%
SF Fire Department	\$ 14,429	3%	\$ 15,752	3%	\$ 16,878	4%	\$ 47,058	3%
SF General Hospital	\$ 42,447	9%	\$ 39,883	9%	\$ 40,105	9%	\$ 122,435	9%
SF Library	\$ 7,539	2%	\$ 7,519	2%	\$ 7,504	2%	\$ 22,562	2%
SF Police Department	\$ 16,614	4%	\$ 16,614	4%	\$ 16,614	4%	\$ 49,841	4%
SF Port Commission	\$ 22,796	5%	\$ 27,252	6%	\$ 23,750	5%	\$ 73,797	5%
SF Rec & Park	\$ 111,014	24%	\$ 105,196	23%	\$ 104,192	23%	\$ 320,401	23%
SF Water Department	\$ 6,270	1%	\$ 5,055	1%	\$ 4,882	1%	\$ 16,208	1%
State of California - AOC	\$ 4,144	1%	\$ 3,881	1%	\$ 3,879	1%	\$ 11,905	1%
War Memorial	\$ 20,673	4%	\$ 20,673	5%	\$ 20,673	4%	\$ 62,019	4%
Youth Guidance Center	\$ 2,994	1%	\$ 2,322	1%	\$ 2,322	1%	\$ 7,637	1%
Total	\$ 467,689		\$ 454,950		\$ 460,196		\$ 1,382,835	