

January 29, 2016

Mark J. Arsenault  
 Vice President and Group Manager  
 Recology  
 250 Executive Park Boulevard, Suite 2100  
 San Francisco, CA 94134

Edwin M. Lee  
 Mayor

Mohammed Nuru  
 Director

San Francisco Public Works  
 1 Dr. Carlton B. Goodlett Pl.  
 Room 348  
 San Francisco, CA 94102  
 tel 415-554-6920

sfpublicworks.org  
 facebook.com/sfpublicworks  
 twitter.com/sfpublicworks  
 twitter.com/mrcleansf

Dear Mr. Arsenault,

Thank you for the proposal that Recology has submitted to Public Works for review and approval for improvements to the Recycle Central Facility. As approved in the 2013 rate hearing by the Refuse Collection and Disposal Rate Board, Recology can propose projects to the City to increase diversion if it does not qualify for the Tier 3 and 4 Zero Waste Incentives in a given Rate Year. Proposals must provide a detailed budget, timeline, and the projected increase in diversion, and be reviewed and approved by the Directors of the Department of the Environment and the Department of Public Works.

The two tables below summarize your proposed budget and the estimated increase in diversion as follows:

**Table 1: Project Budget and Timeframe**

Sources	Year 1 FY 2015-2016	Year 2 FY 2016-17	Total
Zero Waste Incentives, Tiers 3 & 4, FY 13/14	2,621,225		2,621,225
Zero Waste Incentives, Tiers 3 & 4, FY 14/15	3,157,691		3,157,691
Recology Funding	1,871,177	3,649,827	5,521,004
<b>Total Sources</b>	<b>7,650,093</b>	<b>3,649,827</b>	<b>11,299,920</b>
<b>Uses</b>			
Equipment Upgrades and Related Services	7,342,715	3,342,449	10,685,164
Electrical and Fire System Facility Upgrades	208,035	208,035	416,070
Project Support and Oversight	99,343	99,343	198,686
<b>Total Uses</b>	<b>7,650,093</b>	<b>3,649,827</b>	<b>11,299,920</b>

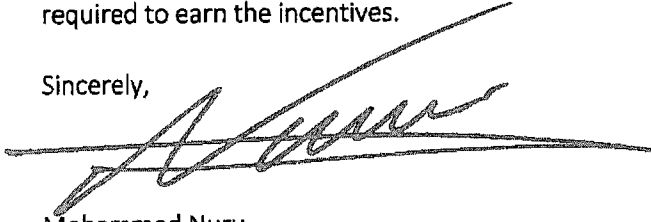
**Table 2: Annual Estimate of Diversion Change**

Co-mingled Recycling (1)	Received	Diverted	Disposed	% Diverted
Current Processing	126,727	104,671	22,056	83%
Projected Processing	126,727	114,054	12,673	90%
<b>Change</b>		<b>9,383</b>	<b>(9,383)</b>	<b>9%</b>

(1) Includes Fantastic 3 and Mixed Commercial Recycling Categories

Based on this analysis and the additional information in your proposal, I approve the use of Tier 3 and 4 incentive funds from FY 13/14 and FY 14/15. The use of incentive funds from FY15/16 cannot be considered until the close of that rate year because we cannot determine whether the funds will be available. But Recology can apply to use the incentive funds after the close of the rate year if it is determined that it did not meet the diversion targets required to earn the incentives.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mohammed Nuru', is written over a horizontal line. The signature is fluid and cursive.

Mohammed Nuru

cc: Deborah Raphael, Department of the Environment  
Robert Haley, Department of the Environment  
Julia Dawson, Public Works  
John Porter, Recology