

## **Recology Material Mistakes or Errors Disclosure (June 28, 2024)**

### Identified Confirmed Material Mistakes or Errors

On or after May 29, 2024, Recology San Francisco (“RSF”), Sunset Scavenger Company (“RSS”), and Golden Gate Disposal & Recycling Company (“RGG”) (collectively, the “Combined SF Companies”) identified the Suspected Material Mistakes or Errors set forth in Attachment A. The Combined SF Companies investigated the Suspected Material Mistakes or Errors and determined that they are Confirmed Material Mistakes or Errors.

Material Mistake or Error 1 occurred because billings for certain contract and City Services customers for November and December 2023 were not classified as contract and City Services customer classes until January 2024. As a result of this misclassification, insufficient revenue was allocated to contract and City Services customers in Q1 2024. Material Mistake or Error 1 overstates rate actual revenue. The adjustment in Attachment A reclassifies revenue from other customer classes to contract and City Services customers. The net result of this adjustment is correctly stated actual rate revenue rate-year-to-date, as reported in the Q2 2024 financial rate report.

Material Mistake or Error 2 occurred because certain accounting codes were used to identify revenues from contract customers when they should not have been and, simultaneously, certain accounting codes were used to identify revenues from non-contract customers when they should not have been. As a result of these misclassifications, the net effect is overstatement of contract customer revenue in Q1 2024 and understatement of contract customer revenue in Q2 2024.

Material Mistake or Error 3, understating the reported actual rate and non-rate revenues, occurred because certain Recycle My Junk services that should have been billed during the quarter in which they were provided were not billed until a later quarter. Certain Recycle My Junk services for Q1 2024 and Q2 2024 were not billed until June 2024.

Material Mistake or Error 4, understating the reported actual non-rate revenues, occurred because certain billable repairs to compactors should have been billed to City customers under the City Services contract during Q1 2024. These repairs were billed in June 2024.


Material Mistake or Error 5, overstating the reported actual rate revenue, occurred because non-cash revenue for in-kind recycling, organics, and trash collection services that the Combined SF Companies provided to neighborhood festivals and major functions at no charge was included in the Q1 2024 and Q2 2024 financial rate reports. The current rate order includes provision of such services at no charge as part of the Event Recycling program. (See *Refuse Rate Order for Rate Year 2024 and Rate Year 2025*, adopted August 31, 2023, p. 102.)

For each of Material Mistake or Error 1, 2, 3, 4, and 5, the misallocation, overstatement, or understatement of actual rate and non-rate revenues affects the reporting of the expense line items on Table 4(B) of the financial rate report. Material Mistake or Error 6 is a true-up of the

expense line items on Table 4(B) of the financial rate report due to Material Mistake or Error 1, 2, 3, 4, and 5.

The financial rate report for the nine months ending June 30, 2024 will incorporate the correct amounts. The Combined SF Companies therefore do not believe that it is necessary to issue revised financial rate reports for Q1 2024 or Q2 2024.

I declare under penalty of perjury, under the laws of the State of California, that all statements contained in this Disclosure of Material Mistakes or Errors are true and correct, to the best of my knowledge. Executed this 28th day of June 2024, in San Francisco, California.

DocuSigned by:  
  
Terry Duong

Regional Controller, Recology San Francisco Companies

Material Error Disclosure  
Increase (Decrease)

Adjustment #	SSGG / RSF	Financial Rate Report Table	Line Item	Description	Cause	RY24 Q1 ending 12/31/23			RY24 Q2 YTD ending 3/31/24		
						Rate and Non-Rate Actual	Less Non-Rate Actual	Rate Actual	Rate and Non-Rate Actual	Less Non-Rate Actual	Rate Actual
1	SSGG	Table 1	Residential	Correct rate revenue to account for correct contract and City Services revenue in the appropriate period	Misallocated in Q1	\$ (21,792)	\$ -	\$ (21,792)	\$ -	\$ -	\$ -
1	SSGG	Table 1	Apartment	Correct rate revenue to account for correct contract and City Services revenue in the appropriate period	Misallocated in Q1	\$ (17,632)	\$ -	\$ (17,632)	\$ -	\$ -	\$ -
1	SSGG	Table 1	Commercial	Correct rate revenue to account for correct contract and City Services revenue in the appropriate period	Misallocated in Q1	\$ (605,015)	\$ -	\$ (605,015)	\$ -	\$ -	\$ -
1	SSGG	Table 1	Commercial Compactors	Correct rate revenue to account for correct contract and City Services revenue in the appropriate period	Misallocated in Q1	\$ (90,257)	\$ -	\$ (90,257)	\$ -	\$ -	\$ -
1	SSGG	Table 1	CalRecycle Payment	Correct rate revenue to account for correct contract and City Services revenue in the appropriate period	Misallocated in Q1	\$ (407)	\$ -	\$ (407)	\$ -	\$ -	\$ -
1	SSGG	Table 1	Miscellaneous Income	Correct rate revenue to account for correct contract and City Services revenue in the appropriate period	Misallocated in Q1	\$ (931)	\$ -	\$ (931)	\$ -	\$ -	\$ -
1	SSGG	Table 1	Open Market Debris Box	Correct non- rate revenue to account for correct contract and City Services revenue in the appropriate period	Misallocated in Q1	\$ (72,830)	\$ 72,830	\$ -	\$ -	\$ -	\$ -
1	SSGG	Table 1	Equipment & Supply Sales	Correct non- rate revenue to account for correct contract and City Services revenue in the appropriate period	Misallocated in Q1	\$ (1,099)	\$ 1,099	\$ -	\$ -	\$ -	\$ -
1	SSGG	Table 1	Contract Customers	Correct non- rate revenue to account for correct contract and City Services revenue in the appropriate period	Misallocated in Q1	\$ 385,914	\$ (385,914)	\$ -	\$ -	\$ -	\$ -
1	SSGG	Table 1	City Services Contract	Correct non- rate revenue to account for correct contract and City Services revenue in the appropriate period	Misallocated in Q1	\$ 424,049	\$ (424,049)	\$ -	\$ -	\$ -	\$ -
2	SSGG	Table 1	Commercial	Correct rate revenue due to classification error	Classification error	\$ 775,802	\$ -	\$ 775,802	\$ (25,679)	\$ -	\$ (25,679)
2	SSGG	Table 1	Commercial Compactors	Correct rate revenue due to classification error	Classification error	\$ (394,698)	\$ -	\$ (394,698)	\$ -	\$ -	\$ -
2	SSGG	Table 1	Open Market Debris Box	Correct rate revenue due to classification error	Classification error	\$ -	\$ -	\$ -	\$ (37,729)	\$ 37,729	\$ -
2	SSGG	Table 1	Contract Customers	Correct non-rate revenue due to classification error	Classification error	\$ (381,103)	\$ 381,103	\$ -	\$ 63,408	\$ (63,408)	\$ -
3	SSGG	Table 1	Commercial	Correct rate revenue for unbilled services	Unbilled Services	\$ 348	\$ -	\$ 348	\$ 2,068	\$ -	\$ 2,068
3	SSGG	Table 1	City Services Contract	Correct non-rate revenue for unbilled services	Unbilled Services	\$ 120	\$ (120)	\$ -	\$ 2,100	\$ (2,100)	\$ -
4	SSGG	Table 1	Equipment & Supply Sales	Correct non-rate revenue for unbilled services	Unbilled Services	\$ 14,611	\$ (14,611)	\$ -	\$ 14,611	\$ (14,611)	\$ -

Material Error Disclosure  
Increase (Decrease)

Adjustment #	SSGG / RSF	Financial Rate Report Table	Line Item	Description	Cause	RY24 Q1 ending 12/31/23			RY24 Q2 YTD ending 3/31/24		
						Rate and Non-Rate Actual	Less Non-Rate Actual	Rate Actual	Rate and Non-Rate Actual	Less Non-Rate Actual	Rate Actual
5	SSGG	Table 1	Commercial	Services provided to neighborhood festivals and major functions	Compliance with current rate order	\$ (36,019)	\$ -	\$ (36,019)	\$ (77,030)	\$ -	\$ (77,030)
6	SSGG	Table 4(B)	OR Eligible Expenses	True-up of expense line due to Adj #1-5	True-up of expense line due to Adj #1-5	\$ -	\$ (211,760)	\$ (211,760)	\$ -	\$ (42,166)	\$ (42,166)
6	SSGG	Table 4(B)	Processing	True-up of expense line due to Adj #1-5	True-up of expense line due to Adj #1-5	\$ -	\$ (58,802)	\$ (58,802)	\$ -	\$ (11,708)	\$ (11,708)
6	SSGG	Table 4(B)	Disposal	True-up of expense line due to Adj #1-5	True-up of expense line due to Adj #1-5	\$ -	\$ (60,995)	\$ (60,995)	\$ -	\$ (11,482)	\$ (11,482)
6	SSGG	Table 4(B)	Licenses & Permits	True-up of expense line due to Adj #1-5	True-up of expense line due to Adj #1-5	\$ -	\$ (2,428)	\$ (2,428)	\$ -	\$ (472)	\$ (472)