

Recology Material Mistakes or Errors Disclosure (August 12, 2024)

Identified Confirmed Material Mistakes or Errors

On or after July 12, 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 the Combined SF Companies, in consultation with the Refuse Rate Administrator, changed the practice for accounting for tonnage collected from public receptacles beginning in Q2 2024. Before and including Q1 2024, the Combined SF Companies used an estimate of 5,040 tons collected from public receptacles per quarter. Beginning in Q2 2024, the Combined SF Companies revised the public receptacles allocation methodology to use a variable estimate of the tonnage collected from public receptacles. This accounting change is intended to reflect more accurate estimates based on actual tonnages collected from public receptacles. Because the allocation methodology used an estimate that was higher than 5,040 tons for Q1 2024 (revised estimate of 5,522 tons for Q1 2024), it therefore reduced the tonnage not allocated to public receptacle collection. As a result, Q1 2024 revenue for RSF was reduced. Likewise, Q1 2024 intercompany disposal costs for RSS and RGG were reduced. These adjustments are reflected in Attachment A. In Q2 2024, the estimate for Q1 2024 was updated and is reflected in the Q2 2024 financial rate report. The Q2 2024 financial rate report, covering the six months ending March 31, 2024, correctly reports these expenses rate-year-to-date because this accounting change was applied in Q2 2024.

Material Mistake or Error 2 occurred because depreciation expenses for certain RSF assets were not recorded during Q1 and Q2 2024. Catch-up entries for the depreciation expenses of these assets were booked in Q3 2024. As a result, the RSF depreciation expenses for Q1 and Q2 2024 were higher than stated in the Q1 and Q2 2024 financial rate reports.

At the request of the Refuse Rate Administrator, the Combined SF Companies plan to issue revised financial rate reports for Q1 and Q2 2024 and will incorporate the adjustments listed in Attachment A in those revised reports.

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 12th day of August 2024, in San Francisco, California.

Signed by:

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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	Actual	Actual
1	RSF	Table 2	Revenue - Trash	Revised Public Receptacles allocated tons	Update to allocation methodology	\$ -	\$ -	\$ -	\$ (116,205)	\$ -
1	SSGG	Table 4(A)	I/C Disposal	Revised Public Receptacles allocated tons	Update to allocation methodology	\$ (116,205)	\$ -	\$ (116,205)	\$ -	\$ -
1	SSGG	Table 4(B)	Disposal	True-up of expense	True-up of expense	\$ (116,205)	\$ 7,770	\$ (108,435)	\$ -	\$ -
2	RSF	Table 5	Depreciation	Depreciation Expense	True-up Depreciation Expense	\$ -	\$ -	\$ -	\$ 131,150	\$ 262,300