



**SF Environment**

**Our home. Our city. Our planet.**



GAVIN NEWSOM  
Mayor

JARED BLUMENFELD  
Director

**TO:** Commission on the Environment  
**FROM:** Jared Blumenfeld, Director  
**DATE:** May 23, 2007  
**RE:** Guidelines for the use of Impound Account Funds

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As requested, the following is the text of the amended guidelines approved unanimously by the Commission on the Environment at the May 22, 2007 Commission meeting.

As a follow-up to the 2006 Refuse Rate Review Process, the Controller's Performance Evaluation, and the 2006-2007 budget process, the Department is updating the 2003 memo on the Use of Impound Account Funds.

This analysis is also based on the following background documents:

1. Rate Review Applications dating back to the inception of the Impound Account, including documents filed in the 2006 Rate Application
2. Memo dated October 11, 2001 from Deputy City Attorneys Rona Sandler and David Greenburg on the Use of Refuse Rate Proceeds
3. The Department of the Environment's budget for the past two fiscal years
4. Commission on the Environment Resolutions, including 010-06-COE May 23, 2006
5. May 21, 2007 Memo from Deputy City Attorney Tom Owen on use of Impound Account funds for Environmental Justice Projects

The Department of the Environment has a total budget of \$13,808,289 for fiscal 2006-2007, including \$6,483,967 from the Impound Account. Forty-seven percent of the Departmental budget currently comes from the Impound Account. The Solid Waste Impound Account was established to fund programs related to waste collection, disposal and diversion. In the 2006 rate review, the funding level for the Impound Account was set for the next five fiscal years.

## **Background**

San Francisco, along with other cities and counties in California, is required to meet a 1989 state mandate to divert at least 50 percent of the waste it generates from landfill each year, starting in 2000. San Francisco exceeded 50 percent waste diversion in 2001, and in 2002 the San Francisco Commission on the Environment and Board of Supervisors adopted ambitious new goals: 75 percent landfill diversion by 2010, and nothing to the landfill by 2020.

In order to achieve these goals, the City and County of San Francisco partners with private and nonprofit service providers to develop a comprehensive recycling program. The 3-cart solid waste collection program,

familiarly known as the Fantastic 3, which was launched in partnership with the Norcal Waste Systems Companies, serves both residential and commercial customers. As part of this program, San Francisco was the first large city in the United States to implement citywide collection of food scraps, in addition to the more commonly collected yard trimmings. The composting program now serves 150,000 households and 2,000 businesses and institutions. It diverts more than 300 tons of compostable material each day.

To attain its 75 percent diversion goal and work towards zero waste, San Francisco promotes the highest and best use of resources and is pursuing policies that require consumer and producer responsibility. These include mandatory construction & demolition recycling, requiring commonly purchased products to be recyclable or compostable, insisting on recycled content in items purchased by city agencies, demanding that manufacturers take responsibility for the entire life cycle of products they produce (particularly in the area of hazardous materials), and supporting efforts to eliminate subsidies to include more true costs for virgin material production.

## **IMPOUND ACCOUNT SUMMARY**

The 1932 Refuse Collection and Disposal Ordinance grants the City of San Francisco the authority to set refuse rates for residential ratepayers and gives the authority for the Impound Account, which was established in 1978. Section 6 of the 1932 Ordinance requires that refuse rates be “just and reasonable” but provides no further guidance as to limitations on the use of funds generated from the refuse rates. A 2001 City Attorney opinion on the use of refuse rate proceeds specified the following appropriate uses for the Impound Account:

- Costs and administration of the City’s various solid waste management programs
- Programs to reduce the amount of solid waste generated such as recycling and public education
- Programs intended to reduce the costs of solid waste handling, such as reducing the amount of toxics in the solid waste streams
- Programs related to green building and environmental justice that are directed towards solid waste

Program activities conducted by the Department of the Environment (SF Environment) that relate to the production and management of San Francisco’s waste stream are funded primarily through the Solid Waste Impound Account (SWIA). Funding levels for the SWIA are established as part of the refuse collection and disposal rate process. SWIA activities demonstrate a direct connection to the waste stream and include recycling, hazardous waste reduction, other solid waste-related programs (such as resource-efficient construction), and programs that mitigate the impact on neighborhoods affected by solid waste infrastructure.

The refuse rate process sets residential rates for a five-year period, with the latest process covering the period 2006-2011. The SF Environment SWIA budget included with the rate application was based on expenses for solid waste program activities over the same period. Projects included in this budget have been analyzed to ensure that they are appropriately funded by the SWIA using a review of the 1932 Refuse Ordinance, prior rate applications dating back to the inception of the SWIA, legal opinions on the use of refuse rate proceeds, as well as local and state mandates related to solid waste management. The budget is based on a comprehensive set of projects that form the complete framework for SF Environment’s portion of the SWIA for the next five years, but it is understood that specific activities within this list of projects may be adjusted or amended based on advances in information, technology, and subsequent changes in municipal solid waste priorities.

The SF Environment SWIA budget outlines the services provided by each program area, as well the benefit of each service relating to the production and management of San Francisco’s waste stream. The budget shows program costs itemized by employee expenses (FTE), outside professional services, and other expenses (such as program-specific materials and supplies). Program overhead—which comprise administrative costs, office rental, and general materials and supplies—and outgoing waste-related community grants are included in the program summary overviews.

The five-year budget for the SF Environment's portion of the SWIA started at \$6,483,967 for the first fiscal year, which is approximately 2 percent above the average expense level for the past three fiscal years. It then increases by 4.3 percent annually for the following four fiscal years in order to maintain a consistent level of service.

### **Solid Waste Impound Account Programs**

Funds for the SWIA come from both residential and commercial ratepayers with approximately 34 percent of the funds coming from residential ratepayers. Projects funded by the SWIA include both residential and commercial projects.

**Zero Waste Program:** The goal of SF Environment's Zero Waste Program is **to reduce waste going to the landfill** through waste reduction, reuse, recycling and composting programs in order to meet the mandates of the California Integrated Waste Management Board and the San Francisco Board of Supervisors. These include the requirements to divert waste going to landfill by 75 percent by 2010, and the elimination of landfilling by 2020. The Recycling Program works towards these requirements through a series of programs coordinated with the Norcal Waste Systems companies, as well as other providers through a network of commercial, city government and residential programs.

**Toxics Reduction:** The Toxics Reduction Program administers a **wide-range of hazardous waste collection services** for spent or leftover household products including batteries, paint, pesticides, computers, motor oil, and mercury thermometers, as well as programs to reduce the amount of toxic materials used in the city. By reducing the amount of toxic materials, we lower the potential risk that this material will end up in the landfill, and protect the safety of refuse workers (and avoid liability) who could be injured or otherwise affected by hazardous materials that were disposed of improperly. The Toxics Program also works to ensure compliance with the state Universal Waste requirements, which require that all designated hazardous materials be kept out of Altamont landfill. Any hazardous material that is transported, stored or disposed of has the potential to end up in the landfill.

**Green Building:** Green, or resource-efficient building is a process that directs building projects and supporting infrastructure **to minimize the use of resources going to landfill**, and reduce the amount of toxic materials that are used in building construction and maintenance. SF Environment's Green Building Program serves the residential ratepayers by improving recycling and waste management infrastructure, increasing use of recycled content materials and the diversion of demolition debris. The program also provides information to residents on how to conduct green building projects at home. **Only Green Building Programs that relate directly to preventing waste from going to landfill, and those that reduce toxic materials in construction, are paid for through the SWIA.**

**Environmental Justice:** There is a direct nexus between environmental justice and **the location of virtually the entire city's recycling and solid waste infrastructure in the southeast sector of the city.** The primary facilities that process municipal wastes and recyclable materials are located in the southeast sector: (a) the San Francisco Solid Waste Transfer and Recycling Center (SFSWTRC) located at 501 Tunnel Avenue, and (b) Recycle Central at Pier 96, located near Evans Avenue in the Bayview neighborhood of San Francisco. Together, these facilities are permitted to handle up to 7,100 tons of materials and 1,733 vehicles per day. Additionally, the collection trucks operated by Sunset Scavenger start their daily routes at SFSWTRC.

Trucks using fossil fuels, especially diesel fuel, generate toxic air contaminants and particulate matter (PM) emissions as well as contribute to congestion and noise pollution that disproportionately affects the residents in the southeast sector. According to data from the US EPA, the SFSWTRC was responsible for 5 percent of the PM-2.5 and PM-10 emissions in the city in 1999.

In order to help mitigate these impacts, SF Environment has included funding for air quality issues, tree planting to mitigate air pollution and environmental education programs in the southeast sector of the city.

**SF Environment Grants:** The Zero Waste and Toxics Reduction programs both award grants to San Francisco non-profit organizations that offer cost-effective programs to increase waste prevention and the diversion of recyclable, compostable and toxic materials from landfill. This grant program has operated for over 15 years, providing grant funding to over 60 different organizations. New guidelines have been established for the grant program following the 2006 Controller's Performance Audit, and grants will be awarded and funded in accordance with these guidelines.

### **Activities With A Nexus To The Impound Account**

Activities that can be funded by the Impound Account include, but are not limited to, the activities outlined in the Department of the Environment's strategic plan for Zero Waste, Toxics Reduction, Green Building and Environmental Justice, which is updated annually.

<b>Program</b>	<b>Maximum Percentage of Impound Account</b>
Zero Waste (Recycling)	100%
Toxics Reduction	50%
Administration	25%
Green Building	10%
Environmental Justice	10%

### **Zero Waste Program**

The goal of SF Environment's Zero Waste (Recycling) Program is to reduce waste going to the landfill through waste reduction, reuse and recycling programs in order to meet the mandates of the California Integrated Waste Management Board and the San Francisco Board of Supervisors. These include the requirements to reduce waste going to landfill by 75% by 2010, and the elimination of landfilling by 2020. The Zero Waste Program works towards these requirements through a series of programs coordinated with Norcal Waste Systems, as well as other providers through a network of commercial, city government and residential programs. The Program also conducts extensive outreach and education programs, including programs for the residential, commercial and municipal sector, as well as an extensive school education program that reaches thousands of students annually. The Department also coordinates solid waste activities such as diversion studies and landfill related projects. We have determined that it is appropriate to fund all of the programs and projects being conducted by the Zero Waste Program by the Solid Waste Impound Account and that it would be appropriate to spend up to 100% of the Impound Account on Zero Waste activities.

### **Toxics Reduction**

The Toxics Reduction Program seeks to improve the quality of human health and the environment in San Francisco by providing information and services to San Francisco residents, businesses and City agencies to reduce the use of toxic chemicals and properly manage hazardous waste.

The program also administers a wide-range of hazardous waste collection services for spent or leftover household products including batteries, paint, pesticides, computers, motor oil, and mercury thermometers, and is the operator of the Household Hazardous Waste Collection Facility at Sanitary Fill. The Program also conducts extensive outreach and education programs, including programs for the residential, commercial and municipal sector, as well as an extensive school education program that reaches thousands of students annually.

The Toxics Program also works to ensure compliance with the state Universal Waste requirements, which requires that all designated hazardous materials be kept out of Altamont landfill. Any material that is transported, stored or disposed of has the potential to end up in the landfill. This would only exclude direct emissions of toxics into the air or water. We have determined that it is appropriate to fund all toxics reduction projects except for those focusing on air or water emissions through the Impound Account, and that it would be appropriate to spend no more than 50% of the Impound Account on Toxics Reduction activities.

## **Green Building**

Green building is a process to create buildings and supporting infrastructure that minimize the use of resources, reduce harmful effects on the environment, and create healthier environments for people. SFE's Green Building Program's projects include recycling and waste management infrastructure, use of recycled content materials and the diversion of demolition debris. Traditional forms of building construction and operation consume up to half of all raw material use. Construction and demolition debris accounts for about 40 percent of the waste stream in San Francisco. We have determined that it would be appropriate to spend no more than 10% of the Impound Account on Green Building activities.

## **Environmental Justice and Clean Air**

Environmental Justice is the fair treatment and meaningful involvement of all people – regardless of race, ethnicity, income, or education level – in environmental decision-making. SF Environment's Environmental Justice Program promotes the protection of human health and the environment, empowerment via public participation, and the dissemination of relevant information to inform and educate affected communities so that all San Franciscans have an equal opportunity to lead healthy, fulfilling, and dignified lives.

The vast majority of the infrastructure for solid waste and recycling in San Francisco is located in an environmental justice community – the southeast sector of the City. According to EPA TRI data from the last decade, the City's transfer station is the 6<sup>th</sup> largest producer of PM-2.5 emissions in the City. The 4<sup>th</sup> and 6<sup>th</sup> largest producer of PM-2.5 emissions in the City were recyclers. Those three facilities alone were responsible for 23% of the PM-2.5 emissions in the City. The second largest emitter of volatile organic compound emissions in the City is a recycling facility. Solid waste and recycling facilities rank 4<sup>th</sup>, 5<sup>th</sup> and 7<sup>th</sup> largest emitters of PM-10 emissions, collectively accounting for 30% of the PM-10 emissions in the City.

The Department has determined that is appropriate to use Impound funds to remediate or reduce environmental harms caused or aggravated by solid waste disposal and recycling activities conducted in the community, and that it would be appropriate to spend no more than 10% of the Impound Account on these activities.

**Administration:** SF Environment's Administrative Program provides coordinated and comprehensive administrative support to program areas while providing for all the administrative needs for the Department. We have determined that administrative expenses tied to Impound-related activities can be paid for by the Impound Account. This includes administrative expenses for waste prevention, reuse, recycling, solid waste, toxics reduction, and certain aspects of green building and environmental justice. Grant funded projects and programs funded by other departments, such as Energy, Clean Air and the Urban Forest Program, normally include their administrative expenses in their program budget, and are not funded by the Impound Account.

*Administration costs will be allocated based on program FTE counts for Impound staff, and adjusted based on timekeeping systems that will be put into place as of fiscal 2007-2008. We have determined that it would be appropriate to spend no more than 25% of the Impound Account on these activities.*