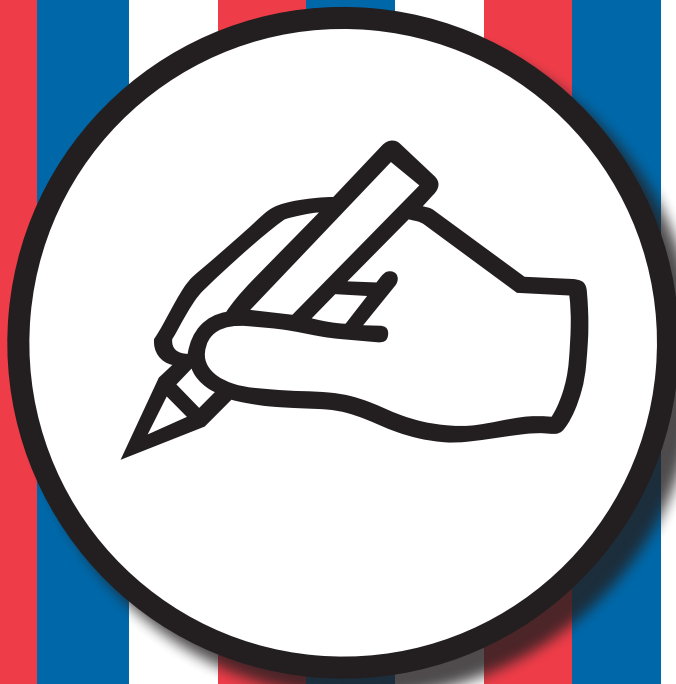


SAN FRANCISCO VOTER GUIDE

JUNE 2012

Ballot analysis and recommendations



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Garbage Collection
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No

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Statement
No

ORDINANCE



Garbage Collection and Disposal

Competitive Bidding for Garbage Collection and Disposal

Ordinance that would require the city to use a competitive bidding process to award separate franchises or contracts for five distinct categories of waste collection and processing in San Francisco, and would require the city to own all processing and transfer facilities used as part of these contracts.

What it does

Proposition A is an ordinance that changes how the city contracts for waste collection and processing. This measure would require the San Francisco Department of Public Works (DPW) to develop a competitive bidding process to award separate contracts for five different components of the city's waste collection process: residential collection; collection from commercial businesses and multi-unit buildings; processing of recyclables and compostables; transportation to disposal sites outside the city; and disposal of non-recycled materials.

Currently, Recology operates as a regulated monopoly and provides all of these services in San Francisco.

Since 1932, the Refuse Collection and Disposal Ordinance has governed the collection and processing of the city's garbage and waste. That ordinance established 97 separate permits for waste collection in San Francisco, one for each collection route. Since that time, however, mergers, acquisitions and consolidations of the various "scavenger" companies have resulted in the transfer of those 97 permits to Recology, which is now the sole provider of these services in San Francisco. These permits have never been reallocated or competitively bid. The only portion of the city's collection and disposal process that is competitively bid is the contract for the landfill site where the city's refuse is disposed. The city competitively bid that contract — currently held by another company — in

the spring of 2011 and awarded it to Recology in July 2011. The contract will take effect in 2015.

Under Prop. A, the director of DPW and the Board of Supervisors' budget and legislative analyst would be required to design a system to competitively bid these services over a two-year period (2013–2015). The measure states that:

- 1) The city shall competitively bid contracts every 10 years, in five concurrent 10-year contracts.
- 2) To maximize the waste diversion rate and attain the city's stated "zero waste" goals, the contractor for in-city recovery and processing cannot be the same as the contractor for disposal.
- 3) All materials recovery, processing and transfer facilities, as well as parking and maintenance facilities for all collection vehicles, shall be publicly owned and located within the city limits by the end of 2018.
- 4) The ordinance may only be amended by the voters at a subsequent election. The mayor and Board of Supervisors may amend the ordinance only to further the purposes and principles.

Prop. A would also require the city to own all processing and transfer facilities used as part of these contracts and contract for operations of those facilities as part of the competitive bidding process. Currently, Recology owns and operates San Francisco's processing and transfer facilities. These facilities were built by Recology and were at least partially funded by ratepayers.

Residential rates for collection are currently set every five years by the San Francisco Refuse Collection and Disposal Rate Board, made up of the city controller, the city administrator and the general manager of the Public Utilities Commission. This board determines the appropriate rates for residential collection. It does not technically regulate commercial rates, but commercial rate increases generally reflect those enacted for residential collection.

As the sole provider of these services in San Francisco, Recology and its predecessor organizations were required to meet the city's aggressive waste-reduction and diversion targets and are reimbursed for these services by ratepayers. The city currently recycles 78 percent of waste collected and has a goal of zero waste — or 100 percent diversion — by 2020.

PROP A

Why it's on the ballot

The voters of San Francisco enacted the Refuse Collection and Disposal Ordinance of 1932, which means any amendments or changes to that ordinance also require voter approval.

There have been numerous attempts to enact competitive bidding for the collection, processing and transportation of waste and recyclables in San Francisco, including two proposals in the 1990s that voters rejected: Proposition Z (November 1993, rejected by 76.3 percent of voters) and Proposition K (November 1994, rejected by 64.5 percent of voters).

In spring 2011, the city competitively bid its contract for waste transportation services to disposal sites outside the city. In an evaluation of that contract and the competitive bidding process, the Board of Supervisors budget analyst recommended that the city also analyze the surrounding competitive landscape for all related services. Following the bidding and approval of that contract, Prop. A was placed on the ballot by voter signatures.

Pros

Arguments for Prop. A are:

- Competition is a fundamental principle of good government and sound public policy, and San Francisco is an outlier among cities in not competitively bidding these services. Ratepayers deserve an assurance that their rates are competitive and

not out of line with other cities. A number of cities across the country have reduced rates and improved services with competitive bidding, most notably in managed competition between public agencies and private firms.

- The 1932 Refuse Collection and Disposal Ordinance was designed for a very different time and should be changed to meet the city's current needs. At the time it was enacted, permits were approved for 97 distinct collection routes across the city. With the consolidation and acquisition of the various permits and operators, a single provider now controls all permits.

Cons

Arguments against Prop. A are:

- San Francisco's waste-diversion rate — the city currently diverts 78 percent of all waste materials from landfills — is the highest in the nation. The city's goal of zero waste by 2020 may not be as economically viable under a competitive process that divides the different components of collection and processing.
- Integrated management of the different streams of waste collection and processing allows for economies of scale and coordination of activities that may not materialize with multiple providers.
- This proposal would require that the city build and/or own all supporting facilities by 2018, the costs of which are unknown and unaddressed by the measure. Under the city's current partnership with Recology, there is no need for the city to develop or acquire new infrastructure or facilities to support waste collection and processing.



David Peters

PROP A

SPUR's analysis

Competitive bidding for city services is a fundamental principle of good government. It has been found to yield cost savings, better alignment of economic and performance incentives for city contractors and improved service provision. Particularly in relation to the collection of waste and recycled materials, these benefits have been realized in a number of cities, though most notably in managed competition between public agencies and private firms in cities such as Indianapolis, Phoenix and, most recently, San Diego. The transition from a regulated monopoly like San Francisco's to this type of competition is entirely untested.

It is not clear that Prop. A will yield an economic benefit to San Francisco or to ratepayers. While competitive bidding can help to shape the efficient delivery of quality services, San Francisco is alone among large cities in having a private, regulated monopoly provide waste collection services. Prop. A would require a fundamental change in the ownership and operating models by which we deliver waste collection and disposal services in San Francisco. There are no clear answers to what the service and rate impacts of Prop. A will be.

Prop. A would also require the city to own and control all facilities and infrastructure that support the collection and processing of waste and recycled goods, but it provides no estimates of these costs or mechanism to pay for them. There are substantial costs associated with the acquisition of land, permitting and development of facilities, as well as parking and maintenance facilities for collection vehicles — all to be located within the city limits. These types of costs are currently paid by ratepayers at rates of return determined by the Refuse Collection and Disposal Rate Board. There are no funds identified for development or acquisition of the required real estate and facilities, and this is certainly no small task in one of the most dense, expensive and built-out cities in the country.

SPUR supports the principle of competitive bidding for a range of city services, and we believe that there are many benefits to be derived from strategically employing competitive bidding to drive down the cost of public services. But this measure is not simply an affirmation of competitive bidding; it is a detailed legislative proposal that contains specific changes to how the city's waste is collected, processed and disposed, with little mention of cost implications or what is working — and not working — in the current system. While the city's longstanding relationship with Recology may be unconventional, that partnership seems to be working well, and the city is well on its way to realizing its ambitious zero waste goals. We should not jeopardize that progress with a flawed legislative proposal.

SPUR recommends a "No" vote on Prop. A

DECLARATION OF POLICY



Coit Tower Policy Statement

Coit Tower Policy
Policy statement to protect and preserve the murals in Coit Tower and strictly limit commercial activities in the tower.

What it does

Built in 1933, Coit Tower was a gift to the City and County of San Francisco from Lillie Hitchcock Coit. The tower contains nearly 30 murals and other period pieces displayed throughout the structure. More than 200,000 people visit Coit Tower each year.

The tower and surrounding Pioneer Park are both managed by the San Francisco Recreation and Parks Department (RPD), which has subcontracted tower operations — including the elevator, gift shop and limited special events — for decades. These activities are projected to generate approximately \$795,000 this year from a combination of concessions and a \$7 elevator fee. Solicitation for a new contractor has been under way for two years and is scheduled for final approval in summer of 2012.



PROP B

The works inside the tower are managed by the San Francisco Arts Commission, which maintains the city's extensive public art collection. The murals were created as part of the New Deal's Public Works of Art Project, a federal employment program for artists, and have been restored four times since the 1930s. The Arts Commission curates and maintains the murals; it budgets approximately \$75,000 per year to maintain all public art in San Francisco.

Proposition B is a non-binding declaration of policy that intends to protect and preserve the historic murals inside Coit Tower by strictly limiting commercial activities and private events at Coit Tower and by prioritizing funds earned through its concession operations for:

- Preserving the historic murals throughout the interior of the Coit Tower building;
- Protecting and maintaining the structure of the Coit Tower building; and
- Beautifying Pioneer Park, which surrounds Coit Tower.

The measure would restrict the use of all funds generated by the Coit Tower concession, including special events, elevator revenues, retail and similar activities in the surrounding area.

Why it's on the ballot

Telegraph Hill residents and others formed a committee to restore the murals in 2011 and placed Proposition B on the ballot via voter signatures. The group believes that years of neglect and mistreatment during special events have left the murals with numerous chips and water stains.

Pros

Arguments for Prop. B are:

- The Depression-era murals in Coit Tower have fallen into disrepair and desperately need to be restored. Prop. B is a way both to secure the funding needed for their restoration and care and to limit the types of commercial activities that damaged them in the first place.
- The current condition of the tower and murals indicates a more systemic problem with coordination between departments. Prop. B will help to clarify both funding and roles between RPD and the Arts Commission while restoring a valuable historic resource.

Cons

Arguments against Prop. B are:

- RPD is operating a parks system and should not prioritize certain parks or facilities over others. Many facilities generate revenue that helps support other parks, programs and facilities throughout the city. Coit Tower is a major attraction, and revenues should not be restricted to a specific site.
- RPD has already pledged \$250,000 to the Arts Commission to restore and curate the murals, and has dedicated a portion of the concession agreement to their ongoing care and

protection. Further constraints on funding and use of the tower are unnecessary.

- Prop. B may make it more difficult to attract a new concessionaire to operate Coit Tower because it creates unclear limitations on commercial activities and private events at Coit Tower.

SPUR's analysis

Funding our city's parks has become increasingly contentious as the mayor and Board of Supervisors have diverted revenues from RPD in recent years. As we noted in the 2011 SPUR report *Seeking Green*, more than 25 percent of the department's General Fund revenues have been directed to other departments in just the last five years. What has emerged from this unfortunate trend is Prop. B — a well-intended idea that, in practice, could actually undermine our recreation and parks system. There is no question that the murals in Coit Tower need to be restored and given the care and attention that they require. Unfortunately, there will always be differences of opinion about how best to secure the funds to do so. RPD has already dedicated \$250,000 to the Arts Commission to restore the tower and murals and contractually pledged 1 percent of ongoing concession revenues to ensure that activities in the tower help to support the curation and care of the space.

By limiting the types of commercial activities taking place in and around Coit Tower — whether private events or other types of activities — the measure could actually limit the value of any concession contract, making it difficult to attract a willing concessionaire. It could also limit the ability of the department to generate revenue for RPD activities citywide. By restricting the use of funds, the measure could prevent the department from supporting parks, programs and facilities that currently benefit from revenues generated system-wide.

Prop. B has already helped to secure an explicit funding commitment from RPD and the Arts Commission and has elevated this issue very effectively. Detaching Coit Tower from the rest of the parks system is simply not the right mechanism to ensure the long-term viability of the murals, the tower or any single component of the San Francisco parks system.

SPUR recommends a “No” vote on Prop. B

Two city measures appear on the San Francisco ballot on June 5, 2012. As we do every election, SPUR thoroughly analyzed each one. Our Ballot Analysis Committee heard arguments from both sides of the issues, debated the measures' merits and provided recommendations to our board of directors. The board then voted, with a 60 percent vote required for SPUR to make a recommendation.

For each measure, we asked: Is it necessary and appropriate to be on the ballot? Is it practical and, if enacted, will it achieve the result it proposes? And most importantly: Is it a worthy goal, one that will make San Francisco a better place to work and live?

The SPUR Board of Directors reviewed, debated and adopted this analysis as official SPUR policy on March 31, 2012.

SPUR Ballot Analysis Committee

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