



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Public Works



Date: October 15, 2014

Board Meeting Date: November 18, 2014

Special Notice / Hearing: None

Vote Required: Majority

To: Honorable Board of Supervisors, Acting as the Governing Board of County Service Area 8

From: James C. Porter, Director of Public Works

Subject: Adoption of the 2015 Garbage and Recyclables Collection Rates in County Service Area. No. 8 (North Fair Oaks)

RECOMMENDATION:

Acting as the Governing Board of County Service Area No. 8, adopt a Resolution setting the 2015 garbage and recyclables collection rates for County Service Area No. 8 at the same level as the 2014 rates.

BACKGROUND:

On October 20, 2009, your Board adopted Resolution No. 070423 which approved a franchise agreement with Recology San Mateo County (RSMC) to provide services for the collection of recyclable materials, organic materials, and solid waste from January 1, 2011 through December 31, 2020. These services began on January 1, 2011 and have been provided to County Service Area No. 8 (CSA-8) and the Unincorporated Franchised Areas (County franchised area) within the South Bayside Waste Management Authority (SBWMA) service area (Burlingame to Menlo Park), exclusive of West Bay Sanitary District.

On December 10, 2013, your Board adopted Resolution No. 072906, adopting the garbage and collection rates for CSA-8 for 2014.

On July 15, 2014, your Board, adopted Resolution No. 073266, approving the FY 2014-15 Garbage and Recyclables Collection Service Charges Report for County Service Area No. 8 based on the effective rates.

DISCUSSION:

The RSMC franchise agreement allows for specific adjustments in RSMC's compensation based on costs incurred during the first three rate years (2011-2013) to support providing services to the rate payers. To make adjustments for the 2015 rate

year, RSMC is required to submit a contractor's compensation application based on actual services provided in 2014, the reconciliation of the actual revenue received for 2013, and the projected costs for providing service in the 2015 rate year. The "2015 Recology San Mateo County Compensation Application" was submitted to the SBWMA for their review. South Bay Recycling (Shoreway Environmental Center operator) also submitted a "2015 Compensation Application" to the SBWMA on July 1, 2014, as required. The South Bay Recycling application included a 1.3% overall compensation adjustment.

The SBWMA reviewed the applications, provided Member Agencies with an opportunity to review and submit comments relative to the applications, and facilitated the incorporation of required changes to the applications. The SBWMA prepared and presented Final Reports reviewing both applications to the SBWMA Board on September 25, 2014. The "SBWMA Final Report Reviewing the 2015 Recology San Mateo County Compensation Application" (SBWMA 2015 Rate Report) included the consolidation of the data from the South Bay Recycling application, RSMC compensation application, and information regarding member agency fees and other associated costs. Both the "2015 South Bay Recycling Compensation Application" and the "2015 Recology San Mateo County Compensation Application" were approved by the SBWMA Board at their September 25, 2014 meeting.

The SBWMA 2015 Rate Report includes rate adjustments for each member agency that the SBWMA believes are necessary to meet the estimated revenue requirements for providing garbage and recyclables collection services for 2015. The SBWMA 2015 Rate Report recommended a -2.2% rate adjustment for CSA-8. Attachment "A" to this report includes the rate adjustments for each Member Agency contained in the SBWMA 2015 Rate Report.

Department staff has conducted an analysis of the SBWMA 2015 Rate Report and the compensation applications from South Bay Recycling and RSMC and has verified that a rate increase for 2015 is not necessary. Staff is recommending that the 2015 rates be set at the same level as the 2014 rates adopted by your Board on December 10, 2013. These rates are listed in Exhibit "A" to the Resolution and would be effective on January 1, 2015. We do not recommend lowering rates because of the uncertainty inherent in the overall rate calculations. Any additional revenue received will be used to offset future rate adjustments.

The SBWMA 2015 Rate Report provides revenue reconciliation information by quantifying revenue shortfalls or surpluses when comparing the approved compensation owed to RSMC for 2012, 2013, and 2014 with the actual or estimated revenue received by RSMC. The calculated shortfalls or surpluses are added to or subtracted from the 2015 revenue requirement for each Agency as part of the rate adjustment recommendations.

Based upon SBWMA and Department staff analysis, a rate increase will not be required for the 2015 rate year for CSA-8 due to the actual and anticipated revenue

surpluses in CSA-8 for 2012, 2013, and 2014. These surpluses were due in part to the reallocation of accounts from CSA-8 to their respective service areas. Staff anticipates a rate increase will be necessary in 2016 for CSA-8 to cover future projected Consumer Price Indices (CPI) costs for both collection and disposal.

The recommended rates would be effective on January 1, 2015. The charges based on the rates will appear on the property owner's tax bill for FY 2015-16 for all parcels with dwelling units, pursuant to County Ordinance Codes 4.04.200 and 4.04.220, and any additional elective services will be billed directly by RSMC. Commercial parcels without dwelling units will continue to be billed by RSMC for all services. Additionally, any Unscheduled Services requested by the customer will be billed directly to the customer by RSMC. The rate for two 32-gallon garbage carts or one 64-gallon garbage cart will continue to be \$27.31 per month. The rates continue to reflect a five percent (5%) franchise fee that will be paid to the County from RSMC.

The franchise agreement included fees for Unscheduled Services (Attachment Q of the Franchise Agreement). The Unscheduled Services are generally those additional elective services that are specifically requested and paid for by the ratepayers in addition to the basic collection service charges. These Unscheduled Services fees are not property related fees and, therefore, not subject to the Proposition 218 rate setting requirements. The franchise agreement allows for a Consumer Price Index (CPI) increase to the Unscheduled Services Fees. The Unscheduled Service Fees for 2015 reflect a 1.47% CPI adjustment to the 2014 fees as reflected in Exhibit "B" to the Resolution. The Department is not proposing a CPI adjustment to provide additional customer requested residential organic and recycling cart services. Fees for this service were set during the 2014 rate setting process.

Individual notice to the property owners is not required, as the base 2015 garbage and recyclables collection rates for CSA-8 area are not proposed to increase from the previously adopted rates for 2014.

County Counsel has reviewed and approved the Resolution as to form.

Approval of this action will contribute to the Shared Vision 2025 outcome of a Collaborative Community by continuing to promote regional solutions as a SBWMA member agency for garbage and recyclables collection services for CSA-8.

FISCAL IMPACT:

The proposed rates for 2015 are at the same level as the 2014 rates. The garbage and recyclables rates are levied on properties that are leased or owned by the County that are located in the CSA-8. There is no impact on the General Fund.

Attachment A: Total Collection Rate Impact

Attachment A

Total Collection Rate Impact							
(Source: SBWMA BOD Packet 09/25/2014, Agenda Item: 5B Exhibit A - p17 & 18, September 18, 2014 SBWMA Final Report Reviewing the 2015 Recology Compensation Application, Table 8 – Total Collection Rate Impact (Part 2 of 2))							
	2015 Total SBWMA Member Agencies	Town of Atherton	City of Belmont	City of Burlingame	City of East Palo Alto	City of Foster City	Town of Hillsborough
Cumulative Rate Adjustment Percentage	-2.3%	-37.8%	*	-10.7%	-1.3%	16.8%	-31.9%
	City of Menlo Park	CSA-8 (North Fair Oaks)	City of Redwood City	City of San Carlos	City of San Mateo	West Bay Sanitary District	County Franchised Area
Cumulative Rate Adjustment Percentage	2.4%	-2.2%***	-7.9%	-4.9%	2.9%	-5.9%	-2.0%**

* The City of Belmont calculates their rate adjustments independent of the SBWMA Rate Application process.

** The Department is not recommending a rate increase based on a detailed analysis of County franchised area collection service requirements.

*** The Department is not recommending a rate increase based on a detailed analysis of CSA-8 (North Fair Oaks) collection service requirements.