



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Public Works and Parks



Date: September 21, 2012
Board Meeting Date: October 23, 2012
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: James C. Porter, Director of Public Works and Parks

Subject: Garbage and Recyclables Collection Rates in the Unincorporated Franchised Areas within the South Bayside Waste Management Authority

RECOMMENDATION:

Adopt a Resolution setting December 11, 2012 at 9:00 a.m. at your regularly scheduled Board meeting, as the time and place for a public hearing on the garbage and recyclables collection rates for the unincorporated franchised area within the South Bayside Waste Management Authority service area, exclusive of County Service Area No. 8 (North Fair Oaks) and West Bay Sanitary District.

BACKGROUND:

On October 20, 2009, your Board adopted Resolution No. 070423 which approved a new 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 CSA-8 and the unincorporated franchised area within the South Bayside Waste Management Authority (SBWMA) service area (Burlingame to Menlo Park), exclusive of County Service Area No. 8 (CSA-8) and West Bay Sanitary District. This newly franchised area (County franchised area) is comprised of the following communities: Burlingame Hills, San Mateo Highlands and Baywood Park [Crystal Springs area], Harbor Industrial, Devonshire Canyon, Palomar Park, Oak Knoll, Kensington Square, Emerald Lake Hills, Sequoia Tract, Peninsula Golf Club, and Trailer Ranchero. These areas were not previously covered by a franchise agreement.

On January 24, 2012, your Board adopted Resolution No. 071786, adopting the garbage and recyclables collection rates for the County franchised area effective January 1, 2012.

The process to be followed for adopting the garbage and recyclables collection rates includes:

1. Adopt a Resolution of the proposed collection rates.
2. Hold a public hearing and receive testimony on the proposed rates.

Articles XIIC and XIID of the State Constitution (Proposition 218), require notices be sent to property owners alerting them of the public hearing to consider any new or increased property related fees, and a mechanism for rejecting the fees via a “majority protest” at the public hearing. We are recommending that your Board direct us to notify each affected property owner in the County franchised area of the proposed rates by mail and to explain that protests to the rates must be in writing.

If there were a successful majority protest, the Board would be prevented from setting the rates.

DISCUSSION:

The transition to RSMC collection services has resulted in significantly expanded collection of recyclable and organic materials and increased diversion of waste from landfills. The increase in diversion of solid waste helps to achieve diversion goals for CSA-8 and the County franchised area.

The RSMC franchise agreement allows for specific adjustments in RSMC's compensation during the first three rate years to support providing services to the rate payers. To make adjustments for the 2013 rate year, RSMC is required to submit a contractor's compensation application based on actual services provided in 2012, along with projected costs for providing service in the 2013 rate year. The application has been submitted to the SBWMA for their review.

The SBWMA compiled data from the RSMC compensation application, data from South Bay Recycling (Shoreway Environmental Center operator), and information regarding member agency fees and other associated costs into a consolidated rate report (SBWMA Rate Report). The rate increases recommended in the SBWMA Rate Report represent rates for each member agency that SBWMA believes will meet revenue requirements to provide garbage and recyclables collection services. On September 27, 2012, the SBWMA Board approved the final SBWMA Rate Report. Attachment “A” summarizes the Rate Adjustment Percentages included in the SBWMA Rate Report.

The proposed rates for the County franchised area are listed in Exhibit “A” to the Resolution and represent a 9.1% rate increase from the previous rates set by your Board. The SBWMA Rate Report noted that rate increases were primarily due to the following: a 2012 estimated base revenue reconciliation shortfall, performance incentive/disincentive payments (and Liquidated Damages) for 2011 for meeting or exceeding diversion goals, service level adjustments, reallocation of costs for agency facility services (i.e. public cans, venues and events), adjustments in disposal and processing costs at the Shoreway Facility, Consumer Price Index adjustments for the curbside Household Hazardous Waste collection program, adjustments to the franchise fees based upon the revenue projections, and adjustments to the revenue projections for the 2011 rate year based upon actual revenue received.

RSMC's costs are broken into nine cost categories and each is allocated based upon four operational statistics specific to our areas. These operational statistics are updated annually in May and include: route labor hours, route hours, containers in service, and the number of customer accounts serviced. Additional adjustments by RSMC for the

2013 rate year included a reduction in administrative costs, changes in capital, depreciation expenses, collective bargaining agreements (CBA) increases, and pension payments to CBA employees on worker's compensation.

The recommended rates will continue to reflect a five percent (5%) franchise fee that will be paid to the County from RSMC. Without a rate increase, the SBWMA Rate Report projected a revenue shortfall in the County franchised area of \$334,584, plus interest. The franchise agreement with RSMC requires that interest be paid by the County on any balance owed to RSMC resulting from adopted rates that are insufficient to meet the revenue requirements.

The SBWMA Rate Report indicated that the current rates in CSA-8 are adequate. However, the Department has performed a detailed analysis of the revenue requirements for the 2013 rate year and will be recommending a rate increase for 2013 at a future Board meeting. The charges for garbage and recyclable service in CSA-8 for residential dwellings appear on the property owner's tax bill, while commercial parcels are billed by RSMC based on the rates approved by your Board.

The franchise agreement included fees for Unscheduled Services (Attachment Q of the Franchise Agreement) that we are recommending your Board reaffirm through the rate adoption process, attached as Exhibit "B" to the Resolution. The Unscheduled Services are generally those additional services that are specifically requested and paid for by the ratepayer, in addition to the basic collection service charges. The Unscheduled Service fees are not property related fees and therefore not subject to the Prop 218 rate setting requirements. The franchise agreement allowed for a Consumer Price Index increase to the Unscheduled Services Fees as reflected in Exhibit "B" to the Resolution.

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 informing and engaging residents in the process to adopt garbage and recyclables collection rates.

FISCAL IMPACT:

The proposed rates reflect a 9.1% increase in the County franchised area over the current rates. Staff estimates that it will cost approximately \$5,000 (\$1 per rate payer) to prepare, print and mail individual notices to each property owner in County franchised area. The costs for the County franchised area notices will be reimbursed from the franchise fees.

Attachment: Attachment "A"

Attachment “A”

Total Collection Rate Impact by Member Agency – 2013 (Source: SBWMA Rate Report)							
	2013 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
Rate Adjustment Percentage	5.0%	-5.9%	*	-9.7%	25.8%	-5.9%	-15.7%
	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
Rate Adjustment Percentage	2.3%	-0.9%	-3.9%	12.0%	11.0%	8.7%	11.8%**

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

** The Department is recommending a 9.1% rate increase based on a detailed analysis of County Franchised Area collection service requirements.