



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



Date: December 3, 2012

Board Meeting Date: January 8, 2013

Special Notice / Hearing: None

Vote Required: Majority

To: Honorable Board of Supervisors

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

Subject: Set Hearing for Garbage and Recyclables Collection Rates in County Service Area. No. 8 (North Fair Oaks)

RECOMMENDATION:

Acting as the Governing Board of the County Service Area No. 8 (North Fair Oaks) adopt a Resolution setting February 26, 2013 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 County Service Area No. 8 (North Fair Oaks).

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 area within the South Bayside Waste Management Authority (SBWMA) service area (Burlingame to Menlo Park), exclusive of West Bay Sanitation District (County franchised area).

On February 15, 2011, your Board adopted Resolution No. 071268, adopting the garbage and recyclables collection rates for CSA-8 effective March 1, 2011.

On July 26, 2011, your Board adopted Resolution No. 071536, approving the "FY 2011-12 Garbage and Recyclables Collection Service Charges Report for County Service Area No. 8" based on the effective rates.

On July 24, 2012, your Board adopted Resolution No. 072081, approving the "FY 2012-13 Garbage and Recyclables Collection Service Charges Report for County Service Area No. 8" based on the effective rates.

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 CSA-8 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 2013 Rate Report). The rate increases or decreases recommended in the SBWMA 2013 Rate Report represent rate adjustments for each member agency that the SBWMA believed would meet the revenue requirements to provide garbage and recyclables collection services for 2013. On September 27, 2012, the SBWMA Board approved the final SBWMA 2013 Rate Report and on November 28, 2012 SBWMA staff provided revised rate adjustment information based on Member Agency feedback. Attachment “A” summarizes the “revised” Rate Adjustment Percentages provided by SBWMA for the SBWMA 2013 Rate Report. The rate adjustments for CSA-8 in the SBWMA 2013 Rate Report and “revised” rate adjustments were -0.9% and 4.8%, respectively.

The Department conducted a detailed independent analysis of the customer base, existing and anticipated service levels, billing frequencies, and revenue requirements for

CSA-8 and is recommending a 2.6% rate increase for customers receiving commercial bin or box services and a 6.1% rate increase for customers receiving cart services, which are primarily residential customers. The difference in the percentages per type of service is due primarily to an increase in the operational costs for servicing carts versus bins or boxes. The proposed 2013 rates for CSA-8 are listed in Exhibit "A" to the Resolution.

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.

Based upon the Department's analysis, the most significant factors contributing to the proposed rate increase are the reallocation of costs associated with agency facility accounts and customer accounts in surrounding jurisdictions incorrectly attributed to CSA-8. These two factors increased costs and decreased revenue in CSA-8 and were the most notable contributions to the "revised" rate adjustments provided by the SBWMA.

RSMC's costs are broken into nine cost categories and each is allocated based upon four operational statistics specific to CSA-8. 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 proposed rates would be retroactive and effective on January 1, 2013. The charges based on the rates will appear on the property owner's tax bill for FY 2013-14 for all parcels with dwelling units, pursuant to County Ordinance Codes 4.04.200 and 4.04.220 and any additional services will be billed by RSMC. Commercial parcels without dwelling units will continue to be billed by the service provider for all services. Additionally, any Unscheduled Services requested by the customer will be billed directly to the customer by RSMC. The proposed rate for two 32-gallon carts or a 64-gallon garbage cart is \$26.21 per month. This represents an increase of \$1.51 per month from the rates previously approved by your Board.

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 Department has estimated that the revenue shortfall in CSA-8 for 2013 would be \$100,786 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 franchise agreement included fees for Unscheduled Services (Attachment Q of the Franchise Agreement) that your Board reaffirmed through the rate adoption process for the County franchised area on December 11, 2012. The Unscheduled Services are generally those additional elective services that are specifically requested by 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 Proposition 218 rate setting requirements. The franchise agreement allowed for a Consumer Price Index increase to the Unscheduled Services Fees.

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:

There is no impact to the General Fund. The proposed rates reflect a 6.1% rate increase over the current rates for residential dwellings and commercial parcels utilizing cart services, and a 2.6% increase over the current rates for parcels that subscribe to commercial bin or box services. Staff estimates that it will cost approximately \$3,220 (\$1 per rate payer) to prepare, print and mail individual notices to each property owner in CSA-8. The costs for the CSA-8 notices will be reimbursed from the franchise fees.

Attachment: Attachment "A"

Attachment “A”

Total Collection Rate Impact by Member Agency – 2013 (Source: Revised Table for SBWMA 2013 Rate Report – November 28, 2012)							
	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%	*	-9.1%	5.5%	-6.0%	-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%	4.8%***	-4.2%	12.0%	11.0%	5.4%	9.1%***

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

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

*** The Department is recommending a 2.6% rate increase for customers receiving bin or box services and a 6.1% rate increase for parcels with cart services based on a detailed analysis of County Service Area No.8 collection service requirements