



**COUNTY OF SAN MATEO**  
Inter-Departmental Correspondence  
Public Works



**Date:** January 15, 2016  
**Board Meeting Date:** February 23, 2016  
**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors

**From:** James C. Porter, Director of Public Works

**Subject:** Adoption of the 2016 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, conduct a public hearing to consider the 2016 Garbage and Recyclables Collection Rates in County Service Area No. 8 (North Fair Oaks).

- A) Report and recommend
- B) Open public hearing
- C) Close public hearing
- D) Adopt a resolution setting the 2016 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 CSA-8 and West Bay Sanitary District.

On November 18, 2014, your Board adopted Resolution No. 073500, setting the 2015 garbage and collection rates for CSA-8 at the same level as the 2014 rates, effective January 1, 2015.

On July 21, 2015, your Board adopted Resolution No. 073932, approving the FY 2015-16 Garbage and Recyclables Collection Service Charges Report for CSA-8, based on the effective rates.

On January 5, 2016, your Board adopted Resolution No. 074290 setting February 23, 2016 at 9:00 a.m. in your Chambers, 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).

The process to be followed for setting the garbage and recyclables collection rates for 2016 includes:

1. Hold a public hearing and receive testimony on the proposed rates.
2. After considering all written and oral objections to the proposed rates, close the public hearing.
3. Determine if there is a majority protest to the proposed garbage and recyclables collection rates. If there is a majority protest, terminate the consideration of adopting rates for garbage and recyclables in the CSA-8. If there is not a majority protest, adopt the resolution and set the garbage and recyclables collection rates for CSA-8, effective March 1, 2016.

If a majority protest occurs, your Board would be prevented from adopting the rates.

### **DISCUSSION:**

The RSMC franchise agreement allows for specific adjustments in RSMC's compensation during the first three rate years (2011-2013) to support providing services to the rate payers. To make adjustments for the 2016 rate year, RSMC is required to submit a contractor's compensation application based on actual services provided in 2015, the reconciliation of the actual revenue received for 2013 and 2014, and the projected costs for providing service in the 2016 rate year. The application was submitted to the SBWMA for their review and approval.

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 Final Report Reviewing the 2016 Recology San Mateo County Compensation Application, September 17, 2015" (SBWMA 2016 Rate Report.) The rate increases or decreases recommended in the SBWMA 2016 Rate Report represent rate adjustments for each member agency that the SBWMA believes are necessary to meet the revenue requirements to provide garbage and recyclables collection services for 2016.

The proposed rates for CSA-8 are listed in Exhibit A to the resolution and represent a 2.7% rate increase for carts that are billed on the tax roll and a 2% rate increase for bin services, from the rates previously set by your Board for 2015. The SBWMA 2016 Rate Report noted the RSMC's 2016 compensation application is based upon adjustments to the 2014 actual costs, the 2015 and 2016 projected costs, and performance incentives/disincentive payments for 2015. The 2014 rate year was the first year that

contractor compensation adjustments were based upon changes in the Consumer Price Indexes (CPI).

The Department's analysis looked at four areas: review of the SBWMA 2016 Rate Report, the projections of costs until the end of the contract term (2020), the indexes used for cost adjustments, and the revenue collected from both commercial and residential customers. The SBWMA 2016 Rate Report indicated a rate increase was not necessary for 2016, but the SBWMA analysis included estimated projections for surpluses for 2015, 2016, and 2017, which will not be reconciled until the rate years following those specific years. The Department's analysis does not include these projections until the year in which they will be reconciled due to fluctuations in commercial accounts, indices and services which can have a direct impact on revenue.

The Department's analysis indicates that CSA-8 will not collect enough revenue to cover the projected costs for 2016 without a rate increase. The Department reviewed the costs and revenue through 2020 based on specific assumptions to determine whether a significant shortfall at the end of the contract term would be anticipated. Any shortfall at the end of the franchise agreement term must be paid in the first year following the contract end. At this time, the Department is recommending an increase to reduce the projected shortfall at the end of the contract term.

The Department also reviewed the costs and revenue for both residential and commercial accounts. The Department has determined that modest rate increases to residential and commercial accounts should be made to begin to better align the rates to the actual costs for collection and disposal. A 2.7% rate increase for cart service and a 2% rate increase for bin service is recommended for 2016. The Department intends to evaluate different rate structures in future years to capture the actual costs for collecting all three carts (garbage, recycling, and organics) for residential dwellings.

The SBWMA 2016 Rate Report recommended a -0.6% rate decrease for CSA-8 at their September 24, 2015 meeting. This surplus is attributed to the revenue collected for commercial accounts that do not contain a dwelling unit. However, based on our analysis, staff recommends a modest upward rate adjustment be implemented to soften future rate increases and avoid owing RSMC funds at the end of the contract term. Attachment A includes the recommended rates for each Member Agency contained in the SBWMA 2016 Rate Report as approved by the Member Agencies at the September 24, 2015 SBWMA meeting. However, based on our analysis of the revenue, expenditure, shortfall, and surplus information, staff believes that a 2.7% rate increase for carts with a similar rate increase for the following calendar year is more appropriate to generate the required revenue to cover the costs of collection for the cart services. The Department's analysis has also determined that a 2% rate increase for bin service is necessary.

The recommended rates would be effective on March 1, 2016. The charges based on the rates will appear on the property owner's tax bill for FY 2016-17 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 continue to be billed directly to the customer by RSMC.

The proposed rate for two 32-gallon garbage carts or one 64-gallon garbage cart for one to four residential dwelling units will be \$28.05 per month. The proposed rate for one 32-gallon cart for dwellings that contain over four units or mixed use parcels will be \$28.05 per month per unit. This represents an increase of approximately \$0.74 per month for residential dwelling units. The recommended rates will 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 2016 reflect a 0.86% CPI adjustment to the 2015 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 and by continuing to promote regional solutions as a SBWMA member agency for garbage and recyclables collection services for CSA-8.

**FISCAL IMPACT:**

The proposed 2016 rates reflect a 2.7% increase for cart services and a 2.0% increase for bin accounts for CSA-8 over the current 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. The cost for CSA-8 Prop 218 notices was reimbursed from the franchise fees.

There is no impact on the General Fund.

Attachment A: Total Collection Rate Adjustment by Member Agency – 2016

## Attachment A

<b>Total Collection Rate Impact by Member Agency – 2016</b> ((Source: SBWMA BOD Packet 09/24/2015 Agenda Item: 6A Exhibit A-p19– Total Collection Rate Adjustment))							
	<b>2016 Total SBWMA Member Agencies</b>	<b>Town of Atherton</b>	<b>City of Belmont</b>	<b>City of Burlingame</b>	<b>City of East Palo Alto</b>	<b>City of Foster City</b>	<b>Town of Hillsborough</b>
Rate Adjustment Percentage	-3.0%	-22.3%	*	-1.4%	3.1%	-5.2%	-35.4%
	<b>City of Menlo Park</b>	<b>CSA-8 (North Fair Oaks)</b>	<b>City of Redwood City</b>	<b>City of San Carlos</b>	<b>City of San Mateo</b>	<b>West Bay Sanitary District</b>	<b>County Franchised Area</b>
Rate Adjustment Percentage	5.0%	-0.6%	-3.9%	-4.7%	-0.6%	-2.0%	-4.1%**

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

\*\* The Department is recommending a 2.7% rate increase for cart services and a 2% rate increase for bin services based on a detailed analysis of County Service Area No. 8 collection service requirements.