



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



**Date:** November 30, 2012  
**Board Meeting Date:** December 11, 2012  
**Special Notice / Hearing:** Complied Required  
Notification  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors

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

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

**RECOMMENDATION:**

Adopt a Resolution adopting the garbage and recyclables collection rates for the unincorporated franchised areas within the South Bayside System 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 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. This 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.

On October 23, 2012, your Board adopted Resolution No. 072231, which set 9:00 a.m. on December 11, 2012, in your Chambers, as the time and place for a public hearing regarding the adoption of the proposed garbage and recyclables collection rates for the County franchised area.

The process to be followed for adopting the garbage and recyclables collection rates 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 and determine if there is a majority protest to the proposed garbage and recyclables collection rates.
3. If there is a majority protest, terminate the consideration of adopting rates for garbage and recyclables in the County franchised area.
4. If there is not a majority protest, adopt the resolution and set the garbage and recyclables collection rates for the County franchised area, effective January 1, 2013.

If a majority protest occurs, the Board would be prevented from adopting 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 (CFA).

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 was submitted to the SBWMA for their review.

The SBWMA compiled data from the RSMC compensation application, data from South Bay Recycling (Shoreway Environmental Center site facility operator), and information regarding member agency fees and other associated costs into a consolidated rate report (SBWMA 2013 Rate Report). The rate increases recommended in the SBWMA 2013 Rate Report represents rates for each member agency that the SBWMA believes will meet the revenue requirements to provide garbage and recyclables collection services for each area.

On September 27, 2012, the SBWMA Board approved the final SBWMA 2013 Rate Report. The SBWMA Board member vote included eight (8) "yes" votes and four (4)

votes to “abstain”. The County voted to “abstain” due to the Department’s additional analysis of the rate increase, and the fact that the recommended rate increase reflected a number of accounts that were not within the CFA.

The SBWMA 2013 Rate Report recommended an 11.8% rate increase for the CFA. Based on a detailed analysis of the revenue and costs for CFA by the Department and discussions with RSMC, we are recommending a 9.1% rate increase. Attachment “A” to the Executive Summary summarizes the Total Rate Adjustment Percentages included in the SBWMA Rate Report. The 9.1% rate increase is comprised of a 2.5% one-time cost adjustment for 2011 and 2012 and a 6.6% increase in projected costs for collections services in 2013.

The 2.5% increase is due in part to payment of a performance incentive to RSMC related to 2011 collection services, and the 2012 actual costs for services exceeding the estimated costs, creating a shortfall. The Franchise Agreement allows for performance incentive payment for exceeding diversion goals, which occurred in 2011. The 2012 projected revenue shortfall is predominantly due to closed accounts during the rate year, actual labor hours for servicing accounts, an increase in disposal tons and associated costs for the service area, and the reallocation of account costs for servicing agency facilities (i.e. venues, events and public cans).

The 6.6% portion of the rate increase was determined by using the estimated costs for collection services in 2012 plus any additional RSMC and South Bay Recycling projected costs for 2013. RSMC’s cost calculations are broken into nine cost categories. Each is allocated based upon four operational statistics specific to the SBWMA. These four operational statistics are updated annually in May and include: route labor hours, route hours, containers in service, and the number of customers accounts serviced. Additional adjustments factored into the rate increase include a reduction in administrative costs, changes in capital, depreciation expenses, collective bargaining agreements (CBA) increases, and pension payments to CBA employees on workers’ compensation.

The recommended rates continue to reflect a five percent (5%) franchise fee that will be paid to the County from RSMC. According to staff analysis without a 9.1% rate increase, the projected revenue shortfall, for CFA would be \$256,567 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 2013 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 elective services that are specifically requested by and paid for by the ratepayer, in addition to the base 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.

The proposed rates for the CFA are listed in Exhibit "A" to the Resolution and represent a 9.1% rate increase from the previous rates set by your Board. The proposed rate increase for a 32-gallon garbage cart (most often used cart size) would be \$2.79 per month.

Information regarding the proposed rates has been posted to the Department's website and the Department has complied with the public notification process outlined in the October 23, 2012 Board Report by completing the following:

1. Posted information on the Department's websites regarding the proposed rates and the SBWMA 2013 Rate Report, and published a Notice of Public Hearing in a newspaper of general circulation once per week for two consecutive weeks prior to the hearing.
2. Articles XIIC and XIID of the State Constitution (Proposition 218) require that a notice be sent to property owners alerting them of the public hearing to consider any new or increased property related fees. In compliance with the law, 6,004 notices were sent to property owners via mail on October 26, 2012, that included information about the proposed rates, the date, time, and place of the public hearing, and the process for rejecting the fees via a "majority protest" at a public hearing.

At the time this report was prepared, the Department had received ten valid written protests on the proposed garbage and recyclables collection rates. We will report to your Board on any written protests that are received up to and including the date and time of the public hearing.

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 while informing and engaging residents in the process to adopt garbage and recyclables collection rates for the County franchised area.

**FISCAL IMPACT:**

There is no direct impact to the General Fund. The proposed rates reflect an overall increase of 9.1% over the current rates.