



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



**Date:** October 29, 2013

**Board Meeting Date:** December 10, 2013

**Special Notice / Hearing:** Complied with Notice  
Requirements / Public  
Hearing Required

**Vote Required:** Majority

**To:** Honorable Board of Supervisors

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

**Subject:** Approval of 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 and after conducting the public hearing, approving a Resolution adopting the garbage and recyclables collection rates for County Service Area No. 8.

**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 CSA-8 and West Bay Sanitary District.

On February 26, 2013, your Board adopted Resolution No. 072379 adopting the garbage and recyclables collection rates for CSA-8 effective January 1, 2013. On July 23, 2013, your Board adopted Resolution No. 072692, approving the "FY 2013-14 Garbage and Recyclables Collection Service Charges Report for County Service Area No. 8" based on the effective rates.

On October 22, 2013 your Board adopted Resolution No. 072857, which set 9:00 am on December 10, 2013, in your Chambers, as the time and place for a public hearing regarding the adoption of the proposed garbage and recyclables collection rates for CSA-8.

The process to be followed for setting 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.
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 CSA-8. If there is not a majority protest, adopt the Resolution and set the garbage and recyclables collection rates for CSA-8, effective January 1, 2014.

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 weekly collection of recyclable and organic materials and increased diversion of solid 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 (2011-2013) to support providing services to the rate payers. To make adjustments for the 2014 rate year, RSMC is required to submit a contractor's compensation application based on actual services provided in 2013, the reconciliation of the actual revenue received for 2012 (revenue reconciliation), and the projected costs for providing service in the 2014 rate year. RSMC's cost compensation is allocated each year. Therefore, the percent of cost allocated to each Member Agency changes each 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), and information regarding member agency fees and other associated costs into a consolidated rate report "SBWMA Final Report Reviewing the 2014 Recology Compensation Application" (SBWMA 2014 Rate Report). On September 26, 2013, the SBWMA Board approved the SBWMA 2014 Rate Report.

The rate increases or decreases recommended in the SBWMA 2014 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 2014. The SBWMA 2014 Rate Report recommended a 4.0% rate increase for CSA-8.

Department staff conducted a detailed independent analysis of the service levels and revenue requirements for CSA-8 and is recommending a 4.2% rate increase. The proposed 2014 rates for CSA-8 are listed in Exhibit A to the Resolution. Attachment A to this report includes the recommended rates increases or decreases for each Member Agency from the SBWMA 2014 Rate Report.

The SBWMA 2014 Rate Report noted the RSMC's 2014 compensation application is based upon adjustments to the 2012 actual costs and the 2013 projected costs, performance incentives/disincentive payments for 2012, and anticipated 2014 costs. The 2014 rate year is the first year that wage and benefit adjustments will be based upon changes in the Consumer Price Indexes (CPI).

The revenue reconciliation information included in the SBWMA 2014 Rate Report quantifies a revenue shortfall or surplus by comparing the approved compensation owed to RSMC for 2012 with the actual funds retained by RSMC after disposal and Agency fees (e.g. Franchise Fees) are deducted. The surplus or shortfall is added to or subtracted from the 2014 revenue requirement for each Agency and must be included in the 2014 rates. RSMC or the Agency is entitled to an interest payment for the shortfall or surplus quantified through the revenue reconciliation process. Performance incentive and disincentive payments are determined through the revenue reconciliation process and are allocated to each agency based upon the solid waste tons disposed of by each service area.

Based upon the Department's analysis, the most significant factors contributing to the proposed rate increase in the CSA-8 was the 2012 RSMC revenue reconciliation shortfall, the increase in RSMC's contractors compensation due to CPI, the number of accounts and containers in service in CSA-8, and the increased tons disposed or processed at the Shoreway Environmental Center. These factors attributed to increased costs for the CSA-8 for 2012 and 2013 requiring a 4.2% rate increase for 2014.

The proposed rate for two 32-gallon garbage carts or one 64-gallon garbage cart is \$27.31 per month. This represents an increase of \$1.10 per month from the 2013 rates. The recommended rates would be effective on January 1, 2014. The charges based on the rates will appear on the property owner's tax bill for FY 2014-15 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 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 projected a cumulative revenue shortfall of \$86,292 for rate year 2014. The franchise agreement with RSMC requires that interest be paid by the County (ratepayer) 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. 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. The Unscheduled Services fees are not property related fees and, therefore, not subject to the Proposition 218 rate setting requirements. The franchise agreement allowed for a CPI increase to the Unscheduled Services fees as reflected in Exhibit B to the Resolution. We are recommending the Board reaffirm the Unscheduled Services fees, attached as Exhibit B to the Resolution, through the rate adoption process. The Unscheduled Services fees have been modified to include a cost per cart for RSMC to provide additional customer requested residential organic and recycling cart services.

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 22, 2013 Board Report by completing the following:

1. Posted information on the Department's websites regarding the proposed rates and the SBWMA 2014 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, 3,165 notices were sent to property owners in CSA-8 via mail on October 24, 2013, 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 not received any 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 the garbage and recyclables collection rates for CSA-8.

**FISCAL IMPACT:**

The proposed rates reflect an overall increase of 4.2% over the current rates.

There is no impact to the General Fund. However, garbage and recyclables charges are levied on properties that are leased or owned by the County that are located in CSA-8.

Attachment: Attachment A

## Attachment A

Total Collection Rate Impact							
(Source: SBWMA Board of Directors Meeting, September 26, 2013, Table 7. Agenda Item 6B, EXHIBIT A, page 22-23, SBWMA Final Report Reviewing the 2014 Recology San Mateo County Compensation Application, dated September 19, 2013)							
	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
Cumulative Rate Adjustment Percentage	-1.2%	-23.2%	*	-10.8%	-3.1%	7.8%	-24.7%
	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
Cumulative Rate Adjustment Percentage	0.0%	4.0%***	-8.5%	-3.5%	2.5%	-3.5%	6.8%**

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

\*\* The Department is recommending a 4.5% rate increase based on a detailed analysis of County Franchised Area collection service requirements.

\*\*\* The Department is recommending a 4.2% rate increase based on a detailed analysis of CSA-8 (North Fair Oaks).