



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 the
Unincorporated Franchised Areas within the South Bayside Waste
Management Authority

RECOMMENDATION:

Conduct a public hearing, and after conducting the public hearing, approving a Resolution adopting the garbage and recyclables collection rates for the unincorporated franchised areas 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 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 December 11, 2012, your Board adopted Resolution No. 072276, adopting the garbage and recyclables collection rates for the County franchised area effective January 1, 2013.

On October 22, 2013, your Board adopted Resolution No. 072864, which set 9:15 a.m. 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 the County franchised area.

The process to be followed for setting the garbage and recyclables collection rates for 2014 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 County franchised area. 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, 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 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, 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 operator), 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 for providing garbage and recyclables collection services for 2014. The SBWMA 2014 Rate Report recommended a 6.8% rate increase for the County franchised area. Department staff has conducted an analysis of the revenue, expenditures, shortfall, and surplus information and believe that a 4.5% rate increase for 2014, with a similar rate increase for the following calendar year, is more appropriate. Attachment A to this report includes the recommended rate increases or decreases for each Member Agency contained in 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 County franchised area allocation percentage for route labor hours has increased from 5.9% for 2013 to a projected 6.7% for 2014. According to RSMC, the increase in route labor hours for the County franchised area was primarily due to single family dwellings with additional organics carts (more than one 96 gallon organics cart). Based upon the allocation of costs among the member agencies this increase also affected the processing costs of material collected from the County franchised area.

The proposed rates for the County franchised area are listed in Exhibit A to the Resolution and represent a 4.5% rate increase from the rates previously set by your Board for 2013. The most significant factors contributing to the proposed rate increase in the County franchised area was the 2012 RSMC revenue reconciliation shortfall, the increase in RSMC's contractors compensation based on route labor hours (as noted above) and CPI applied to those costs, the number of containers in service in the County franchised area, and the increased tons disposed or processed at the Shoreway Environmental Center. These factors attributed to increased costs for the County franchised area requiring a rate increase for 2014.

The recommended rates would be effective on January 1, 2014. The proposed rate for one 32-gallon garbage cart (most often used cart size) is \$34.96 per month. This represents an increase of \$1.51 per month from the 2013 rates. 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 the cumulative revenue shortfall of \$189,256 for rate year 2014. The franchise agreement with RSMC requires that interest be paid by the County (rate payers) on any revenue shortfall owed resulting from adopted rates that are insufficient to meet the projected 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. Additionally, because the rate increase is due in part to the collection of additional organics carts requested by the residential customers, Exhibit B includes a cost per cart to provide for this service and any additional recycling services to residential customers. The franchise agreement allowed for a CPI increase to the Unscheduled Services Fees as reflected in Exhibit B to the Resolution.

Information regarding the proposed rates has been posted on the Department's website and the Department has complied with the public notification process as 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, 6, 293 notices were sent to property owners 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 received two 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:

The proposed rates reflect an overall increase of 4.5% over the current rates. However, garbage and recyclables charges are levied on properties that are leased or owned by the County that are located in the County franchised area.

There is no impact to the General Fund.

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).