



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Public Works



Date: September 12, 2013

Board Meeting Date: October 22, 2013

Special Notice / Hearing: None

Vote Required: Majority

To: Honorable Board of Supervisors, Acting as the Governing Board of the County Service Area No. 8

From: James C. Porter, Director of Public Works

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

RECOMMENDATION:

Acting as the Governing Board of the County Service Area No. 8, adopt a Resolution setting December 10, 2013 at 9:00 a.m. at the 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.

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 Sanitation 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.

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 the Department 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 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 report), and the projected costs for providing service in the 2014 rate year. The application has been 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 Draft Report Reviewing The Recology San Mateo County 2014 Compensation Application, August 16, 2013” (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 Department of Public Works 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.

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).

RSMC's costs are broken into nine cost categories and each is allocated based upon four operational statistics specific to our areas. These operational statistics are updated annually in April and May and include: route labor hours, route hours, number of containers in service, and number of accounts serviced. RSMC's compensation is allocated each year based on the updated statistics. Therefore, the percent of cost allocated to each Member Agency changes each year.

The revenue reconciliation 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 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 proposed rate for two 32-gallon carts or a 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 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 (rate payer) 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 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 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. Attachment Q has been modified to include a cost per cart to provide additional customer requested organics and 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.

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:

The proposed 2014 rates reflect a 4.2% rate increase over the current rates. Staff estimates that it will cost approximately \$3,600 (\$1.50 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.

There is no impact to the General Fund.

Attachment: Attachment A

Attachment A

Total Collection Rate Impact by Member Agency – 2014 (Source: Appendix G – Total Collection Rate Impact 2014 – Revised 9/12/13)						
	2013 Total SBWMA Member Agencies	Town of Atherton	City of Belmont	City of Burlingame	City of East Palo Alto	City of Foster City
Rate Adjustment Percentage	-1.2%	-23.2%	*	-10.8%	-3.1%	7.5%
		CSA-8 (North Fair Oaks)	City of Redwood City	City of San Carlos	City of San Mateo	West Bay Sanitary District
Rate Adjustment Percentage	0.0%	3.8% ^{**}	-8.5%	-3.5%	-2.5%	-3.7%
						County Franchised Area
						6.8%

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

** The Department recommended a 4.2% rate increase based on a detailed analysis of County Service Area No.8 collection service requirements.