



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

From: James C. Porter, Director of Public Works

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

RECOMMENDATION:

Adopt a Resolution setting December 10, 2013 at 9:15 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 the unincorporated franchised area 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.

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 the Board direct the Department to notify each affected property owner in the County franchised area 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, 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 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 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 County franchised area

allocation percentage for route labor hours has increased from 5.9% for 2013 to a projected 6.7% for 2014.

Based upon the Department's analysis, the most significant factors contributing to the proposed rate increase in 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, 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. According to RSMC the majority of the County franchised area's increase in route labor hours was due to single family dwellings with additional organics carts (more than one 96 gallon organics cart).

The SBWMA recommended a 6.8% rate increase for the County franchised area at their September 12, 2013 meeting. Attachment A includes the recommended rates for each Member Agency from the September 12, 2013 meeting. Department staff has conducted an analysis of the revenue, expenditure, shortfall, and surplus information and believe that the 4.5% rate increase with a similar rate increase for the following calendar year is more appropriate. The recommended rates would be effective on January 1, 2014. The proposed rate for one 32-gallon cart 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 (Attachment Q of the Franchise Agreement) that we are recommending the Board reaffirm through the rate adoption process, attached as Exhibit B to the Resolution. The Unscheduled Services are generally those additional 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. Additionally, because the rate increase is due in part to the collection of additional organics carts requested by residential customers, Attachment Q has been modified to include 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.

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 rates reflect a 4.5% increase in the County franchised area over the current rates. Staff estimates that it will cost approximately \$5,700 (\$1 per rate payer) to prepare, print and mail individual notices to each property owner in the County franchised area. The costs for the County franchised area 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 9/12/2013)							
	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
Rate Adjustment Percentage	-1.2%	-23.2%	*	-10.8%	-3.1%	7.5%	-24.5%
	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
Rate Adjustment Percentage	0.0%	3.8%	-8.5%	-3.5%	-2.5%	-3.7%	6.8%**

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

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