



# County of San Mateo

## Inter-Departmental Correspondence

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**Department:** COUNTY MANAGER: OFFICE OF SUSTAINABILITY

**File #:** 19-1207

Board Meeting Date: 12/10/2019

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**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors

**From:** Jim Eggemeyer, Director, Office of Sustainability

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

**RECOMMENDATION:**

Adopt a resolution setting February 11, 2020 at 10:15 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, this Board adopted Resolution No. 070423 which approved a franchise agreement with Recology San Mateo County (Recology) to provide services for the collection of recyclable materials, organic materials, and garbage from January 1, 2011, through December 31, 2020. On June 4, 2019, this Board adopted Resolution 076641 approving the amended and restated Recology Franchise Agreement for an additional 15-year term expiring on December 31, 2035.

Solid Waste collection services are provided to County Service Area No. 8 (CSA-8) and the Unincorporated Franchised Area (CFA) within the South Bayside Waste Management Authority (SBWMA) service area (Burlingame to Menlo Park).

On January 29, 2019, this Board adopted Resolution No.076373, approving a 5.0% rate increase for calendar year 2019, for the 20- and 32-gallon garbage cart sizes for CFA, which were effective on February 1, 2019.

The process to be followed for adopting the garbage and recyclables collection rates includes:

1. Adopt a resolution on the proposed collection rates and fees Exhibit "A" and "B" to the Resolution; and
2. Hold a public hearing and receive testimony on the proposed rates.

Articles XIIC and XIID of the State Constitution (Proposition 218), require that a notice be sent to property owners informing 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 this Board direct the Office of Sustainability to notify each affected property owner in the CFA of the proposed rates by mail to comply with the requirements of Proposition 218, and to explain to the property owner that protests to the rates must be in writing. In addition, the Office will post a notice in a newspaper of general circulation informing the public of the hearing on garbage and recyclables collection rates for the service area (Exhibit “C” to the Resolution).

If there was a successful majority protest in writing from the property owners, this Board would be prevented from increasing the rates for the service area. In CFA, this action could lead to larger rate increases in the future due to the new Recology contract beginning in 2021.

### **DISCUSSION:**

The proposed rates for CFA are listed in Exhibit “A” to the resolution and represent a 5.0% rate increase for residential customers who have a 20- or 32-gallon size cart. All other solid waste rates for CFA would remain at the same rates adopted by this Board in 2019. The rates represent the charges to provide residents and businesses with all solid waste services (recycling, organics, and garbage).

The current Recology franchise agreement allows for specific adjustments in compensation. To make adjustments for the contract the SBWMA/Recology allocated costs to CFA using the subsequent years’ data and estimates in costs for the 2019 rate year. Recology then submitted a contractor’s compensation application to the SBWMA for review. The 2020 application is based on services provided in 2019, the reconciliation of the revenue received for 2016-2018, and the projected revenue/costs for providing service in 2020 and 2021.

The SBWMA reviewed the Recology compensation application, utilizing information from Recology, including data from South Bay Recycling (Shoreway Environmental Center operator (SBR)), and information regarding member agency fees and other associated costs. Their recommendations also determined the final year costs for the current contract (i.e. 2020) compensation and are presented in a consolidated rate report titled “SBWMA Final Report Reviewing the 2020 Recology San Mateo County Compensation Application, September 5, 2019” (SBWMA 2020 Rate Report). The SBWMA 2020 Rate Report also included projected future costs for the new contracts. Recology is projected to have a marked increase in compensation from 2020 to 2021 due to the new contract, significant capital investments, and major program expenditures. In addition, SBR will have a minor increase for the calendar year and their agreement was extended by the SBWMA in 2019 through 2023.

The Office of Sustainability conducted an analysis of the rates over the next five years based on the SBWMA 2020 Rate Report, the SBWMA projections of the anticipated 2021 costs, the indices used for cost adjustments (CPI, fuel, etc.), and the current revenue collected from commercial and residential customer accounts. Based on this analysis, and now that the SBWMA has calculated the final amended contract increases, the Office of Sustainability is recommending a 5.0% rate increase for the smaller residential carts (20- and 32-gallon sizes) to better align those rates to the cost of providing the services. All other solid waste and recycling rates for the 64 and 96-gallon carts and commercial cart/bin services in the area would remain at the same level as adopted by this Board in 2019. The proposed Rates (Exhibit A) represent the charges to provide residents and businesses with all solid waste services (recycling, organics, and garbage).

The County has established the minimum curbside service levels for CFA in County Ordinance Code Section 4.04.360, for all parcels used for residential purposes and Mixed-Use and Commercial parcels. For a residential parcel (one to four units) the codes state the minimum level of service is one 20-gallon cart. The current rate for 20-gallon cart is \$33.65, and the proposed rate is \$35.33 per month. This represents an increase of \$1.68 per month per cart. The current rate for residential parcels with a 32-gallon cart is \$39.99, and the proposed rate is \$41.99 per month per cart. This represents an increase of \$2.00 per month from the current rates adopted in 2019. Large carts (64- and 96-gallon) and Commercial bin rates will not increase. The proposed 2020 rates are reflected in Exhibit "A" to the Resolution. The recommended rates include a franchise fee to cover administrative costs for this service area that will be paid to the County from Recology. The recommended increase in cart rates would be effective on February 1, 2020 and billed by Recology.

The franchise agreement also includes Recology's charges for Unscheduled Services that are being recommended to this Board, reaffirmed through this 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 Charges are not property-related fees and therefore not subject to the Proposition 218 rate- setting requirements. The franchise agreement allows for a CPI increase to the Unscheduled Services Charges as reflected in Exhibit "B" to the Resolution. These Unscheduled Services Charges are effective on January 1, 2020.

County Counsel has reviewed and approved the resolution as to form.

**FISCAL IMPACT:**

There is no impact to the County General Fund.

The proposed 2020 rates reflect a 5.0% increase to the residential 20- and 32-gallon cart size rates in the County Franchised Area over the current rates (Exhibit "A" to the Resolution). The costs for the Prop 218 notices will be reimbursed from the franchise fees.