



County of San Mateo

Inter-Departmental Correspondence

Department: OFFICE OF SUSTAINABILITY

File #: 24-028

Board Meeting Date: 1/23/2024

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

Vote Required: Majority

To: Honorable Board of Supervisors

From: Carolyn Bloede, Director, Office of Sustainability

Subject: Adoption of the 2024 Garbage and Recyclables Collection Rates in Unincorporated Franchised Area (CFA)

RECOMMENDATION:

Conduct a public hearing in consideration of the 2024 Garbage and Recyclables Collection Rates for Unincorporated Franchised Area:

- A) Open public hearing
- B) Close public hearing
- C) Adopt a resolution adopting the 2024 Garbage and Recyclables Collection Rates for Unincorporated Franchised Area (CFA).

BACKGROUND:

The South Bay Waste Management Authority (SBWMA) is a joint powers authority formed by eleven local government jurisdictions. This authority owns and manages the Shoreway Environmental Center, and provides oversight, and support of service providers that collect, process, and dispose of materials. Recology San Mateo County (Recology) is the current franchise holder and provides solid waste collection services to County Service Area No. 8 (CSA-8) and the Unincorporated Franchised Area (CFA) within the SBWMA service area (Burlingame to Menlo Park).

On October 20, 2009 this Board adopted Resolution No. 070423 which approved a franchise agreement with 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 No. 076641 approving the Amended and Restated Recology Franchise Agreement (Recology Franchise Agreement) for an additional 15-year term expiring on December 31, 2035.

On November 14, 2023 this Board adopted Resolution No. 080036 setting January 23, 2024 at 9:45 a.m. as the time and place for a public hearing on the 2024 Garbage and Recyclables collection rates for the Unincorporated Franchised Area (CFA).

On November 14, 2023 this Board adopted Resolution No. 080037 approving the County Executive or designee to exercise the Carry Forward contract provision per the Recology Franchise Agreement, Attachment K (Adopted June 4, 2019), deferring the excess compensation adjustments for Calendar Year (CY) 2024, which limits certain Recology indices increases to five percent and defers the remaining cost increase to the subsequent rate year. In this same Board action, this Board also adopted Resolution No. 080038, Request for Appropriation (ATR) No. ATR24-B0019, appropriating \$96,240 from Non-General Fund Reserve to Service and Supplies to offset a revenue shortfall for the service area to Recology, for CY 2021.

The adoption of the annual garbage and recyclables collection rates follows a Proposition 218 rate setting process as defined under Articles XIII C and XIII D of the State Constitution. The County Office of Sustainability (OOS) completed this process for 2024 by: setting a public hearing to consider any new or increased property related fees (rates), mailing mandated notices to property owners alerting them of the public hearing and the opportunity to submit protest letters, and publishing a notice of the public hearing twice in a local newspaper. To date, no protest letters have been received by the Clerk of the Board. If there were a successful majority protest in writing from the property owners, the Board would be prevented from increasing the rates for the service area. In Unincorporated Franchised Area (CFA), this could lead to larger rate increases in the future due to the amended solid waste contracts and the need to achieve cost recovery for services provided.

DISCUSSION:

Rate Development

The proposed rates are developed using the cost and revenue data provided by the SBWMA for the Unincorporated Franchised Area (CFA) service area. The proposed rates for CY 2024 are listed in Exhibit A to the Resolution and represent a recommendation for a 13.6 percent rate increase for residential services and for commercial cart and bin services from the rates previously set by the Board in CY 2023.

The proposed rate increases for one 20-gallon garbage cart for one to four residential dwelling units will increase \$5.00 per month, representing an increase in monthly charges from \$36.74 to \$41.74. The proposed rate increase for 32-gallon garbage cart is \$5.94 per month (an increase from \$43.67 to \$49.61 per month) (referenced in Exhibit A). The recommended rates will continue to reflect a five percent franchise fee that will be paid to the County from Recology to administer these programs.

Annually the SBWMA provides cost and revenue data to each jurisdiction in a report. The report, titled "SBWMA Final Report Reviewing the 2024 Recology San Mateo County Compensation Application" dated September 21, 2023 (SBWMA 2024 Rate Report), was adopted by the SBWMA Board on September 28, 2023. The report contains collection, disposal, and processing costs and the revenue collected for the service area. These costs are allocated each year based on the updated indices and statistics. Therefore, the percent of cost allocated to each Member Agency changes each rate year.

Rate Reduction Strategies

The garbage and recycling service costs include two primary components: (1) processing and disposal; and (2) the Recology collection services. The SBWMA 2024 Rate Report indicated that, in Unincorporated Franchised Area (CFA), a 19.3 percent rate increase was needed to cover the anticipated costs, representing an estimated \$691,207 revenue shortfall for collection, disposal, and processing services. On September 28, 2023, the SBWMA Board approved a one-time reduction in costs using the SBWMA Rate Stabilization Reserve, thereby reducing the overall shortfall for this rate year to an estimated \$617,366 decreasing the projected rate increase to 17.2 percent.

The cost adjustments prescribed in the SBWMA 2024 Rate Report for collections are based on an increase in labor costs due to an increase in the Consumer Price Indices (CPI), and an increase in fuel costs. The largest cost increase for Unincorporated Franchised Area (CFA) was due to a 30.5 percent increase in costs for processing and disposal that is due in part to a newly bid contract and new rates at the Shoreway Environmental Center.

To further reduce the proposed rate increases in Unincorporated Franchised Area (CFA) for CY 2024, OOS identified the following strategies for residential and commercial services:

1. The Board exercised the Carry Forward provision allowed in the Recology contract; this limited Recology cost increase for certain indices for CY 2024 and will carry forward the excess costs to the subsequent rate year;
2. The Board approved a Request for Appropriation (ATR) No. ATR24-B0019, appropriating \$96,240 from Non-General Fund Reserve to Service and Supplies to offset a 2021 Recology revenue shortfall for the service area;
3. OOS proposes increasing the rates over a two-year period to meet the new revenue requirements for CY 2024, with 13.6 percent of the increase occurring in the 2024 rate year and the remaining cost increase being included in the 2025 rate application process.

Utilizing the SBWMA Rate Stabilization Reserve and the strategies outlined above, the proposed rate increase was reduced from 19.3 percent (SBWMA 2024 Rate Report) to 13.6 percent for rate year 2024. If approved by the Board, these new rates will be effective on January 1, 2024 (Exhibit A). All services will be billed directly by Recology.

Unscheduled Services (Additional Services)

The rates for Unscheduled Services are additional services beyond the basic mandatory collection services and are electively subscribed to by the ratepayers, per the Recology Franchise Agreement. The Recology Franchise Agreement allows for a CPI increase to the Unscheduled Service fees. The Unscheduled Service fees for CY 2024 reflect a 5.27 percent CPI adjustment above the CY 2023 fees charged by Recology. Any unscheduled service requested by the customer will be billed directly to the customer by Recology, effective January 1, 2024. These Unscheduled Service fees are not property related fees and, therefore, not subject to the Proposition 218 rate setting requirements. These fees are reflected in Exhibit B to the Resolution.

County Attorney has reviewed and approved the Resolution as to form.

FISCAL IMPACT:

There is no impact to Net County Cost. The garbage and recyclables rates are levied on properties that are leased or owned by the County that are located in the Unincorporated Franchised Area (CFA).

ATTACHMENTS:

- 1) Exhibit A to Resolution, 2024 Garbage and Recyclables Collection Rates in Unincorporated Franchised Area (CFA)
- 2) Exhibit B to Resolution, 2024 Unscheduled Service Fees