



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER: OFFICE OF SUSTAINABILITY

File #: 16-834

Board Meeting Date: 12/12/2017

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 County Service Area No. 8 (North Fair Oaks)

RECOMMENDATION:

Acting as the Governing Board of County Service Area No. 8, adopt a resolution setting February 13, 2018 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 (North Fair Oaks).

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 garbage from January 1, 2011 through December 31, 2020. The transition to RSMC collection services resulted in significantly expanded weekly collection of recyclable and organic materials and increased diversion of garbage from landfills. The increase in diversion of solid waste helps to achieve diversion goals for CSA-8 and the County Franchised Area (CFA).

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

On January 10, 2017, your Board adopted Resolution No.074969, approving a 5.0% rate increase for CY 2017, for the 20 - 64-gallon garbage carts for CSA-8, which were effective on February 1, 2017. On July 25, 2017, your Board adopted Resolution No.075344, approving the FY 2017-18 Garbage and Recyclables Collection Service Charges Report for CSA-8, based on the effective rates adopted in January 2017.

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).
2. Hold a public hearing and receive testimony on the proposed rates.

Articles XIIC and XIID of the State Constitution (Proposition 218), require 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 your Board direct the Office of Sustainability (Office) 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. In addition, the Office of Sustainability posts 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” - Resolution).

If there were a successful majority protest, your Board would be prevented from setting the rates.

DISCUSSION:

The proposed rates for CSA-8 are listed in Exhibit “A” to the resolution and represent a 5.0% rate increase for carts (20 - 64-gallon sizes) from the rates previously set by your Board for 2017. All other solid waste rates for CSA-8 would remain at the same level as adopted by your Board in 2017. Rates represent the charges to provide residents and businesses with all solid waste services (recycling, organics and garbage).

The RSMC franchise agreement allowed for specific adjustments in compensation during the first three rate years (2011-2013) to support the transition to a new contract. To make adjustments for subsequent years, including the 2018 rate year, RSMC submitted a contractor’s compensation application. This application is based on services provided in 2017, the reconciliation of the revenue received for 2014-2016, and the projected costs for providing service in 2018. RSMC’s costs are divided into nine cost categories and each is allocated based upon four operational statistics to our geographic 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.

The SBWMA reviewed the RSMC application, utilizing information from RSMC, data from South Bay Recycling (Shoreway Environmental Center operator), and information regarding member agency fees and other associated costs. Their recommendations are presented in a consolidated rate report titled “SBWMA Final Report Reviewing the 2018 Recology San Mateo County Compensation Application, September 28, 2017” (SBWMA 2018 Rate Report.) The rate increases or decreases recommended in the SBWMA 2018 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 2018. The SBWMA 2018 Rate Report recommends a -5.8% rate decrease for the CSA-8. For reference, Attachment A to this memo includes the recommended rates for each Member Agency from the SBWMA 2018 Rate Report.

The Office of Sustainability conducted an analysis of the rates based on the SBWMA 2018 Rate Report, the projections of costs until the end of the contract term (2020), the indices used for cost adjustments (CPI, fuel, etc.), and the revenue collected from commercial and residential accounts customers. Based on this analysis, we are not recommending increases to commercial rates and a 5.0% increase for residential carts (20- and 64-gallon sizes), primarily the minimum level of service required in CSA-8. There are several factors contributing to the differences in approaches and rate

recommendations between the SBWMA and the Office of Sustainability. Most notably, our analysis was conducted at a more detailed level, looking at residential and commercial rates individually rather than aggregating them to better align rates with the costs of service. Additionally, we do not account for projected surpluses until they are accrued. Finally, the timeframe for rate recommendations from the SBWMA is limited to a single rate year, while our analysis identifies known factors that could increase costs such as a disposal rate increase associated with a new landfill disposal contract in 2020. Overall, our approach to rate setting is more conservative, gradually increasing rates over time rather than relying on large increases in future years to align rates to cost of service. The Office of Sustainability and the SBWMA project that CSA-8 will not collect enough revenue for dwelling cart services to cover the projected costs for 2018 without a rate increase.

The current rate for two 32-gallon garbage carts or one 64-gallon garbage cart for one to four residential dwelling units is \$29.45, and the proposed rate will be \$30.93 per month. This represents an increase of \$1.48 per month for residential dwelling units. The proposed rate for one 32-gallon cart for dwellings that contain over four units, the mixed-use parcels will be \$30.93 per month per unit. The 2018 rates fees are reflected in Exhibit "A" to the resolution. The recommended rates will also continue to reflect a five percent (5.0%) franchise fee that will be paid to the County from RSMC.

The recommended increase in cart rates would be effective on February 1, 2018. The collection services charges based on the proposed rates will appear on the property owner's tax bill for FY 2018-19 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 (per service type and fee table) requested by the customer will continue to be billed directly to the customer by RSMC.

The franchise agreement also includes fees for Unscheduled Services 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 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. The franchise agreement allowed for a CPI increase to the Unscheduled Services Fees as reflected in Exhibit "B" to the Resolution. These Unscheduled Services Fees are effective January 1, 2018.

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 for CSA-8.

FISCAL IMPACT:

There is no impact on the County General Fund.

The proposed 2018 rates reflect a 5.0% increase to the 20 - 64-gallon cart sizes rates in CSA-8 over the current rates (Exhibit "A" to the Resolution). The costs for CSA-8 Prop 218 notices will be reimbursed from the franchise fees.

Attachment A: Total Collection Rate Impact by Member Agency 2018