



# County of San Mateo

## Inter-Departmental Correspondence

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

**File #:** 16-833

Board Meeting Date: 12/12/2017

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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 13, 2018 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 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). The County Franchised Area is comprised of the following communities: Burlingame Hills, San Mateo Highlands and Baywood Park (Crystal Springs area of Baywood Park), Harbor Industrial, Devonshire Canyon, Palomar Park, Oak Knoll, Kensington Square, Emerald Lake Hills, Sequoia Tract, Peninsula Golf Club, and Trailer Rancho.

On February 23, 2016, your Board adopted Resolution No. 074365, approving a 2.7% increase in rates for CY 2016 for the 20 and 32-gallon garbage and recyclables cart sizes for the County Franchised Area. On January 10, 2017, your Board adopted Resolution 074970, approving a 3% rate increase in rates for CY 2017 for the 20 and 32-gallon cart sizes.

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” - 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 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 and post a notice in a newspaper of general circulation, informing the public of the hearing on the garbage and recyclables collections 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 the CFA are listed in Exhibit “A” to the resolution and represent a 3% rate increase for residential customers who have 20 and 32-gallon cart sizes. All other solid waste rates for CFA 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 rate decrease of 12.2% for the CFA. For reference, Attachment “A” includes the recommended rates for each Member Agency from the SBWMA 2018 Rate Report.

The Office of Sustainability (Office) 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 recommend no increase to commercial rates, and a 3% increase for residential carts (20- and 32-gallon sizes). There are several factors contributing to the differences in approaches and rate recommendations between the SBWMA and the Office. 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 services.

The current rate for a 20-gallon cart is \$31.12, and the proposed rate is \$32.05. This represents an increase of \$.93 per month per cart. The current rate for a 32-gallon cart is \$36.98, and the proposed rate is \$38.09 per month. This represents an increase of \$1.11 per month from the current rate adopted in 2017. The recommended proposed rates would be effective on February 1, 2018. The 2018 rates are reflected in Exhibit "A" to the Resolution. The recommended rates will also continue to reflect a 5% franchise fee that will be paid to the County from 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.

**FISCAL IMPACT:**

There is no impact to the County General Fund.

The proposed 2018 rates reflect a 3% increase to the 20- and 32-gallon residential carts sizes over the current rates in CFA (Exhibit "A" - Resolution). The costs for the CFA Prop 218 notices will be reimbursed from the franchise fees.

Attachment A: Total Collection Rate Impact by Member Agency 2018