



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER: OFFICE OF SUSTAINABILITY

File #: 18-1105

Board Meeting Date: 12/11/2018

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 January 29, 2019 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 the Unincorporated areas of San Mateo County.

Solid Waste collection services are provided to 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 February 13, 2018, your Board adopted Resolution No.075693, approving a 3.0% rate increase for CY 2018, for the 20- and 32-gallon garbage cart sizes for CFA, which were effective on February 1, 2018.

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 to notify each affected property owner in the CSA-8 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 were a successful majority protest in writing from the property owners, your Board would be prevented from increasing the rates for the service area. In CFA this could lead to larger rate increases in the future due to the amended solid waste contracts and need to achieve cost recovery.

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 cart size. All other solid waste rates for the area would remain at the same level as adopted by your Board in 2018. 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 2019 rate year, RSMC submitted a contractor’s compensation application. This application is based on services provided in 2018, the reconciliation of the revenue received for 2015-2017, and the projected costs for providing service in 2019. RSMC’s costs are updated annually 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 compensation 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 2019 Recology San Mateo County Compensation Application, September 13, 2018” (SBWMA 2019 Rate Report). The rate increases or decreases recommended in the SBWMA 2019 Rate Report represent rate adjustments for each member agency that the SBWMA believes are necessary to meet the projected revenue requirements to provide garbage and recyclables collection services for CY 2019. The SBWMA 2019 Rate Report recommends a 6.2% rate decrease adjustment for the County Franchised Area.

The Office of Sustainability conducted an analysis of the rates over the next five years based on the SBWMA 2019 Rate Report, the projections of costs, the indices used for cost adjustments (CPI, fuel, etc.), and the revenue collected from commercial and residential accounts customers. Based on this analysis, recommending a 5.0% increase for the smaller residential carts (20- and 32-gallon size) to better align those rates to the cost of providing the services. All other solid waste and recycling rates for 64- and 96-gallon carts and commercial cart/bin services in the area would remain at the same level as adopted by your Board in 2018. Rates represent the charges to provide residents and

businesses with all solid waste services (recycling, organic and garbage).

There are several factors contributing to the differences in 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 rates. Additionally, we do not account for projected surpluses until they are accrued. Overall, our approach to rate setting is more conservative, gradually increasing rates over time rather than relying on large rate increases as costs change from year to year. Finally, the time frame for rate recommendations from the SBWMA is limited to a single rate year, while our analysis identifies known factors that will increase costs in the next few years such as a projected increase in the disposal rate associated with a new landfill disposal contract, and a projected increase in costs for the amended RSMC collection contract (10% -12% for the new landfill contract and 8.3% + fuel CPI for RSMC amended contract). These two large increases to costs support the need for a rate increase in CY 2019 to avoid large future rates increases.

The County has established a minimum curbside service levels for CFA in County Ordinance Code Section 4.04.360 for all parcels used for residential purposes. For a residential parcel (one to four units), a parcel must subscribe to one 20-gallon cart. The current rate for a 20-gallon cart is \$32.05, and the proposed rate is \$33.65. This represents an increase of \$1.60 per month per cart. The current rate for residential parcels with a 32-gallon cart is \$38.09, and the proposed rate is \$39.99 per month per cart. This represents an increase of \$1.90 per month from the current rates adopted in 2018. Large carts (64- and 96-gallon) and Commercial rates will not increase. The recommended proposed rates would be effective February 1, 2019. The 2019 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 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, 2019.

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 CFA.

FISCAL IMPACT:

There is no impact on the County General Fund.

The proposed 2019 rates reflect an 5.0% increase to the residential 20- and 32-gallon cart size rates in 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.

Attachments:

- Exhibit A

- Exhibit B
- Exhibit C