



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER: OFFICE OF SUSTAINABILITY

File #: 20-009

Board Meeting Date: 2/11/2020

Special Notice / Hearing: Complied with Notice Requirements / Public Hearing
Vote Required: Majority

To: Honorable Board of Supervisors

From: Jim Eggemeyer, Director, Office of Sustainability

Subject: Adoption of the 2020 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 adopting the 2020 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 (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, your 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 (County Franchised Area) within the South Bayside Waste Management Authority (SBWMA) service area (Burlingame to Menlo Park).

On January 29, 2019, your Board adopted Resolution No.076372, approving an 8.0% rate increase for CY 2019, for the 20, 32 and 64-gallon size garbage carts for CSA-8, which were effective on January 1, 2019. On July 23, 2019, your Board adopted Resolution No.076814, approving the FY 2019-20 Garbage and Recyclables Collection Service Charges Report for CSA-8. These charges appear on the tax roll for FY 2019-20 and are calculated based on the effective rates adopted in January 2019.

On December 10, 2019, your Board adopted Resolution No.077130 setting February 11, 2020, at 10:00 a.m. as the time and place for a public hearing on the garbage and recyclables collection rates for the CSA-8.

The process for adopting the garbage and recyclables collection rates includes: holding a public hearing in your Chambers; receiving public testimony on the proposed rates; and after considering all written and oral testimony to the proposed rates, closing the public hearing. If there is not a majority protest (greater than 50% of the service area property owners) from property owners your Board will then consider whether to adopt the resolution and set the 2020 garbage and recyclables collection rates for CSA-8, effective February 1, 2020. Staff completed the following public notification activities: mailed the mandated Proposition 218 notices regarding the public hearing and the opportunity to submit protest letters to all CSA-8 residents, published a notice of the public hearing twice in local papers, and in November 2019, presented information on the proposed rate increases to the North Fair Oaks Community Council. 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, your Board would be prevented from increasing the rates for the service area. In CSA-8, 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:

The proposed rates for CSA-8 are listed in Exhibit "A" to the resolution and represent an 8.0% rate increase for residential customers who have a 20-, 32-, and 64-gallon size cart; and an 8% increase for mixed-use and commercial customers who have a 32-gallon cart. All other solid waste rates for CSA-8 would remain at the same rates, no proposed rate increases, as adopted by your 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 CSA-8 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 services 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. The SBWMA 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 an 8.0% rate increase for residential dwellings carts (20-, 32-, and 64-gallon sizes) and mixed-use/commercial 32-gallon cart size to better align rates to the cost of providing the services. All other solid waste

and recycling rates for carts and bins for the area would remain at the same level as adopted by your 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 CSA-8 in County Ordinance Code Section 4.04.220, 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 two-32-gallon carts or one-64-gallon cart. The current rate for two 32-gallon garbage carts or one 64-gallon garbage cart is \$33.40, and the proposed rate is \$36.07 per month. This represents an increase of \$2.67 per month for residential dwelling parcels. For mixed-use parcels (four units and above) the codes states one 32-gallon cart per unit or cubic yard equivalent. The proposed rate for one 32-gallon cart is \$36.07 per month per unit. This represents an increase of \$2.67 per month per unit.

The recommended rates also 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. The collection services charges based on the proposed rates will appear on the property owner's tax bill for FY 2020-21 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 Recology. Commercial parcels without dwelling units will continue to be billed by Recology for all services. Additionally, any Unscheduled Services are requested by the customer and will continue to be billed directly to the customer by Recology.

The franchise agreement also includes Recology's charges for Unscheduled Services that we are recommending your Board reaffirm through the 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 on the County General Fund.

The proposed 2020 rates reflect an 8.0% increase to the 20-, 32-, and 64-gallon cart sizes for residential dwellings and the one 32-gallon cart per unit or cubic yard equivalent for mixed-use parcels (four units and above) and commercial parcels in CSA-8 over the current rates.