



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER: OFFICE OF SUSTAINABILITY

File #: 23-28

Board Meeting Date: 1/17/2023

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 2023 Garbage and Recyclables Collection Rates in the Unincorporated Franchised Area

RECOMMENDATION:

Recommendation to:

- A) Open public hearing
- B) Close public hearing
- C) Adopt a resolution adopting the 2023 Garbage and Recyclables Collection Rates for the Unincorporated Franchised Area (CFA) 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, this 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, this Board adopted Resolution No. 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 (CFA) within the South Bayside Waste Management Authority (SBWMA) service area (Burlingame to Menlo Park).

On February 11, 2020, this Board adopted Resolution No. 077213, approving a 5.0 percent (5%) rate increase for calendar year (CY) 2020, for the 20-,32-gallons size garbage carts for CFA, which were effective on February 1, 2020.

On February 23, 2021, this Board adopted an Appropriations Transfer Request (ATR) No. ATR21-040 appropriating \$31,847 from Non-General Fund General Reserves to Services and Supplies to offset any increases for Recology in garbage and recycling rates in CFA for CY 2021. The effective rates were reaffirmed for CY 2021, and these same rates were also used in CY 2022.

On November 15, 2022, this Board adopted Resolution No. 079315, setting Tuesday, January 17, 2023, at 9:30 a.m. at the regularly scheduled Board of Supervisors meeting, as the time and place for a public hearing on the garbage and recyclables collection rates for CFA for CY 2023.

The process for adopting the garbage and recyclables collection rates includes: holding a public hearing in Board 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, this Board will consider whether to adopt the resolution and set the CY 2023 garbage and recyclables collection rates for the CFA, effective January 1, 2023. 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 CFA residents and published a notice of the public hearing twice in local papers. 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, this 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 the need to achieve cost recovery for services provided.

DISCUSSION:

The proposed rates for CFA are listed in Exhibit A to the Resolution and represent a 4.0 percent (4%) rate increase for residential services (20-,32- or 64-gallon cart) and aligning the 32- and 64-gallon cart mixed/commercial unit rates from the rates previously set by your Board in CY 2020. These same rates were reaffirmed and applied in CY 2021, and CY 2022. The rate increase also reflects a change in the percentage for the discount (from 25 percent (25%) to 15 percent (15%)) for commercial customers subscribing to organic collection recycling services.

The current Recology franchise agreement allows for adjustments in Recology's compensation to support providing services to the rate payers. To make adjustments for the rate year CY 2023, Recology is required to submit a contractor's compensation application based on actual services provided in CY 2022, the reconciliation of the actual revenue received for CY 2021, and the projected costs for providing service in the CY 2023 rate year. The application was submitted to the SBWMA for their review and approval.

The SBWMA reviewed and compiled data from the Recology compensation application, data from South Bay Recycling (Shoreway Environmental Center operator), and information regarding member agency fees and other associated costs into a consolidated rate report "SBWMA Amended Final Report Reviewing the 2023 Recology Compensation Application, September 15, 2022" (SBWMA 2023 Rate Report). The rate increases or decreases recommended in the SBWMA 2023 Rate Report represent rate adjustments for each member agency, determined by the SBWMA as required to meet the cost requirements to provide garbage and recyclables collection services for CY 2023.

The cost adjustment methodology prescribed in the SBWMA 2023 Rate Report for rate year Thirteen (2023) is due primarily to a compensation increase based on Consumer Price indices and service levels adjustments for the increase in accounts for organic collection services. There was also a direct fuel index increase of 40.6% and a Recology performance incentive/disincentive payment

adjustment. The SBWMA also anticipates later this year, another increase in costs of 9-10 percent (9-10%) for the Transfer Station and Recology collection services, due to increased organics collection costs, and additional reporting and auditing requirements to meet the mandates of the new state legislation SB 1383. In the SBWMA 2023 Rate Report, Recology's and South Bay Recycling's compensation are allocated each year based on the updated indices and statistics. Therefore, the percentage of the costs allocated to each Member Agency changes each calendar rate year.

The SBWMA 2023 Rate Report determines the compensation owed to Recology for collection services in CY 2023. The report also provides a calculated revenue requirement in CFA to meet these costs. The SBWMA 2023 Rate Report indicated a 1.3 percent (1.3%) increase is needed in CFA for the rate year (CY 2023). The report also indicated Recology costs are sufficient to cover collection costs, but the report indicates an overall shortfall of \$46,851 due to an increase in the disposal and processing services in the service area for the rate year. Therefore, a four percent (4%) rate increase is needed to cover the shortfall indicated in the SBWMA 2023 Rate Report.

The Office of Sustainability conducted an analysis of the rates based upon the SBWMA 2023 Rate Report, the projection of anticipated costs, and the current revenue collected. Based upon this analysis the Office of Sustainability is recommending a 4 percent (4.0%) rate increase for 20-, 32- and 64-gallon residential cart sizes and increasing the mixed-use /commercial (32- and 64-gallon) cart size to better align rates to the costs of services. The County has not increased rates in this service area to meet the cost projections since February 2020. In CY 2021, the County paid the revenue shortfall of \$31,847 for Recology's services from the CFA reserves. The recommended increase in rates would be effective on January 1, 2023.

The proposed rates for commonly used residential garbage carts are as follows; 20- gallon cart will be \$36.74 per month (an increase of \$1.41 cents per month), a 32-gallon garbage cart will be \$43.67 per month (an increase of \$1.68 cents per month) and a 64-gallon garbage cart will be \$64.43 per month (an increase of \$2.48 cents per month). The proposed rate for one 32-gallon cart for mixed-use/commercial units (in buildings with 5+ units) will be \$36.74 per month (an increase of \$1.78 cents per month) to begin to align with the cost of service and residential rates; mixed-use properties pay separately for organic waste collection services. In the past, commercial organic rates were discounted by 25 percent (25%) from the garbage rates for organic collection service to increase subscriptions for services. Due to the SB 1383 mandatory organics collections requirements and increased outreach, technical assistance, monitoring, route reviews, inspection and enforcement, staff recommends reducing this discount to 15 percent (15%) of the garbage rate to continue to encourage subscriptions but to also begin to align rates with the new operational costs to conduct these new organic commercial programs.

The franchise agreement also includes fees for **Unscheduled Services** (Attachment Q of the Franchise Agreement). The **Unscheduled Services** are generally those additional elective services that are specifically requested and paid for by the ratepayers in addition to the basic collection service charges. These **Unscheduled Services** fees are not property related fees and, therefore, not subject to the Proposition 218 rate setting requirements. The franchise agreement allows for a Consumer Price Index (CPI) increase to the **Unscheduled Services Fees**. The **Unscheduled Service Fees** for CY 2023 reflect a 4.18 percent (4.18%) CPI adjustment to the CY 2022 fees charged by Recology. These fees are reflected in Exhibit B to the Resolution. The recommended rates also include a five percent (5%) franchise fee to cover administrative and diversion programs costs for this service area that will be paid to the County from Recology.

The recommended increase in rates would be effective on January 1, 2023. Residential and

Commercial parcels will be billed by Recology for all services. Additionally, any Unscheduled Services requested by the customer will continue to be billed directly to the customer by Recology.

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

FISCAL IMPACT:

There is no impact to Net County Cost.

The proposed rates reflect a 4 percent (4.0%) rate increase for services (20-gallon 32-gallon, and 64-gallon carts) and align the mixed-use commercial unit rates (32- and 64- gallons) for 2023 over the current rates. The rates also reflect the discount change from 25 percent (25%) to 15 percent (15%) for commercial organics collection services. The garbage and recyclables rates are levied on properties that are leased or owned by the County that are located in the CFA.

Staff time involved in the administrative documents, and public advertisement of the hearing is part of the administrative cost associated with managing the garbage collection and recycling services in CFA and is financed from franchised fees.

Attachments:

- Exhibit A, Proposed Garbage and Recyclables Collection Rates in Unincorporated Franchised Area (CFA)
- Exhibit B, CY 2023 Unscheduled Service Fees