



# County of San Mateo

## Inter-Departmental Correspondence

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

**File #:** 23-27

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 County Service Area No. 8 (North Fair Oaks)

**RECOMMENDATION:**

Acting as the Governing Board of County Service Area No. 8, recommendation to:

- A) Open public hearing
- B) Close public hearing
- C) Adopt a resolution adopting the 2023 Garbage and Recyclables Collection Rates for County Service Area No. 8 (North Fair Oaks).

**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. 077212 setting the garbage and collection rates for CSA-8. These same rates would be applied and used for calendar years 2020 through 2022.

On July 26, 2022, this Board adopted Resolution No. 079045, approving the fiscal year 2022-23 Garbage and Recyclables Collection Service Charges Report for CSA-8. These charges appear on

the tax roll for fiscal year 2022-23 and are calculated based on the effective rates adopted in January 2020 and reaffirmed in 2022.

On November 15, 2022, this Board adopted Resolution No. 079292, 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 County Service Area No. 8 (North Fair Oaks) for calendar year 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 then consider whether to adopt the resolution and set the 2023 garbage and recyclables collection rates for CSA-8, 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 CSA-8 residents, published a notice of the public hearing twice in local papers, and in November 2022, 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, this 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 a 2.0 percent (2.0%) rate increase for residential dwellings mandatory services (two-32 gallon or one-64-gallon cart) and 32-gallon mixed/commercial dwelling unit rates from the rates previously set by this Board in calendar year (CY) 2020. These same rates were reaffirmed and applied in CY 2021 through 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 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 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, increases of 9-10 percent (9-10%) for the Transfer Station and Recology services due to increased organic services, and additional reporting and auditing requirements to meet the requirements in the new state legislation SB 1383. In the SBWMA 2023 Rate Report Recology's and South Bay Recycling compensation is allocated each year based on the updated indices and statistics. Therefore, the percentage of the costs are 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 CSA-8 to meet these costs. The SBWMA 2023 Rate Report indicated an overall shortfall of \$218,113 for Recology collection, and South Bay Recycling disposal, and processing services for CY 2023, indicating a 6.9% rate increase was required to meet these estimated costs for CY 2023. The SBWMA Rate Report also identified through the revenue reconciliation process a surplus for CY 2020 and CY 2021. This surplus is due in part to the revenue collected for commercial bin services.

The Office of Sustainability conducted an analysis of the rates based upon the SBWMA 2023 Rate Report, the projection of the anticipated costs, and the current revenue collected and the surplus. Based upon this analysis the Office of Sustainability is recommending applying a portion of the surplus identified in the SBWMA 2023 Rate Report and increase the rates two percent (2.0%) to begin to buy down a portion of the rate increase needed for residential collection services to avoid double digit rate increases in the future. The recommended two percent (2.0%) rate increase would be applied to the mandatory services (two 32-gallon and one 64-gallon) cart sizes and mixed-use/commercial units (32-gallon) cart size to better align rates to the costs of services. The County has not increased rates in the service area since February 2020.

The recommended rates would be effective on January 1, 2023. The charges based on the rates will appear on the property owner's tax bill for FY 2022-23 for all parcels with dwelling units, pursuant to County Ordinance Code 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 at the current rates. Additionally, any Unscheduled Services (Recology Franchise Agreement-Attachment Q Services) requested by the customer will be billed directly to the customer by Recology.

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/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 proposed rate for two 32-gallon garbage carts or one 64-gallon garbage cart for one to four residential dwelling units will be \$36.79 per month (an increase of 72 cents per month). 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 32-gallon garbage cart for dwellings that contain over four units or contain a mixed-use the costs will be \$36.79 per month (an increase of 72 cents per month). The 32-gallon minimum service for mixed-use parcels will appear on the tax roll. 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 align rates to cover additional costs to manage 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. The collection services charges based on the proposed rates will appear on the property owner's tax bill for FY 2023-24 for all parcels with dwelling units, pursuant to County Ordinance Codes 4.04.200 - 4.04.330, 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 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 2.0 percent (2.0%) rate increase over the current rates for mandatory services (two 32-gallon and one 64-gallon) and mixed-use/commercial (32-gallon) dwelling units for CY 2023. 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 CSA-8.

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 CSA-8 and is financed from franchised fees.

**Attachments:**

- Exhibit A, Proposed Garbage and Recyclables Collection Rates in County Service Area No. 8
- Exhibit B, CY 2023 Unscheduled Service Fees