



County of San Mateo

Inter-Departmental Correspondence

Department: GOVERNING BOARD

File #: 23-930

Board Meeting Date: 11/14/2023

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors, Acting as the Governing Board of County Service Area No. 8

From: Carolyn Bloede, Director, Office of Sustainability

Subject: Setting a Public Hearing for 2024 Garbage and Recyclables Collection Proposed Rates in County Service Area No. 8 (North Fair Oaks Area)

RECOMMENDATION:

Acting as the Governing Board of County Service Area No. 8, adopt a resolution:

- A) Setting Tuesday, January 23, 2024, at 9:30 a.m. at the regularly scheduled Board meeting as the time and place for a public hearing on the garbage and recyclables collection proposed rates for County Service Area No. 8 (North Fair Oaks) for calendar year 2024; and
- B) Directing the necessary notices for said hearing.

BACKGROUND:

The South Bay Waste Management Authority (SBWMA) is a joint powers authority formed by eleven local government jurisdictions. This authority owns and manages the Shoreway Environmental Center, and provides oversight, and support of service providers that collect, process, and dispose of materials. Recology San Mateo County (Recology) is the current franchise holder and provides solid waste collection services to County Service Area No. 8 (CSA-8) and the Unincorporated Franchised Area (CFA) within the SBWMA service area (Burlingame to Menlo Park).

On October 20, 2009, the 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.

On January 17, 2023, the Board adopted Resolution No. 079404 setting the garbage and collection rates for CSA-8, which were applied and used for calendar year (CY) 2023. On July 25, 2023, the Board adopted Resolution No. 079821, approving the fiscal year (FY) 2023-24 Garbage and

Recyclables Collection Service Charges Report for CSA-8. These charges appear on the tax roll for FY 2023-24 and are calculated based on the effective rates adopted in January 2023.

The adoption of the annual garbage and recyclables collection rates follows a Proposition 218 rate setting process. This includes setting a hearing and adopting a resolution of the proposed collection rates (Exhibit A and Exhibit B to the Resolution), sending notices to property owners alerting them of the public hearing to consider any new or increased property related fees (rates), and holding a public hearing and receiving testimony on the proposed rates.

Under the requirements of Articles XIII C and XIII D of the State Constitution (Proposition 218), notices sent to property owners alert them of the public hearing to consider any new or increased property related fees (rates), and a mechanism for rejecting the fees (rates) via a majority protest at the public hearing. The Office of Sustainability (OOS) coordinates the noticing and explains that protests to the fees (rates) must be in writing. In addition, OOS posts a notice in a newspaper of general circulation informing the public of the hearing on garbage and recyclables collection proposed rates for the service area (Exhibit C to the Resolution). If there is a successful majority protest in writing from the property owners, the Board would be prevented from increasing the rates for the service area. In CSA-8, this action could lead to larger rate increases in the future due to the interest that would be assessed according to the terms in the Amended and Restated Recology Franchise Agreement.

DISCUSSION:

The County sets the rates for solid waste collection to meet the projected SBWMA costs for the service area. The proposed rates for CY 2024 are listed in Exhibit A to the Resolution and represent a 12.7 percent rate increase for residential dwellings mandatory services (two 32-gallon or one 64-gallon cart) and for commercial cart and bin services from the rates previously set by the Board in CY 2023.

The proposed change for two 32-gallon garbage carts or one 64-gallon garbage cart for one to four residential dwelling units will increase rates by \$4.67 per month, representing an increase in monthly charges from \$36.79 to \$41.46. For dwellings that contain over four units, or are considered a mixed-use parcel, the proposed rate increase for 32-gallon garbage carts is \$4.67 per month (an increase from \$36.79 to \$41.46 per month), referenced in Exhibit A. The 32-gallon minimum service for mixed-use parcels will appear on the tax roll. The recommended rates will continue to reflect a 5 percent franchise fee that will be paid to the County from Recology to administer these programs.

The proposed rates are developed using the cost data published by the SBWMA in the “SBWMA Final Report Reviewing The 2024 Recology San Mateo County Compensation Application” dated September 21, 2023 (SBWMA 2024 Rate Report) showing the revenue cost requirements to provide garbage and recyclables collection services for CY 2024. This report was adopted by the SBWMA Board on September 28, 2023.

The garbage services costs include two components: (1) processing and disposal; and (2) the Recology collection services. The SBWMA 2024 Rate Report indicates that, in CSA-8, a 19.3 percent rate increase is needed to cover the costs, representing an estimated \$629,503 revenue shortfall for collection, disposal, and processing services. On September 28, 2023, the SBWMA Board approved a one-time reduction in costs using the SBWMA Rate Stabilization Reserve, thereby reducing the overall shortfall for the CY 2024 rate year to an estimated \$554,048, reflecting a need for a 16.9 percent rate increase.

Proposed Rate Strategy for CSA-8 for CY 2024

To further reduce the CY 2024 rates, OOS identified the following strategy for setting the proposed rates for the mandatory residential services and for the commercial cart and bin services:

1. Exercise the Recology Carry Forward contract provision;
2. Apply the estimated \$126,087 of the 2021 surplus identified in the SBWMA 2024 Rate Report to offset the CY 2024 rate increase;
3. Increase the rates over a two-year period to meet the new revenue requirements for CY 2024; OOS recommends increasing the rates by 12.7 percent in the 2024 rate year. The remaining cost increase would be included in the CY 2025 rate application process.

The recommended proposed rate increase of 12.7% would be effective on January 1, 2024. The charges based on the rates will appear on the property owner's tax bill for FY 2024-25 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 directly for all services.

Unscheduled Services are in the franchise agreement and are additional elective services that are specifically requested and paid for by the ratepayers in addition to the basic collection service charges. The Unscheduled Services fees for CY 2024 reflect a 5.27 percent Consumer Price Index (CPI) adjustment above the CY 2023 fees charged by Recology. Any Unscheduled Services requested by the customer will be billed directly to the customer by Recology and be effective January 1, 2024. 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 CPI increase to the Unscheduled Services Fees. These fees are reflected in Exhibit B to the Resolution.

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

FISCAL IMPACT:

There is no direct impact to Net County Costs.

The proposed rates reflect a 12.7 percent rate increase (\$4.67 per month) over the current rates for mandatory services (two 32-gallon and one 64-gallon) and mixed-use commercial (32-gallon) dwelling units for CY 2024. The garbage and recyclables rates are also levied on properties that are leased or owned by the County that are located in the CSA-8.

Staff time involved in preparing the Prop 218 notices for CSA-8, administrative documents, and public advertisement of the hearing are part of the administrative costs associated with managing the garbage collection and recycling services in CSA-8 and are financed from franchised fees.

ATTACHMENTS:

1. Resolution to set a public hearing for 2024 garbage and recyclables collection proposed rates in County Service Area No.8 (North Fair Oaks)
2. Exhibit A, Proposed Garbage and Recyclables Collection Rates in County Service Area No. 8
3. Exhibit B, CY 2024 Unscheduled Service Fees
4. Exhibit C, Draft Notice of Public Hearing with the County of San Mateo, Board of Supervisors for January 23, 2024