



# County of San Mateo

## Inter-Departmental Correspondence

---

**Department:** OFFICE OF SUSTAINABILITY

**File #:** 23-940

Board Meeting Date: 11/14/2023

---

**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors  
**From:** Carolyn Bloede, Director, Office of Sustainability  
**Subject:** Setting a Public Hearing for 2024 Garbage and Recyclables Collection Proposed Rates in Unincorporated Franchised Area

**RECOMMENDATION:**

Adopt a resolution:

- A) Setting Tuesday, January 23, 2024, at 9:45 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 Unincorporated Franchised Area for calendar year 2024; and
- B) Direct 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 February 23, 2021, the Board adopted an Appropriations Transfer Request (ATR) No. ATR21-040 appropriating Non-General Fund General Reserves to Services and Supplies to offset any increases for Recology in garbage and recycling rates in CFA for calendar year (CY) 2021. The CY 2020 effective rates were reaffirmed for CY 2021, and these same rates were also used in CY 2022.

On January 17, 2023, the Board adopted Resolution No. 079405, approving a 4 percent rate increase for CY 2023, for the 20-, 32- and 64-gallon residential cart sizes and the mixed-use /commercial (32- and 64-gallon) garbage carts, effective as of January 1, 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 this 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 CFA, 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 13.6 percent rate increase for residential and commercial cart and bin services from the rates previously set by the Board in CY 2023.

The proposed rate change for one 20-gallon garbage cart for one to four residential dwelling units will increase \$5.00 per month, representing an increase in monthly charges from \$36.74 to \$41.74 per month. The proposed rate change for a 32-gallon garbage cart will increase \$5.94 per month, representing an increase in monthly charges from \$43.67 to \$49.61 per month. 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) as necessary to meet 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 CFA, a 19.3 percent rate increase is needed to cover the costs, representing an estimated \$691,207 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 estimated shortfall for this rate year to \$617,366 reflecting a need for a 17.2 percent rate increase.

### Proposed Rate Strategy for CFA for CY 2024

In order to further reduce the rate, OOS identified the following strategy for setting the proposed rates for residential and for the commercial cart and bin services:

1. Exercise the Recology Carry Forward contract provision;
2. Buy down the estimated 2022 shortfall using CFA Non-General Fund General Reserves;
3. Increase the rates over a two-year period to meet the new revenue requirements for CY 2024; OOS recommends increasing the rates over a two-year period with 13.6 percent of the increase occurring 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 13.6 percent would be effective on January 1, 2024. All cart and bin services will be directly billed by Recology.

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 Cost.

The proposed rates reflect a 13.6 percent rate increase for the smallest cart size (\$5.00 per month for 20-gallon carts) over the current rates. The garbage and recyclables rates are also levied on properties that are leased or owned by the County that are located in the CFA.

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

### **ATTACHMENTS:**

1. Resolution to set a public hearing for 2024 garbage and recyclables collection proposed rates for Unincorporated Franchised Area
2. Exhibit A, Proposed Garbage and Recyclables Collection Rates in County Franchised Area
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