



San Bruno

Recology Franchise Agreement Update

August 23, 2022

PRIMARY FOCUS AREAS

Legislation Refresher

Background

Proposed New Agreement

Rate Impacts

Next Steps



LEGISLATION REFRESHER



Senate Bill (SB) 1383:

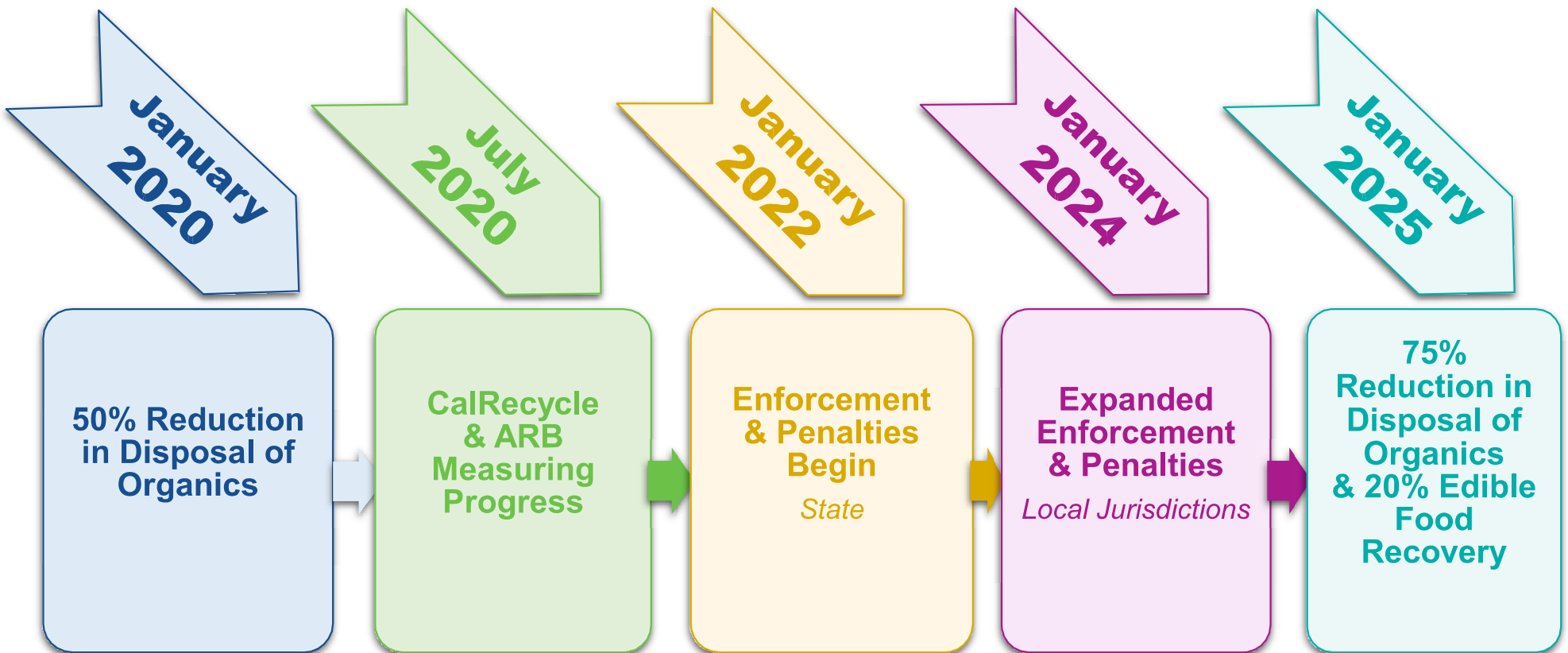
- Sets **statewide mandates** for organics recovery efforts
- Builds on AB 1826 to **incrementally reduce disposal** of organic waste
- Requires **all generators** to be provided organic waste recycling services
- **Edible food recovery**
- **Unfunded** State mandate

WHAT ARE ORGANICS?

- *Food*
- *Green waste*
- *Landscape & Pruning*
- *Organic Textiles Carpets*
- *Paper products*
- *Printing/ Writing paper*
- *Lumber*
- *Wood*
- *Manure*
- *Digestate*
- *Biosolids*
- *Sludges*



SB 1383 Implementation Schedule:



Local Agency Responsibilities:

- **Pass ordinances** to enforce mandatory organics service and edible food recovery
- **Provide organic waste collection services** to all residents and businesses
- **Establish edible food recovery program** for commercial edible food generators
- **Conduct education and outreach** to all generators
- **Close the loop** (*buy compost, natural gas*)
- **Plan and secure access** for recycling and edible food recovery capacity
- **Monitor** compliance and conduct enforcement
- **Keep Records** of programs, purchases and enforcement activities



BACKGROUND

- Recology and predecessor San Bruno Garbage have provided solid waste services in San Bruno for decades
- Current Agreement began July 1, 1998, and will expire June 30, 2024
- Customers in San Bruno and elsewhere are happy with Recology Services
- Recology submitted scheduled rate adjustment request in early 2021 for a 29% rate increase pursuant to the rate setting formula in the agreement
- As an alternative, City requested a proposal for a new agreement that would include new services with enough time to seek competitive proposals prior to the end of the current agreement should negotiations fail
- R3 was engaged to assist in evaluating the current rate adjustment request, company operations and negotiations of a proposed new agreement



R3

BACKGROUND – Rate Request

- Recology submitted a 29% rate adjustment request
- R3 reviewed the companies request for consistency with agreement methodology, mathematical accuracy and operational reasonableness
- R3 determined that the request was consistent, accurate and reasonable
- What Happened: Methodology that worked well for 22 years, got caught up in the current inflation spike, particularly as it relates to fuel and variable expenses



R3

BACKGROUND – Proposed New Agreement

- Staff and R3 concluded that initially negotiating with Recology was the best course of action for the City, rather than begin a Request For Proposals process
- R3 evaluated Recology's proposal for a new agreement which would expand service to comply with SB 1383 and enhance service in other areas
- Current inflationary climate and likely alternatives do not guarantee a better deal from other companies



R3

BACKGROUND – Proposed New Agreement

- Recology's current rates are competitive with neighboring communities
- SB 1383 has caused most jurisdictions in California to expand their diversion programs or face penalties and significant rate increases and contract extensions are currently common
- Recology desires to remain San Bruno's solid waste management company



PROPOSED NEW AGREEMENT

- 10-year term, with two optional 5-year city approved extensions
- All current services would continue
- Recology must meet specified performance standards to be eligible for extensions
- Continued exclusive agreement for all services
- For compliance with SB 1383:
 - Organic waste collection service for all customers
 - Reporting and compliance provisions
 - Inspection and route reviews
 - Containers and labeling
 - Education and outreach



Existing Services to Continue or Increase

- Recology will collect all recyclables including additional materials if placed out correctly
- Agreement allows for additional charges and remediation for scattered materials and litter and overflows
- Free home compost buckets on request
- Backyard service for people with disabilities
- Discussions underway for Recology taking over street sweeping (~3.25% impact) and catch basin cleaning (~1.5% impact)



R3

Existing Services to Continue or Increase

- Expanded free bulky item pickup on request to multi-family, 2x annually
- Collection service for City facilities
- New dedicated route for abandoned waste such as mattresses, furniture and appliances
- Recology to provide at least two compost giveaways annually
- Agreement includes two dedicated Zero Waste Specialists (one additional)
- Recology will take over customer billing



School Enhancements

Added Value for San Bruno School District

Recology has offered discounted rates for San Bruno Schools:

- Any school in San Bruno Park School District is eligible for services at discounted rates equal to eighty percent (80%) of the rates set forth in the new Agreement
- District could elect to use savings to enhance current diversion programs

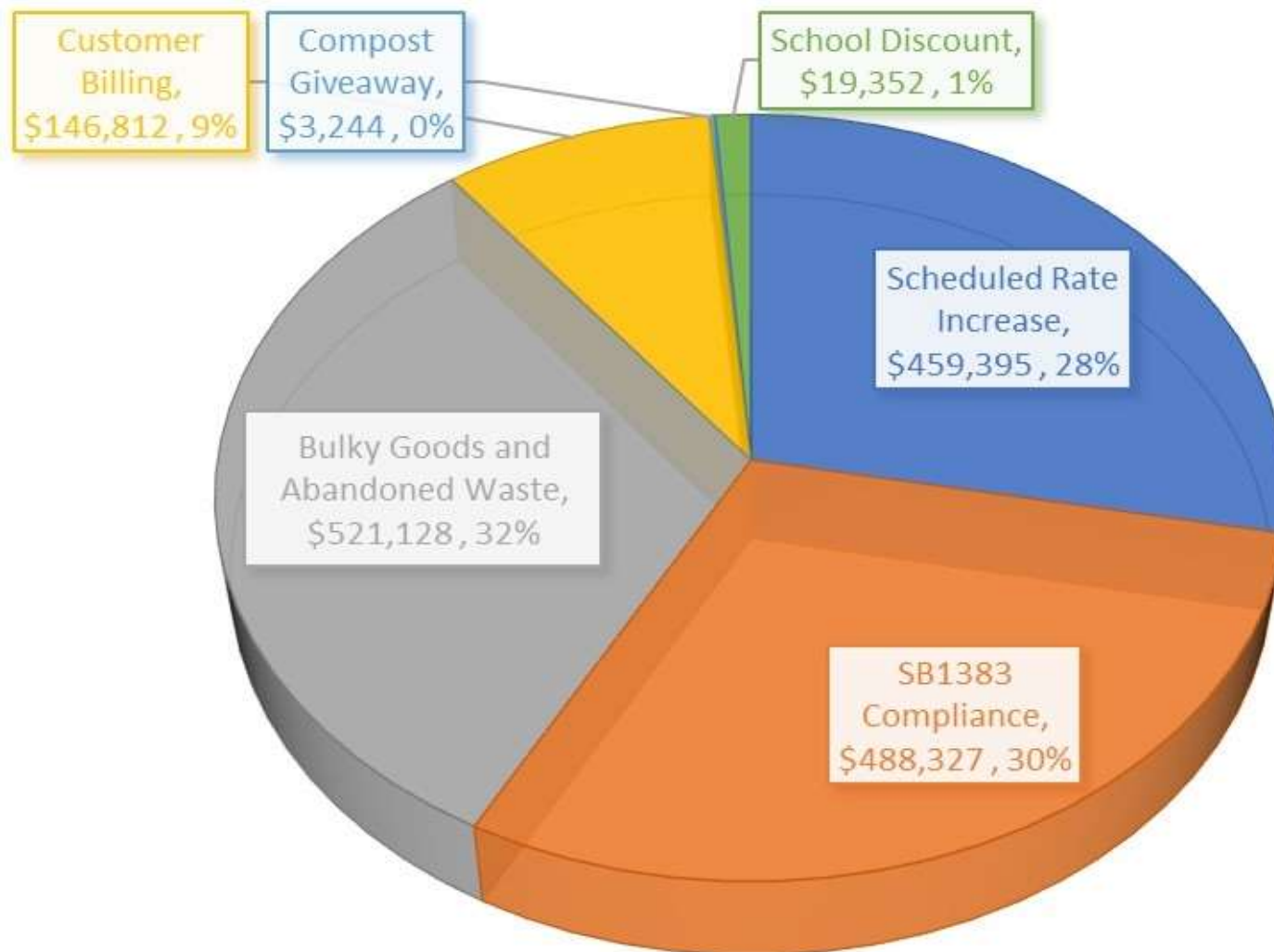
Waste Zero education and outreach activities:

- Outreach and education will include San Bruno Park School District visits
- Recology will be required on all public education and information activities in Quarterly Reports, including school visits that occur



R3

Components of the Proposed Rate Adjustment



Overview of the Proposed Rate Adjustment

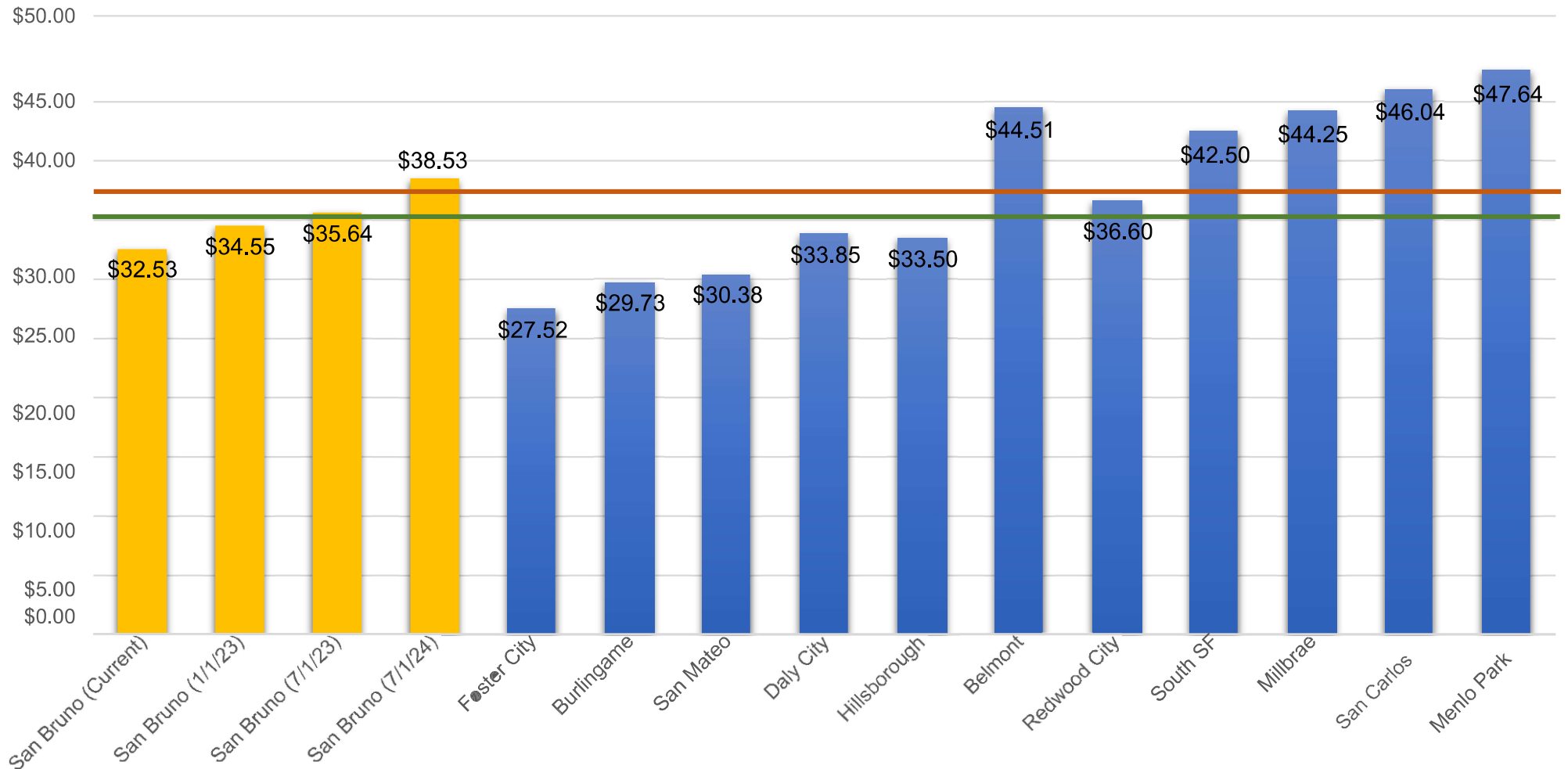
New Programs & Rates Implemented Over 18 Months

Sector	January 1, 2023	July 1, 2023	July 1, 2024
Residential	6.20%	3.16%	8.1%
Commercial & Debris Box	16.98%	3.16%	8.1%

Components of Increase	1/1/2023	7/1/2023	7/1/2024
Scheduled Rate Increase	5.45%	1.93%	4.27%
SB1383 Compliance	4.80%		
Bulky Goods and Abandoned Waste			3.83%
Customer Billing		1.23%	
Compost Giveaway	0.03%		
School Discount	0.17%		
	10.45%	3.16%	8.10%

RATE IMPACTS – How do SB Residential Rates Compare?

Surrounding Area Residential Rate Comparison
32-Gallon Cart



Current Average San Mateo 32 gal. = \$35.21

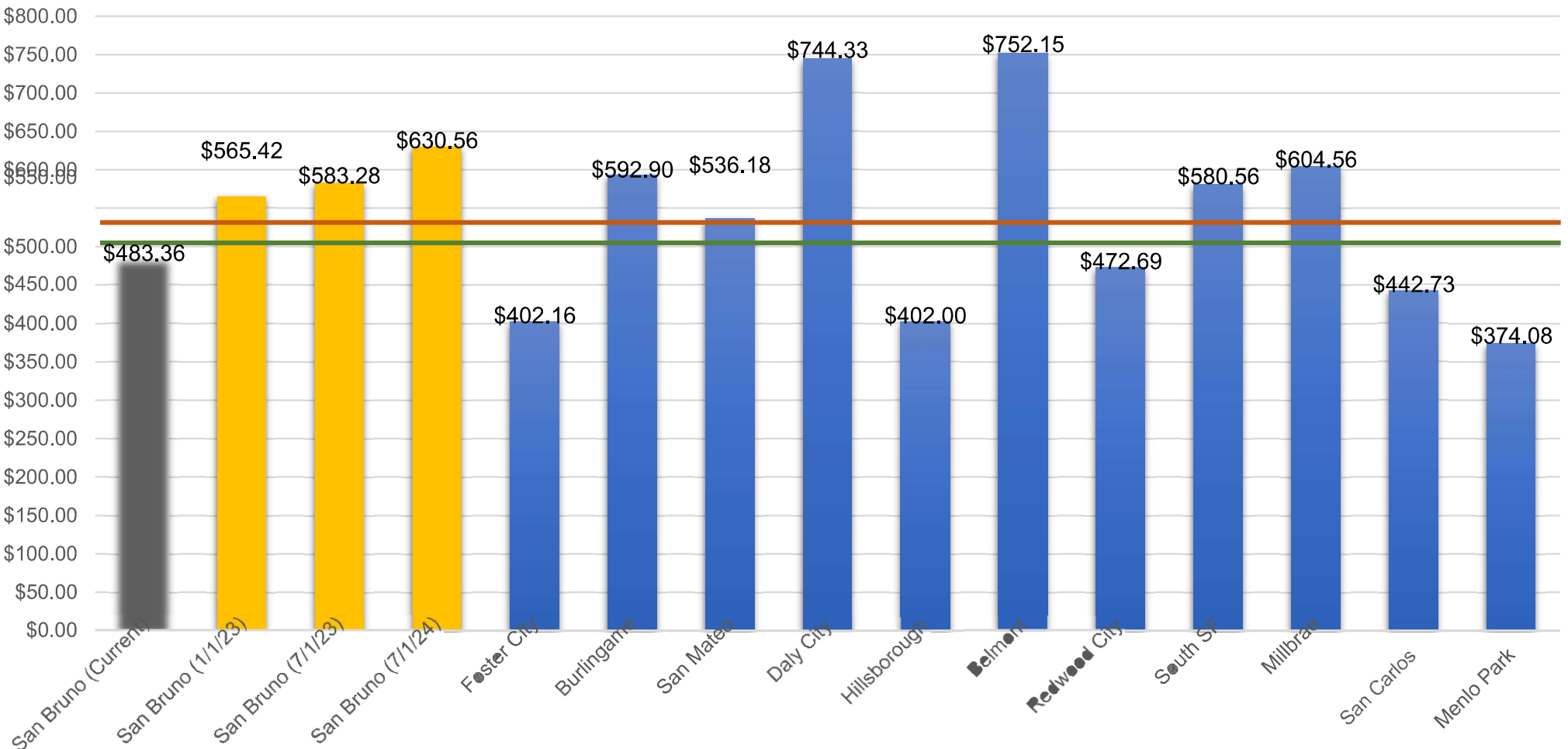
Estimated Average San Mateo 32 gal. 2023 = \$37.68



R3

RATE IMPACTS – How do SB Commercial Rates Compare?

Surrounding Area Commercial Rate Comparison 3yd



Current Average San Mateo 3yd. = \$505.75

Estimated Average San Mateo 3yd. 2023 = \$540.64



R3

RATE IMPACTS – How will rates change?

Rate	Existing Agreement	Proposed Agreement
Residential service rate	\$32.58 for 3-cart service with 32-gal service (2022)	\$35.64 for 3-cart service with 32-gal service (7/1/2023)
Residential service rate adjustment process	Set annually via two methodologies: (1) interim rate year adjustment, or (2) detailed rate year adjustment. Interim rate year via indexed adjustment (80% of CPI change Urban Consumers Oak-SF-San Jose). Detailed rate year involves review of the previous fiscal year and Contractor's forecasted required gross revenue for Detailed year and adjusts rates to reflect actual costs.	Set annually via two methodologies: (1) interim rate year adjustment, or (2) detailed rate year adjustment. Interim rate year via indexed adjustment (CPI change Urban Consumers SF-Oak-Hayward). Detailed rate year adjustment involves review of the two previous fiscal years and Contractor's forecasted required gross revenue for Detailed year and adjusts rates to reflect actual costs.
Commercial service rate	\$483.36 for 3-yard service 1x per week (2022)	\$583.28 for 3-yard service (7/1/2023)

**Commercial
annual rate
adjustment**

Same as residential

Same as residential

Other Reasons to Continue with Recology

- They provided uninterrupted services during the pandemic
- They brought Community Drop off Day (absorbing all costs) to the residents during the pandemic and continued to do so bi-annually
- Created and implemented contamination cart hangers to clean up residential recycling – thus saving \$\$ for rate payers
- Took on assisting with abandoned waste in San Bruno since October 1, 2021 (absorbing all costs)
- Employee-Owned company, where many of the employees live in San Bruno – both come with a sense of pride for the community they live/work in
- Brought an established organics program to San Bruno years before it was mandated
- Proud sponsors and participants in decades of community activities (Coats for Kids, Operation Clean Sweep, Posey Parade, Chamber of Commerce, Rotary Club, Cash for Teachers



NEXT STEPS

- New agreement provides:
 - Competitive rates
 - Compliance with regulatory requirements, specifically SB 1383
 - Updated industry standard performance measures (performance reviews, reporting requirements, and liquidated damages for failure to comply with contract requirements)
 - Protections from future rate spikes
 - Avoids transition to new service provider



NEXT STEPS

- Negotiation vs. competitive procurement
 - No two contracts are alike
 - Current economic conditions can lead to increases
 - Many unknowns with competitive process; no guarantees
 - Recology well thought of throughout Northern California
- Many other jurisdictions are seeing significant rate increases
- Service transitions can be disruptive to customers
- Rates may come in somewhat less but services comparable



NEXT STEPS

- City Council provides direction on proposed new agreement
- If directed, staff will bring back draft agreement for consideration on September 27, 2022
- With Agreement, City Council will order Proposition 218 rate hearing
- City Council would pass new rate resolution on November 15, 2022
- New Agreement would be effective January 1, 2023
- Rates adjusted for new services January 1, 2023, July 1, 2023, and July 1, 2024
- OR, City Council could direct staff to take steps to begin a competitive proposal process



NEXT STEPS

THANK YOU!

Questions or Comments
AND
Direction to Staff



R3