



City Council Agenda Item Staff Report

CITY OF SAN BRUNO

DATE: April 11, 2023

TO: Honorable Mayor and Members of the City Council

FROM: Jovan D. Grogan, City Manager

PREPARED BY: Bobby Magee, Interim Finance Director
Matthew Lee, Public Works Director

SUBJECT: Consider Adoption of a Resolution Directing Staff to Initiate the Property Owner Notice and Protest Process as Required by Proposition 218 for the FY 2023-24 Solid Waste Rate Increase Proposed by Recology San Bruno

BACKGROUND: The City of San Bruno's new Franchise Agreement¹ (Agreement) with Recology San Bruno (Recology) became effective on January 1, 2023. According to this Agreement, Recology is entitled to annual rate adjustments based on a Detailed Rate Year analysis every three years, beginning with Year Four, and an Interim Rate Year analysis for the other years, beginning with Year Three.

The new Agreement also included a 6.03% rate increase for residential services and a 16.81% rate increase for commercial and debris box services that began on January 1, 2023, with a plan to adjust rates again in mid-2023 and at the beginning of each fiscal year thereafter as described above. For July 1, 2023, and July 1, 2024, the Agreement includes negotiated rates for services as follows:

Table 1: Rate Adjustments

Sector	Effective July 1, 2023	Example
Residential	9.58%	\$3.30 monthly increase for a 32-gallon residential cart
Commercial & Debris Box	9.58%	\$9.25 monthly increase for a 64-gallon commercial cart

The requested service rate adjustments are reflective of higher-than-normal inflation and new and enhanced services included in the Agreement. The proposed 9.58% rate adjustment includes three components, as follows:

- *Customer Billing (1.23% or equates to \$0.42 per month increase for a 32-gallon residential cart)* – Pursuant to the Agreement, beginning July 1, 2023, Recology will take over customer billing and collection of payments. Direct billing of solid waste services by Recology will streamline customer service for residents and businesses. Currently, customers must now contact the City for billing questions and Recology for operational issues such as missed pickups and service changes. Under the new service model, Recology will be the sole point of contact for all questions related to a customer's bill and

¹ <https://www.sanbruno.ca.gov/399/Solid-Waste-Recycling>

services. Additionally, the change will reduce the workload of the City's Finance Department by freeing up staff time from responding to customer service calls and processing payments, as well as bill collection activities. This will allow for staff to focus additional time on accounts payable and purchasing activities.

- *A Franchise Fee for Street Sweeping and Catch Basin Waste Removal (6.35% or equates to \$2.19 per month increase for a 32-gallon residential cart)* – Pursuant to the Agreement, Recology may collect a franchise fee for street sweeping and catch basin waste removal, which is currently paid for by the City. The City's stormwater fees, collected on the County property tax roll, have not been adjusted since 1994, and continue to experience a significant deficit each year. This franchise fee will fund removal of solid waste from catch basins based on the nexus with solid waste collection through a similarly apportioned fee charged to the solid waste service provider. This will have a positive impact on the stormwater fund's continual negative balance.
- *Annual Scheduled Rate Increase per the Agreement (2.00% or equates to \$0.69 per month increase for a 32-gallon residential cart)* - This is the standard annual increase per the Agreement for this upcoming fiscal year to reflect annual adjustments in costs to provide the services.

As shown in Table 1 above, the total requested service rate adjustment is 9.58% for both residential and commercial and debris box services, to be effective July 1, 2023.

On March 14, 2023, the City Council reviewed and provided direction to staff regarding the process to set the FY 2023-24 solid waste rates proposed by Recology. The City Council took action to authorize the rates to be set by resolution.

DISCUSSION:

Examples of the proposed FY2023-24 rate adjustment for typical residential and commercial services include:

Table 2: Sample Monthly Solid Waste Services Fees

Type	Current Rate Effective January 1, 2023	Proposed Rate Effective July 1, 2023	Change
<i>Residential</i>			
16-gallon cart	\$21.81	\$23.90	\$2.09
20-gallon cart	\$26.74	\$29.30	\$2.56
32-gallon cart	\$34.49	\$37.79	\$3.30
64-gallon cart	\$68.98	\$75.59	\$6.61
96-gallon cart	\$103.47	\$113.38	\$9.91
<i>Commercial</i>			
64-gallon cart, 1 per week	\$96.54	\$105.79	\$9.25
1-yard container, 1 per week	\$202.67	\$222.09	\$19.42

This increase would be effective for bills produced on or after July 1, 2023.

Franchise Fee for Street Sweeping and Catch Basin Waste Removal Costs

Under the Agreement between the City and Recology, Recology pays the City a franchise fee as consideration for the special privilege granted by the City to be the exclusive provider of solid waste collection services in the City, which includes its special rights to ownership of solid waste

put out for collection and to keep its collection carts, bins, and containers in the public right-of-way.

Over the last two months, the City and Recology have discussed modifying the franchise fee, as allowed for in the Agreement, to account for costs incurred by the City to collect solid waste through street sweeping and catch basin waste removal due to improper collection activities.

The City maintains a storm water collection system comprised of streets, gutters, and inlets/catch basins to collect and manage storm water. Removal of solid waste from this system is important to both proper storm water control and to preventing solid waste from degrading water quality. Most of the solid waste that the City must remove from its storm water collection system is generated within the City on private and public properties, which are all generally required to subscribe to solid waste collection services from City's exclusive solid waste service provider, Recology. When Recology or individual waste generators do not properly manage the collection of solid waste, a percentage of the solid waste generated in the City ends up in the City's storm water collection system, where it must be removed by the City. The City removes solid waste generated on private and public properties from its storm water collection system through street sweeping and clearing catch basins. Street sweeping captures solid waste that ends up in public streets as a result of improper collection. Solid waste that is not captured by street sweeping is collected in catch basins and collected when the City clears the basins. Both of these activities are an essential part of solid waste collection in the City.

To determine the proper amount of the fee, the City retained the services of R3 Consulting Group, Inc. (R3). R3 prepared a cost allocation study, provided as Attachment 3, to estimate the portion of the City's costs for street sweeping and catch basin waste removal that may be eligible for cost recovery via a fee paid by the City's solid waste service provider, Recology, pursuant to the Agreement with the City. This report provides the results of the analysis. This study was based on the City's current reported costs for street sweeping and for removal and disposal of waste collected in storm drain catch basins. Using the information provided by the City, R3 calculated the proportion of these costs that may be attributed to the collection of solid waste generated within the City. The calculated annual fee amount based on the analysis is \$798,993, in current year dollars. This amount can be escalated by the Consumer Price Index or other reasonable escalation factors in future years to keep up with the increasing cost of providing these services.

This was calculated at \$798,993, which encompasses \$557,122 in current annual street sweeping costs, which are net of reimbursements to the City from CalTrans for the sweeping of El Camino Real, and \$478,259 for catch basin waste removal costs. The annual costs attributable to ratepayers calculated by R3 have been provided to Recology and are included in the current rate adjustment request.

If the City Council directs the City to proceed with the rate adjustment process, staff will prepare an amendment to the City's Agreement with Recology for the City Council's consideration. The amendment would include the additional franchise fee and memorialize the new collection service fees effective July 1, 2023.

Property Owner Notice and Protest Process

The proposed rate adjustments, as indicated in Table 2 above, are subject to Section 6 of Article XIID of the California Constitution (Proposition 218). Therefore, staff seeks direction regarding the public hearing process required by Proposition 218 for the City Council to

consider adopting the new FY 2023-24 rates by resolution effective July 1, 2023.

In summary, Proposition 218 requires the City Council to hold a noticed public hearing on the rates. The hearing cannot occur less than 45 days after mailing a notice of the proposed rates to the record owners of property and to the customers subject to the rates. At the conclusion of the public hearing, the City must tabulate the written protests against the proposed rates and determine if a majority protest exists. A majority protest will exist if written protests have been presented, and not withdrawn, by the record owners or customers of record of a majority of the parcels subject to the rates. If a majority protest exists, the City Council cannot adopt the proposed rates.

Rate Adjustment Adoption Timeline

As directed by City Council on March 14, 2023, the FY 2023-24 solid waste rates proposed by Recology San Bruno are planned to be adopted by resolution via the following timeline:

Table 3: Rate Setting Resolution Adoption Timeline

April 2023	On or before April 25 – City Council directs staff to provide 45-day notice about proposed rates On or before April 29- Notices mailed to start 45-day period
May 2023	
June 2023	June 13 – City Council holds public hearing, considers any protests, takes action to adopt resolution setting new rates
July 2023	July 1 – New rates take effect

FISCAL IMPACT: Administering the Proposition 218 process will cost approximately \$12,200 for the mailing and postage which is budgeted in the Finance Department’s operational budget. The proposed rate increase does not have a direct effect on City budget.

ENVIRONMENTAL IMPACT: The action is not a project subject to CEQA. City Council’s action is not considered a “Project” per CEQA Guidelines and therefore no further environmental analysis is required.

RECOMMENDATION: Consider adoption of a resolution directing staff to initiate the property owner notice and protest process as required by Proposition 218 for the FY 2023-24 solid waste rate increase proposed by Recology San Bruno.

ALTERNATIVES:

1. Do not proceed with the process to adopt new rates.

ATTACHMENTS:

1. Resolution
2. Draft Proposition 218 Notice
3. Street Sweeping and Catch Basin Waste Removal Cost Study