

DEPARTMENT OF PUBLIC WORKS

Quality, Excellence, Innovation

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Board of Supervisors
3501 Civic Center Drive
San Rafael, CA 94903

SUBJECT: Hold Public Hearing for Rate Increase for Marin Sanitary Service

Dear Board Members:

RECOMMENDATION: Hold the scheduled public hearing at 10:30 a.m. for a requested rate increase of 2.23% to 6.99% for the Central Marin Franchise Areas (1 – 6) and Ross Valley North and South Areas serviced by Marin Sanitary Service.

SUMMARY: Marin Sanitary Service, Inc. (MSS) holds the exclusive franchise for the collection and disposal of refuse in the unincorporated areas known as Central Marin Franchise Areas (1, 2, 3, 4, 5 and 6) and Ross Valley South and Ross Valley North Franchise Areas. The six small Central Marin Franchise Areas encompass unincorporated parts of Bayside Acres, Country Club Estates, Bret Harte, Point San Quentin, Lucky Drive, and Greenbrae Boardwalk. The Ross Valley South Franchise Area encompasses unincorporated areas commonly known as Kentfield, Greenbrae, Kent Woodlands, and Del Mesa Heights. Ross Valley North encompasses unincorporated areas known as Sleepy Hollow and Oak Manor.

Rate increases for 20-gallon service are proposed as follows: 6.99% for the Central Marin Franchise Areas (1 -6); 6.46% for Ross Valley South; 3.36% for Ross Valley North (Oak Manor); and 2.23% for Ross Valley North (Sleepy Hollow). The refuse collection rates are based on the contractor's cost of operations for wages and benefits, disposal, fuel, equipment and lease expenses, and certain allowable miscellaneous expenses. The primary reason for the different rates in the different neighborhoods is to meet the Board's goal of attaining unified, consistent rates in 2018.

In addition to the County, Several of the surrounding cities and special districts also have contracts with MSS that utilize a similar rate setting methodology. To more efficiently and cost effectively administer their franchises, San Rafael, Larkspur, Ross, and the Las Gallinas Valley Sanitary District have joined together in an informal "Franchisors Group" to work cooperatively on annual rate reviews and other projects. In 2012, the "Franchisors Group" conducted a Request for Proposals (RFP) process for rate review services and selected HF&H consultants, LLC (HF&H). HF&H has successfully reviewed MSS rate proposals for several years.

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MSS submitted an initial rate proposal for 2015 and the County's/Franchisor's Group rate consultant HF&H then did a detailed review of the MSS rate proposal and recommended several adjustments and reductions for the Franchising Agencies. The rate increase, separate from adjustments to move towards having the same rate in all of MSS County served areas, is due primarily to disposal (landfill) expenses and equipment depreciation.

Consolidated Franchise Agreement

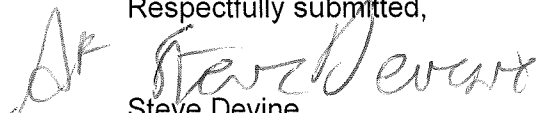
Please recall that in September, your Board executed a new "consolidated franchise agreement" with Marin Sanitary Service. Since the initial agreement was signed in 1994, there were twenty (20) franchise amendments. These twenty amendments included numerous service and rate adjustments. With the goal of combining the initial agreement and the twenty amendments, the County and MSS compiled a single, consolidated franchise agreement to simplify future evaluations. The consolidated franchise also largely conforms to the "standard" franchise used by the "Franchisors Group."

It should be noted that the new, consolidated agreement not only consolidated three existing franchises, it also incorporated Ross Valley North into the "Franchisors Group" and provided for a rate mechanism that includes a rate-smoothing plan. The rate structure allows the Ross Valley North area to generate sufficient rate income to meet the project revenue requirement over time. This rate-smoothing plan will also implement, over five years, unified rates for residential carts service – so that these customers will all pay the same rates in the MSS served unincorporated areas. The rate increases proposed here reflect this year's effort towards achieving a unified rate for the MSS County served areas.

FISCAL IMPACT: There is an estimated increase of approximately \$21,000 in General Fund franchise fees associated with the proposed rate increase. There is no additional impact to the General Fund.

REVIEWED BY: [] Department of Finance [X] N/A
 [X] County Counsel [] N/A
 [] Human Resources [X] N/A

Respectfully submitted,


Steve Devine
Program Manager

- Attachments: 1. Hilton Farnkopf and Hobson Rate Analysis.
2. Proposed Rate Sheets

