February 7, 2017

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

SUBJECT:  Public Hearing for a Marin Sanitary Service Rate Increase

Dear Board Members:

RECOMMENDATIONS:

Hold a Public Hearing at 10:30 a.m. to consider a rate increase of 6.21% for the areas known as Central Marin Franchise Areas (1, 2, 3, 4, 5 and 6); 6.21% for Ross Valley South; and up to 5.71% for Ross Valley North (Oak Manor and Sleepy Hollow) for regular refuse collection for the unincorporated areas.

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 - 6) and Ross Valley (South and North) Franchise Areas. The six small Central Marin Franchise Areas include unincorporated parts of Bayside Acres, Country Club Estates, Bret Harte, Point San Quentin, Lucky Drive, and Greenbrae Boardwalk. Ross Valley South includes Kentfield, Greenbrae, Kent Woodlands, and Del Mesa Heights. Ross Valley North includes Sleepy Hollow and Oak Manor.

Rate increase components include disposal, fuel, and depreciation and interest. The different rates in the different neighborhoods (Central Marin and Ross Valley South) are designed to meet the Board’s goal of attaining unified, consistent rates in the MSS service area – phased in by 2018.

To more efficiently administer franchises with MSS – the County, San Rafael, Larkspur, Ross, and the Las Gallinas Valley Sanitary District join in an informal “Franchisors Group” to work cooperatively on annual rate reviews and other projects. The group has retained HF&H Consultants (HF&H), to help conduct the rate review. The Franchise Agreement provides for a detailed third-party review of MSS’s operations every three years. In the interim two-year period, annual summary reviews using modified indexes are conducted based on the last detailed analysis (which occurred in 2015 for the 2016 rates). The proposed 2017 rates are based on a summary review. As noted in the HF&H report, several expense items are “trued-up” – or adjusted to match actual figures – every year, not just during a detailed review, whereas some items like benefits only get trued-up every third year.
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Recyclable Commodity Sales Revenue Decline
There is a Recycling Reserve Fund in the agreement with MSS that serves as a rate smoothing mechanism for times when the recyclables market experiences fluctuations. There has been a sharp decline in this fund from a collapse of the commodity markets. Commodity pricing per ton dropped an average of 14.03% during 2015 – and have stayed depressed. The recycling markets drop is affecting not just the Bay Area, but also all of California and the rest of the nation. The Franchisors’ Group is working with MSS utilizing the various franchises’ “meet and confer” process to try to address the matter with a long-term view, rather than a series of ongoing fixes.

FISCAL IMPACT: There is an estimated revenue increase of approximately $25,000 in General Fund franchise fees associated with the proposed rate increase. There is no additional impact to the General Fund.

REVIEWED BY:

[ X ] Department of Finance
[ X ] County Counsel
[ X ] Human Resources

Respectfully submitted,

Steve Devine
Program Manager

cc: Marin Sanitary Service

Attachments:

1. MSS Rate Application Letter Dated August 5, 2016.
3. 2017 Rate Sheets.

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