



DEPARTMENT OF PUBLIC WORKS

Quality, Excellence, Innovation

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August 21, 2018

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

SUBJECT: Hearing for Rate Increase for Mill Valley Refuse Service, Inc.

Dear Board Members:

RECOMMENDATION: Hold a Public Hearing at 10:30 a.m. for a 17.54% rate increase (comprised of a 14.05% increase request by the company and a 3.49% increase related to a new Regulatory Compliance Fee) for the unincorporated Southern Marin franchise areas serviced by Mill Valley Refuse Service, Inc.

SUMMARY: Mill Valley Refuse Service, Inc., (MVRS) provides collection and processing of refuse, recyclables, and compostables in certain southern Marin unincorporated areas which were established by your Board in 1993. These areas include unincorporated areas near Mill Valley and Tiburon known as Shoreline and Gibson, Paradise Cay, Paradise, and Mar East. There are approximately 800 accounts in these areas that include residential and commercial customers.

Recent Franchise Activity

Please recall that on June 12, 2018, your Board acted to extend for three years an existing solid waste collection franchise agreement with Mill Valley Refuse Service. During early 2018, the County had been working productively with Mill Valley Refuse Service to develop a potential longer-term, "modern era" franchise agreement. However, due to the unexpected major disruption in recyclables markets (due to the Chinese "National Sword" issue) that have upended the economics of solid waste collection, it was determined by both the County and Mill Valley Refuse Service that a shorter-term agreement was more appropriate.

Rate Adjustment Summary

There are two components to the rate adjustment that would be seen by ratepayers:

1. A 17.54% increase requested by the company, largely driven by the drastic change in the recyclables marketplace caused by China's "National Sword" initiative, which has severely reduced the United States' access to recyclable end markets.
2. A Regulatory Compliance Fee (assessed at 3% of gross revenues) to cover the cost of the County's compliance with newer State laws and mandates including AB 341 (mandatory commercial recycling), AB 1826 (mandatory organics collection), and SB 1383 (methane mitigation, food waste reduction, etc.). This fee has been implemented in all three of the other waste collection franchises the County administers with the three other private haulers.

Independent Rate Application Evaluation

There are nine public agencies in Marin County that contract with MVRS for solid waste collection and processing services. To more cost effectively evaluate the MVRS rate application, the County benefits from working cooperatively with the other public entities to perform an independent analysis of the Rate Application. To that end, R3 Consulting Group, Inc. (R3) prepared an analysis of the Rate Application; their report is provided in Attachments 5 and 6.

R3 conducted a thorough review and excluded a few, relatively small expenses but generally found the Rate Application to be consistent with industry practices and the various franchise requirements. Garth Schultz, a Principal with R3, will be at the Board Meeting and available to answer questions.

A large portion of the requested rate increase is directly attributable to the drastic changes taking place in the global recyclables commodity markets. In the recent past, Mill Valley Refuse Service was receiving as much as \$50 per ton selling commingled recyclables – which could be used to help offset rates seen by customers. The MVRS Rate Application makes note that in a period of less than twelve months, the cost to deliver recyclables to a broker has gone from \$0/ton in April of 2017, to costing \$72/ton.

In addition to a huge shift in the economics of recycling, the world's largest end market for materials, China, has severely stepped up its expectation of material quality. It is now generally accepting baled material with no more than .05% contamination which requires the public to do a better job following recycling instruction and increased costs at materials recovery facilities (MRFs) that do the pre-sort of materials before they are baled and shipped for recycling. Other factors contributing to MVRS's requested increase include a new union contract and expenses related to landfilling and composting.

Dual Sort Pilot Program

In response to this dramatic change in the recycling industry and to explore helping control costs, MVRS has proposed a Dual Stream Pilot Proposal for recycling. A "dual stream" collection program could result in less contaminated recyclable material and may enable MVRS to hand off recyclables at a lower cost than the current commingled system. The MVRS Pilot Program Proposal is attached and Mr. Iavarone, with MVRS, will be available to discuss the program and answer questions. It should be noted that the MVRS Pilot Program will have extensive participation in other "non-County" jurisdictions such as Belvedere, Corte Madera, Mill Valley, Tiburon, and the franchise area administered by the Strawberry Recreation District.

FISCAL IMPACT: There is an estimated revenue increase of approximately \$17,800 in General Fund franchise fees associated with the proposed rate increase and \$19,900 for the Regulatory Compliance Fee. Staff will work with the County Administrator to make the necessary budget adjustments as part of the monthly Budget Adjustment process. There are no other impacts by these actions.

REVIEWED BY:

<input checked="" type="checkbox"/>	County Administrator	<input type="checkbox"/>	N/A
<input type="checkbox"/>	Department of Finance	<input checked="" type="checkbox"/>	N/A
<input checked="" type="checkbox"/>	County Counsel	<input type="checkbox"/>	N/A
<input type="checkbox"/>	Human Resources	<input checked="" type="checkbox"/>	N/A

Board of Supervisors
August 21, 2018
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Respectfully submitted,



FOR STEVE DEVINE
Steve Devine
Program Manager



Attachments:

1. Mill Valley Refuse Service, Inc., Rate Application Transmittal Letter
2. Mill Valley Refuse Service, Inc., 2018 Collection Rate Application
3. Mill Valley Refuse Service, Inc., County Area Residential, Apartment & Commercial Rates
4. Mill Valley Refuse Service, Inc., Dual-Stream Pilot Program Proposal
5. R3 Consulting Group, Inc., Review of Mill Valley Refuse Service's 2018 Request for Rate Increase (Shared Work Product for Nine Marin Public Agencies)
6. R3 Consulting Group, Inc., Rate Review Supplement for Marin County

c: Mill Valley Refuse Service, Inc.

