

**TOWN OF FAIRFAX
STAFF REPORT**

To: Mayor, Members of the Town Council
From: Michael Rock, Town Manager 
Date: April 6, 2011
Subject: Adoption of a Resolution approving a garbage and recycling service rate increase of 10% in the Town of Fairfax

RECOMMENDATION

The Town Council hear the presentation, open the public hearing, take public comment, then adopt a Resolution providing for an average 10 percent rate adjustment for Marin Sanitary Service, Inc. (MSS) beginning May 1, 2011.

The rate will increase from \$22.53/month for a 32-gallon cart in flat areas to \$24.78/month for a 32-gallon cart in flat areas. The hill rate will increase from \$26.31/month to \$28.94/month.

The Town Code (Section 8.08.030) requires all garbage service rate increases to be approved by resolution of the Town Council.

DISCUSSION

The rate adjustment analysis produced by Hilton Farnkopf and Hobson (HF&H) Consultants recommends a 25.96% rate increase for garbage and recycling services in Fairfax. The reasons for this recommended increase of 25.96% is attached as Exhibit B. The HF&H analysis does not include recycling materials as part of the data that determines how the rates are set. Recycling revenues (or the lack thereof) are not factored into the rate increases. The risk or reward regarding recycling materials is taken solely by Marin Sanitary Service.

The staff recommendation is a rate increase to become effective May 1, 2011 of 10% with the understanding that the Town Council will be reviewing the rates again over the next ensuing months as it considers a new agreement for solid waste and recycling services.

In summary, the recommended rate increase contains the following components:

1. Increase in benefits for Marin Sanitary employees
2. Increase in workers compensation costs
3. Increase in disposal fees based on increased tonnage
4. Increase in other operating costs for the company that has been determined to be compensable through rate analysis, and include wage adjustments, depreciation, other vehicle related costs, administrative expenses and other operating costs; and
5. New program cost for the food composting program

BACKGROUND

The Town of Fairfax Council approved a 3.18 % rate increase effective May 1, 2010 and approved a rate increase of 20% effective on April 1, 2009. The only other rate increase in the eight years prior to April 1, 2009 was passed on January 4, 2005. The rate was increased 5.5% over all rate categories. This increase addressed road impacts and is used exclusively to repair streets impacted by garbage trucks. Thus, the average rate increase to the Town residents and businesses over the last ten years (assuming the 10% rate increase is approved for May 1, 2011) is 3.87% per year.

FISCAL IMPACT

This rate increase will affect all residential and business rate payers of solid waste and recycling services in the Town of Fairfax. The Town budget will receive a slight increase in franchise fees collected from Marin Sanitary Service.

ATTACHMENTS

Exhibit A: Resolution Approving a Garbage and Recycling Service Rate Increase

Exhibit B: Rate Increase Calculation for the Town of Fairfax from HF&H

Exhibit C: New Proposed Rate Schedule for the Town of Fairfax

EXHIBIT A

RESOLUTION NO. 11-21

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF FAIRFAX APPROVING A GARBAGE AND RECYCLING SERVICE RATE INCREASE IN THE TOWN OF FAIRFAX

WHEREAS, the Town Code Section 8.08.030 of the Fairfax Town Code provides that garbage service charges will be established by resolution of the Town Council; and

WHEREAS, the franchisee, Marin Sanitary Service, has submitted an application for rate review, requesting an increase in service charges to commence on May 1, 2011, in order to pass on the increased cost of doing business caused by poor recycling markets, increases in labor costs, implementation of a new food waste composting program and the general increase in costs due to the consumer price index over the last eight years; and

WHEREAS, in accordance with the requirements of Section 16, "Notice of Rate Review," of the garbage disposal contract agreement dated April 19, 1993, the Town of Fairfax published a notice of the public hearing in three places on March 23, 2011, and published in the Marin Independent Journal on March 26, 2011; and

WHEREAS, a public hearing was held on April 6, 2011, to review the franchisee's application;

NOW, THEREFORE, BE IT RESOLVED, that effective May 1, 2011, the combined rates for both garbage and recycling charges shall be raised 10.00% over all rate categories. All rates are rounded to the nearest five cents.

The foregoing Resolution was duly passed and adopted at a Regular Meeting of the Town Council of the Town of Fairfax held in said Town on the 6th day of April, 2011 by the following vote, to wit:

AYES:
NOES:
ABSENT:

Larry Bragman, Mayor

Attest:

Judy Anderson, Town Clerk

Exhibit B

Marin Sanitary Service 2011 Rate Application Rate Calculation

| | MSS Proposed | HF&H Adj | Base Adjusted |
|--------------------------------------|------------------|---------------|------------------|
| | Fairfax | | Fairfax |
| Rate Application Operating Expenses: | | | |
| Wages | \$ 353,376 | | \$ 353,376 |
| Benefits | 178,829 | 10,735.41 | 189,564 |
| Disposal Fees | 289,047 | 16,011.00 | 305,058 |
| Fuel & Oil | 69,430 | (1,192.39) | 68,238 |
| Maintenance Expense | 75,099 | | 75,099 |
| Depreciation/Leases | 136,232 | 3,334.74 | 139,567 |
| Other Operating/G&A | 52,056 | (478.59) | 51,578 |
| Total Operating Expenses | 1,154,070 | 28,410 | 1,182,480 |
| Operating Profit | 121,145 | 2,982 | 124,127 |
| Interest Expense | 13,702 | 31,891 | 45,593 |
| Revenue Requirement | 1,288,917 | 63,283 | 1,352,200 |
| Route Revenues (2011 Projected) | 1,206,126 | 39,991 | 1,246,117 |
| Adjustment: | | | |
| Adjusted Route Revenues | 1,206,126 | 39,991 | 1,246,117 |
| Less: Franchise Fees | (120,613) | | (124,612) |
| Less: Vehicle Impact Fee | (48,000) | | (48,000) |
| Net Regulated Revenues | 1,037,513 | | 1,073,505 |
| Non-Regulated Revenues | - | | |
| Total Revenues | 1,037,513 | | 1,073,505 |
| Adjustment: | - | | |
| Less: Franchise Fees | - | | |
| Adjusted Total Revenues | 1,037,513 | | 1,073,505 |
| Revenue Surplus/(Shortfall) | (251,404) | | (278,695) |
| Calculated Rate Adjustment | 24.23% | | 25.96% |

EXHIBIT C
Town of Fairfax
Refuse Collection Rates
Effective May 1, 2011

Effective 5/1/2011 - 10.0% Rate Increase

Residential Service

| Can Service | FLAT | | | HILL | | | Flat Quarterly Rate | Hill Quarterly Rate |
|----------------------|-------------------------|----------------------------|------------|-------------------------|----------------------------|------------|------------------------|------------------------|
| | Current Rate Monthly | 05/01/2011 Rate Monthly | Amt of Inc | Current Rate Monthly | 05/01/2011 Rate Monthly | Amt of Inc | | |
| Weekly Service | | | | | | | | |
| 20 gallon | \$18.78 | \$20.66 | \$1.88 | \$21.83 | \$24.12 | \$2.19 | \$81.98 | \$72.36 |
| 32 gallon | \$22.53 | \$24.78 | \$2.25 | \$26.31 | \$28.94 | \$2.63 | \$74.34 | \$86.82 |
| 64 gallon | \$45.08 | \$49.56 | \$4.50 | \$52.62 | \$57.88 | \$5.26 | \$148.68 | \$173.64 |
| 96 gallon | \$67.59 | \$74.34 | \$6.75 | \$78.93 | \$86.82 | \$7.89 | \$223.02 | \$260.46 |
| Add'l Can | \$22.53 | \$24.78 | \$2.25 | \$26.31 | \$28.94 | \$2.63 | \$74.34 | \$86.82 |
| Low income - 20 gal* | \$18.33 | \$17.96 | \$1.63 | \$19.08 | \$20.99 | \$1.91 | \$53.88 | \$62.97 |
| Low income - 32 gal* | \$19.60 | \$21.56 | \$1.96 | \$22.89 | \$25.18 | \$2.29 | \$64.68 | \$75.54 |
| Low income - 64 gal* | \$39.21 | \$43.13 | \$3.92 | \$45.77 | \$50.35 | \$4.58 | \$129.39 | \$151.05 |
| Low income - 96 gal* | \$58.81 | \$64.69 | \$5.88 | \$68.66 | \$75.53 | \$6.87 | \$194.07 | \$226.59 |

*Must meet PG&E CARE program eligibility requirements

| Distance Charges | Current | 5/1/2011 |
|--------------------------------------|---------|----------|
| Distance 5'-50' | \$3.35 | \$3.70 |
| Distance over 50' (per 50' each can) | \$6.70 | \$7.35 |

Note: Multi-Family service is one can per unit-minimum

| Extra Charges | Current | 5/1/2011 |
|-------------------|---------|----------|
| Per bag | \$3.20 | \$3.50 |
| Per 32 gallon can | \$7.10 | \$7.80 |
| Per 64 gallon can | \$14.25 | \$15.70 |
| Per 96 gallon can | \$21.35 | \$23.50 |
| Per add'l can | \$7.10 | \$7.80 |

Commercial Service

| Can Service | Collections per Week | | | | | |
|-----------------|----------------------|----------|----------|----------|----------|----------|
| | 1 | 2 | 3 | 4 | 5 | 6 |
| Current | | | | | | |
| 32 gallon | \$26.55 | \$53.10 | \$79.65 | \$106.20 | \$132.75 | \$159.30 |
| 64 gallon | \$53.10 | \$106.20 | \$159.30 | \$212.40 | \$265.50 | \$318.60 |
| 96 gallon | \$79.65 | \$159.30 | \$238.95 | \$318.60 | \$398.25 | \$477.90 |
| 5/1/2011 | | | | | | |
| 32 gallon | \$29.20 | \$58.40 | \$87.60 | \$116.80 | \$146.00 | \$175.20 |
| 64 gallon | \$58.40 | \$116.80 | \$175.20 | \$233.60 | \$292.00 | \$350.40 |
| 96 gallon | \$87.60 | \$175.20 | \$262.80 | \$350.40 | \$438.00 | \$525.60 |

| Box Service | On-Call | Collections per Week | | | | | | per single collection |
|-----------------|----------|----------------------|------------|------------|------------|------------|------------|--------------------------|
| | | 1 | 2 | 3 | 4 | 5 | 6 | |
| Current | | | | | | | | |
| 1 yard | | \$132.40 | \$223.10 | \$313.85 | \$404.35 | \$495.00 | \$585.65 | \$22.85 |
| 2 yard | \$136.00 | \$221.35 | \$302.25 | \$383.10 | \$463.95 | \$544.80 | \$625.70 | \$42.70 |
| 3 yard | | \$310.45 | \$561.55 | \$812.60 | \$1,063.70 | \$1,314.70 | \$1,562.20 | \$62.80 |
| 4 yard | | \$442.95 | \$817.50 | \$1,157.35 | \$1,649.80 | \$2,062.35 | \$2,474.80 | \$65.45 |
| 6 yard | | \$557.15 | \$1,009.10 | \$1,913.20 | \$2,365.40 | \$2,817.55 | \$3,269.70 | \$125.55 |
| 5/1/2011 | | | | | | | | |
| 1 yard | | \$145.65 | \$245.40 | \$345.00 | \$444.80 | \$544.50 | \$644.20 | \$24.90 |
| 2 yard | \$149.60 | \$243.50 | \$431.50 | \$619.40 | \$807.35 | \$995.35 | \$1,183.25 | \$46.95 |
| 3 yard | | \$341.50 | \$617.70 | \$893.85 | \$1,170.05 | \$1,446.15 | \$1,672.20 | \$69.10 |
| 4 yard | | \$487.25 | \$899.25 | \$1,273.10 | \$1,814.90 | \$2,268.60 | \$2,722.30 | \$94.00 |
| 6 yard | | \$612.85 | \$1,110.00 | \$2,104.50 | \$2,601.95 | \$3,099.30 | \$3,596.65 | \$138.10 |

| | Current Rate | 5/1/2011 | | Current Rate | 5/1/2011 |
|-----------------------------------|--------------|----------|---------------------|--------------|----------|
| Lock Charges - single pickup | \$4.15 | \$4.55 | Box Rental - 1 yard | \$41.75 | \$45.95 |
| Lock Charges - weekly pickup | \$14.45 | \$15.90 | Box Rental - 2 yard | \$50.55 | \$55.60 |
| Compacted refuse w/o recyclables | | | Box Rental - 3 yard | \$59.45 | \$65.40 |
| Compacted refuse with recyclables | | | | | |
| Refuse per yard - per pickup | | | | | |

EXHIBIT C
Town of Fairfax
Refuse Collection Rates
Effective May 1, 2011

Effective 5/1/2011 - 25.96% Rate Increase

Residential Service

| Can Service | Current Rate Monthly | FLAT | | Current Rate Monthly | HILL | | Fiat Quarterly Rate | Hill Quarterly Rate |
|----------------------|-------------------------|----------------------------|------------|-------------------------|----------------------------|------------|------------------------|------------------------|
| | | 05/01/2011 Rate Monthly | Amt of Inc | | 05/01/2011 Rate Monthly | Amt of Inc | | |
| 20 gallon | \$18.78 | \$23.66 | \$4.88 | \$21.93 | \$27.62 | \$5.69 | \$70.98 | \$82.86 |
| 32 gallon | \$22.53 | \$28.38 | \$5.85 | \$28.31 | \$33.14 | \$6.83 | \$85.14 | \$99.42 |
| 64 gallon | \$45.06 | \$56.76 | \$11.70 | \$52.62 | \$66.28 | \$13.66 | \$170.28 | \$198.84 |
| 96 gallon | \$67.59 | \$85.14 | \$17.55 | \$78.93 | \$99.42 | \$20.49 | \$255.42 | \$298.26 |
| Add'l Can | \$22.53 | \$28.38 | \$5.85 | \$28.31 | \$33.14 | \$6.83 | \$85.14 | \$99.42 |
| Low income - 20 gal* | \$16.33 | \$20.57 | \$4.24 | \$19.08 | \$24.03 | \$4.95 | \$61.71 | \$72.09 |
| Low income - 32 gal* | \$19.60 | \$24.69 | \$5.09 | \$22.89 | \$28.83 | \$5.94 | \$74.07 | \$86.49 |
| Low income - 64 gal* | \$39.21 | \$49.39 | \$10.18 | \$45.77 | \$57.65 | \$11.88 | \$148.17 | \$172.95 |
| Low income - 96 gal* | \$58.81 | \$74.08 | \$15.27 | \$68.66 | \$86.48 | \$17.82 | \$222.24 | \$259.44 |

*Must meet PG&E CARE program eligibility requirements

| Distance Charges | Current | 5/1/2011 |
|--------------------------------------|---------|----------|
| Distance 5'-50' | \$3.35 | \$4.20 |
| Distance over 50' (per 50' each can) | \$6.70 | \$8.45 |

Note: Multi-Family service is one can per unit-minimum

| Extra Charges | Current | 5/1/2011 |
|-------------------|---------|----------|
| Per bag | \$3.20 | \$4.05 |
| Per 32 gallon can | \$7.10 | \$8.95 |
| Per 64 gallon can | \$14.25 | \$17.95 |
| Per 96 gallon can | \$21.35 | \$26.90 |
| Per add'l can | \$7.10 | \$8.95 |

Commercial Service

| Can Service | Collections per Week | | | | | |
|-----------------|----------------------|----------|----------|----------|----------|----------|
| | 1 | 2 | 3 | 4 | 5 | 6 |
| Current | | | | | | |
| 32 gallon | \$28.55 | \$53.10 | \$79.65 | \$106.20 | \$132.75 | \$159.30 |
| 64 gallon | \$53.10 | \$106.20 | \$159.30 | \$212.40 | \$265.50 | \$318.60 |
| 96 gallon | \$79.65 | \$159.30 | \$238.95 | \$318.60 | \$398.25 | \$477.90 |
| 5/1/2011 | | | | | | |
| 32 gallon | \$33.45 | \$66.90 | \$100.35 | \$133.80 | \$167.25 | \$200.70 |
| 64 gallon | \$66.90 | \$133.80 | \$200.70 | \$267.60 | \$334.50 | \$401.40 |
| 96 gallon | \$100.35 | \$200.70 | \$301.05 | \$401.40 | \$501.75 | \$602.10 |

| Box Service | On-Call | Collections per Week | | | | | | per single collection |
|-----------------|----------|----------------------|------------|------------|------------|------------|------------|-----------------------|
| | | 1 | 2 | 3 | 4 | 5 | 6 | |
| Current | | | | | | | | |
| 1 yard | | \$132.40 | \$223.10 | \$313.85 | \$404.35 | \$495.00 | \$585.55 | \$22.65 |
| 2 yard | \$138.00 | \$221.35 | \$392.25 | \$563.10 | \$733.95 | \$904.85 | \$1,075.70 | \$42.70 |
| 3 yard | | \$310.45 | \$581.55 | \$852.60 | \$1,083.70 | \$1,314.70 | \$1,520.20 | \$62.80 |
| 4 yard | | \$442.95 | \$817.50 | \$1,157.35 | \$1,649.90 | \$2,062.35 | \$2,474.80 | \$85.45 |
| 6 yard | | \$657.15 | \$1,009.10 | \$1,913.20 | \$2,365.40 | \$2,817.55 | \$3,269.70 | \$125.55 |
| 5/1/2011 | | | | | | | | |
| 1 yard | | \$166.75 | \$281.00 | \$395.05 | \$509.30 | \$623.50 | \$737.70 | \$28.55 |
| 2 yard | \$171.30 | \$278.80 | \$494.10 | \$709.30 | \$924.50 | \$1,139.75 | \$1,354.95 | \$53.80 |
| 3 yard | | \$391.05 | \$707.35 | \$1,023.55 | \$1,339.85 | \$1,656.00 | \$1,914.85 | \$79.10 |
| 4 yard | | \$557.95 | \$1,029.70 | \$1,457.80 | \$2,078.20 | \$2,597.75 | \$3,117.25 | \$107.65 |
| 6 yard | | \$701.80 | \$1,271.05 | \$2,409.85 | \$2,979.45 | \$3,549.00 | \$4,118.50 | \$158.15 |

| | Current Rate | 5/1/2011 | | Current Rate | 5/1/2011 |
|-----------------------------------|--------------|----------|---------------------|--------------|----------|
| Lock Charges - single pickup | \$4.15 | \$5.25 | Box Rental - 1 yard | \$41.75 | \$52.60 |
| Lock Charges - weekly pickup | \$14.45 | \$18.20 | Box Rental - 2 yard | \$50.55 | \$63.65 |
| Compacted refuse w/o recyclables | | | Box Rental - 3 yard | \$59.45 | \$74.90 |
| Compacted refuse with recyclables | | | | | |
| Refuse per yard - per pickup | | | | | |