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A recent article on Marin Sanitary Service's request for rate increases (Less Garbage; more for pick-up), highlighted an issue facing trash haulers throughout the Bay Area. The issue is "migration," which occurs when customers reduce service (or migrate) from larger to smaller trashcans as they recycle and compost more. This sounds great—and it is. The passage of AB939 in 1990 was aimed at reducing the flow of garbage into our landfills, and the public's enthusiastic participation in recycling and composting services is accomplishing that goal.

The downside to migration is that it drives trash rates higher by reducing revenue without reducing costs. Put simply, sending a truck down your street to pick up a single trashcan costs the same no matter what size it is. Imagine what happens to revenues when sizeable numbers of people start the year with 32-gallon trashcans, and then switch to cheaper 20-gallon cans. Marin Sanitary CFO Neil Roscoe explains that "as people down-size, their cost decreases, but the cost of collecting and processing all that output does not go down." Shortfalls created by migration in one year factor into requests for higher rates the next year.

Steve McCaffrey, a spokesman for Novato's trash collector, correctly points out this problem is not an isolated one. "It's not just Marin. It's happening statewide," he said. Last year, Berkeley reported a decline in refuse revenue that added \$4 million to its budget deficit. One Berkeley resident, who had switched to a smaller can, said, "I felt funny going to the smaller rate. It's the same amount of stuff going out—and trucks and garbage people required to take it away."

Fixing the migration problem requires revising the way rates are currently set. Rates now are determined by adding operating costs (verified by independent auditors) and a contractually agreed-upon profit margin (often unrealized thanks, in part, to migration) to create a single, "blended" rate that includes trash, recycling, and compost services. If warranted and approved, a percentage rate increase is added to the cost of the size of the trashcan each customer *currently* uses. Since people typically re-evaluate their trash needs right after a rate increase is granted, most migration occurs in the first few months of a new rate year. Haulers then find themselves operating during the year with lower revenues than their rate increase was designed to bring in to cover costs. Revenue shortfalls contribute to increasing rates the following year, and the vicious cycle continues.

What haulers have come to learn is that this rate-setting system not only contributes to repeated requests for rate increases, but also fails to address lost revenues in the current rate year. Mill Valley Refuse will lose about \$120,000 in expected revenues this year due to migration, but any rate request for next year will not recover that loss. It can only ensure the same \$120,000 isn't lost again. Roscoe discovered similar substantial losses for Marin Sanitary. These revenue shortfalls are causing serious cash flow problems and depleting cash reserves.

Haulers are casting about for a remedy to the migration problem, but no one has yet agreed on what it might be. Care has to be taken to ensure that any proposed solution doesn't remove incentives to recycle and compost. There are many variables to consider, and these may differ from hauler to hauler, so there might not be one "best" solution that fits every community's situation. Now that the problem has been identified, however, proposals to fix it are sure to follow.