



Solid Waste Study – Frequently Asked Questions

What is a rate study and why was it done?

This rate study is a comprehensive analysis of the District's solid waste rates that addresses several key factors such as the financial plan and revenue requirements, the cost-of-service for each cart size, and the fairness and equity of a flat rate compared to one that differentiates rates by cart size.

How was the study conducted and who was involved?

The District selected and retained NBS in August of 2018 to begin evaluating its solid waste rates. During this process, the District reviewed data and results and provided feedback to NBS to provide the best recommendation to take to the Board. After input from the Citizen's Advisory Committee is received and public hearings are held to discuss the proposed rates, the District Board will ultimately decide what new solid waste rates should be adopted.

What are the benefits of conducting such a study?

First and foremost, it provides an independent, un-biased evaluation of the District's solid waste rates. It also allows the District to consider rates that reflect the costs for each cart size. A solid waste rate model was also developed to document and ensure that District's utility rates are properly aligned with the rate study methodology and industry standards.

What were the results of the rate study?

The study shows several things. First, the solid waste utility is currently operating at an annual deficit, largely due to the implementation of the new organics collection program, although there is a healthy level of reserve funds. Second, moderate increases in rate revenue are recommended to maintain the financial health of the utility. Third, although the rate structure can be broken down into rates based on cart size, at this time billing system limitations do not allow for this type of rate schedule. The proposed rates will need to continue with the current flat rate schedule for now.

How and when will the recommended rate changes be implemented?

To implement the new rates, the District will need to: (1) mail written notices of the proposed rate adjustments to customers, as mandated by Proposition 218, and (2) after a minimum of a 45-day protest period, hold a public hearing to tally protest ballots and, assuming there is no successful challenge during the Prop 218 process, adopt the new rates, and (3) the District Board could implement new rates on or about July 1, 2019.

How can someone learn more about the rate study and recommendations?

The District's website (at <https://www.cmsdca.gov/>) provides useful information about the rate study and the presentations and reports made to staff and the Board on this topic.

Are inflation and growth projections accounted for in the study?

Yes, projections were made as follows:

General inflation: 3% annually

Customer growth: 0.5% annually

Labor Cost inflation: 5% annually

If proposed rates are adopted, when will the rates go into effect?

The Board of Directors will adopt the new rates at their May 23, 2019 meeting and new rates will be effective July 1, 2019.

When was the last rate increase?

The last rate increase was 15 years ago, in 2004. Rates were increased 6%, from \$225.86 to \$239.41.

How do proposed rates compared to previous rates?

The District is proposing increasing the rates back to their 2004 level of \$19.95 a month or \$239.41 a year. These were the solid waste rates from 2005 to 2011.

When did the District's trash hauler last increase its rates?

CR&R has not received an overall rate increase in over 10 years.

Who is performing the solid waste rate study?

In May 2018, the Costa Mesa Sanitary District solicited proposals for conducting a solid waste rate and feasibility study. The District entered into an agreement with NBS Government Finance Group to perform the study.

What is the District's current solid waste rate structure?

Current rates are \$18 a month or \$216 a year. These have been the rates since 2013.

What is included with my solid waste service?

Basic Service includes two (2) mixed waste carts and up to two (2) organic carts for \$216 a year. Any third cart of either category is an extra \$9 per month which is directly billed on a quarterly basis by CR&R.

Why is a rate increase needed?

There are a few reasons why a rate increase is needed. First, it is District goal to always have at least 30% of its operating budget in reserves. The District places its service charges on the property taxes which mean CMSD only receives money twice a year, the 30% in reserves help pay invoices during the months no money is received. Without a rate increase the District will fall below this threshold by next fiscal year.

The implementation of the organics program, CMSD has been subsidizing the organic program costs with its reserves. In 2014, residents were advised to expect at least a \$2 monthly service increase to cover program costs. Lastly, per the new CR&R contract effective July 1, 2018, the hauler is expected to submit annual cost of living increases (CPI) to their rates. Increases are not automatic; CR&R must go to the Board of Directors for approval. Current rates will not be enough to cover any possible CPI increase.

What were the rates in 2004, 2012 and 2014?

The rates were as follows:

2004: \$225.86

2012: \$228.00

2014: \$216.00

Which rate increase option is the Board of Directors considering for adoption?

At the March 12, 2019 Board of Directors Study Session Meeting, the Board of Directors chose option 2 for adoption, a five-year flat rate increase. Prop 218 Notices will be mailed out to parcel owners advising of the Public Hearing on May 23, 2019 with details on the rate increase and instructions on how to protest the rate increase.

How do the District's solid waste rates compare with other Cities?

It is the Board of Directors goal for rates to be within 10% of the County average. Below is a graph with current monthly rates for other cities in Orange County.

