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MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

Home of the Last Chance Mercantile

October 25, 2007

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Jim Colangelo
City Manager
City of Pacific Grove
300 Forest Avenue
Pacific Grove, CA 93950

Re: MRWMD Rate Increase

Dear Jim:

This is in response to your recent email regarding the tipping fees charged by the Monterey Regional Waste Management District (District).

I am sorry that some Council members were concerned about a perceived lack of input on the decision to raise District tipping fees. Our policy is to encourage as much input as possible on issues impacting member agencies and the citizens they represent. At this point, I can only repeat my standing offer to you and the City Council that District General Manager William Merry and I are available any time to meet with the City to provide information on solid waste issues and to receive the City's input. We want our member agencies to be as informed as possible on District solid waste issues.

I would also like to provide some clarification on the current tipping fee schedule. This fee schedule was put in place more than three years ago. Tipping fee rates went from \$35 per ton to \$41 per ton in January 2006, to \$43 per ton in January 2007, and are scheduled to go to \$45 per ton in January 2008. The process for considering this rate increase involved a committee consisting of staff representatives of all member agencies to help the District develop guiding principles for bringing waste into the District and for charging tipping fees. The Pacific Grove city manager did participate in this committee. A major recommendation was that tipping fee increases be spread in smaller increments over several years rather than a major increase all at once.

The MRWMD Board then directed William Merry to meet with the legislative bodies of member agencies to explain the need for the tipping fee increase and to seek input. Mr. Merry made his presentation to the Pacific Grove City Council on January 19, 2005. Our Board subsequently held a noticed public hearing on February 18, 2005, there were no comments from the public, and the current tipping fee schedule was adopted. This action was reported to the City Council in my monthly Highlights Report.

It appears the last rate increase approved for Pacific Grove Disposal (Waste Management Inc. [WMI]) was on May 1, 2005. I am surprised that your franchisee would wait for approximately three years to request their District tipping fee pass through charges. As a suggestion, perhaps the City through its franchise agreement can suggest that more frequent, smaller adjustments are preferable to the City and its citizens than less frequent, larger adjustments. This might help to keep any increases to citizens in lower cost increments and also help the City keep its franchise fee revenue more current.

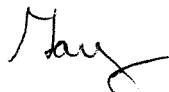
Much of the District's budget is committed to recycling and helping member agencies meet the mandates of State Law AB 939 which requires each jurisdiction to reduce waste by 50%. In 2005 Pacific Grove had a recycling rate of 61% which included 3,385 tons recycled in your franchisee's curbside program, 7,138 tons recycled by the District, and 11,669 tons of other community diversion,. We anticipate the State diversion law will be increased above the 50% rate in the near future.

The District also faces increasing regulations from State and County agencies. For example, last Friday the District approved a more stringent load checking program to screen for hazardous materials such as asbestos. This program will cost the District \$200,000 the first year and some \$100,000 for each year thereafter.

To help stabilize tipping fees, the District is working to bring in disposal tonnage from other areas to generate additional revenue. With over 100 years of useful site life available, the District Board believes this is an asset that can benefit our member jurisdictions. I also would like to assure you that the District continues to look at all areas to reduce costs which this fiscal year included a hiring freeze and dramatically reduced capital spending.

Having said all this, I would like the Council to be aware that future tipping fee increases will be necessary. Our District landfill has the lowest disposal fees in the region (for comparison, the Salinas Valley Solid Waste Authority charges \$58 per ton). We will make every effort to keep you informed and to gain your input as we move forward. I hope this information is of assistance to you. If you have any questions, please let me know.

Sincerely,



Gary W. Bales
Board Member

cc: Pacific Grove Councilmembers
District Board Members
Robert Wellington, District Counsel