



July 23, 2010

Ms. Paula Higashi
Executive Director
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814

Dear Ms. Higashi:

The Department of Finance (Finance) has reviewed the proposed revised parameters and guidelines (Ps&Gs) and reasonable reimbursement methodology (RRM) submitted by the County of Los Angeles and various municipalities (claimants) for Claim No. 03-TC-04, 03-TC-20, and 03-TC-21 "Municipal Storm Water and Urban Runoff Discharges."

Finance believes the proposed RRM rate does not accurately reflect the costs incurred to implement the mandate because, as noted in our prior comments on the original proposed Ps&Gs, some of the claimants' alleged activities, e.g., cleaning costs, are not reasonably necessary to implement the mandate. This belief is based on the survey responses for the following reasons:

1. The survey responses do not clearly explain the costs associated with maintenance of the trash receptacles, e.g., cleaning. The survey of the unincorporated area of Los Angeles County shows increased cleaning costs in the amount of \$7,275 from fiscal year 2005-06 to 2006-07 and \$32,501 from fiscal year 2006-07 to 2007-08. The increased cleaning costs appear to be based on an increase in the average number of trash receptacles. From 2005-06 to 2006-07, the average number of trash receptacles increased by 14 and from 2006-07 to 2007-08, it increased by 11. The concern is that the ratio of increased cleaning costs to increased number of trash receptacles is not proportionate or consistent between the fiscal years. The calculation shows that increased cleaning costs were estimated at \$519 ($\$7,275/14$) per trash receptacle from 2005-06 to 2006-07, and \$2,955 ($\$32,501/11$) per trash receptacle from 2006-07 to 2007-08. Finance, however, is unclear how the increase in cleaning costs grew by \$25,226 ($\$32,501 - \$7,275$) because the average number of trash receptacles decreased by three (14-11) between the fiscal years. Finance notes that the claimants have not clearly identified any proposed activities driving these cleaning cost increases. As noted on page 12 of the Ps&Gs, the claimants propose repetitive activities associated with cleaning costs, e.g., replacing trash receptacle liners. Activities such as these should have consistent costs associated with them and would not explain the significant increase identified above. Therefore, Finance asserts that, in the absence of clearly-identified activities for cleaning, we are unable to support

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the inclusion of the costs of these activities in the RRM rate and suggest that they may not be reasonably necessary to carry out the mandate.

2. Some survey responses do not clearly identify the activities associated with "other" costs. For example, the survey of the City of Signal Hill reported an activity related to city attorney fees for reviewing contracts for the trash receptacle collection services at transit stops as included in "other" costs. Finance believes, however, that this activity is not reasonably necessary to implement the mandate and should be disallowed.

Unlike the claimants' proposal to increase the RRM rate by an annual cost of living adjustment (COLA) starting in 2006-07, Finance would recommend that the usage of any proposed RRM rate start from fiscal year 2002-03, and remain constant until the end of the initial reimbursement period in 2008-09. A proposed RRM rate would then increase in 2009-10 and subsequent years by the implicit price deflator for that respective year. As noted in the claimants' Ps&Gs on pages 4 and 11, the proposed RRM rate provides a uniform cost allowance that is based on local costs incurred over a seven year period (2002-03 through 2008-09). Therefore, Finance believes the RRM rate should be applied to the entire initial reimbursement period without a COLA.

Finance concludes that a fair and accurate RRM rate, if agreed upon by all relevant parties, would be an efficient way to streamline the reimbursement process. However, we would not support an RRM that is based on costs for activities that are not clearly identified or reasonably necessary to carry out the mandate.

As required by the Commission's regulations, a "Proof of Service" has been enclosed indicating that the parties included on the mailing list, which accompanied your June 9, 2010 letter, have been provided with copies of this letter via either United States Mail or, in the case of other state agencies, Interagency Mail Service.

If you have any questions regarding this letter, please contact Carla Shelton, Associate Finance Budget Analyst at (916) 445-8913.

Sincerely,



NONA MARTINEZ

Assistant Program Budget Manager

Enclosure

Enclosure A

DECLARATION OF CARLA SHELTON
DEPARTMENT OF FINANCE

CLAIM NO. CSM—03-TC-04; 03-TC-20; and 03-TC-21 "Municipal Storm Water and Urban Runoff Discharges"

1. I am currently employed by the State of California, Department of Finance (Finance), am familiar with the duties of Finance, and am authorized to make this declaration on behalf of Finance.

I certify under penalty of perjury that the facts set forth in the foregoing are true and correct of my own knowledge except as to the matters therein stated as information or belief and, as to those matters, I believe them to be true.

7-28-10

at Sacramento, CA



Carla Shelton

PROOF OF SERVICE

Test Claim Name: Municipal Storm Water and Urban Runoff Discharges
Test Claim Number: CSM—03-TC-04; 03-TC-20; and 03-TC-21

I, the undersigned, declare as follows:

I am employed in the County of Sacramento, State of California, I am 18 years of age or older and not a party to the within entitled cause; my business address is 915 L Street, 8th Floor, Sacramento, CA 95814.

On July 23, 2010, I served the attached recommendation of the Department of Finance in said cause, by facsimile to the Commission on State Mandates and by placing a true copy thereof: (1) to claimants and nonstate agencies enclosed in a sealed envelope with postage thereon fully prepaid in the United States Mail at Sacramento, California; and (2) to state agencies in the normal pickup location at 915 L Street, 8th Floor, for Interagency Mail Service, as addressed on the attachment.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this declaration was executed on July 23, 2010 at Sacramento, California.



Tamara D Johnson

Commission on State Mandates

Original List Date:

Mailing Information: Draft Staff Analysis

Last Updated: 3/22/2010

List Print Date: 07/08/2010

Mailing List

Claim Number: 03-TC-04, 19, 20, 21

Issue: Municipal Stormwater and Runoff Discharges

Related Matter(s)

03-TC-04	Transit Trash Receptacles
03-TC-19	Inspection of Industrial/Commercial Facilities
03-TC-20	Waste Discharge Requirements
03-TC-21	Stormwater Pollution Control Requirements

TO ALL PARTIES AND INTERESTED PARTIES:

Each commission mailing list is continuously updated as requests are received to include or remove any party or person on the mailing list. A current mailing list is provided with commission correspondence, and a copy of the current mailing list is available upon request at any time. Except as provided otherwise by commission rule, when a party or interested party files any written material with the commission concerning a claim, it shall simultaneously serve a copy of the written material on the parties and interested parties to the claim identified on the mailing list provided by the commission. (Cal. Code Regs., tit. 2, § 1181.2.)

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