

CITY OF



*San Rafael*

Agenda Item No: 5.b

Meeting Date: December 16, 2013

**SAN RAFAEL CITY COUNCIL AGENDA REPORT**

**Department: CITY MANAGER**

**Prepared by: Cory Bytof,  
Sustainability and Volunteer Program  
Coordinator**

**City Manager Approval:** *N. Mackley*

**SUBJECT: RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN RAFAEL  
ESTABLISHING MAXIMUM RATES COLLECTED BY MARIN SANITARY  
SERVICE FOR REFUSE AND RECYCLABLE MATERIAL COLLECTION  
AND DISPOSAL SERVICES, TO BE EFFECTIVE JANUARY 1, 2014**

**RECOMMENDATION:**

Conduct a public hearing and adopt the Resolution establishing maximum rates collected by Marin Sanitary Service for Refuse and Recyclable Material Collection and Disposal Services, to be effective January 1, 2014.

**BACKGROUND:**

Marin Sanitary Service ("MSS") provides refuse hauling and recycling services in numerous areas of Marin County including within the City of San Rafael. The services within our City are pursuant to a Collection Agreement, also known as a Franchise Agreement. The Franchise Agreement outlines the services that must be provided by MSS and a rate setting methodology. Each year, the City Council holds a public hearing to set the maximum collection rates that can be collected by MSS in the City of San Rafael. The "Background" section of this staff report will illustrate the overall context for the rate setting process. In general, the context includes 1) the Franchise Agreement with MSS which includes the methodology for rate setting, 2) the environmental initiatives and goals of the City, and 3) MSS' services and programs.

**I. Franchise Agreement between City of San Rafael and Marin Sanitary Service**

California cities are allowed to regulate local refuse and recycling services under Article XI of the California Constitution and the CA Public Resources Code and to collect a franchise fee. The City of San Rafael has a franchise agreement with MSS for refuse collection and recycling services. The revenue-based methodology used to set the annual rates is contained in the Second Amendment to the Amendment and Restatement of Collection Agreement of the City of San Rafael with Marin Sanitary Service ("Franchise Agreement") approved by the City Council on October 1, 2012. The Franchise Agreement sets forth the services to be provided by MSS,

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**FOR CITY CLERK ONLY**

**File No.:** \_\_\_\_\_

**Council Meeting:** \_\_\_\_\_

**Disposition:** \_\_\_\_\_

the rate setting methodology and the franchise fee paid to the City of San Rafael. The City and MSS first entered into a written agreement in 1966. The first Amendment and Restatement of Collection Agreement of the City of San Rafael with Marin Sanitary Service occurred in 2001. The Franchise Agreement also contains provisions for automatic annual extensions if certain conditions are met.

As required under the current Franchise Agreement, the City Council holds an annual public hearing to set the maximum collection rates that can be charged by MSS for services outlined in said Agreement. Notice of the public hearing is published twice in the *Marin Independent Journal* and mailed to all names on file with the City Clerk. Information on the maximum annual rate that MSS can collect is available at the City Clerk's office during the 10 days prior to the public hearing. The proposed rate information is also provided directly to the San Rafael Chamber of Commerce, the Business Improvement District, Marin Builder's Association, and other interested parties.

The refuse collection rates are based on the contractor's costs of operations for wages and benefits, disposal, fuel, equipment and lease expenses and certain allowable miscellaneous expenses. The Franchise Agreement provides for a detailed review of MSS' operations every three years. In the interim two-year period, annual summary reviews are conducted based on the last detailed analysis. Summary reviews also incorporate the use of indices, analyze key expense components such as disposal costs and project annual revenue requirements. The last detailed review occurred last year for the 2013 rates. The proposed rate levels for 2014 are based on a summary review.

Several of the surrounding cities and special districts also have contracts with MSS that utilize a similar rate setting methodology. Therefore, San Rafael, Larkspur, Ross, the County of Marin including within the Ross Valley Sanitary District boundaries, and the Las Gallinas Valley Sanitary District ("the Franchising Agencies") have joined together in a Franchisors' Group to share information and reduce costs.

The Franchising Agencies met to review MSS's rate proposals and the work of the consultant conducting the rate review. The results of the rate review are presented in the "Analysis" section of this report.

It should be noted that this is only the second rate review done in conjunction with the Second Amendment and Restatement of the Amendment and Restatement of the Collection Agreement incorporating new rate setting methodologies agreed upon by the Franchisors' Group. This amendment included many new provisions in order to help stabilize rates and adjust to changes in the industry and MSS' services. Among the new provisions are comprehensive annual reporting to describe progress and achievements in meeting zero waste goals through programs and activities approved by the Franchisors' Group, public education reporting, and reporting on new technologies and industry best practices to enhance progress towards zero waste.

For example, MSS and the Franchisors' Group now share equally in the net profits and losses from recycling services through the creation of a recycling reserve fund. Once the reserve fund achieves a minimum balance, the fund will be used for zero waste programs approved by the Franchisors' Group. In years of poor recycling markets, the fund will assist in off-setting losses. In addition, the Franchisors' Group will benefit from cost reductions in organics processing and in transfer/transport charges attributable to non-Franchisors' Group entities. Another highlight is that to enable longer term planning, MSS and the Franchisors' Group will annually prepare a five-year capital requirements schedule which will include capital costs for equipment

replacement and for new programs.

There are key incentives that are built into the methodology for MSS to keep costs at an appropriate level and to keep materials out of the landfill. For example, MSS will not be able to include costs that are not necessary for the provision of services, unreasonable in their amount, or exceed comparable charges for similar services by other companies in the Bay Area. Also, with MSS and the Franchisors Group now sharing equally in recycling revenues, MSS and the franchising agencies are financially incentivized to get recyclable materials out of the waste stream.

The process of making changes to the methodology also identified issues that needed to be examined regarding the rate structure itself and alternatives. Alternative rate structures are intended to stabilize rate revenues and incentivize waste reduction, and depart from the current practice of billing customers based on the size and frequency of collection of the refuse service only (the "black can"). This is a new, but emerging trend as municipalities and refuse haulers struggle with trying to achieve higher diversion rates, which cost more to attain, while encouraging customers to smaller refuse containers, which brings in less revenue.

The Franchisors' Group is currently working with HF&H Consultants and Marin Sanitary Service to conduct focus groups to better understand what customers know about their bill and MSS' services in order to craft a pilot rate structure that can be tested sometime in the spring 2014. The focus groups will help determine customer perceptions and motivations, as well as where and how they get their information so that we can craft a pilot that is efficient and does not cause undue confusion or repercussions. The analysis of this pilot will be brought to Council along with possible alternative rate structures for consideration toward the end of 2014.

## **II. Environmental Initiatives and Goals**

While perhaps the original purpose of refuse service had to do with public health and safety around sanitation, it is increasingly geared more toward making progress on zero waste and climate change goals, which are also forms of public health and safety. In the City's 2005 and 2010 Greenhouse Gas Inventories, decomposition of waste at the landfill was shown to be responsible for 2-3% of the City's greenhouse gas (GHG) emissions. In April 2009, the City Council adopted San Rafael's Climate Change Action Plan (CCAP), which included eight specific programs under the category of "Reduce Material Consumption and Increase Resource Re-Use." In July 2011, the City Council adopted the Sustainability Element of the City's General Plan, which includes Policy SU-9 for implementation of programs to reduce material consumption and waste generation. City staff provides the Council and community with a quarterly update on the Climate Change Action Plan including zero waste initiatives.

San Rafael is a member of the Marin Hazardous and Solid Waste JPA (JPA), which is the group charged with complying with the California Integrated Waste Management Act of 1989. The goal of the Act is to reduce the flow of materials to landfills. The JPA Board is made up of city and town managers and the county administrator. It is staffed by the Marin County Public Works Department. San Rafael's City Manager was recently re-appointed as Chair. The JPA also has a local task force made up of representatives from industry, the environmental community and Marin's cities, towns and special districts. The JPA is funded by tipping fees at Redwood Landfill.

In addition, the JPA prepared a Zero Waste Feasibility Study in December 2009 which identified a goal of "achieving 80 percent diversion and zero waste in the next five to 17 years." The City of San Rafael is a member of the JPA and adopted a Zero Waste Resolution in August 2011

intended to be consistent with the JPA's goals. The City's resolution states that "the City of San Rafael joins the Marin County Hazardous and Solid Waste JPA representing the eleven cities and towns of Marin and County of Marin, and hereby adopts a goal of 80% landfill diversion by 2012 and 94% diversion by 2025, with diversion meaning the elimination of materials from being disposed of in a landfill; diversion of recycling materials to be reprocessed into usable forms with minimal transport, energy use and other deleterious environmental or social effects; the maximum practical reuse, recirculation and repair of usable items and components; and the reduction of unnecessary packaging."

MSS's current diversion rate is about 75%. The Commercial Food to Energy (F2E) program is expected to increase the rate significantly, and MSS and the JPA are putting considerable time and effort into getting organics out of the landfill. The City's consultant estimates that an 85% diversion rate by 2020 will result in an emissions decrease of 22,500 metric tons of CO<sub>2</sub>. Reaching an 85% diversion rate by 2015 would result in an additional emissions reduction of 11,200 metric tons. Zero Waste depends to a large degree on producer and consumer behavior, and efforts will be required in the areas of extended producer responsibility and product stewardship in order to get to the countywide goal of 94%.

In summary, the overall industry is moving from "bringing garbage to the landfill" to "resource hauling" including transport to recyclers and re-users to find the next highest and best use with the landfill being the last option. It should be noted that MSS has been a leader in this movement, as they have invested in facilities and technologies to divert materials from the landfill, without ratepayer assistance, including the construction of the Marin Resource Recovery Center, Marin Recycling Center, and investments in the Zamora food scraps processing facility.

MSS has also achieved full compliance with the California Air Resources Board requirements to reduce public exposure to diesel smoke and particulates by replacing and retrofitting the equipment fleet, thereby reducing air pollution in San Rafael. Marin Sanitary Service has an excellent reputation in the community. In our most recent public opinion survey, San Rafael residents were "Very Satisfied" with MSS, and they rated just under Fire/Paramedic and Library Services as services with the highest satisfaction, a testament to the quality services they provide to our rate payers.

### III. Marin Sanitary Services and Programs

MSS's services and programs are best described by presenting residential, commercial and multi-family services separately. The following provides information on recycling, refuse container sizes, and food scraps for each.

#### *Residential Service*

Residential service includes single-family units and four or fewer units in a single structure. San Rafael residential customers receive weekly recycling collection services. MSS accepts all numbered plastics, glass, metals and paper from all customers in unlimited quantities for recycling. Single family households are provided one dual sort recycling can but may put additional recycling out in their own containers during regular pick-up times.

MSS offers San Rafael single-family residential customers the following waste cart sizes: 20 gallon, 32 gallon, 64 gallon, and 96 gallon. The majority of residential customers (69%) utilize a 32 gallon cart. Smaller households, seniors and intense recyclers benefit from the 20 gallon cart which costs about 85% of the 32 gallon rate. 1,334 of San Rafael residential customers

(11%) have switched to the 20 gallon cart, which represents an increase of 148 accounts over last year. The remainder of the residential customers in San Rafael use 64 gallon carts (19%), a slight decrease from 20% in 2012. The number of 96-gallon cart customers is very small, 180 (1%), a reduction from a total of 186 accounts in 2012.

According to the 2008 California Waste Characterization Study, 25% of the residential waste stream is made of food waste. MSS instituted a residential food scrap collection program in 2010. Full implementation of the program was completed in 2011. Since then, yard waste/food scrap tonnage has increased approximately 250 tons per month.

The mixed yard and food scraps collected by MSS are delivered to Northern Recycling Compost-Zamora Facility for composting. The Zamora facility is located in Yolo County and is owned by MSS and three other partners. The facility is fully permitted to compost both food and green waste. The compost is sold to the surrounding agricultural uses. There are no closer permitted and available composting locations for this material. The permitted composting facility at Redwood Landfill has some composting but the permit limits the amount of material and the site is at full permit capacity. The tipping fee at the Zamora facility is slightly lower than the cost at Redwood. MSS is not charging customers additional fees for transporting the material to Zamora.

Edgar & Associates prepared a Greenhouse Gas Emissions Comparison between Redwood Landfill and Zamora in December 2010. The study found a net greenhouse gas benefit from composting food scraps at Zamora due to avoided emissions, even when considering the fuel emissions expended on the round trip from San Rafael to Zamora.

#### *Commercial & Multi-Family Service*

Commercial and multi-family service includes all businesses and residential apartment buildings with five or more units. Commercial customers receive separate recycling containers. MSS also provides free cardboard pickup. The frequency of the cardboard pickup schedule is tailored to meet the needs of the individual customer. MSS also offers commercial customers a variety of container options ranging from 32, 64 and 96 gallon carts up to various sizes of yard bins and service of commercial compactors. The carts and bins can be picked up from one to six times per week.

In 2011, MSS introduced an enhanced commercial recycling program to increase the commercial diversion rate and meet the requirements of AB 341. The program employs two staff members dedicated to working with businesses, apartments and schools to help identify additional diversion opportunities. Increased recycling can also assist in reducing refuse bills by diverting more into recycling containers and reducing the size of the regular refuse container. Also, MSS started offering composting services to all schools in their service area at the beginning of 2013. So far, 21 of 50 K-12 schools (public and private) are participating.

Multi-family buildings can receive dual sort cans or separate recycling containers depending on area available for can storage. Currently all multi-family units in the City are required to have a minimum 32 gallon service for each unit. MSS started a pilot program in 2011 to provide for an intensive recycler rate in multi-family buildings of 10 or fewer units.

#### *Additional Services*

The food scraps / green waste program is currently only available to customers in single family residences, but MSS has plans to include multi-family residences and commercial entities in the

future. This year, MSS started the F2E program in conjunction with Central Marin Sanitation Agency (CMSA). According to the 2008 California Waste Characterization Study, 16% of the Commercial waste stream is from food waste. The F2E program is a result of a Methane Capture study that evaluated the feasibility of adding processed food scraps into the CMSA digesters to produce power for the plant. The study showed that the project was technically feasible, had a reasonable capital payback period (5-7 years), and provided tangible benefits to CMSA and MSS and their customers, the local landfill, and the environment. Currently, MSS has 28 customers enrolled, 13 of which are in San Rafael, and dozens more interested in joining the program as soon as MSS can accommodate them. The three year plan is for MSS to have up to 250 customers enrolled by the end of 2015.

MSS also provides trash and recycling pick-up for City facilities, parks, and all public trash cans. In addition, MSS provides numerous resources on their web site pertaining to their services and various zero-waste programs such as those administered by the JPA, the California Product Stewardship Council, etc. They provide various methods of payment to customers, annual reporting to the City, and quarterly reporting on customer service complaints. They also work with the City to conduct outreach regarding zero waste programs, and have a robust school education program that is offered free to schools in their service areas.

**ANALYSIS:**

This section will specifically examine this year's rate recommendations. Over the past ten years, the approved annual increase in Marin Sanitary Service rates have ranged from less than one percent to over 10%. Last year's rate increase was 1.89%, which included a 1.67% Refuse Vehicle Impact Fee adjustment, which hadn't been revised since 2004.

In 2013, the Franchising Agencies again selected HF&H Consultants, LLC (HF&H) to conduct the rate review. HF&H has successfully reviewed the MSS rate proposal for several years, and they were selected by Council earlier this year to conduct the rate structure work as well. MSS reimburses the City for the consultant's fees for the rate review.

MSS submitted an initial rate proposal for 2014 with a proposed 8.9% increase over 2013 rates. HF&H conducted a review of the MSS rate proposal and recommended adjustments for Franchising Agencies based on allowable expenses in the rate setting methodology.

The full rate review and proposed adjustments are contained in the HF&H Report (Attachment A). The following table contains a summary of the rate increase components.

**Table 2: Rate Adjustment Components**

| 2014 Component Percentages            |        |
|---------------------------------------|--------|
| Wages                                 | 0.86%  |
| Benefits (including workers comp)     | 0.90%  |
| Fuel & Oil                            | -0.41% |
| Disposal                              | 2.16%  |
| Other Operating Costs                 | 2.26%  |
| Subtotal Operations                   | 5.77%  |
| Revenue Surplus net of Franchise Fees | -0.25% |
| Total Rate Adjustment                 | 5.52%  |

This year's rate increase is 5.52% due to a variety of factors as shown in the table. The first three items, Wages, Benefits, and Fuel and Oil increase based upon agreed upon price indexes and actual costs related to workers comp insurance and fuel and oil costs, as well as revised projections for 2014 based on analysis of past years trends.

The second largest item, the Disposal increase, is somewhat exaggerated due to a shift in baseline for last year's rates. Last year's projections in this area were very low due to a variety of factors, including lower than normal fees for disposal at Redwood Landfill negotiated one time by MSS. It also included a decrease in processing costs from our projections because MSS was able to take more materials to the transfer station instead of the more expensive MRRC (the recovery center for manual sorting and recycling). Finally, there was less material processed from the residential sector, which meant lower costs.

This lower than normal year of costs resulted in favorable adjustments and a lower baseline from which to project from. Fees have increased this year due to the Consumer Price Index (CPI) and projections of materials processed. In addition, as stipulated in our rate methodology, actual costs from 2012 and through October of 2013 necessitate creating new projections for the 2014 expenses and revenue requirement. This feature of our rate methodology was set up to make sure adjustments happened annually rather than getting too far out of balance with actual costs.

The other major expense category, Other Operating Costs, includes increases in the following areas: increases in JPA fees, an increase in depreciation expense as fully depreciated items are replaced, CPI increases as per the rate setting methodology, and fees for the focus groups for the alternative rate structure process.

Another item of note is the recycling revenue fund, initiated in the new rate methodology mentioned above. The intention of this fund is to use recycling revenues to provide a means for more zero-waste activities by Franchisor Group entities when the fund exceeds a base level (\$250,000). The fund can also lessen the negative impact of poor years in the recycling market, such as last year. Last year's recycling revenues resulted in a current balance in the fund of \$147,553. However, as intended, this reduction in recycling revenue did not impact the overall rates.

Three alterations to the rate sheet this year have to do with the F2E program, the compactor rates for commercial entities, and the low income rates. As anticipated, the F2E program is diverting significant amounts of food waste from landfill. This program saves restaurants and other food waste producers on their trash bill. However, these services are expensive to operate, and MSS has proposed a cost structure that is 70% of the commercial trash rate. Industry standards for similar food waste services are typically 70-80% of trash service, so this fee is on the lower end of the scale.

The compactor rate, which necessitates a full fee regardless of the amount of material in the compactor, will be replaced with a hauling and tipping charge, which is more equitable and should result in lower rates for the small number of customers affected (22). Finally, MSS has proposed changing the method of determination for the Low Income Rate to the more standard, and well-established Pacific Gas and Electric CARE program rate. Qualifications are based on the number of persons living in the home and the total annual household income rather than federal HUD voucher standards.

With the above recommendation, the cost of a 32 gallon residential cart would be increased approximately \$1.63 per month, from \$29.56 to \$31.19. The cost of commercial service for a 96

gallon cart picked up once a week would be increased by approximately \$4.86 per month, from \$88.11 to \$92.97. Businesses with a vigorous recycling program could reduce their regular can size or pickup schedule resulting in lower rates.

As part of conducting the rate application review, the franchising agencies asked HF&H to conduct a survey of Bay Area refuse haulers. The actual survey results from our neighboring communities are included in Attachment A. It summarizes the survey data for residential 30-35 gallon can weekly service with weekly curbside recycling and weekly green waste pickup. The 2014 proposed MSS rates of \$31.19 in San Rafael is slightly lower than the Marin County average of \$32.94. The San Rafael rates have traditionally been comparable with rates in other Bay Area jurisdictions.

Attachment A also identifies the City's three-yard commercial bin, (once a week) service to those of all Bay Area cities and agencies with similar services. The San Rafael rate of \$385.29 is lower than the average of other Marin County jurisdictions which is \$433.39.

As in previous years, staff is recommending that the 5.52% increase be applied across the board to all residential, multi-family and commercial service accounts. Actual rates for all customers are provided as an attachment to the Resolution to this report and to the MSS Amended Agreement. As requested by Council last year, staff is bringing this forward a month earlier than normal so as to not have to adopt new rates retroactively, and to provide more time for public notice prior to January 1 implementation.

**RECOMMENDED ACTIONS:**

1. Open the public hearing and accept public testimony;
2. Close the public hearing;
3. Accept the report and adopt the resolution as presented

**FISCAL IMPACT:**

The attachment to the Resolution (marked Exhibit C) contains the complete rate request. As shown, the 5.52% overall increase is applied to all customer types and service options. If approved, these rates are projected to satisfy the City's contractual obligations to meet the MSS revenue requirement to cover San Rafael refuse and recycling service costs, including franchise fees.

**OPTIONS:**

The City Council may choose to:

1. Accept the staff recommendation to institute the maximum MSS rate increases and allocations recommended in the HF&H Report pursuant to the rate setting methodology set forth in the current Franchise Agreement and shown in the attachment to the Resolution effective January 1, 2014.
2. Not accept the findings of the HF&H Report and the staff recommendation and establish different maximum rates. The rates ultimately adopted must meet the requirements of the Franchise Agreement.

**ATTACHMENTS:**

Attachment A: Resolution with Rate Schedule (marked as Exhibit C)

Attachment B: Affidavit of Publication

Attachment C: HF&H Review of MSS Rate Application, including Bay Area Rate Survey



## RESOLUTION

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### **RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN RAFAEL ESTABLISHING MAXIMUM RATES COLLECTED BY MARIN SANITARY SERVICE FOR REFUSE AND RECYCLABLE MATERIAL COLLECTION AND DISPOSAL SERVICES, TO BE EFFECTIVE JANUARY 1, 2014**

**WHEREAS**, the City of San Rafael and Marin Sanitary Service have entered into a written Amendment and Restatement of Collection Agreement of the City of San Rafael and Marin Sanitary Service dated September 4, 2001; and,

**WHEREAS**, the City of San Rafael and Marin Sanitary Service have since entered into a written Second Amendment to the Amendment and Restatement of Collection Agreement of the City of San Rafael and Marin Sanitary Service dated November 14, 2012; and,

**WHEREAS**, Section 3 (B) of the Amendment and Restatement of Collection Agreement of the City of San Rafael and Marin Sanitary Service provides for maximum rates allowed to be collected by Marin Sanitary Service to be amended from time to time by the City Council; and,

**WHEREAS**, Exhibit "C" of the Amendment and Restatement of Collection Agreement of the City of San Rafael and Marin Sanitary Service provides for approved rate setting tables, as amended, to be included as part of this Agreement; and,

**WHEREAS**, Marin Sanitary Service has submitted a rate application request using the methodology outlined under Section 3 (A) of the Amendment and Restatement of Collection Agreement of the City of San Rafael and Marin Sanitary Service; and,

**WHEREAS**, the City of San Rafael has conducted a review of said rate application and produced a report recommending rate and fee adjustments; and,

**WHEREAS**, the City of San Rafael has determined that such rate and fee adjustments are proper, in the best interest of all citizens, and will promote public health, safety and welfare.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SAN RAFAEL DOES RESOLVE, DETERMINE AND ORDER AS FOLLOWS:** The following schedule of maximum rates and fees, attached hereto as "Exhibit C" is hereby approved to be collected by Marin Sanitary Service for refuse and recyclable material collection and disposal services, to be effective January 1, 2014. Said "Exhibit C" shall be incorporated as the revised Exhibit "C" and shall be included as part of the Second Amendment to the Amendment and Restatement of Collection Agreement of the City of San Rafael and Marin Sanitary Service dated November 14, 2012.

I, Esther C. Beirne, Clerk of the City of San Rafael, hereby certify that the foregoing Resolution was duly and regularly introduced and adopted at a regular meeting of the City Council of the City of San Rafael, held on Monday, December 16, 2013, by the following vote, to wit:

AYES:           Councilmembers:  
NOES:           Councilmembers:  
ABSENT:       Councilmembers:

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ESTHER C. BEIRNE, City Clerk

**Marin Independent Journal**

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SAN RAFAEL, CITY OF  
PO BOX 151560/CITY CLERK, DEPT OF PUBLIC  
WORKS, 1400 FIFTH AVE  
SAN RAFAEL CA 94915-1560

**PROOF OF PUBLICATION  
(2015.5 C.C.P.)**

**STATE OF CALIFORNIA  
County of Marin**

**FILE NO. 0005045647**

I am a citizen of the United States and a resident of the County aforesaid: I am over the age of eighteen years, and not a party to or interested in the above matter. I am the principal clerk of the printer of the MARIN INDEPENDENT JOURNAL, a newspaper of general circulation, printed and published daily in the County of Marin, and which newspaper has been adjudged a newspaper of general circulation by the Superior Court of the County of Marin, State of California, under date of FEBRUARY 7, 1955, CASE NUMBER 25566; that the notice, of which the annexed is a printed copy (set in type not smaller than nonpareil), has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to-wit:

12/6/2013, 12/9/2013

I certify (or declare) under the penalty of perjury that the foregoing is true and correct.

Dated this 9th day of December, 2013.

*Donna Lajarus*

Signature

**PROOF OF PUBLICATION**

Legal No.

0005045647

**CITY OF SAN RAFAEL  
NOTICE OF PUBLIC HEARING**

The City Council of the City of San Rafael will hold a public hearing:

**PURPOSE: Public Hearing:**

To consider a request by Marin Sanitary Service for a rate increase for refuse collection and recycling services and adoption of a Resolution amending the agreement setting maximum rates for the year 2014.

**DATE/TIME/PLACE:**

Monday, December 16, 2013, at 7:00 p.m.  
City Hall Council Chambers,  
1400 Fifth Avenue, San Rafael

**WHAT WILL HAPPEN:**

You may comment on the proposed Resolution. The City Council will consider all public testimony and will then decide whether to approve the Resolution.

**IF YOU CANNOT ATTEND:**

You may send a letter to Esther C. Beirne, City Clerk, City of San Rafael, P.O. Box 151560, San Rafael, CA 94915-1560. You may also hand deliver a letter to the City Clerk prior to the meeting.

**FOR MORE INFORMATION:**

You may contact Cory Bytof, Sustainability and Volunteer Program Coordinator, at (415) 485-3407. Office hours are Monday through Friday, 8:30 a.m. to 5:00 p.m.

SAN RAFAEL CITY COUNCIL

/s/ ESTHER C. BEIRNE  
ESTHER C. BEIRNE, City Clerk

No.1488 December 6, 2013, December 9, 2013

**EXHIBIT C**  
**MARIN SANITARY SERVICE**  
**CITY OF SAN RAFAEL RATE SCHEDULE**

Rates Effective: 01/01/2014

Rate Increase: 5.52%

Rates are per month unless otherwise specified.

**Residential**

Standard Base Rates

|                       | 2014<br>RATE | 2013<br>RATE | 2014<br>INCREASE | 2014<br>% INCR. |
|-----------------------|--------------|--------------|------------------|-----------------|
| 20 gallon can - flat* | \$ 26.51     | \$ 25.13     | \$ 1.38          | 5.49%           |
| 32 gallon can - flat  | 31.19        | 29.56        | 1.63             | 5.51%           |
| 64 gallon can - flat  | 62.38        | 59.12        | 3.26             | 5.51%           |
| 96 gallon can - flat  | 93.57        | 88.68        | 4.89             | 5.51%           |
| 20 gallon can - hill* | 30.03        | 28.46        | 1.57             | 5.52%           |
| 32 gallon can - hill  | 35.33        | 33.48        | 1.85             | 5.53%           |
| 64 gallon can - hill  | 70.66        | 66.96        | 3.70             | 5.53%           |
| 96 gallon can - hill  | 105.99       | 100.44       | 5.55             | 5.53%           |

\*New rate in 2008. For single family residential customers. Subject to account review by MSS.

Low Income Rates\*

|                                   |          |          |         |       |
|-----------------------------------|----------|----------|---------|-------|
| Low Income - 32 gallon can - flat | \$ 24.91 | \$ 23.61 | \$ 1.30 | 5.51% |
| Low Income - 64 gallon can - flat | 49.82    | 47.22    | 2.60    | 5.51% |
| Low Income - 32 gallon can - hill | 28.28    | 26.80    | 1.48    | 5.52% |
| Low Income - 64 gallon can - hill | 56.56    | 53.60    | 2.96    | 5.52% |

\* Based on Pacific Gas & Electric CARE Program guidelines  
Residential customers only

Other Services

|                                      |          |          |         |       |
|--------------------------------------|----------|----------|---------|-------|
| Compacted 32 gallon                  | \$ 62.38 | \$ 59.12 | \$ 3.26 | 5.51% |
| Compacted 64 gallon                  | 124.76   | 118.24   | 6.52    | 5.51% |
| Distance 5'-50'                      | 4.05     | 3.84     | 0.21    | 5.47% |
| Distance over 50' (per 50' each can) | 8.19     | 7.76     | 0.43    | 5.54% |
| Additional Yard Waste Cart Rental*   | 1.65     | 1.56     | 0.09    | 5.77% |

\*One (1) additional company-provided cart per customer

Discontinued Rates\*\*

|  |          |          |         |       |
|--|----------|----------|---------|-------|
| Senior rate - flat** (Bi-weekly service) | \$ 22.02 | \$ 20.87 | \$ 1.15 | 5.51% |
| Senior rate - hill** (Bi-weekly service) | 28.03    | 26.56    | 1.47    | 5.53% |

\*\*Customers with these rates prior to 2005 will keep existing rate type. No new customers will be added with this rate type.

**Apartments**

|                      |          |          |         |       |
|----------------------|----------|----------|---------|-------|
| 32 gallon can - flat | \$ 31.19 | \$ 29.56 | \$ 1.63 | 5.51% |
| 64 gallon can - flat | 62.38    | 59.12    | 3.26    | 5.51% |
| 96 gallon can - flat | 93.57    | 88.68    | 4.89    | 5.51% |
| 32 gallon can - hill | 35.33    | 33.48    | 1.85    | 5.53% |
| 64 gallon can - hill | 70.66    | 66.96    | 3.70    | 5.53% |
| 96 gallon can - hill | 105.99   | 100.44   | 5.55    | 5.53% |

\*\*\*Rates are per container, per # of pickups/wk

\*\*\*Minimum of one can per unit

**EXHIBIT C**  
**MARIN SANITARY SERVICE**  
**CITY OF SAN RAFAEL RATE SCHEDULE**

Rates Effective: 01/01/2014

Rate Increase: 5.52%

Rates are per month unless otherwise specified.

**Apartments (cont.)**

|    |          |          | 2014<br>RATE | 2013<br>RATE | 2014<br>INCREASE | 2014<br>% INCR. |
|----|----------|----------|--------------|--------------|------------------|-----------------|
| FL | 2 yd bin | 1 x/week | \$ 296.00    | \$ 280.52    | \$ 15.48         | 5.52%           |
| FL | 2 yd bin | 2 x/week | 678.48       | 642.99       | 35.49            | 5.52%           |
| FL | 2 yd bin | 3 x/week | 1,027.03     | 973.30       | 53.73            | 5.52%           |
| FL | 2 yd bin | 4 x/week | 1,381.73     | 1,309.45     | 72.28            | 5.52%           |
| FL | 2 yd bin | 5 x/week | 1,742.66     | 1,651.50     | 91.16            | 5.52%           |
| FL | 2 yd bin | 6 x/week | 2,109.76     | 1,999.39     | 110.37           | 5.52%           |
| FL | 3 yd bin | 1 x/week | \$ 385.27    | \$ 365.12    | \$ 20.15         | 5.52%           |
| FL | 3 yd bin | 2 x/week | 706.10       | 669.16       | 36.94            | 5.52%           |
| FL | 3 yd bin | 3 x/week | 1,073.09     | 1,016.95     | 56.14            | 5.52%           |
| FL | 3 yd bin | 4 x/week | 1,449.34     | 1,373.52     | 75.82            | 5.52%           |
| FL | 3 yd bin | 5 x/week | 1,834.88     | 1,738.89     | 95.99            | 5.52%           |
| FL | 3 yd bin | 6 x/week | 2,229.70     | 2,113.06     | 116.64           | 5.52%           |
| FL | 4 yd bin | 1 x/week | \$ 549.64    | \$ 520.89    | \$ 28.75         | 5.52%           |
| FL | 4 yd bin | 2 x/week | 1,012.96     | 959.97       | 52.99            | 5.52%           |
| FL | 4 yd bin | 3 x/week | 1,537.90     | 1,457.45     | 80.45            | 5.52%           |
| FL | 4 yd bin | 4 x/week | 2,075.33     | 1,966.76     | 108.57           | 5.52%           |
| FL | 4 yd bin | 5 x/week | 2,577.00     | 2,442.19     | 134.81           | 5.52%           |
| FL | 4 yd bin | 6 x/week | 3,187.29     | 3,020.56     | 166.73           | 5.52%           |
| FL | 5 yd bin | 1 x/week | \$ 594.54    | \$ 563.44    | \$ 31.10         | 5.52%           |
| FL | 5 yd bin | 2 x/week | 1,176.83     | 1,115.27     | 61.56            | 5.52%           |
| FL | 5 yd bin | 3 x/week | 1,788.46     | 1,694.90     | 93.56            | 5.52%           |
| FL | 5 yd bin | 4 x/week | 2,415.54     | 2,289.18     | 126.36           | 5.52%           |
| FL | 5 yd bin | 5 x/week | 3,058.13     | 2,898.15     | 159.98           | 5.52%           |
| FL | 5 yd bin | 6 x/week | 3,716.17     | 3,521.77     | 194.40           | 5.52%           |
| FL | 6 yd bin | 1 x/week | \$ 696.80    | \$ 660.35    | \$ 36.45         | 5.52%           |
| FL | 6 yd bin | 2 x/week | 1,412.21     | 1,338.33     | 73.88            | 5.52%           |
| FL | 6 yd bin | 3 x/week | 2,146.14     | 2,033.87     | 112.27           | 5.52%           |
| FL | 6 yd bin | 4 x/week | 2,898.68     | 2,747.04     | 151.64           | 5.52%           |
| FL | 6 yd bin | 5 x/week | 3,669.76     | 3,477.79     | 191.97           | 5.52%           |
| FL | 6 yd bin | 6 x/week | 4,459.39     | 4,226.11     | 233.28           | 5.52%           |
| RL | 1 yd bin | 1 x/week | \$ 193.99    | \$ 183.84    | \$ 10.15         | 5.52%           |
| RL | 1 yd bin | 2 x/week | 391.07       | 370.61       | 20.46            | 5.52%           |
| RL | 1 yd bin | 3 x/week | 591.28       | 560.35       | 30.93            | 5.52%           |
| RL | 1 yd bin | 4 x/week | 794.57       | 753.00       | 41.57            | 5.52%           |
| RL | 1 yd bin | 5 x/week | 1,000.92     | 948.56       | 52.36            | 5.52%           |
| RL | 1 yd bin | 6 x/week | 1,210.38     | 1,147.06     | 63.32            | 5.52%           |

(No longer offered to new customers)

**EXHIBIT C**  
**MARIN SANITARY SERVICE**  
**CITY OF SAN RAFAEL RATE SCHEDULE**

Rates Effective: 01/01/2014

Rate Increase: 5.52%

Rates are per month unless otherwise specified.

**Apartments (cont.)**

|    |          |          | 2014<br>RATE | 2013<br>RATE | 2014<br>INCREASE | 2014<br>% INCR. |
|----|----------|----------|--------------|--------------|------------------|-----------------|
| RL | 2 yd bin | 1 x/week | \$ 296.80    | \$ 281.27    | \$ 15.53         | 5.52%           |
| RL | 2 yd bin | 2 x/week | 593.79       | 562.73       | 31.06            | 5.52%           |
| RL | 2 yd bin | 3 x/week | 899.98       | 852.90       | 47.08            | 5.52%           |
| RL | 2 yd bin | 4 x/week | 1,212.36     | 1,148.94     | 63.42            | 5.52%           |
| RL | 2 yd bin | 5 x/week | 1,742.66     | 1,651.50     | 91.16            | 5.52%           |
| RL | 2 yd bin | 6 x/week | 2,109.76     | 1,999.39     | 110.37           | 5.52%           |

Compacted refuse:

|    |   |           |
|----|---|-----------|
| RO | Hauling Charge (Per container per pull) | \$ 192.18 |
| RO | Tipping Fee per ton                     | \$ 85.50  |

**Commercial**

|                      |          |          |         |       |
|----------------------|----------|----------|---------|-------|
| 32 gallon can        | \$ 30.99 | \$ 29.37 | \$ 1.62 | 5.52% |
| 64 gallon can        | 61.98    | 58.74    | 3.24    | 5.52% |
| 96 gallon can        | 92.97    | 88.11    | 4.86    | 5.52% |
| Compacted 32 gallon  | 61.98    | 58.74    | 3.24    | 5.52% |
| Compacted 64 gallon  | 123.96   | 117.48   | 6.48    | 5.52% |
| Food waste 32 gallon | 21.69    |          |         |       |
| Food waste 64 gallon | 43.39    |          |         |       |
| Bags (32 gallon)     | 30.99    | 29.37    | 1.62    | 5.52% |

Rates are per container, per # of pickups/wk

Food Waste service: no charge for the first pickup of first cart

|    |          |            |           |           |         |       |
|----|----------|------------|-----------|-----------|---------|-------|
| FL | 2 yd bin | per pickup | \$ 75.10  | \$ 71.17  | \$ 3.93 | 5.52% |
| FL | 2 yd bin | 1 x/week   | 296.00    | 280.52    | 15.48   | 5.52% |
| FL | 2 yd bin | 2 x/week   | 680.03    | 644.46    | 35.57   | 5.52% |
| FL | 2 yd bin | 3 x/week   | 1,031.68  | 977.71    | 53.97   | 5.52% |
| FL | 2 yd bin | 4 x/week   | 1,391.02  | 1,318.25  | 72.77   | 5.52% |
| FL | 2 yd bin | 5 x/week   | 1,758.14  | 1,666.17  | 91.97   | 5.52% |
| FL | 2 yd bin | 6 x/week   | 2,132.96  | 2,021.38  | 111.58  | 5.52% |
| FL | 3 yd bin | per pickup | \$ 92.20  | \$ 87.38  | \$ 4.82 | 5.52% |
| FL | 3 yd bin | 1 x/week   | 385.27    | 365.12    | 20.15   | 5.52% |
| FL | 3 yd bin | 2 x/week   | 717.45    | 679.92    | 37.53   | 5.52% |
| FL | 3 yd bin | 3 x/week   | 1,093.57  | 1,036.36  | 57.21   | 5.52% |
| FL | 3 yd bin | 4 x/week   | 1,481.30  | 1,403.81  | 77.49   | 5.52% |
| FL | 3 yd bin | 5 x/week   | 1,880.65  | 1,782.27  | 98.38   | 5.52% |
| FL | 3 yd bin | 6 x/week   | 2,291.58  | 2,171.70  | 119.88  | 5.52% |
| FL | 4 yd bin | per pickup | \$ 134.94 | \$ 127.88 | \$ 7.06 | 5.52% |
| FL | 4 yd bin | 1 x/week   | 549.64    | 520.89    | 28.75   | 5.52% |
| FL | 4 yd bin | 2 x/week   | 1,016.05  | 962.90    | 53.15   | 5.52% |
| FL | 4 yd bin | 3 x/week   | 1,547.19  | 1,466.25  | 80.94   | 5.52% |
| FL | 4 yd bin | 4 x/week   | 2,093.91  | 1,984.37  | 109.54  | 5.52% |
| FL | 4 yd bin | 5 x/week   | 2,507.54  | 2,376.36  | 131.18  | 5.52% |
| FL | 4 yd bin | 6 x/week   | 3,233.73  | 3,064.57  | 169.16  | 5.52% |
| FL | 5 yd bin | per pickup | \$ 143.87 | \$ 136.34 | \$ 7.53 | 5.52% |
| FL | 5 yd bin | 1 x/week   | 594.54    | 563.44    | 31.10   | 5.52% |
| FL | 5 yd bin | 2 x/week   | 1,195.73  | 1,133.18  | 62.55   | 5.52% |
| FL | 5 yd bin | 3 x/week   | 1,822.64  | 1,727.29  | 95.35   | 5.52% |
| FL | 5 yd bin | 4 x/week   | 2,468.85  | 2,339.70  | 129.15  | 5.52% |
| FL | 5 yd bin | 5 x/week   | 3,134.43  | 2,970.46  | 163.97  | 5.52% |
| FL | 5 yd bin | 6 x/week   | 3,819.34  | 3,619.54  | 199.80  | 5.52% |

**EXHIBIT C**  
**MARIN SANITARY SERVICE**  
**CITY OF SAN RAFAEL RATE SCHEDULE**

Rates Effective: 01/01/2014

Rate Increase: 5.52%

Rates are per month unless otherwise specified.

**Commercial (cont.)**

|                                      |           |            | 2014<br>RATE | 2013<br>RATE | 2014<br>INCREASE | 2014<br>% INCR. |
|--------------------------------------|-----------|------------|--------------|--------------|------------------|-----------------|
| FL                                   | 6 yd bin  | per pickup | \$ 164.01    | \$ 155.43    | \$ 8.58          | 5.52%           |
| FL                                   | 6 yd bin  | 1 x/week   | 705.84       | 668.92       | 36.92            | 5.52%           |
| FL                                   | 6 yd bin  | 2 x/week   | 1,434.87     | 1,359.81     | 75.06            | 5.52%           |
| FL                                   | 6 yd bin  | 3 x/week   | 2,187.16     | 2,072.74     | 114.42           | 5.52%           |
| FL                                   | 6 yd bin  | 4 x/week   | 2,962.62     | 2,807.64     | 154.98           | 5.52%           |
| FL                                   | 6 yd bin  | 5 x/week   | 3,761.29     | 3,564.53     | 196.76           | 5.52%           |
| FL                                   | 6 yd bin  | 6 x/week   | 4,583.20     | 4,343.44     | 239.76           | 5.52%           |
| RL                                   | 1 yd bin  | 1 x/week   | \$ 201.31    | \$ 190.78    | \$ 10.53         | 5.52%           |
| RL                                   | 1 yd bin  | 2 x/week   | 406.47       | 385.21       | 21.26            | 5.52%           |
| RL                                   | 1 yd bin  | 3 x/week   | 615.54       | 583.34       | 32.20            | 5.52%           |
| RL                                   | 1 yd bin  | 4 x/week   | 828.46       | 785.12       | 43.34            | 5.52%           |
| RL                                   | 1 yd bin  | 5 x/week   | 1,045.24     | 990.56       | 54.68            | 5.52%           |
| RL                                   | 1 yd bin  | 6 x/week   | 1,265.91     | 1,199.69     | 66.22            | 5.52%           |
| (No longer offered to new customers) |           |            |              |              |                  |                 |
| RL                                   | 2 yd bin  | 1 x/week   | \$ 304.89    | \$ 288.94    | \$ 15.95         | 5.52%           |
| RL                                   | 2 yd bin  | 2 x/week   | 617.53       | 585.23       | 32.30            | 5.52%           |
| RL                                   | 2 yd bin  | 3 x/week   | 937.88       | 888.82       | 49.06            | 5.52%           |
| RL                                   | 2 yd bin  | 4 x/week   | 1,266.01     | 1,199.78     | 66.23            | 5.52%           |
| RL                                   | 2 yd bin  | 5 x/week   | 1,758.14     | 1,666.17     | 91.97            | 5.52%           |
| RL                                   | 2 yd bin  | 6 x/week   | 2,132.96     | 2,021.38     | 111.58           | 5.52%           |
| RO                                   | 10 yd box | per pickup | 233.66       | \$ 221.44    | \$ 12.22         | 5.52%           |
| RO                                   | 10 yd box | 1 x/week   | 994.81       | 942.77       | 52.04            | 5.52%           |
| RO                                   | 10 yd box | 2 x/week   | 2,035.83     | 1,929.33     | 106.50           | 5.52%           |
| RO                                   | 10 yd box | 3 x/week   | 3,124.34     | 2,960.90     | 163.44           | 5.52%           |
| RO                                   | 10 yd box | 4 x/week   | 4,258.64     | 4,035.86     | 222.78           | 5.52%           |
| RO                                   | 10 yd box | 5 x/week   | 5,439.39     | 5,154.84     | 284.55           | 5.52%           |
| RO                                   | 10 yd box | 6 x/week   | 6,666.52     | 6,317.78     | 348.74           | 5.52%           |
| RO                                   | 12 yd box | per pickup | \$ 280.41    | \$ 265.74    | \$ 14.67         | 5.52%           |

**EXHIBIT C**  
**MARIN SANITARY SERVICE**  
**CITY OF SAN RAFAEL RATE SCHEDULE**

Rates Effective: 01/01/2014

Rate Increase: 5.52%

Rates are per month unless otherwise specified.

**Commercial (cont.)**

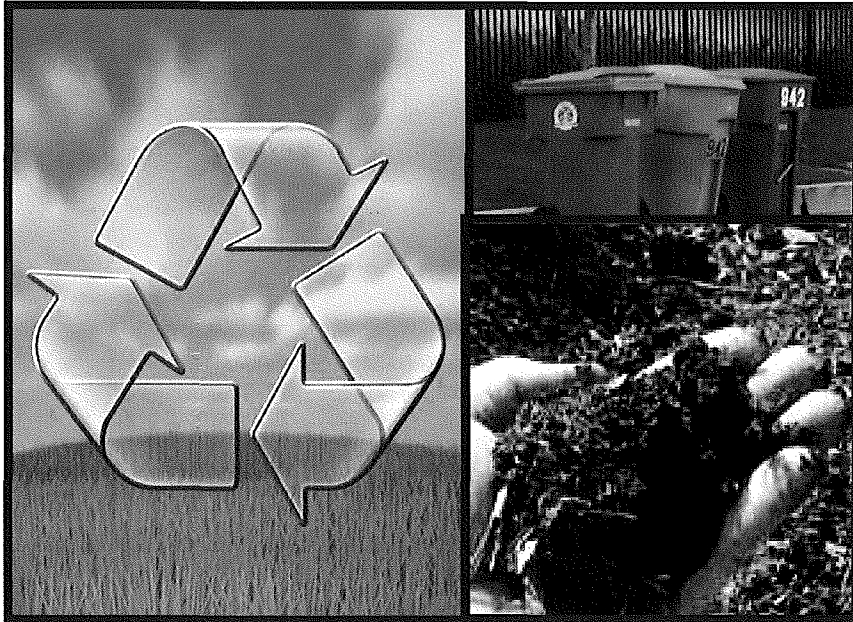
|                              |   |            |           |           |          |       |
|------------------------------|---|------------|-----------|-----------|----------|-------|
| RO                           | 18 yd box                               | per pickup | \$ 420.62 | \$ 398.62 | \$ 22.00 | 5.52% |
| RO                           | 18 yd box                               | 1 x/week   | 1,786.82  | 1,693.35  | 93.47    | 5.52% |
| RO                           | 18 yd box                               | 2 x/week   | 3,657.24  | 3,465.92  | 191.32   | 5.52% |
| RO                           | 18 yd box                               | 3 x/week   | 5,611.18  | 5,317.65  | 293.53   | 5.52% |
| RO                           | 18 yd box                               | 4 x/week   | 7,648.70  | 7,248.58  | 400.12   | 5.52% |
| RO                           | 18 yd box                               | 5 x/week   | 9,769.77  | 9,258.69  | 511.08   | 5.52% |
| RO                           | 18 yd box                               | 6 x/week   | 11,974.43 | 11,348.02 | 626.41   | 5.52% |
|                              |   |            |           |           |          |       |
| RO                           | 20 yd box                               | per pickup | \$ 467.36 | \$ 442.91 | \$ 24.45 | 5.52% |
| RO                           | 20 yd box                               | 1 x/week   | 1,985.38  | 1,881.52  | 103.86   | 5.52% |
| RO                           | 20 yd box                               | 2 x/week   | 4,063.60  | 3,851.02  | 212.58   | 5.52% |
| RO                           | 20 yd box                               | 3 x/week   | 6,234.65  | 5,908.50  | 326.15   | 5.52% |
| RO                           | 20 yd box                               | 4 x/week   | 8,498.54  | 8,053.96  | 444.58   | 5.52% |
| RO                           | 20 yd box                               | 5 x/week   | 10,855.32 | 10,287.45 | 567.87   | 5.52% |
| RO                           | 20 yd box                               | 6 x/week   | 13,304.90 | 12,608.89 | 696.01   | 5.52% |
|                              |   |            |           |           |          |       |
| RO                           | 25 yd box                               | per pickup | \$ 584.18 | \$ 553.62 | \$ 30.56 | 5.52% |
| RO                           | 25 yd box                               | 1 x/week   | 2,777.27  | 2,631.98  | 145.29   | 5.52% |
| RO                           | 25 yd box                               | 2 x/week   | 5,684.51  | 5,387.14  | 297.37   | 5.52% |
| RO                           | 25 yd box                               | 3 x/week   | 8,380.02  | 7,941.64  | 438.38   | 5.52% |
| RO                           | 25 yd box                               | 4 x/week   | 11,422.76 | 10,825.21 | 597.55   | 5.52% |
| RO                           | 25 yd box                               | 5 x/week   | 14,590.48 | 13,827.22 | 763.26   | 5.52% |
| RO                           | 25 yd box                               | 6 x/week   | 17,883.04 | 16,947.54 | 935.50   | 5.52% |
|                              |   |            |           |           |          |       |
| Compacted refuse:            |   |            |           |           |          |       |
| RO                           | Hauling Charge (Per container per pull) |            | \$ 192.18 |           |          |       |
| RO                           | Tipping Fee per ton                     |            | \$ 85.50  |           |          |       |
|                              |   |            |           |           |          |       |
| Lock Charges - single pickup |   |            | \$ 4.52   | \$ 4.28   | \$ 0.24  | 5.61% |
| Lock Charges - weekly pickup |   |            | 20.57     | 19.49     | 1.08     | 5.54% |
| Refuse per yard - per pickup |   |            | 28.68     | 27.18     | 1.50     | 5.52% |
| Box Rental - 1 yard          |   |            | 60.74     | 57.56     | 3.18     | 5.52% |
| Box Rental - 2 yard          |   |            | 68.37     | 64.79     | 3.58     | 5.53% |
| Box Rental - 3-5 yard        |   |            | 75.62     | 71.66     | 3.96     | 5.53% |
| Box Rental - 6 yard          |   |            | 85.44     | 80.97     | 4.47     | 5.52% |
| Box Rental - 10 yard         |   |            | 100.81    | 95.54     | 5.27     | 5.52% |
| Box Rental - 18 yard         |   |            | 202.02    | 191.45    | 10.57    | 5.52% |
| Box Rental - 20 yard         |   |            | 204.99    | 194.27    | 10.72    | 5.52% |
| Box Rental - 25 yard         |   |            | 213.59    | 202.42    | 11.17    | 5.52% |
| Return Trip Charge           |   |            | 44.46     | 42.13     | 2.33     | 5.53% |
| Steam Clean Bin Charge       |   |            | 89.09     | 84.43     | 4.66     | 5.52% |
| Overweight Charge Per Ton*** |   |            | 167.48    | 158.72    | 8.76     | 5.52% |

\*\*\*Comm'l boxes exceeding 300lbs/yard



# Franchisors of Marin Sanitary Service

## Review of Marin Sanitary Service's 2014 Rate Application



December 10, 2013



HF&H Consultants, LLC

This report provided electronically to save environmental resources



December 10, 2013

*Sent via email*

Mr. Daniel Schwarz  
City Manager  
City of Larkspur  
400 Magnolia Avenue  
Larkspur, CA 94939

Mr. Michael Frost  
Deputy Director of Public Works  
County of Marin  
3501 Civic Center Drive, Room 304  
San Rafael, CA 94903-4155

Ms. Susan McGuire  
Administrative Services Manager  
Las Gallinas Valley Sanitary District  
300 Smith Ranch Road  
San Rafael, CA 94903

Mr. Jim Schutz  
Assistant City Manager  
City of San Rafael  
1400 Fifth Avenue  
San Rafael, CA 94919-1560

Mr. Rob Braulik  
Town Manager  
Town of Ross  
31 Sir Francis Drake Blvd  
Ross, CA 94957

*Reference Number: S3847*

**Subject: Review of Marin Sanitary Service's 2014 Rate Application**

Dear Ms. McGuire and Messrs. Schwarz, Schutz, Frost, and Braulik:

On August 1, 2013, Marin Sanitary Service (MSS) submitted its application for an 8.98% increase to its solid waste rates, effective January 1, 2014. HF&H conducted our review of the application based on the rate methodology agreed to between MSS and the cities of San Rafael and Larkspur, the Town of Ross, the County of Marin, and the Las Gallinas Valley Sanitary District (LGVSD) collectively referred to as the "Franchisors". We find that a 5.52% increase is appropriate. The following table summarizes, by jurisdiction, the current and proposed 32-gallon residential rates, which are the most common subscription level.

**Table 1: Residential 32-gallon Rate Summary**

| Jurisdiction                          | Current Rate<br>(\$/mo.) | Proposed Rate<br>(\$/mo.) | \$ Difference |
|---------------------------------------|--------------------------|---------------------------|---------------|
| San Rafael                            | \$29.56                  | \$31.19                   | \$1.63        |
| Las Gallinas Valley Sanitary District | \$25.83                  | \$27.26                   | \$1.43        |
| Larkspur                              | \$32.47                  | \$34.26                   | \$1.79        |
| Ross                                  | \$28.26                  | \$29.82                   | \$1.56        |
| Ross Valley Sanitary District         | \$30.63                  | \$32.32                   | \$1.69        |
| County of Marin                       | \$30.06                  | \$31.72                   | \$1.66        |

## Findings and Recommendations

Upon receipt of the application, HF&H reviewed the documents for completeness and compliance with the procedures agreed upon by MSS and the Franchisors and verified the mathematical accuracy and logical consistency of the supporting schedules.

Based on our review of the application, we determined that a net rate increase of 5.52% to rates is appropriate to compensate MSS for its projected expenses based on the agreed upon procedures. The following table summarizes the components of the rate adjustment:

**Table 2: Rate Adjustment Components**

| 2014 Component Percentages            |        |
|---------------------------------------|--------|
| Wages                                 | 0.86%  |
| Benefits (including workers comp)     | 0.90%  |
| Fuel & Oil                            | -0.41% |
| Disposal                              | 2.16%  |
| Other Operating Costs*                | 2.26%  |
| Subtotal Operations                   | 5.77%  |
| Revenue Surplus net of Franchise Fees | -0.25% |
| Total Rate Adjustment                 | 5.52%  |

\* Includes depreciation, other vehicle-related costs, profit, general & administrative costs (e.g., public education, customer service, etc.).

This lower-than-applied-for adjustment is based on several adjustments to MSS' rate calculation (agreed upon by MSS management) as described in Section IV of the report and reflected in Table 5 and Attachment 2.



## Summary of Significant Changes for 2014

### 2014 Rate Adjustment Components (5.52%)

#### Disposal – 2.16%

As shown in Table 2 the disposal expense component contributed 2.16% to the recommended 5.52% rate increase for the current services. The increase of 2.16% (\$474,022) is the result of two primary factors:

1. Current Year Projected Disposal Expense - An increase in the per ton disposal/processing fees (by the change in the applicable consumer price index), partially offset by the reduction in residential tonnage collected; and,
2. Prior Years' Disposal Reconciliation Positive Adjustments - The disposal expense reconciliation adjustment in accordance with the approved rate setting methodology. The adjustment reflects the correction of previous projections for both rates and tonnage based on data and expenses received at the time of the analysis.

**Table 3: Disposal Expense Variance Analysis**

|   | 2013<br>Prior Year<br>Rate Setting<br>Process | 2014<br>Current Year<br>Rate Setting<br>Process | Difference   |
|---|---|---|--------------|
| Projected Disposal Expense included in Rates                  | \$ 3,013,383                                  | \$ 3,487,405                                    | \$ 474,022   |
| Prior Years' Disposal Reconciliation Positive Adjustments (2) | \$ 601,365                                    | \$ 144,460                                      | \$ (456,905) |
| Current Year Projected Disposal Expense (1)                   | \$ 3,614,748                                  | \$ 3,631,865                                    | \$ 17,117    |

#### Other Operating Costs – 2.26%

The increase in Other Operating Costs contributed 2.26% to the recommended 5.52% rate increase for current services. The increase resulted from:

1. An increase in the JPA fees due to a per ton rate increase from the JPA);
2. An increase in depreciation as fully depreciated assets are replaced);
3. Focus group facilitation fees as part of the current rate study and



4. CPI increases in the base expenses in accordance with the approved rate setting methodology.

**Other Expenses and Revenue: Wages, Benefits, Fuel & Oil, and Revenue – 1.1%**

Minor adjustments to the other expenses and revenues accounted for the balance of the 1.1% increase in the Current Services revenue requirement.

**Reserves for Future Diversion Programs**

During 2012, the Franchisors and MSS agreed to share the net revenues from the processing of recyclable materials collected from the Franchisors' customers, beginning with actual results in calendar year 2011. It was agreed that the net revenues would be contributed to a reserve to fund one-time costs of future diversion programs. As reflected in Table 4, the reserve amount decreased \$85,154 to \$147,553. The decrease in the reserve is primarily due to a decrease in commodity pricing that decreased the average recycling revenue per ton for 2012 by \$18.13 per ton (\$182.80 to \$164.67). The processing costs have increased due to a combination of inflation and fixed costs being spread over fewer tons processed. Additionally, the 2013 reserve was updated to reflect the final approved operating ratio of 95% and the exclusion of HHW grant revenue (a reduction of \$34,699).

**Table 4: Summary of Net Recyclable Revenue Reserve**

| Rate Year       | Based on<br>Financial Year | Net Addition<br>(Reduction)<br>to Reserve |
|-----------------|----------------------------|---|
| 2013            | 2011                       | \$ 232,707                                |
| 2014            | 2012                       | \$ (85,154)                               |
| Reserve Balance |                            | <u>\$ 147,553</u>                         |

The next update to the reserve will be completed as part of the 2015 rate application process and will be based upon 2013 calendar year results. Should the net positive value in the reserve exceed \$250,000, then the excess shall be used to offset one-time costs related to diversion programs approved by a majority of the agencies comprising the Franchisors' Group. Should the net negative value in the reserve exceed a negative \$250,000, the City or the Contractor may request a review of the actual costs and revenues of providing the service at which time the Franchisors Group and Contractor have agreed to meet and confer to determine a reasonable remedy to the Contractor.



HF&H CONSULTANTS, LLC

\* \* \* \*

We would like to express our appreciation to the MSS management and staff for their assistance. In addition, we express our appreciation to each of you for assistance and guidance during the course of the review. Should you have any questions, please call me at 925-977- 6961.

Very truly yours,  
HF&H CONSULTANTS, LLC

A handwritten signature in cursive script that reads "Marva M. Sheehan".

Marva M. Sheehan, CPA  
Vice President

cc: Mr. Joe Garbarino Jr., Marin Sanitary Service  
Ms. Patricia Garbarino, Marin Sanitary Service  
Mr. Neil Roscoe, Marin Sanitary Service  
HF&H Client Files

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## ATTACHMENTS

- Attachment 1 – Marin Sanitary Service Rate Application Summary
- Attachment 2 – Adjusted Rate Application Summary
- Attachment 3 – Rate Survey
- Attachment 4 – Chart of Residential 32-Gallon Rates
- Attachment 5 – Chart of Commercial 3 Cubic Yard Rates

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## **SECTION I. BACKGROUND**

### **Description of Current Services**

Marin Sanitary Service (MSS) provides franchised refuse, recyclable materials, and yard waste collection and processing services to the residents and businesses of the cities of San Rafael and Larkspur, the Town of Ross, the County of Marin, and the Las Gallinas Valley Sanitary District (LGVSD) collectively referred to as "Franchisors". In addition, MSS and its non-franchised related entities (Marin Resource

and Recovery Association (MRRA), the Marin Resource Recovery Center (MRRC), and Northern Recycling Compost – Zamora (Zamora), provide solid waste, recyclable materials, and yard waste collection and processing services to the residents and businesses of San Anselmo, the north area of the Ross Valley Sanitary District (RVSD), Fairfax, and San Quentin prison. MSS also provides non-franchised debris box, street sweeping, and document shredding services to residents and businesses throughout the County of Marin that contract for their services.

MSS delivers refuse collected from waste generators within the Franchisors' service area to the MSS transfer station and then transports it to the Redwood Sanitary Landfill (Redwood) an unrelated party. MSS delivers recyclable materials to the non-franchised MRRA, where materials are processed and marketed. MSS delivers recyclable-rich loads of refuse (typically commercial) and separated yard waste loads (collected from residents), along with public self-haul loads to the non-franchised MRRC where recyclable materials are extracted from the waste stream, processed, and marketed. The MRRC delivers residual waste (the materials remaining after the recyclable materials are extracted) to the MSS transfer station. This residual waste is transferred to Redwood. Through a third party, MSS delivers yard waste to Zamora, located in Yolo County, for composting.

In early 2010, the Franchisors approved a pilot food waste collection program allowing some residential customers to include food waste with their yard waste. The pilot was well received and with the approval of the Franchisors, MSS extended this service to its remaining customers beginning in March 2011. State regulations mandate that this comingled material (food waste and yard waste) is collected every week, therefore MSS expanded its yard waste service from bi-weekly to weekly collection from residential customers for the all of the Franchisors. This comingled material is collected in the same way as yard waste and delivered to Zamora for composting.

In 2012, HF&H assisted the Franchisors in the negotiation of the revised Contractor's Revenue Requirement and Rate Adjustment methodology. Significant revisions included documentation of: 1) procedures that had been agreed to by MSS and the Franchisors over the years but not documented; 2) related-party fees and how they will be adjusted in the future; 3) additional reporting to be submitted with the rate adjustment applications; and, 4) procedures to develop a reserve for diversion programs by sharing in MRRA's net revenues (net recyclables processing revenues).

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## **SECTION II. RATE REVIEW APPROACH**

### **Rate Adjustment Methodology**

The Rate Adjustment Methodology was developed in cooperation with MSS and approved by the Franchisors Group in 2001. In 2012, the Franchisors negotiated the revised the Contractor's Revenue Requirement and Rate Adjustment methodology with MSS.

This revised method was used to determine 2014 recommended rates. The final projected 2013 year expenses from the 2013 detailed rate review are adjusted by changes in certain indices (e.g., CPI, employment cost index and the motor vehicle related index). Also, new projections of certain costs (e.g., disposal expense, fuel expense, workers' compensation expense, depreciation, interest expense, and fees imposed by the Marin County Hazardous and Solid Waste Management Joint Powers Authority (JPA)) and revenues (e.g., collection rate revenues) were made to determine the 2014 rates. Section III describes the methodology in more detail and findings from the application of the methodology to MSS' Application.

### **HF&H Scope of Review**

The Franchisors engaged HF&H in August 2013 to perform a review of the Application in accordance with the Rate Adjustment Methodology (i.e., "agreed upon procedures"). The scope of this review is described in our engagement letter dated July 10, 2013. These procedures included the following activities:

- Reviewing MSS management's projection of collection and non-collection revenues for the 12-month periods ending December 31, 2013, and 2014.
- Comparing the results to MSS's audited financial statements for rate year 2012 and year-to-date revenues and expenses for 2013 and request explanations for variances.
- Reviewing MSS' calculation of the three year trend in subscription levels to determine an average surplus or shortfall in rate revenues. The average surplus or shortfall will be used in the determination of gross rate revenues.
- Reviewing the appropriateness of MSS management's classification of expenses into the various expense categories.
- Reviewing MSS management's calculation of rate year 2014 indexed expenses and compare them to the calculated expenses for 2013, established in our prior report, and the calculated changes to the indices.
- Reviewing MSS management's projection of other expenses including:
  - Workers' Compensation will be reviewed by determining if the base wages, established as part of the prior review, were properly multiplied by the applicable premium rates from MSS' insurance carrier.
  - Disposal Expense for residential and solid waste tons transferred at MSS' transfer station will be reviewed by evaluating MSS' projection for 2014 disposal expense and MSS's

adjustments for the previous projections for Rate Years 2012 and 2013 based on historical trends, management's plans and adjustment to the disposal rates;

- Commercial Mixed Waste Processing Expense for commercial tons processed at MSS' processing facility will be reviewed by evaluating MSS' projection for 2014 commercial mixed waste processing and MSS' adjustments for the previous projections for Rate Years 2012 and 2013 based on historical trends and management's plans. We will verify that the processing rate per ton was calculated in accordance with the rate setting methodology.
- Organics Processing Expense will be reviewed by evaluating MSS' projection for 2014 organics processing and MSS' adjustments for the previous projections for Rate Years 2012 and 2013 based on historical trends and management's plans. We will verify that the processing rate per ton was calculated in accordance with the rate setting methodology.
- The Transfer/Transport Adjustment for tons not affiliated with the Franchisors Group transferred and transported through MSS' transfer station will be reviewed by evaluating MSS' tonnage projection for 2014 and MSS' adjustments for the previous tonnage projections for Rate Years 2012 and 2013 based on historical trends and management's plans. We will verify that the Transfer/Transport Fee per ton was calculated in accordance with the rate setting methodology.
- Fuel Expense will be reviewed by evaluating MSS' 2014 projection and the adjustments for Rate Years 2012 and 2013. We will review MSS' calculations of the average price per gallon for fuel and verify the use of the proper projected gallons.
- Depreciation/Lease Expense projections will be reviewed by evaluating the reasonableness of MSS management's estimates for these expenses based on historical trends and records and MSS management's plans. We will review MSS' adjustments to previous year projections, if any.
- JPA Fees expense will be reviewed by reviewing documentation from the JPA and MSS projections.
- The costs related to the Commercial Food to Energy (F2E) program will be reviewed by comparing MSS' prior year projections to actual costs and revised projections.
- Reviewing MSS' calculations of the following Pass-through Expenses and Other Revenue:
  - Interest Expense will be reviewed based on MSS' actual interest from its loan amortization schedules for actual and projected capital expenditures.
  - Franchise Fees will be reviewed based on each agency's appropriate rate and the forecasted values.
  - Other Agency Fees will be reviewed based on fees established by each agency and forecasted values.
  - Other Revenues will be reviewed based on revenues received by MSS from related and third parties from the use of assets and services of employees where the costs are paid by the rates from the Franchisors Group ratepayers.

- Reviewing the MSS' calculation of the increase or decrease to the reserve for future diversion programs is in accordance with the procedures developed in 2012.
- Reviewing the appropriateness of MSS management's allocation of revenues and expenses among the Franchisors and the other service areas, is in accordance with the procedures developed in 2012.
- Meeting once with MSS management to review our adjustments to their calculated and projected revenues and expenses and their allocation among the Franchisors. We will obtain management's comments, review any additional material, and amend our adjustments, if necessary.
- Compiling rates currently in effect in other municipalities in Marin County, as well as neighboring jurisdictions in other counties.
- Preparing a written report that documents our findings and recommendations.

### **Limitations**

Our review was substantially different in scope than an examination in accordance with Generally Accepted Auditing Standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion. However, Chiao Smith McMullin + McGuire, An Accountancy Corporation, issued an unqualified opinion of MSS' 2012 financial statements. The unqualified opinion denotes that the financial statements of MSS were presented fairly in all material respects.

There are related party transactions included in MSS' 2014 projections at rates that have been discussed and allowed by the Franchisors in the Rate Methodology Amendment as well as other methodology changes and therefore we did not review the underlying basis for such rates and changes. Examples of such rates are: 1) the transfer/transport rate for materials collected outside the Franchisors' area and credited back to the Franchisors; and, 2) the per-ton Zamora composting rate.

Our conclusions are based in part on the review of MSS' projections of its financial results of operations. Actual results of operations will usually differ from projections because events and circumstances frequently do not occur as expected and the difference may be significant.

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## **SECTION III. MSS' PROJECTION METHODOLOGY (INDEX YEAR)**

### **Current Operations**

In projecting 2014 costs, MSS included the direct costs for the Franchisors' Group garbage collection, the transfer station and recycling collection. Shop costs and administrative costs are allocated among the agencies served by MSS using truck route hours and an average of projected revenue, annual customer counts and department's percentage of wages, respectively. Management salaries are allocated to departments (MSS, MRRA, MRRC, etc.) based upon actual time spent by management related to that department.

### **Expenses**

MSS projected its 2014 expenses (less non-allowable costs, such as donations, fines for penalties, certain attorney's fees, goodwill, etc.) for each expense category by:

- Basing wage and salary expenses on 2013 expenses increased by the percentage change in the average annual San Francisco-Oakland-San Jose Metropolitan Area Consumer Price Index (Urban Wage Earners; 1982-1984=100) for June 2012 and 2013;
- Basing benefits expense, excluding Workers' Compensation expense, on the projected 2013 benefits expense increased by the percentage change in the annual average Employment Cost Index – Benefits (Private Industry Workers; 1982-1984=100) for June 2012 and 2013;
- Calculating Worker's Compensation expense by multiplying the 2013 wage projection (Base Year Revenue Requirement) by the applicable premium rates from the Contractor's insurance carrier for 2014;
- Forecasting projected 2014 disposal expense using projected tons multiplied by the applicable disposal/processing rate for 2014, plus adjustments for 2012 actual disposal expenses, and estimated 2013 disposal expenses calculated based on actual 2012 results and year-to-date 2013 results;
- Forecasting projected 2014 fuel and oil expense as follows:
  - Projected Year (2014) Fuel Expense - gallons established in the most recent detail year review (2013) at the average price per gallon based on actual year to date purchases; plus,
  - Current Year (2013) Expense Adjustment - gallons established in the most recent detail year review (2013) at the average price per gallon based on actual year to date purchases less the 2013 fuel expense established during the previous review; plus,
  - Revised Prior Year (2012) Expense Adjustment - projected gallons for 2012 at the average price per gallon for 2012 less the expense established during the previous review for 2012.
- Forecasting projected 2014 equipment and vehicle maintenance expense was based on the projected maintenance expense for 2013 increased by the percentage change in the annual average Motor Vehicle Related Index (All Urban Consumers, U.S. City Average; 1982-1984=100) for June 2012 and 2013;

- Forecasting projected 2014 depreciation and lease expense based on MSS's actual depreciation expense, plus projected depreciation on anticipated purchases in the Rate Year (allocation of depreciation of trucks to the Franchisors Group and other operations was based on truck usage);
- Forecasting projected 2014 JPA Fees based on tons collected for the Franchisors' Group by MSS for the period determined and rate established by the JPA;
- Forecasting projected 2014 other operating / general and administrative expense based on projected 2013 expense increased by the percentage change in the annual average San Francisco-Oakland-San Jose Metropolitan Area Consumer Price Index (All Urban Wage Earners; 1982-1984=100) for June 2012 and 2013; and,
- Forecasting projected 2014 interest expense based on MSS's actual interest from its loan amortization schedules for actual and projected capital adjusting 2014 for any projected asset purchases from the prior rate year which were not purchased in projected time period.

### **Route Revenues**

In order to mitigate significant differences in the forecasted and actual revenues received, a three year trend in subscription levels is factored into the necessary rate adjustment. Actual revenue received through June 2013 and projections for the remainder of the year were multiplied by the average percentage surplus or shortfall rate revenue for the three most recently completed rate years. MSS calculated the three year average achievement percentage of 98.02%, meaning actual revenue received has averaged 98.02% of what was projected over the past three years.

### **Operation Improvement Plan**

In 2012, MSS contracted with R. J. Proto Consulting Group, Inc. (Proto) to assess MSS's collection operation and inform management of improvements and changes necessary for the company's success. MSS management reviewed the results of the report and has begun filling the seven personnel additions recommended by Proto. The personnel additions include:

- Two Dispatchers;
- Two Route Supervisors;
- One Route Audit/Routing Manager;
- One Franchise Contract Manager; and,
- One Accounting Manager

The personnel additions are expected to allow collection operations and general management to operate more effectively, resulting in planned route reductions over the next few years. MSS management has estimated a total of five routes will be eliminated. During the prior detailed cost review, it was determined that the net costs of the operations improvement plan over the next three-year period amounted to \$1.2 million, ranging from \$800,000 in 2013 to \$25,000 in 2015. Because the costs differ significantly over the three-year period, it was agreed that the costs would be averaged; therefore, \$397,000 was included in MSS' 2013 compensation and will continue through 2015.

### **Commercial Food to Energy (F2E) Program**

During the prior detailed cost review, it was determined that the program costs for the commercial food waste collection program in conjunction with Central Marin Sanitation Agency (CMSA) will differ

significantly over the next three years due to the projected rate of customer utilizing the new program and subsequent rate applications will be adjusted largely using indices and not a detailed review of the nets costs of the program. Therefore, it was agreed to average the costs equally over a three year period, beginning in 2013. \$252,000 was included in the 2013 rate setting process and will continue until the next detailed cost review for the 2016 rates.

### **Profit**

MSS calculated its 2014 profit by applying the agreed-upon 90.5% pre-tax operating ratio to its 2014 total projected expenses that are eligible for profit.

### **MSS' Calculated Rate Adjustment**

MSS calculated the 2014 Rate Adjustment to be 8.98%. The Rate Adjustment Factor equals the Total Contractor's Revenue Requirement for the coming Rate Year divided by the Gross Rate Revenues. Gross Rate Revenues mean the statements of charges for services rendered by Contractor, to owners or occupants of property, including residential and commercial premises, for the collection of materials pursuant to the Agreement, net of a reasonable allowance for uncollectible accounts, and adjusted for the calculated three year revenue experience.

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## SECTION IV. PROPOSED ADJUSTMENTS

This section provides a summary of the HF&H recommended adjusted revenue requirement. HF&H's recommended projections for MSS' operations are shown in Table 5 below and our recommended adjustments to MSS' projections are discussed in more detail following the table.

**Table 5: Summary of Adjustments**

|  | MSS<br>Application    | Recommended<br>Adjustments | HF&H Adjusted<br>Application |
|--|-----------------------|----------------------------|------------------------------|
| <b><u>Expenses: Current MSS Operations</u></b>         |                       |                            |                              |
| 1 Wages  | \$ 7,124,527          | \$ -                       | \$ 7,124,527                 |
| 2 Benefits   | 3,775,406             | (133,441)                  | 3,641,965                    |
| 3 Disposal Fees  | 4,048,572             | (561,167)                  | 3,487,405                    |
| 4 Fuel & Oil   | 1,056,719             | (80,891)                   | 975,828                      |
| 5 Maintenance Expense                                  | 1,405,170             | -                          | 1,405,170                    |
| 6 Depreciation/Leases                                  | 1,711,455             | -                          | 1,711,455                    |
| 7 Other Operating/G&A                                  | 3,110,793             | 60,505                     | 3,171,298                    |
| 8 <b>Total Operating Expenses</b>                      | <b>22,232,642</b>     | <b>(714,994)</b>           | <b>21,517,648</b>            |
| 9 Operating Profit                                     | 2,333,812             | (75,055)                   | 2,258,757                    |
| 10 Interest Expense                                    | 318,375               | -                          | 318,375                      |
| 11 <b>Total Expenses for Current Operations</b>        | <b>24,884,829</b>     | <b>(790,049)</b>           | <b>24,094,780</b>            |
| 12 <b>Revenue Requirement for Current Services</b>     | <b>\$ 24,884,829</b>  | <b>\$ (790,049)</b>        | <b>\$ 24,094,780</b>         |
| <b><u>Projected Revenue (at current rates)</u></b>     |                       |                            |                              |
| 13 Route Revenues                                      | 26,409,276            | -                          | 26,409,276                   |
| 14 Less: Franchise Fees                                | (2,607,328)           | -                          | (2,607,328)                  |
| 15 Less: Street Sweeping                               | (72,000)              | -                          | (72,000)                     |
| 16 Less: Refuse Vehicle Impact Fee                     | (896,302)             | -                          | (896,302)                    |
| 17 Add: Non-Regulated Revenues                         | -                     | -                          | -                            |
| 18 <b>Net Revenues (at current rates)</b>              | <b>22,833,646</b>     | <b>-</b>                   | <b>22,833,646</b>            |
| 19 <b>Total Surplus/ (Deficit) (Line 18 - Line 12)</b> | <b>\$ (2,051,183)</b> | <b>\$ 790,049</b>          | <b>\$ (1,261,134)</b>        |
| 20 <b>Rate Impact (-Line 19 ÷ Line 18)</b>             | <b>8.98%</b>          |                            | <b>5.52%</b>                 |

## **Adjustments to 2014 Projected Expenses for Current Operations**

### **Wages**

HF&H reviewed and does not recommend any adjustments to MSS' projected 2014 Wages expense (Table 5, Line 1).

### **Benefits**

HF&H recommends reducing benefits by a net of \$133,441 due to the following:

- Reduce benefits, other than Workers' Compensation, as the increase in such benefits, was limited to the annual average increase in the Employment Cost Index of 2.08%. MSS calculated several of the benefit items using rates other than the rate prescribed by the agreed-upon Rate Index methodology; and,
- Increase Workers' Compensation by \$9,329 due to allocation changes not reflected by MSS in its application.

### **Disposal Fees**

HF&H recommends reducing MSS' projected disposal fees by \$561,167 (Table 5, Line 3). In the 2013 rate setting process, MSS represented the commercial loads were highly contaminated therefore; yielding very little material that could actually be recycled. Rates were set based on the lower tipping fee at the transfer station. In 2013, MSS reviewed the composition of the commercial solid waste tonnage and began redirecting an increased amount to MRRC. MRRC's processing fee is approximately \$30 per ton higher than the transfer station tip fee. HF&H is proposing adjustments to reflect "as if" the material was delivered to the transfer station. The adjustment includes a decrease of \$276,846 for 2013 and \$284,321 for 2014.

We recommend MSS determine the available diversion from the commercial material and present to the Franchisors MRRC as an alternative processing facility, with the an estimated additional cost per diverted ton.

### **Fuel & Oil**

HF&H recommends decreasing MSS' projected Fuel & Oil costs by \$80,891 (Table 5, Line 4) due an updated projected average per gallon fuel price. MSS projected the 2014 fuel cost based on the actual year to date average per gallon for purchases through August 8, 2013 at \$3.836, while the average per gallon fuel price based on the trend for the most recent three months of purchases in 2013 was \$3.772, resulting in an overstatement of 2014 fuel cost of \$23,922. MSS adjusted 2013 fuel expense using the actual average per gallon price for the 2013 year to date purchases at \$3.932, while the average per gallon price using a projections through August 8, 2013 of \$3.732, resulting in an overstatement of the fuel cost adjustment for 2013 of \$56,969.

### **Maintenance Expense**

HF&H reviewed and does not recommend any adjustments to MSS' projected 2014 Maintenance Expense (Table 5, Line 5).

## Depreciation/Leases

HF&H reviewed and does not recommend any adjustments to MSS' projected 2014 Depreciation/Leases expense (Table 5, Line 6).

## Other Operating/G&A

HF&H recommends increasing MSS' projected Other Operating / G&A by \$60,505 to reflect the consulting fees associated with the development of a new sustainable rate structure. The Franchisors' Group understands the importance of community acceptance of any new rate structure. The consultant's primary task will be assisting with the development of and facilitating focus groups consisting of members of the community. (Table 5, Line 7).

## Operating Profit

HF&H recommends reducing MSS' projected operating profit by \$75,055 (Table 5, Line 9), resulting from the decreases in operating costs described above.

## Interest Expense

Due to offsetting adjustments in MSS's calculations, no adjustment is recommended for interest expense (Table 5, Line 10).

## Adjustments to Projected Revenue at Current Rates

HF&H reviewed and does not recommend any adjustments to MSS' projected revenue at current rates (Table 5, Line 18).

## Adjustments to Net Recyclable Revenue Reserve

During 2012, the Franchisors and MSS agreed to share the net revenues from the processing of recyclable materials collected from the Franchisors' customers, beginning with actual results in calendar year 2011. It was agreed that the net revenues would be contributed to a reserve to fund one-time costs of future diversion programs. As reflected in Table 6, the reserve amount decreased \$85,154 to \$147,553. The decrease in the reserve is primarily due to a decrease in commodity pricing that decreased the average recycling revenue per ton for 2012 by \$18.13 per ton (\$182.80 to \$164.67). The processing costs have increased due to a combination of inflation and fixed costs being spread over fewer tons processed. Additionally, the 2013 reserve was updated to reflect the final approved operating ratio of 95% and the exclusion of HHW grant revenue (a reduction of \$34,699).

**Table 6: Summary of Net Recyclable Revenue Reserve**

| Rate Year       | Based on<br>Financial Year | Net Addition<br>(Reduction)<br>to Reserve |
|-----------------|----------------------------|---|
| 2013            | 2011                       | \$ 232,707                                |
| 2014            | 2012                       | \$ (85,154)                               |
| Reserve Balance |                            | <u>\$ 147,553</u>                         |

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## SECTION V. RATE ADJUSTMENT

### Rate Adjustment

Based on a revenue requirement of \$24,094,780 (Table 5, Line 12) and projected net revenues of \$22,833,646 (Table 5, Line 18) for the calendar year 2013, resulting from our recommended adjustments to MSS' application, a 5.52% rate adjustment has been calculated, effective January 1, 2013.

This rate increase of 5.52%, results primarily from:

- An overall net increase of 5.77% in operating costs for current services, primarily from:
  - Disposal Adjustment - 2.16% (\$474,022) is the result of two primary factors:
    1. Current Year Projected Disposal Expense - An increase in the per ton disposal/processing fees (by the change in the applicable consumer price index), partially offset by the reduction in residential tonnage collected; and,
    2. Prior Years' Disposal Reconciliation Positive Adjustments - The disposal expense reconciliation adjustment in accordance with the approved rate setting methodology. The adjustment reflects the correction of previous projections for both rates and tonnage based on data and expenses received at the time of the analysis.

**Table 7: Disposal Expense Variance Analysis**

|   | <u>2013</u>  | <u>2014</u>  | <u>Variance</u> |
|---|--------------|--------------|-----------------|
| Current Year Projected Disposal Expense (1)         | \$ 3,614,748 | \$ 3,631,865 | \$ 17,117       |
| Prior Years' Disposal Reconciliation Adjustment (2) | \$ (601,365) | \$ (144,460) | \$ 456,905      |
| Net Disposal Expense in Revenue Requirement         | \$ 3,013,383 | \$ 3,487,405 | \$ 474,022      |

- Other Operating Costs – 2.26% is the result of the following factors:
  1. An increase in the JPA fees due to a per ton rate increase from the JPA(\$88,000);
  2. An increase in depreciation as fully depreciated assets are replaced (\$85,000);
  3. Focus group facilitation fees as part of the current rate study (\$60,000); and
  4. CPI increases in the base expenses in accordance with the approved rate setting methodology.
- Other Expenses – 1.1% is the result of minor adjustments to the other expenses and revenues accounts.

The following table shows the components of the rate adjustment:

**Table 8: Rate Adjustment Components**

| 2014 Component Percentages            |        |
|---------------------------------------|--------|
| Wages                                 | 0.86%  |
| Benefits (including workers comp)     | 0.90%  |
| Fuel & Oil                            | -0.41% |
| Disposal                              | 2.16%  |
| Other Operating Costs*                | 2.26%  |
| Subtotal Operations                   | 5.77%  |
| Revenue Surplus net of Franchise Fees | -0.25% |
| Total Rate Adjustment                 | 5.52%  |

### **Survey of Comparable Rates**

Attachment 3 shows the results of HF&H's survey of solid waste rates as of August 2013 for jurisdictions located throughout the Bay Area. For the purpose of comparing the Franchisors' rates to other jurisdictions, we have applied the recommended 5.52% rate increase to the current Franchisors rates.

The Franchisors' residential rates for a 32-gallon container (the most frequent residential service level) range from \$27.26 (LGVSD) to \$34.26 (Larkspur). The survey shows the Franchisors' average residential rate for 32-gallon service (\$31.10) is in the low range compared to the other Marin County jurisdictions. Of the ten Marin County jurisdictions, eight of the jurisdictions' 32-gallon container rates are higher than the Franchisors' average and two jurisdictions are lower. Attachment 4 graphically compares the Franchisors' residential rates for a 32-gallon container to one another as well as to the average of Marin County rates for similar service.

The Franchisors' commercial rates for a 3 cubic yard bin serviced one time per week range from \$382.99 (Ross) to \$436.86 (Larkspur). The average rate for the Franchisors is \$407.90, which is in the lower range compared to the other five Marin County jurisdictions that have this level of service. Three jurisdictions have higher rates and two jurisdictions have lower rates. Attachment 5 compares the Franchisors' commercial rates for a 3 cubic yard bin serviced one time per week to the average Marin County rate and all other jurisdictions' average rate for similar service levels.

While the recommended rates compare favorably to those surveyed, we caution the Franchisors that this survey is presented as an indication of the reasonableness of the resulting rates. They should not draw conclusions from this information because rate comparisons are intrinsically difficult and often misleading. This difficulty results from differences in issues such as:

1. The services provided;
2. The terrain in which the service is performed;
3. Disposal costs;
4. Rate structures; and,
5. Governmental fees (e.g., franchise fees, vehicle impact fees, etc).

*Expense Allocation (Percentage of Total Revenues)*

[illegible]

### 2014 Rate Application - HF&H Adjusted

*Expense Allocation (Percentage of Total Revenues)*

|        |        |       |        |       |       |       |         |
|--------|--------|-------|--------|-------|-------|-------|---------|
| 44.43% | 21.04% | 8.63% | 15.32% | 2.23% | 7.07% | 1.27% | 100.00% |
|--------|--------|-------|--------|-------|-------|-------|---------|

### Expenses: Current MSS Services

| San Rafael | Las Gallinas-<br>City of S.R. | Las Gallinas-<br>County | Larkspur | Ross | County -<br>RVSD | County | Total |
|------------|-------------------------------|-------------------------|----------|------|------------------|--------|-------|
|------------|-------------------------------|-------------------------|----------|------|------------------|--------|-------|

[illegible]

# Bay Area Rate Survey

| Jurisdiction                                 | County       | Res. Single-Family |           |           | Commercial         |                    |                    |                    |
|--|--------------|--------------------|-----------|-----------|--------------------|--------------------|--------------------|--------------------|
|  |              | 30-35Gal.          | 60-64Gal. | 90-96Gal. | 1YD Bin<br>1x/week | 1YD Bin<br>3x/week | 3YD Bin<br>1x/week | 3YD Bin<br>3x/week |
| City of Alameda                              | Alameda      | \$ 35.00           | \$ 57.51  | \$ 80.32  | \$ 133.33          | \$ 407.97          | \$ 399.99          | \$ 1,223.93        |
| City of Albany                               | Alameda      | \$ 39.61           | \$ 68.46  | \$ 97.30  | \$ 157.84          | \$ 473.52          | \$ 473.52          | \$ 1,420.56        |
| City of Berkeley (District 1 & 2)            | Alameda      | \$ 29.62           | \$ 59.21  | \$ 88.78  | \$ 143.42          | \$ 404.11          | \$ 415.12          | \$ 1,178.96        |
| City of Berkeley (District 3) <sup>8</sup>   | Alameda      | \$ 31.14           | \$ 62.25  | \$ 93.36  | \$ 143.42          | \$ 404.11          | \$ 415.12          | \$ 1,178.96        |
| City of Dublin                               | Alameda      | \$ 20.31           | \$ 37.31  | \$ 54.30  | \$ 98.54           | \$ 344.66          | \$ 295.62          | \$ 935.90          |
| City of Emeryville                           | Alameda      | \$ 17.44           | \$ 34.86  | \$ 52.30  | \$ 103.82          | \$ 311.46          | \$ 311.46          | \$ 934.38          |
| City of Fremont                              | Alameda      | \$ 28.17           | \$ 30.84  | \$ 45.27  | \$ 80.45           | \$ 231.41          | \$ 180.84          | \$ 532.57          |
| City of Livermore                            | Alameda      | \$ 27.51           | \$ 53.34  | \$ 86.21  | \$ 116.72          | \$ 364.16          | \$ 350.16          | \$ 1,115.62        |
| City of Newark                               | Alameda      | \$ 27.72           | \$ 49.09  | \$ 70.44  | \$ 112.31          | \$ 350.41          | \$ 297.13          | \$ 810.32          |
| City of Oakland                              | Alameda      | \$ 29.30           | \$ 63.89  | \$ 98.44  | \$ 137.54          | \$ 437.75          | \$ 360.62          | \$ 1,136.70        |
| City of Piedmont <sup>5</sup>                | Alameda      | \$ 51.88           | \$ 60.57  | \$ 70.97  | \$ 162.69          | \$ 458.61          | NA                 | NA                 |
| City of Pleasanton <sup>5</sup>              | Alameda      | \$ 30.59           | N/A       | N/A       | \$ 145.51          | \$ 380.81          | \$ 415.54          | \$ 1,121.44        |
| City of San Leandro                          | Alameda      | \$ 25.22           | \$ 41.98  | \$ 58.72  | \$ 110.58          | \$ 334.30          | \$ 334.30          | \$ 1,002.90        |
| City of Union City                           | Alameda      | \$ 42.29           | \$ 72.71  | \$ 103.10 | \$ 125.62          | \$ 346.96          | \$ 329.19          | \$ 897.15          |
| Castro Valley Sanitary District              | Alameda      | \$ 35.93           | \$ 62.40  | \$ 88.91  | \$ 254.62          | \$ 763.96          | \$ 677.64          | \$ 1,899.26        |
| Oro Loma Sanitary District (L1) <sup>3</sup> | Alameda      | \$ 20.04           | \$ 35.53  | \$ 50.97  | \$ 101.05          | \$ 262.66          | \$ 269.16          | \$ 735.99          |
| Oro Loma Sanitary District (L2) <sup>3</sup> | Alameda      | \$ 15.44           | \$ 30.93  | \$ 46.37  | \$ 101.05          | \$ 262.66          | \$ 269.16          | \$ 735.99          |
| Oro Loma Sanitary District (L3)              | Alameda      | \$ 22.51           | \$ 40.38  | \$ 58.29  | \$ 116.87          | \$ 303.77          | \$ 311.30          | \$ 872.01          |
| City of Richmond                             | Contra Costa | \$ 31.12           | \$ 59.37  | \$ 88.43  | \$ 204.60          | \$ 517.16          | \$ 463.94          | \$ 1,267.59        |
| City of San Pablo                            | Contra Costa | \$ 29.02           | \$ 55.23  | \$ 82.28  | \$ 207.46          | \$ 527.33          | \$ 483.14          | \$ 1,327.12        |
| City of El Cerrito <sup>4,5</sup>            | Contra Costa | \$ 39.99           | \$ 79.99  | N/A       | \$ 241.27          | \$ 665.15          | N/A                | N/A                |
| City of Hercules                             | Contra Costa | \$ 32.76           | \$ 57.77  | \$ 83.52  | \$ 221.88          | \$ 562.02          | \$ 513.50          | \$ 1,407.28        |
| City of Pinole                               | Contra Costa | \$ 31.82           | \$ 56.58  | \$ 82.08  | \$ 237.58          | \$ 599.55          | \$ 546.86          | \$ 1,494.67        |
| Unincorp.-West Contra Costa                  | Contra Costa | \$ 31.01           | \$ 59.42  | \$ 88.50  | \$ 203.03          | \$ 514.88          | \$ 461.99          | \$ 1,264.41        |
| Town of Fairfax                              | Marin        | \$ 29.09           | \$ 58.18  | \$ 87.27  | \$ 145.65          | \$ 345.00          | \$ 341.50          | \$ 893.85          |
| RVSD-N (Oak Manor)                           | Marin        | \$ 33.05           | \$ 66.07  | \$ 99.03  | \$ 177.26          | \$ 531.85          | \$ 531.85          | \$ 1,595.55        |
| RVSD-N (Sleepy Hollow)                       | Marin        | \$ 34.50           | \$ 68.96  | \$ 103.37 | \$ 177.26          | \$ 531.85          | \$ 531.85          | \$ 1,595.55        |
| Town of San Anselmo <sup>4</sup>             | Marin        | \$ 31.95           | \$ 63.94  | \$ 95.92  | N/A                | N/A                | \$ 524.29          | \$ 1,572.95        |
| City of Belvedere <sup>5</sup>               | Marin        | \$ 38.91           | \$ 61.60  | \$ 89.33  | \$ 192.56          | \$ 531.92          | N/A                | N/A                |
| City of Novato <sup>4</sup>                  | Marin        | \$ 18.22           | \$ 36.43  | \$ 54.66  | N/A                | N/A                | \$ 237.45          | \$ 589.18          |
| City of Sausalito <sup>6,7</sup>             | Marin        | \$ 36.90           | \$ 73.80  | \$ 110.70 | \$ 145.91          | \$ 437.73          | N/A                | N/A                |
| Town of Tiburon <sup>5</sup>                 | Marin        | \$ 36.95           | \$ 67.27  | \$ 97.08  | \$ 175.79          | \$ 479.80          | N/A                | N/A                |
| Town of Corte Madera <sup>5</sup>            | Marin        | \$ 31.16           | \$ 62.48  | \$ 93.80  | \$ 145.73          | \$ 393.23          | N/A                | N/A                |
| City of Mill Valley <sup>5</sup>             | Marin        | \$ 38.66           | \$ 64.55  | \$ 90.40  | \$ 171.25          | \$ 460.86          | N/A                | N/A                |
| City of San Rafael                           | Marin        | \$ 31.19           | \$ 62.39  | \$ 93.58  | \$ 201.33          | \$ 615.56          | \$ 385.29          | \$ 1,093.60        |
| Las Gallinas - County                        | Marin        | \$ 27.26           | \$ 54.51  | \$ 81.77  | \$ 195.18          | \$ 586.07          | \$ 394.94          | \$ 1,102.32        |
| City of Larkspur <sup>6</sup>                | Marin        | \$ 34.26           | \$ 68.54  | \$ 102.80 | \$ 217.53          | \$ 652.37          | \$ 436.86          | \$ 1,145.47        |
| Town of Ross                                 | Marin        | \$ 29.82           | \$ 59.65  | \$ 89.47  | N/A                | N/A                | \$ 382.99          | \$ 1,148.82        |
| County (RVSD-S)                              | Marin        | \$ 32.32           | \$ 67.22  | \$ 104.88 | \$ 272.68          | \$ 691.31          | \$ 421.70          | \$ 1,107.36        |
| County - Marin Franchisors' Group            | Marin        | \$ 31.72           | \$ 65.99  | \$ 102.96 | \$ 211.67          | \$ 635.01          | \$ 425.62          | \$ 1,111.39        |
| City of Campbell <sup>1</sup>                | Santa Clara  | \$ 23.50           | \$ 47.00  | \$ 70.51  | \$ 117.66          | \$ 356.31          | \$ 235.31          | \$ 712.63          |
| City of Cupertino <sup>1</sup>               | Santa Clara  | \$ 22.32           | \$ 44.64  | \$ 66.97  | \$ 130.19          | \$ 390.59          | \$ 208.31          | \$ 624.92          |
| City of Los Altos                            | Santa Clara  | \$ 29.20           | \$ 58.40  | \$ 87.60  | \$ 117.50          | \$ 352.52          | \$ 352.52          | \$ 1,057.57        |
| City of Monte Sereno <sup>1</sup>            | Santa Clara  | \$ 27.67           | \$ 55.35  | \$ 83.02  | \$ 163.21          | \$ 494.35          | \$ 326.42          | \$ 988.70          |
| City of Mountain View                        | Santa Clara  | \$ 22.60           | \$ 45.20  | \$ 67.80  | \$ 99.20           | \$ 337.10          | \$ 297.25          | \$ 931.90          |
| City of Palo Alto                            | Santa Clara  | \$ 31.64           | \$ 67.84  | \$ 101.76 | \$ 170.04          | \$ 523.20          | \$ 416.38          | \$ 1,322.17        |
| City of San Jose <sup>2</sup>                | Santa Clara  | \$ 29.95           | \$ 59.90  | \$ 89.85  | \$ 152.42          | \$ 436.46          | \$ 212.85          | \$ 608.80          |
| City of Santa Clara                          | Santa Clara  | \$ 24.31           | \$ 35.73  | \$ 47.15  | \$ 73.53           | \$ 212.75          | \$ 205.94          | \$ 584.50          |
| City of Sunnyvale                            | Santa Clara  | \$ 32.91           | \$ 40.19  | \$ 47.47  | \$ 131.85          | \$ 395.53          | \$ 330.88          | \$ 992.61          |
| City of Saratoga <sup>1</sup>                | Santa Clara  | \$ 24.71           | \$ 49.43  | \$ 74.14  | \$ 162.50          | \$ 492.42          | \$ 325.00          | \$ 984.84          |
| Town of Los Altos Hills                      | Santa Clara  | \$ 37.41           | \$ 74.81  | \$ 112.21 | \$ 93.18           | \$ 196.23          | \$ 145.81          | \$ 340.93          |
| Town of Los Gatos <sup>1</sup>               | Santa Clara  | \$ 22.81           | \$ 45.62  | \$ 68.44  | \$ 132.71          | \$ 402.02          | \$ 265.42          | \$ 804.03          |
| Marin Franchisors' Average                   |              | \$ 31.10           | \$ 63.05  | \$ 95.91  | \$ 219.68          | \$ 636.06          | \$ 407.90          | \$ 1,118.16        |
| Marin County Average                         |              | \$ 32.94           | \$ 62.33  | \$ 92.16  | \$ 166.43          | \$ 464.03          | \$ 433.39          | \$ 1,249.42        |
| All City Average                             |              | \$ 30.20           | \$ 55.99  | \$ 81.66  | \$ 155.82          | \$ 443.09          | \$ 366.93          | \$ 1,053.41        |

<sup>1</sup> 1 cu yd containers not available. Rates reflected here are for 1.5 cu. yds.

<sup>2</sup> City has wet/dry commercial collection rates are for wet commercial materials

<sup>3</sup> Largest residential can is 45 gallon

<sup>4</sup> Smallest Commercial Bin is 2 yd.

<sup>5</sup> Largest commercial bin is 2 yards.

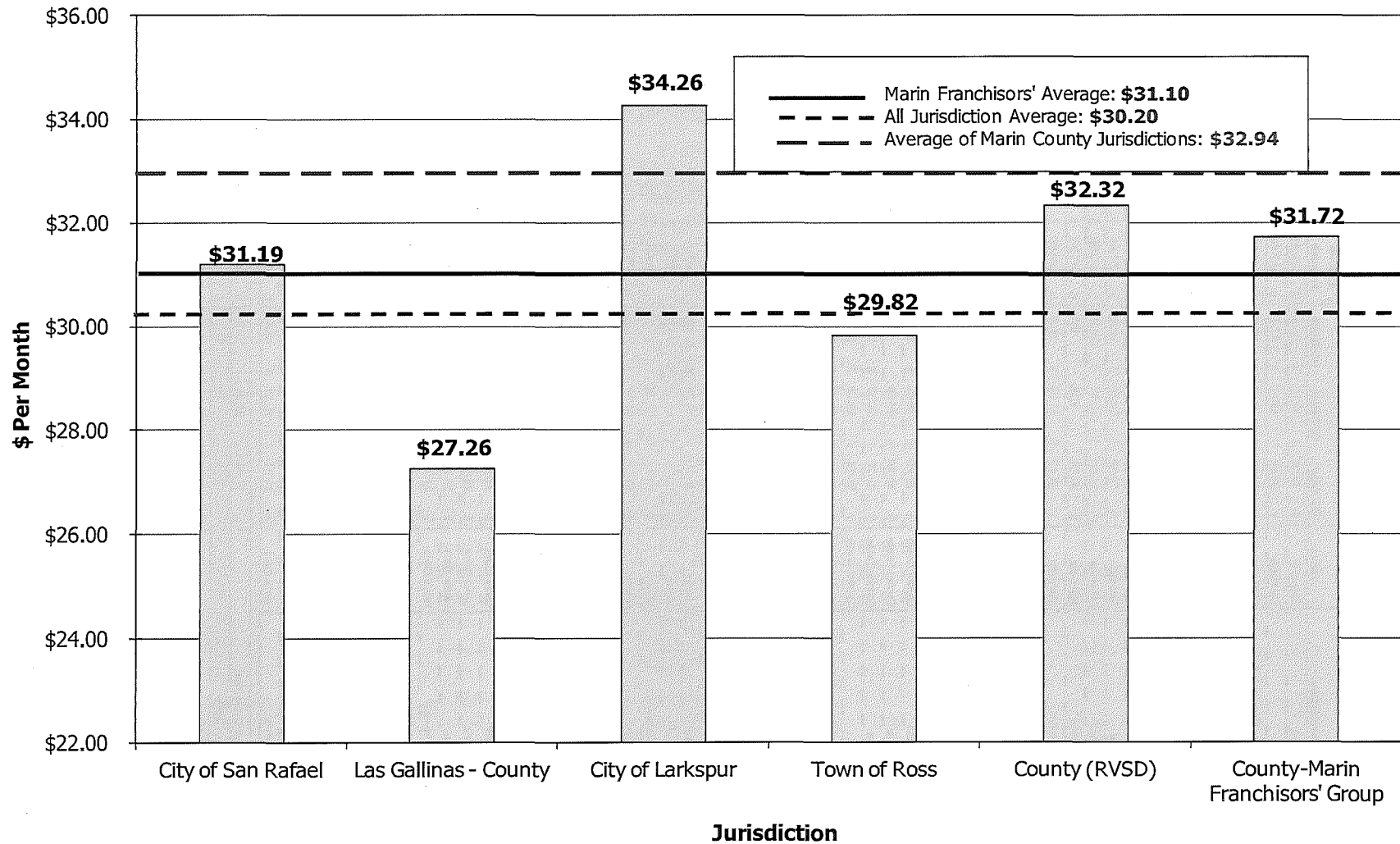
<sup>6</sup> One cubic yard bin no longer offered to new customers.

<sup>7</sup> Rate for 1, 2, & 3 30 gallon cans in lieu of 60 and 90 gallon cans.

<sup>8</sup> Berkeley's District 3 pays a fire surcharge on residential rates.

<sup>9</sup> OLSD L2 district doesn't provide recycling services to residents. Recycling rates are included in rate for L1 & L2.

**Rates for Residential 30-35 Gallon Collection Service  
Weekly Recycling and Weekly Yard Waste with Foodwaste**



### Rates for Commercial 3 Cubic Yard, 1 Time per Week Collection Service

