



Rosemarie R. Gaglione ^{P.6}
DIRECTOR

April 26, 2022

Marin County Board of Supervisors
3501 Civic Center Drive
San Rafael, CA 94903

SUBJECT: Public Hearing for a 1.24% Marin Sanitary Service Rate Increase

Dear Board Members:

RECOMMENDATIONS: 1). Authorize the Board President to Execute the Second Amendment to the Franchise; and 2). Hold a Public Hearing at 10:30 a.m. to consider a 1.24% Marin Sanitary Service (MSS) rate increase for the Central Marin Franchise Areas 1-6, and Ross Valley North and South Franchise Areas.

SUMMARY: MSS holds the exclusive franchise for waste and resource hauling in the unincorporated areas known as Central Marin Franchise Areas (1 - 6), and Ross Valley North and South Franchise Areas. The six small Central Marin Franchise Areas include unincorporated parts of Bayside Acres, Country Club Estates, Bret Harte, Point San Quentin, Lucky Drive, and Greenbrae Boardwalk. Ross Valley South includes Kentfield, Greenbrae, Kent Woodlands, and Del Mesa Heights. Ross Valley North includes Sleepy Hollow and Oak Manor.

1). Second Amendment for State Required SB 1383 Services:

Separate from the normal, annual rate setting/review process – there is a proposed Franchise Amendment (Attachment 1) which would effectuate certain operational changes under the Agreement to facilitate and implement the necessary service changes required by State law SB 1383 – California’s Short Lived Pollutant reduction law.

The changes in the Franchise Amendment are specific to this MSS Franchise but are overall similar to what is or will be proposed for each of the County held collection franchises in various portions, but not all, of Unincorporated Marin. The Amendment provides for many important programs and services related to compliance with SB 1383, including:

- Implementation of organic container collection for all organic waste generators in MSS’s County service area

Administration
PO Box 4186
San Rafael, CA 94913-4186
415 473 6528T
415 473 3799 F
415 473 3232 TTY
CRS Dial 711
www.marincounty.org/pw

Accounting

Administrative Services

Airport

Building Maintenance

Capital Projects

Certified Unified Program Agency (CUPA)

Communications Maintenance

Disability Access

Engineering & Survey

Fleet Operations

Flood Control & Water Resources

Land Development

Procurement

Real Estate

Reprographic Services

Road Maintenance

Stormwater Program

Transportation & Traffic Operations

Waste Management

- Providing that all new containers purchased by MSS and put into service in the County will meet the color and labeling requirements of SB 1383
- Providing route contamination review and notices of contamination as required by SB 1383
- Providing reviews of all customer accounts annually to determine compliance status for all customers, and to contact non-compliant customers to support compliance with the new regulations
- Providing detailed outreach and education regarding organics recycling to all customers in the County
- Providing detailed reports to the County regarding the above, and which will support the County's reporting of SB 1383 compliance activities to the State agency CalRecycle

2). Annual Rate Adjustment:

The Franchise Agreement between the County and MSS outlines the services that must be provided as well as a methodology to be followed to set customer rates each year. The MSS 2022 Rate Application is provided in Attachments 2 and 3.

The jurisdictions in Marin that have similar agreements with MSS work together informally as the "Marin Franchisors' Group" to share information and reduce costs. These jurisdictions are Fairfax, Larkspur, Ross, San Anselmo, San Rafael, Larkspur, Las Gallinas Valley Sanitary District, and the County of Marin. The Group meets several times per year to oversee MSS's operations and works together to conduct a single annual rate review analysis rather than each jurisdiction having to conduct and pay for a separate review.

Rate payers include residential homeowners, apartment owners, commercial property owners, and other businesses and tenants. The proposed rate adjustment would increase rates by 1.24% over prior levels for all rate payers. It includes adjustments based on an agreed-upon rate-setting methodology the County has with Marin Sanitary Service and the independent third-party review of expenses and revenues by R3 Consulting Group, Inc. (R3). R3's report is provided in Attachment 4.

The 1.24% rate increase is comprised of two components. The first is the annual indexed rate adjustment of 0.83%, which is calculated in accordance with the Agreement, and effective as of January 1, 2022. This is the normal annual adjustment contemplated by the Agreement; however it is lower than normal expectation due to the phasing-out of prior rate true-up elements for prior recycling losses and fuel and disposal true-ups. The removal of these elements from the rate base decreases the amount of rate increase for 2022.

The 0.83% adjustment also includes adjustments to comply with State law SB 1383, including new organic waste collection routes shared across the seven Marin Franchisors' Group members as well as outreach and education, contamination route audits, support for edible food recovery programs, and reporting. The amount of rate adjustment for SB 1383 compliance is less in the portion of the County served by MSS than for Recology Sonoma Marin due to circumstances including higher density of customers in the MSS service area, greater level of current uptake of organics collection programs in the MSS area, and greater economies of scale due to MSS's large overall service area in Marin County.

The second component is a 0.41% temporary rate increase, allowed by Section 12.A of the base Agreement, which is due to delayed implementation of the rate increase that would have originally gone into effect on January 1, 2022. Consideration of the rates was postponed, by request of the County, due to the need to first consider and adopt updates to the County Code for the requirements of SB 1383. Now that the County Code has been updated, the Board of Supervisors may consider one increase to MSS's 2022 rates, inclusive of both the annual indexed rate adjustment calculation and increases related to implementation of SB 1383. The rate increase effect of this temporary component will be removed from the rates effective January 1, 2023.

R3 reviewed the application and all relevant documents and financial schedules with MSS and recommends an increase of 1.24%. This would result in an increase of \$0.63 per month for standard residential 32-gallon garbage three cart service totaling \$51.74. Recycling, composting, and access to household hazardous waste drop-off is included for both residential and commercial accounts and customers can control their rate by minimizing their landfill container size. The detailed rates, at various service levels, are provided in Attachment 5.

EQUITY IMPACT: The rate structure already includes a "pay as you throw" model which charges for additional service so that cost minimization is available to customers via utilization of waste reduction services (composting, recycling, household hazardous waste) that are included in the base rates.

FISCAL IMPACT: There is an estimated County revenue increase of approximately \$5,720 in franchise fees and \$1,144 in Regulatory Compliance Fees associated with this proposed rate increase. There are no additional impacts to the General Fund by this action. Revenues and expenditure will be appropriated based on the actuals received through the monthly budget adjustments process. There are no other impacts by this action.

Marin County Board of Supervisors

April 26, 2022

Page 4 of 4

REVIEWED BY:	<input checked="" type="checkbox"/>	County Administrator	<input type="checkbox"/>	N/A
	<input checked="" type="checkbox"/>	Department of Finance	<input type="checkbox"/>	N/A
	<input checked="" type="checkbox"/>	County Counsel	<input type="checkbox"/>	N/A
	<input type="checkbox"/>	Human Resources	<input checked="" type="checkbox"/>	N/A

Respectfully submitted,



Steve Devine
Program Manager




Attachments:

1. Second Amendment to Franchise Amendment Effectuating Certain State of CA Required SB 1383 Service Modifications
2. MSS Rate Application Transmittal Letter
3. MSS Rate Application Calculations
4. R3 Consulting Group Inc. Review of MSS 2022 Rate Application Report
5. Proposed New Rate Tables for 2022

CC: Marin Sanitary Service