

**TOWN OF SAN ANSELMO
STAFF REPORT**

For the Meeting of December 14, 2021

TO: Town Council

FROM: David P. Donery, Town Manager

SUBJECT: Marin Sanitary Service Rate Increase

RECOMMENDATION

- 1) Conduct a public hearing to consider the proposed Marin Sanitary Service (MSS) collection rates.
- 2) Adopt the attached Resolution establishing maximum rates collected by Marin Sanitary Service for solid waste, recycling, and organic waste services, to be effective January 1, 2022 (Attachment 1).

BACKGROUND

Each year, the Town Council holds a public hearing to set the maximum collection rates that can be charged by MSS in the Town of San Anselmo. These rates are based on a specific methodology contained in the Franchise Agreement with MSS. This methodology was changed in 2019 when the Council adopted an amendment to the Franchise Agreement with MSS.

The rate-setting methodology requires a detailed analysis, which was conducted by R3 Consulting Group. (Attachment 3). Based on R3's review, the proposed increase in 2022 for San Anselmo customers is 2.88%. In 2021, the rate was increased by 3.95%

DISCUSSION AND ANALYSIS

MSS is the Town's sole provider of refuse hauling and recycling services and performs these services in many surrounding communities, as well. The Franchise Agreement between the Town and MSS outlines the services that must be provided by MSS, as well as a methodology to be followed to set customer rates each year.

For many years, the Town accepted the results of a rate study that had been conducted by what has been known as the Marin Franchisors Group. San Anselmo had not been a member of the Franchisors Group, yet the contract with MSS called for the Town's rate increase methodology to be the same as that for the Franchisors Group and assumed that the Town would receive the same increase.

As stated in the Rate Review at Attachment 3, 2021 was the first year that the Towns of San Anselmo and Fairfax were included in this rate-setting application. This report summarizes results from a review of MSS's 2022 indexed rate application per the new streamlined rate-setting methodology established in 2019. The new methodology is described in the amended Exhibit B to the [MSS Franchise Agreement](#) with the Town, which was ratified by all agencies except San Anselmo and Fairfax during the 2019 Rate

Application process, and which San Anselmo and Fairfax adopted during the 2020 Rate Application process. This is the first consolidated report of an MSS area-wide rate application, incorporating all agencies.

The new rate methodology is intended to provide more stable and predictable rates while continuing verifiable high levels of service. Key differences between rate reviews prior to 2019 and the current methodology are listed below.

- The Recycling Reserve Fund was replaced with a net processing fee structure that allows MSS an annually adjusted processing fee minus revenues from the sale of recyclable materials. This new method of calculating recycling in the annual rate application includes an incentive for MSS to seek the best prices for selling the materials, while also providing a mechanism to ensure revenues help offset customer rates when markets are good.
- The new methodology sets rates based on revenues due to MSS, which are escalated annually based on one simple Water, Sewer, and Trash (WST) index (which has increased between 2 to 5% annually in recent years). This places more incentive on MSS to live within the regulated revenue amount.
- The new methodology includes a 2.5% minimum and a 5% maximum rate cap for MSS' operational expenses. This excludes franchise/agency fees and the cost of processing, recycling, composting and disposal. The proposed rate increase includes this adjustment.

MSS also provides garbage and recycling pick-up for agreed upon Town facilities, parks, and sidewalk receptacles. MSS is a key partner in the Town's environmental goals, as well as the Town and County's Zero Waste Goals. MSS conducts the majority of the outreach and monitoring for the Town for the State's Mandatory Commercial Recycling and Mandatory Composting laws (AB 341, AB 1826, and SB 1383). These laws place requirements on businesses to recycle and compost and require annual monitoring and notifications to non-compliant businesses.

MSS also has a robust community outreach and education program and they conduct numerous programs and community offerings, including an annual free compost giveaway and customer education event. All their services including a "Where Does it Go, Joe?" recycling lookup feature can be found on their new website: <https://marinsanitaryservice.com>.

Changes in the Industry

First, recognizing the negative impacts of organic materials decomposing in landfills on climate change, the State of California mandated that businesses of certain sizes compost their organic materials. The State now also mandates that all residents and businesses compost their organic waste (AB 1826 and SB 1383). Staff anticipates bringing an ordinance to this effect to the Council in January, 2022.

Additionally, the State may place new requirements on local governments to implement, monitor, and enforce participation in organic waste programs. These requirements are complicated by the fact that there continues to be a depression in the recycling commodities markets, resulting in losses for recyclers throughout the State.

Proposed Rates for 2022

Attachment 2 to this report is a rate application letter from MSS. Attachment 3 is a report from R3 that provides its third party, independent assessment of MSS and its application of the rate methodology. This application provides an overall perspective of the proposed rate increase. However, the actual increase in each jurisdiction is based on the application of the methodology to the specific customer base. R3 reviewed the application and all relevant documents and financial schedules with MSS and recommends an increase of 2.88% to the Town of San Anselmo's rates in 2022. As in previous years, staff is recommending that the rate adjustment be applied across the board to all residential, multi-family and commercial service accounts. The new rates reflective of this increase can be found in the exhibit to the draft resolution for this public hearing.

CEQA AND CONSISTENCY WITH CLIMATE ACTION PLAN 2030

Adoption of the attached resolution increasing MSS customer rates is not a "project" under the California Environmental Quality Act (CEQA), because it does not involve an activity which has the potential to cause a direct or reasonably foreseeable indirect physical change in the environment. (Cal. Pub. Res. Code § 21065). Moreover, the Town Council finds that even if it were considered a project, adoption of the resolution is exempt from the CEQA under CEQA Guidelines section 15061(b)(3), because it can be seen with certainty that there is no possibility that approval of the customer rates may have a significant effect on the environment.

FISCAL IMPACT

Increases in MSS's rates will result in slight increases to the franchise fees paid by MSS to the Town.

CONCLUSION

The Franchise Agreement for solid waste, recycling, and organic waste services is available on the Town's website at: <https://www.townofsananselmo.org/DocumentCenter/View/25276/Amended-and-Restated-MSS-Franchise-Agreement-San-Anselmo-11-26-2019>. Marin Sanitary Service representatives along with a representative from R3 Consulting Group will be present at the meeting to provide information and to answer any questions.

Respectfully submitted,



David P. Donery, Town Manager

Attachment 1. Resolution including exhibit with new rates

Attachment 2 - Rate application

Attachment 3 - Marin Sanitary Service Rate Report from R3