

Marin Sanitary Service

CONSERVATION – OUR EARTH, OUR MISSION, OUR JOB



August 30, 2021

Sent via e-mail

Mr. Cory Bytof
Sustainability Coordinator
City of San Rafael

Ms. Cristine Alilovich
Assistant City Manager
City of San Rafael

Mr. Steve Devine
Public Works Program Manager
County of Marin

Mr. Daniel Schwarz
City Manager
City of Larkspur

Mr. Adam Politer
Interim Town Manager
Town of Fairfax

Mr. Mike Prinz
General Manager
Las Gallinas Valley Sanitary District

Mr. Dale McDonald
Administrative Service Manager
Las Gallinas Valley Sanitary District

Mr. Joe Chinn
Town Manager
Town of Ross

Mr. Dave Donery
Town Manager
Town of San Anselmo

Mr. Garth Schultz
Principal
R3 Consulting Group

Subject: 2022 Combined Service Area Rate Application

Dear Ms. Alilovich, and Messrs. Bytof, Devine, Schwarz, Prinz, Chinn, McDonald, Donery, Politer and Schultz

Attached is Marin Sanitary Service's (MSS) rate calculation for rates to be effective January 1, 2022, in our combined service area. The 2022 Rate Application has been prepared in accordance with Exhibit B, Collector's Rate Revenue Requirement and Rate Adjustment methodology. This methodology was ratified by the Marin Franchisors' Group (MFG) during the 2019 Rate Application process. The same methodology was adopted by the Town of Fairfax and the Town of San Anselmo in 2019, during the 2020 Rate Application process.

Overview

1050 Andersen Drive, San Rafael, CA 94901
P.O. Box 10067, San Rafael, CA 94912 ■ (415) 456-2601 ■ Fax (415) 456-7595
www.marinsanitary.com

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Exhibit B specifies that the 2022 Rate Application is to be prepared utilizing the Indexed Rate Revenue Requirement methodology. This means that a majority of MSS's operating costs are adjusted by the change in the Consumer Price Index for Water and Sewer and Trash Collection, US city average, (referred to as the WST index). Other operating costs such as Garbage Landfilling and Organics Processing, Recyclable Materials Processing, Zero Waste Marin Fees, and Other Agency Fees are adjusted based upon projections or other methods to arrive at 2022 expenses. These adjusted expenses, plus Franchise Fees and Collector Profit, are totaled to arrive at the 2022 Rate Revenue Requirement.

The 2022 Rate Revenue Requirement is calculated individually for each jurisdiction to account for varying Franchise Fees and Other Agency Fees. The 2022 Rate Revenue Requirement is then divided by the 2021 Rate Revenue Requirement to arrive at the 2022 Rate Adjustment Factor for each jurisdiction.

The rate-setting process in an Indexed Rate Year is relatively straight-forward and there are a limited number of supporting schedules. These schedules and related files will be provided to R3 Consulting Group, Inc. for their review. While the process this year is very streamlined, there are two significant issues that led us to request additional rate increase amounts. These are discussed below.

SB1383-Short-Lived Climate Pollutants Reduction Act- Organics waste reduction in the landfill

AB 1826 was passed in October 2014 and set requirements for all businesses and multi-family complexes that meet certain criteria to arrange for organics recycling. SB 1383 was passed in September 2016 and, when implemented, will set even more stringent requirements for these customers to divert organic waste from the landfill. Taken together, these two mandates represent the most significant change to the laws affecting our industry since AB 939 was passed in 1989.

Our customer outreach team has been working diligently to understand the requirements of SB 1383. While R3 is still in process with their SB 1383 planning project for the MSS service area jurisdictions, MSS has made assumptions on which areas we will be asked to participate. This includes understanding new outreach activities to bring all customers into compliance with forthcoming ordinances mandating service throughout the jurisdictions. In addition to outreach activities there will be additional reporting and operational changes. This will include the addition of an additional route to collect the increased organics materials that will be generated through compliance with these mandates. We are also submitting a request to add a depackaging unit that will allow us to expand the current Food2Energy program in order to process all of the new material.

It is difficult to project increases in our costs as a result of these changes in law. The changes are incremental and will occur over the next several years, during which time our pool of operating costs subject to the WST indexing will not compensate us cost increases related to these changes (in law). However, our rate setting methodology does allow us to recover anticipated additional costs associated with changes in law and/or new state and regulatory mandates.

Annual Rate Revenue Reconciliation-2020

As noted in our May 2021 update meeting, our annual billings compared to the 2020 rate revenue requirement had a shortfall of \$1.5 million resulting from the economic effects of the pandemic on the communities we serve.

To ensure that we could maintain our essential service at current levels, we received funds under the Paycheck Protection Program. Under the terms of this program, we have requested forgiveness of the loan. If loan forgiveness is received related to these funds, it will be applied against the revenue shortfall.

Property Insurance

As noted in the last years Rate Application, our long-time property insurance carrier, Affiliated FM, non-renewed their entire book of Waste Hauling business throughout the country. This was due to some very large claims they had at waste facilities in other parts of the country. In addition, the wildfires in California over the last few years have put added pressure on the property insurance marketplace.

The end result is that the annual premium for our combined facilities increased from about \$80,000 to almost \$535,000. The extraordinary request we have included relates specifically to the increase at MRRA, the company that processes the recyclables collected within our franchise agreements. We have explored the option of self-insurance and found that it is not available for property insurance.

Conclusion

We look forward to working closely with the R3 Consulting Group personnel during the review process and will supply them with all necessary financial documentation. Once the review is completed, we look forward to meeting with you to discuss the rate review report.

As always, we remain at your disposal.



Patty Garbarino
President

Cc: Jason Raleigh, Marin Sanitary Service
Justin Wilcock, Marin Sanitary Service

**Marin Sanitary Service
Combined Service Area Rate Application**

**COLLECTOR'S RATE REVENUE REQUIREMENT AND RATE ADJUSTMENT
INDEXED YEAR - RATE YEAR 2022**

	MSS Service Area Total	Marin Franchisor's Group Total	San Rafael	Larkspur	County	San Anselmo	LGVSD	Fairfax	Ross
Collector Operations	30,519,062	26,200,199	16,644,156	4,183,465	2,601,182	2,902,207	2,226,457	1,416,657	544,938
Garbage Landfilling and Organics Processing	5,133,816	4,214,528	2,677,356	672,946	418,423	587,194	358,145	332,093	87,658
Change in Law - AB 1826 Costs	14,108	12,111	7,694	1,934	1,202	1,342	1,029	655	252
Change in Law - SB 1383 Costs	387,765	332,522	208,064	55,437	36,784	36,451	25,404	18,791	6,833
Subtotal for Profit Calculation	36,054,750	30,759,360	19,537,270	4,913,782	3,057,592	3,527,194	2,611,035	1,768,196	639,681
Collector Profit (90.5% Operating Ratio)	3,784,753	3,228,883	2,050,874	515,811	320,963	370,258	274,087	185,612	67,149
Recyclable Materials Processing	583,604	480,838	305,461	76,777	47,738	66,015	40,861	36,751	10,001
Interest	658,916	595,826	378,509	95,137	59,154	40,545	50,632	22,546	12,393
Zero Waste Marin Fees	699,372	589,831	374,701	94,180	58,559	69,573	50,123	39,967	12,268
Franchise Fees	5,389,421	4,611,496	2,741,466	720,958	862,657	533,502	165,566	244,423	120,849
Other Agency Fees	2,110,834	1,949,334	1,134,934	568,400	246,000	84,000	-	77,500	-
Annual Rate Revenue Reconciliation	1,497,138	1,291,332	820,342	206,191	128,205	144,453	109,736	61,353	26,858
Extraordinary Item - Recycling Property Insurance	90,726	74,750	47,486	11,936	7,421	10,263	6,352	5,713	1,555
R3 Consulting Group - SB 1383 Engagement	44,380	37,997	23,617	6,405	4,250	4,212	2,935	2,171	789
Total 2021 Rate Revenue Requirement	50,913,894	43,619,647	27,414,659	7,209,577	4,792,539	4,850,015	3,311,327	2,444,233	891,543
Total 2020 Rate Revenue Requirement	48,470,508	41,565,209	26,007,929	6,929,643	4,598,055	4,556,407	3,175,456	2,348,893	854,126
2021 Rate Revenue Adjustment	5.04%	4.94%	5.41%	4.04%	4.23%	6.44%	4.28%	4.06%	4.38%
	2,443,386	2,054,438	1,406,730	279,934	194,484	293,609	135,871	95,340	37,417