

**AMENDED AND RESTATED AGREEMENT FOR COLLECTION, REMOVAL AND  
DISPOSAL OF GARBAGE, RUBBISH, WASTE MATTER AND REFUSE  
IN THE TOWN OF ROSS, CALIFORNIA**

THIS AGREEMENT, made and entered into, in duplicate, to be effective as of the 10<sup>th</sup> day of January 2019, by and between the TOWN OF ROSS, a municipal corporation, hereinafter called "Town," and MARIN SANITARY SERVICE, a California corporation, hereinafter called "Marin Sanitary Service,"

WITNESSETH:

WHEREAS, the public welfare of the inhabitants of the Town of Ross requires that adequate provision be made for the regulated collection, removal and disposal of garbage and refuse within said Town; and

WHEREAS, Town did, on the 13th day of February 1964, adopt its ordinance, being Ordinance No. 234, providing for the accumulation, collection and disposition of refuse, garbage and rubbish in said Town; and

WHEREAS, said ordinance has since been superseded by Ordinance No. 526, enacting a new Chapter 6.12, entitled "Solid Waste," to the Ross Municipal Code; and

WHEREAS, the Town and Marin Sanitary Service did, on the 13th day of February 1964, enter into an Agreement for Collection, Removal and Disposal of Garbage, Rubbish, Waste Matter and Refuse in the Town of Ross, California, ("Original Franchise Agreement") and since then have amended the same from time to time; and

WHEREAS, the parties entered into an Agreement for Collection, Removal and Disposal of Garbage, Rubbish, Waste Matter and Refuse in the Town of Ross on December 14, 1994, which superseded the Original Franchise Agreement and was amended from time to time ("1994 Agreement"); and

WHEREAS, the parties now desire to amend and restate the 1994 Agreement as provided herein; and

WHEREAS, Town intends to enter into this Agreement with Marin Sanitary Service pursuant to said Ordinance No. 526; and

WHEREAS, in the opinion of the Town Council, the public welfare requires that the Town enter into this Agreement with Marin Sanitary Service;

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. Town hereby grants to Marin Sanitary Service the exclusive privilege and right to collect and dispose of garbage, waste, refuse, rubbish, offal and other materials customarily gathered and disposed of by garbage collection companies and agencies, and the sole and exclusive privilege of transporting and conveying the same over the public streets of the Town of Ross, in accordance with the description of services set forth in Exhibit A, which is attached hereto and incorporated herein by reference, and upon and subject to the terms and conditions herein set forth.

2. No such garbage or other materials shall be transported along, upon or over the public streets of the Town of Ross except in a closed wagon or container which shall prevent exposure thereof to flies, and which shall prevent the stench and unsightly appearance thereof from offending the general public and citizens of and within said Town.

3. Marin Sanitary Service agrees to collect and dispose of said garbage and other refuse and materials in the kind of conveyance and container hereinabove referred to, and in a workmanlike and sanitary manner, and in accordance with the best schedules and practices obtaining in the San Francisco Bay Area throughout the period of this Agreement. Marin Sanitary Service specifically agrees that if and so long as patrons and customers shall comply with reasonable rules and regulations and shall pay their bills when due, Marin Sanitary Service will collect all garbage properly so offered and that it will not refuse collection or disposal of garbage nor discriminate in this matter because of race, color, creed, location or convenience. In this connection Marin Sanitary Service acknowledges that the garbage collection business is not merely a private business of the usual type, but that it involves a matter of general public interest and that if it assumes to serve an area, public convenience and necessity require that it serve the entire area and all persons who may desire service within the same, and it further acknowledges and agrees that if it shall fail at any time to do so, in any portion of the Town of Ross, then in such case this Agreement may be terminated by the Town upon reasonable notice being given; provided, however, that the Town shall have given Marin Sanitary Service written notice of such failure and thirty (30) days to cure such failure.

4. The Town and Marin Sanitary Service shall meet no less frequently than annually to discuss progress toward achievement of the Marin Hazardous and Solid Waste Management Joint Powers Authority ("Authority") Zero Waste Goal, other local needs, regulatory changes, and industry developments as well as proposed changes to the services provided hereunder and the impact on rates of such changes.

5. Marin Sanitary Service, in carrying out its duties and exercising its rights hereunder, shall be governed by the terms of Ordinance No. 526 of the Town of Ross, as now enacted and as it may hereafter be amended. Provided, however, that no such amendment shall vitiate this Agreement or deny to Marin Sanitary Service the right to a fair and reasonable return as stated herein and in Ordinance No. 526.

6. Marin Sanitary Service shall have the privilege of collecting, removing and disposing

of all garbage and refuse from residential, commercial and industrial establishments or any or either thereof, within the Town, from the date hereof through and including December 31, 2038.

7. At the end of each calendar year commencing with the calendar year 2019, the expiration date of this Agreement shall be extended by one full calendar year. Thus, at the end of the calendar year 2019, a full calendar year shall be added to the term of this Agreement, thereby making the expiration date of this Agreement December 31, 2039. Such annual extensions shall be automatic and shall continue until either party gives 12 months' prior written notice to the other party terminating the annual extension.

8. In the event of an assignment, sale or transfer within the meaning of Section 11 below, then the term of this Agreement shall be reduced to a maximum of ten (10) years from the date of the assignment, sale or transfer. Further, should such an assignment, sale or transfer occur, as provided in Section 11 below, and if, in the reasonably exercised judgment of the Town, the assignee fails to provide satisfactory service, the Town may give the assignee a one-year notice to improve the service. If, after one year, the service has not improved to the reasonable satisfaction of the Town, the Town may then give notices terminating this Agreement after one year.

9. Marin Sanitary Service shall have the privilege of collecting and receiving from its patrons or customers in the Town, for the collection, removal and disposal of their garbage and refuse, the rates and charges as fixed and established pursuant to Section 6.12.350 of Ordinance No. 526 of the Town of Ross and Exhibit B, which is attached hereto and incorporated herein by reference, which may be amended by the Town Council from time to time consistent with Ordinance No. 526.

10. Not less than sixty (60) days prior to the end of each year of this Agreement, the Town shall have the right to review the rates as established under Section 6.12.350 of Ordinance No. 526 of the Town of Ross, and shall determine whether said rates should be adjusted or revised in the best interests of the inhabitants of the Town and the parties hereto. At the time of such review, Town shall have the right to reduce the rates as applicable during the next following year of this Agreement. Also at said time of review, the Town may increase the rates as applicable during the next year of this Agreement. Upon the mutual consent of the parties, said rates may be reviewed and adjusted or revised more frequently or at other times. It is further expressly understood and agreed that any increase or reduction in rates or charges shall be accomplished by resolution of the Town Council.

#### 11. Assignments.

A. No interest in this Agreement may be assigned, sold or transferred, either in whole or in part, by Marin Sanitary Service without the prior written consent of the Town which the Town may grant or refuse in its reasonable discretion. Marin Sanitary Service shall promptly notify the Town in writing at least one hundred twenty (120) days in advance of the proposed

closing of any such proposed assignment, sale or transfer. Marin Sanitary Service is encouraged to notify the Town as soon as possible of any proposed assignment, sale or transfer. In the event that the Town Council approves of any assignment, sale or transfer, said approval shall not relieve Marin Sanitary Service of any of its obligations or duties under this Agreement unless this Agreement is modified in writing to that effect.

B. Any such assignment, sale or transfer made by Marin Sanitary Service without the consent of the Town shall be null and void and the attempted assignment, sale or transfer shall constitute a material breach of this Agreement and give the Town grounds to terminate this Agreement upon written notice to Marin Sanitary Service, and upon such termination, all liability of the Town under this Agreement to Marin Sanitary Service shall cease, and the Town shall have the right to call the performance bond and shall be free to negotiate with other contractors.

C. The Town may not assign its rights or subrogate its obligations under this Agreement without the prior written consent of Marin Sanitary Service, except to a joint powers authority authorized by Govt. Code Sec. 6500 et seq.

D. For purposes of this section, "assignment, sale or transfer" shall include, but not be limited to:

- (1) A sale, exchange or other transfer to a third party of outstanding common stock of Marin Sanitary Service which results in a Change in Control (as defined below);
- (2) Any sale to a third party of all or substantially all of Marin Sanitary Service's assets dedicated to providing the services required by this Agreement;
- (3) Any subcontracting of Marin Sanitary Service's services required under this Agreement, except to an affiliate of Marin Sanitary Service (defined as an entity that is controlled by Joseph John Garbarino or his lineal descendants and/or the lineal descendants of Joseph and Angelina Garbarino) or for processing or landfilling services customarily subcontracted by Marin Sanitary Service;
- (4) Any dissolution, reorganization, consolidation, merger, recapitalization, stock issuance or re-issuance, voting trust, pooling agreement, escrow arrangement, liquidation or other transaction that results in a Change in Control;
- (5) Any assignment by operation of law, including insolvency or bankruptcy, assignment for the benefit of creditors, writ of attachment for an execution being levied against this Agreement, appointment of a receiver taking possession of Marin Sanitary Service's property, or transfer occurring in a probate proceeding that results in a Change in Control; and
- (6) Any combination of the foregoing (whether or not related or contemporaneous transactions), which has the effect of a Change in Control.

E. Marin Sanitary Service acknowledges that this Agreement involves rendering a vital service to the Town's residents and businesses, and that the Town has selected Marin Sanitary Service to perform the services specified herein based on:

(1) Marin Sanitary Service's experience, skill and reputation for conducting its solid waste management operations in a safe, effective and responsible fashion, at all times in keeping with applicable local, state and federal environmental laws, regulations and best waste management practices; and

(2) Marin Sanitary Service's financial resources to maintain the required equipment and to support its indemnity obligations to the Town under this Agreement. The Town relied on each of these factors, among others, in choosing Marin Sanitary Service to perform the services to be rendered by Marin Sanitary Service under this Agreement.

F. The Town is concerned about the possibility that an assignment, sale or transfer could result in significant rate increases, as well as a change in the quality of service. Accordingly, the following standards have been set to ensure that any assignment, sale or transfer shall result in continued quality of service. At a minimum, no request by Marin Sanitary Service for the Town's consent to an assignment, sale or transfer need be considered by the Town unless and until Marin Sanitary Service has met the following requirements:

(1) Marin Sanitary Service shall reimburse the Town for its reasonable, documented expenses for attorneys and other consultants engaged by the Town to investigate the suitability of any proposed assignee, and to review and finalize any documentation required as a condition for approving any such assignment. However, it is likely that other agencies of the Franchisors' Group served by Marin Sanitary Service (the "Members") may also be considering the request for consent to the assignment, sale or transfer. In consideration of the payment described in this subsection, the Members agree to work together to reasonably avoid duplication of such costs among them, given the common requests for consent. In furtherance of Marin Sanitary Service's obligation to all such Members, upon notice by Marin Sanitary Service of its intention to assign its rights hereunder and under each of its franchise agreements with the other Members, Marin Sanitary Service shall pay the sum of two hundred thousand dollars (\$200,000) into an escrow account towards the total of all such costs incurred by the Members and the Members shall direct Marin Sanitary Service to pay a pro rata share of that amount to each of them with the apportionment of such payments at the sole discretion of the Members, it being understood that the Town and each Member shall address Marin Sanitary Service's request for consent to such assignment, sale or transfer on a separate basis;

(2) Marin Sanitary Service shall furnish the Town with audited financial statements of the proposed assignee's operations for the immediately preceding three (3) operating years;

(3) Marin Sanitary Service shall furnish the Town with satisfactory proof:

- a. That the proposed assignee has at least ten (10) years of solid waste management experience including the handling of solid waste, recyclable and organic materials on a scale equal to or exceeding the scale of operations conducted by Marin Sanitary Service under this Agreement;
- b. That in the last five (5) years, neither the proposed assignee nor any of its affiliates have suffered significant major citations or other charges from any federal, state or local agency having jurisdiction over its waste management operations due to any significant failure to comply with state, federal or local environmental laws and that the assignee has provided the Town with a complete list of such citations and charges;
- c. That the proposed assignee has conducted its operations in a reasonably environmentally safe and conscientious fashion;
- d. That the proposed assignee has conducted its solid waste management practices in good faith and substantial compliance with sound waste management practices, including all federal, state and local laws regulating the collection and disposal of solid waste, including hazardous wastes; and
- e. Provide any other available information required by the Town to ensure that the proposed assignee can fulfill the terms of this Agreement in a timely, safe and effective manner.

G. Under no circumstances shall the Town be obliged to consider any proposed assignment, sale or transfer by Marin Sanitary Service if Marin Sanitary Service is in material breach of any provision of this Agreement at the time of the request or at any time during the period of consideration of the request. The Town will provide Marin Sanitary Service with a reasonable opportunity to be heard before the Town Council and the opportunity to correct any such claimed failure of performance or material breach.

H. In the case of any assignment, sale or transfer, the assignee shall not be entitled to request any adjustment in rates other than as provided under this Agreement.

I. A Change in Control shall occur when Joseph John Garbarino or his lineal descendants and/or the lineal descendants of Joseph and Angelina Garbarino shall cease to have the power, directly or indirectly, to control the management, operation and policies of Marin Sanitary Service, whether through the ownership of a majority of voting securities, as trustee, by contract or otherwise.

J. Marin Sanitary Service shall provide an annual written update to the Town by October 1 of each year detailing Marin Sanitary Service's plans, actions, accomplishments and next steps with respect to its internal succession planning. Marin Sanitary Service shall meet with the Town on request to discuss details of Marin Sanitary Service's succession planning

efforts.

12. In the event that Town at any time during the term hereof decides that it would be in the best interests of its inhabitants to change the services provided by Marin Sanitary Service hereunder (a "Change in Scope"), Town shall require Marin Sanitary Service to design, initiate, operate and maintain such Change in Scope; provided, however, that in connection therewith the schedule of rates and charges as fixed and established pursuant to the agreement of the parties and the ordinance of Town shall be amended in accordance with Exhibit B attached hereto.

13. Marin Sanitary Service shall pay to Town, as further consideration for the rights and privileges afforded to Marin Sanitary Service by this Agreement, an annual fee calculated at thirteen and five hundred fifty-five thousandths percent (13.555%) of the gross amount of money collected by Marin Sanitary Service from customers within the Town actually being served by Marin Sanitary Service. Said fee shall be paid every three months, on the first day thereof, in each year during the term of this Agreement. Said fee shall be in lieu of all other licensing or similar fees, levies, or assessments which might otherwise be payable to the Town by Marin Sanitary Service in connection with this Agreement, and the provisions hereof shall supersede any and all provisions heretofore found in this Agreement or any amendment hereto with regard to the payment of a franchise or other fee.

14. Performance Review.

A. The Franchisors' Group may conduct periodic reviews of Marin Sanitary Service's performance ("Performance Review"). Reviews may be scheduled at the Franchisors' Group's discretion, with up to one (1) Performance Review occurring every three years, with the first such Performance Review being possible between 2019 and 2021.

B. Marin Sanitary Service shall be responsible for the cost of each Performance Review in an amount not exceeding \$60,000 per Performance Review for all the Members of the Franchisors' Group (including the City of San Rafael), escalated annually by the annual change in the Consumer Price Index for Water and Sewer and Trash Collection, U.S. city average, Bureau of Labor Statistics Series I.D. CUSR0000SEHG, with a floor of 2.5% and a cap of 5%. Payment is due in full prior to the start of each Performance Review and is considered an allowable cost for the purposes of a Base Year approach rate review.

C. The Performance Reviews may be performed by the Franchisors' Group or its consultant. In the event the Franchisors' Group intends to retain a consultant to perform any Performance Review, it may seek and accept comments and recommendations from Marin Sanitary Service.

D. The Performance Reviews may be designed to verify that: rates have been properly calculated and that they correspond to the level of service received by customers; franchise fees and other fees required under this Agreement have been properly calculated and paid to

the Town; Marin Sanitary Service has complied with the reporting requirements and performance standards of the Agreement; Marin Sanitary Service's customer service, outreach, education, compliance and internal auditing functions meet or exceed industry best practices; and reports provided by Marin Sanitary Service are accurate.

E. Marin Sanitary Service shall cooperate fully with the Performance Review and provide all requested data, including operational data, financial data and other data reasonably requested by the Town (or its designated consultant) within thirty (30) work days.

F. The Franchisors' Group (or its designated consultant) may utilize a variety of methods in the execution of the Performance Review, including analysis of relevant documents, on-site and field observations, and interviews.

G. The Franchisors' Group (or its designated consultant) will review and document the items in the Agreement that require Marin Sanitary Service to meet specific performance standards, submit information or reports, perform additional services, or document operating procedures, that can be objectively evaluated.

H. The Franchisors' Group (or its designated consultant) may also review the customer service functions and structure utilized by Marin Sanitary Service. This may include Marin Sanitary Service's protocol for addressing customer complaints and service interruption procedures. Complaint logs may be reviewed, along with procedures and systems for tracking and addressing complaints. On-site and field observations by the Franchisors' Group (or its designated consultant) may include, but are not necessarily limited to;

- (1) Interviews and discussions with Marin Sanitary Service's administration and management personnel;
- (2) Interviews and discussions with Marin Sanitary Service's financial and accounting personnel;
- (3) Interviews and discussions with route dispatchers, route drivers, vehicle maintenance staff, field and service supervisors, and managers;
- (4) Review and observation of Marin Sanitary Service's customer service functions and structure, and vehicle maintenance practices;
- (5) Review of public education and outreach materials;
- (6) Review of on-route collection services, including observation of driver performance and collection productivity and visual inspection of residential routes before and after collection to evaluate cart placement and cleanliness of streets;
- (7) Review of vehicle and equipment maintenance log and accident or vehicle incident



records, if any.

I. In the event that the Performance Review concludes that Marin Sanitary Service is not in compliance with all terms and conditions of this Agreement and such non-compliance is material, the Franchisors' Group may conduct an additional Performance Review to ensure that that Marin Sanitary Service has remedied any such area of non-compliance. Marin Sanitary Service shall be responsible for the cost of any such additional Performance Review, at a maximum cost of \$40,000 for all the Members of the Franchisors' Group (including the City of San Rafael), escalated annually by the annual change in the Consumer Price Index for Water and Sewer and Trash Collection, U.S. city average, Bureau of Labor Statistics Series I.D. CUSR0000SEHG, with a floor of 2.5% and a cap of 5%. Costs for additional Performance Reviews per this section are not considered allowable costs for the purposes of a Base Year approach rate review.

#### 15. Reporting.

A. General. Marin Sanitary Service shall provide the Town any and all reports of operations necessary for the Town to comply with any State reporting regulations and management of this Agreement. All costs associated with the preparation of the required reports are the sole responsibility of Marin Sanitary Service. Marin Sanitary Service shall submit formats of all reports to the Town and the Town shall in advance approve the format, specific content and software used for each type of report; such approval not being unreasonably withheld.

B. Quarterly Reporting. Marin Sanitary Service shall submit to the Town a quarterly report of all customer service complaints (the "Complaint Log") and any action taken by Marin Sanitary Service in response to these complaints. Customer calls for new starts, final service, or the exchange of carts for a different size shall not constitute a complaint. Calls for missed pickups or any other service problem, including accidents, injuries, and property damage shall be listed in the Complaint Log. Quarterly reports shall be submitted within forty-five (45) calendar days after the end of each calendar quarter.

C. Annual Reporting. Marin Sanitary Service shall provide a comprehensive report to the Town annually that will provide a description and progress of: all Zero Waste programs and the status of new technologies as well as industry practices that could enhance progress towards zero waste; public education, outreach and technical support activities undertaken during the year, including distribution of bill inserts, numbers of customers directly personally contacted regarding diversion services, number of waste audits and results, collection notification tags, community information including website and newsletters and events, tours and other activities; Recycling and Organics program participation "set outs" by residential, multi-family and commercial accounts; year to year changes in customer account data segregated by type of service, container size and frequency of collection; annual gross receipts and payments made to the Town segregated by type of payment. Marin Sanitary Service shall provide the Town a report on quantities and types of Refuse, Recyclable Material and Green

Waste/Food Waste collected. Marin Sanitary Service shall provide the Town a report on curbside recycling tonnage diverted and shall report to Town the per capita landfill tonnages generated. Marin Sanitary Service shall report to the Town the average monthly market value per ton of Recyclable Materials collected as reported in the Waste & Recycling News, Los Angeles Region (Southwest USA). In addition, Marin Sanitary Service shall provide updates to the Town on the progress of programs or services implemented during the past two years. Annual reports shall be submitted on or before December 15 for the twelve-month period ending June 30 (unless another date is mutually agreed upon).

D. Certificate of End Use. If requested by the Town, Marin Sanitary Service will obtain a certification of end use documentation from the purchaser/recipients of Recovered Materials establishing that the materials sold have been, in fact, recycled, reused or acquired for a use that will allow the Recovered Materials to qualify, under State regulations, as having been diverted from disposal. The documentation shall be sufficient in form and content to satisfy the California Department of Resources, Recycling and Recovery (CalRecycle) that the materials have been diverted.

16. The parties retain the right to further amend this Agreement upon their mutual consent.

TOWN OF ROSS, a municipal corporation

By: Joe Cain  
Its: Town Manager

MARIN SANITARY SERVICE, a California corporation

By: Patricia Gorbacino  
Its: President

## Exhibit A: Description of Services

### I. GENERAL

#### Recyclable Materials Processing Facility:

COMPANY shall continue to provide full service processing, marketing and sale of Recyclable Materials collected by the COMPANY within TOWN at the Recyclable Materials processing facility located at 535 Jacoby Street in San Rafael (the "Marin Recycling Center"), which is operated by the COMPANY'S affiliated company, Marin Recycling & Resource Recovery Association. COMPANY and TOWN agree that the charges for rate revenues for Recyclable Materials processing to be billed by the COMPANY as described in Exhibit B are predicated on the COMPANY continuing to process Recyclable Materials at the Marin Recycling Center. Under no circumstances may the COMPANY cease processing of the TOWN'S Recyclable Materials at the Marin Recycling facility without prior approval of TOWN. The COMPANY may temporarily ship Recyclable Materials to other processing facilities at its discretion as needed while repairs or upgrades are made to the Marin Recycling facility, but any such temporary shipment of Recyclable Materials is at the COMPANY'S sole expense and risk without any change in the rate revenues and charges for Recyclable Materials processing via either an Indexed Year approach or a Base Year approach.

#### Education, Outreach, Technical Assistance, Monitoring, Compliance Services:

COMPANY shall continue to provide TOWN with outreach, education, technical assistance, monitoring and compliance services to residents, multi-family dwellings and commercial businesses. The TOWN and COMPANY intend for these services to: provide information to customers regarding the services offered by the COMPANY as provided for via the Agreement; encourage, incentivize and maximize participation in recycling and organics collection programs, and; implement the requirements of state laws AB 341, AB 1826, SB 1383, and any other solid waste, recycling and organics state law requirements applicable to TOWN and/or COMPANY. The TOWN and COMPANY further intend to define specific and quantifiable performance targets and reporting requirements for these services so that the TOWN and COMPANY can accurately and consistently evaluate and monitor progress towards landfill diversion goals and state laws. To that end, the TOWN and COMPANY agree to develop mutually agreeable quantitative performance targets and reporting requirements for these services by June 30, 2019. These will supplement other reporting and performance requirements in the Agreement and are not intended to change or replace them in any way.

## Exhibit A: Description of Services

Marin Sanitary Service (COMPANY) shall provide Collection services using modern automated and semi-automated equipment with the COMPANY's name and telephone number clearly visible from the outside of the vehicle or equipment.

COMPANY shall provide Carts or bins to Residential, Multifamily, and Commercial Customers that are clearly labeled for their allowable contents, with solid waste, recyclable or compostable materials. All containers provided by the COMPANY are the property of the COMPANY.

Company to provide customer billing and payment options including automatic billing, credit card billing, and online payments.

## II. RESIDENTIAL SERVICE (THREE OR FEWER UNITS IN A SINGLE STRUCTURE)

### Solid Waste

COMPANY shall provide automated or semi-automated tipper Carts in 20-, 32-, 64-, and 96-gallon capacities to be placed at the curb or COMPANY-designated location for one time per week Collection at the rates and fees listed in Exhibit C. Carts should be placed at the designated Collection location by 6:00 am the day of service. Lids of carts must close. Customers may place additional bags not to exceed 32 gallons in size and 60 pounds by weight for a fee as listed in Exhibit C. Items placed outside the Cart or overflowing Carts will incur an additional charge as listed in Exhibit C. Carts are the property of the COMPANY. COMPANY will determine the appropriate Collection location. Solid Waste placed in COMPANY-provided Carts or at the curb for Collection is the property of COMPANY. Low-income rates are available for customers who meet the PG&E CARE Program qualifications.

### Recyclable Materials

As part of the Residential Customer rates, COMPANY shall provide all Residential Customers with one (1) 64-gallon Split cart for Recyclable Materials with one side for paper and fiber products, and one side for acceptable glass, metal and plastic excluding polystyrene, plastic bags and compostable plastics. Acceptable materials may change depending on the markets. A full list of accepted materials is available on the COMPANY's website ([marinsanitaryservice.com](http://marinsanitaryservice.com)). Cardboard must be broken down small enough to easily slide out of the cart. Large cardboard boxes may also be broken down and tied into 24" x 24" bundles and left beside the Recycling container. Carts must be placed at the curb or, upon approval of COMPANY, the designated Collection location next to their Solid Waste container

## **Exhibit A: Description of Services**

for one time per week Collection by 6:00 am the day of service. All Residential Customers must be offered Recyclable Materials Collection services. Additional split carts are available for a nominal monthly fee as listed in Exhibit C.

Recyclable Materials placed in COMPANY-provided Carts or at the curb for Collection are the property of COMPANY, and the theft thereof is a crime.

### **Compostable (Organic) Materials**

As part of the Residential Customer rates, COMPANY shall provide each Residential Customer with (1) 32 or 64-gallon Compostable Materials Cart to be placed at the curb or COMPANY-approved designated Collection location next to their Solid Waste container for one time per week Collection by 6:00 am the day of service. All Residential Customers must be offered Compostable Materials Collection for the collection of accepted Yard Trimmings, Food Waste and Food Soiled Papers in the same Container. A full list of accepted materials is available on the COMPANY's website ([marinsanitaryservice.com](http://marinsanitaryservice.com)). Only COMPANY provided tipper carts will be allowed for the weekly collection of compostable materials. Up to four (4) additional Compostable Materials Carts beyond the first shall be provided to a Residential Customer upon request, at a cost specified in Exhibit C. Compostable Materials placed in COMPANY-provided Carts or at the curb for Collection are the property of COMPANY.

### **Additional Services**

#### **CLEAN-UP PROGRAMS**

COMPANY shall provide Residential Customers with two (2) scheduled Clean-up Collection events per calendar year for extra Solid Waste, Recyclable Materials, and/or Compostable Materials at no additional cost to the Customers provided that COMPANY's costs for such events shall constitute costs of operation included in the rate base and compensated for through the rates. COMPANY shall also provide all Residential Customers with two (2) on-call pickups of Bulky Items per calendar year on their regularly scheduled Collection day, upon Customer request. COMPANY will also provide on-call Bulky Item pickups beyond two (2) per Residential Customer per calendar year for an additional fee as listed in Exhibit C. These Bulky Items may be Collected in non-compaction vehicles, or in compaction vehicles if the materials are not compacted, and taken to the Designated Processing Facility for sorting.

## **Exhibit A: Description of Services**

COMPANY shall schedule Clean-up Collection events in such a manner that all Residential Customers shall receive Clean-up Collection services on their regularly scheduled Collection day. Extra Solid Waste, Recyclable Materials and/or Compostable Materials can also be Collected for a fee as listed in Exhibit C in customer provided bags, not to exceed 32 gallons in size and 60 pounds by weight, when placed next to the regular container on Collection day. If an Operations Manager determines it is safe to collect overweight or oversized items, an additional fee will be charged as listed in Exhibit C to cover the cost of extra labor and/or equipment.

### **Semi-Annual Scheduled Clean-Up Service Guidelines**

For each Clean-up Collection event, each Customer shall be permitted to place up to two (2) cubic yards (equivalent to fourteen (14) standard 32-gallon bags) of Solid Waste, Recyclable Materials and/or Compostable Materials for Collection by COMPANY at no charge. In the event Customer places more than two (2) cubic yards of materials for Collection, COMPANY shall charge the Customer for additional Collection services as listed in Exhibit C.

COMPANY shall require Customers to adhere to the following guidelines:

- A. No Bulky Items will be collected.
- B. No rocks, cement, dirt or Hazardous Waste shall be accepted.
- C. Materials shall be placed in disposable bags/containers, cardboard boxes or customer owned 32-gallon cans or bags. COMPANY will only empty customer owned cans that are not more than 32 gallons in volume and are less than 60 pounds in weight. Recyclables and/or yard waste should be placed in paper bags or cardboard boxes to ensure they are recycled.
- D. Discarded materials to be Collected in the Clean-up event shall be placed at the designated Collection location by the Generator by 6:00 a.m. on the pickup day to ensure Collection, but in no case shall be placed more than twenty-four (24) hours prior to the pick-up day.

### **On-Call Bulky Item Service Guidelines:**

## Exhibit A: Description of Services

Each Residential Customer may call prior to their regular Collection day and schedule two (2) collections of up to two Bulky Items each per calendar year.

COMPANY shall require Customers to adhere to the following guidelines:

- A. Customer must call in at least 24 hours on a regular business day (excluding weekends and holidays) prior to their regular Collection day to have Bulky Items collected and give the approximate size and weight of the Item so appropriate truck, equipment and number of drivers can be determined.
- B. No more than two (2) Bulky Items will be collected.
- C. Any Bulky Item that is over 60 pounds, greater than 6 feet in length, or that cannot be collected safely by one driver-operator, will be charged an additional special handling fee as set forth in Exhibit C.

COMPANY may provide on-call Bulky Item pickups beyond two (2) per Residential Customer per calendar year for an additional fee as listed in Exhibit C. These Bulky Items will be Collected in non-compaction vehicles and taken to the Designated Processing Facility for sorting.

Holiday trees will be Collected curbside on the regularly-scheduled pickup day during a two- (2) week period beginning on the Monday following the first Saturday after January 1. If trees are greater than six (6) feet in length, they must be cut in half. All metal stands, plastic tree bags, ornaments, and decorations of any sort must be removed. Flocked trees will not be accepted.

### **III. MULTI-FAMILY SERVICE (4 OR MORE SERVICE UNITS)**

#### **Solid Waste**

COMPANY shall provide semi-automated or automated tipper Carts in 32-, 64-, and 96-gallon capacities to be placed for Collection at the curb or, upon approval of COMPANY, the designated Collection location. COMPANY will also provide Bins with 1-6, 10-, or 18-cubic yard capacities for large volumes of material. COMPANY will determine the size and type of container depending on materials generated, recycled and diverted, safety, collection vehicle and service location. Service levels shall range from one time per week to six times per week but should be adequate for the volume of material generated. Lids of containers must close and should not be overflowing. Extra fees may be incurred for extra bags or overloaded bins

## **Exhibit A: Description of Services**

as listed in Exhibit C. Each Multi-Family Customer must maintain a 32 gallon per living unit equivalency minimum service level, which the COMPANY may reduce based on actual waste reduction and diversion results. COMPANY retains approval of all service locations for carts not at the curb and for bins. COMPANY shall also service Customer-owned compactor units for the fees as listed in Exhibit C. For safety and equipment purposes, COMPANY retains right of approval as to the type of compactor to be serviced and the service location.

### **Recyclable Materials**

COMPANY shall provide all Multi-Family Customers with unlimited collection of acceptable glass, metal and plastic excluding polystyrene, plastic bags and compostable plastics. Acceptable materials may change depending on the markets. A full list of accepted materials is available on the COMPANY's website ([marinsanitaryservice.com](http://marinsanitaryservice.com)). These materials will be collected in Company provided 32 or 64-gallon color-coded tipper carts: blue for paper and paper-fiber products, and brown for accepted commingled glass, metal and plastics. Collection is available from one time per week to six times per week. Cardboard placed in carts must be broken down small enough to easily slide out of the cart. Large cardboard boxes may also be broken down and tied into 24" x 24" bundles and left beside the Recycling container. 1-2 cubic yard rear loading bins are available for large amounts of cardboard collection with COMPANY's approval of size and location. COMPANY will evaluate the appropriate container sizes on an individual customer basis. Pickups can be scheduled from one time per week to six times per week. Recyclable Materials placed in COMPANY-provided containers or at the curb for Collection are the property of the COMPANY.

### **Compostable (Organic) Materials**

COMPANY will provide post-consumer Compostable Materials collection at all Multi-Family Dwellings and that parallel the Single-Family Residential program. Customers will be provided up to four (4) 32- or 64-gallon tipper green carts for the collection of accepted Yard Trimmings, Food Waste and Food Soiled Paper in the same Container. A full list of accepted materials is available on the COMPANY's website ([marinsanitaryservice.com](http://marinsanitaryservice.com)). Additional carts beyond four may be rented at a nominal monthly fee as listed in Exhibit C.

In addition, Multi-Family tenants may receive kitchen pails at no additional cost to the tenant or property manager for the collection of compostable materials after participating in a COMPANY provided training.



## Exhibit A: Description of Services

### **Additional Services**

COMPANY is to perform a visual waste audit at least one time per year for each Multi-Family account to provide an estimate of the amount of Recyclable Materials and Compostable Materials still in the Solid Waste container to help guide the Customer in service changes to increase diversion.

COMPANY will provide services to comply with all state laws regarding recycling and organics diversion.

On-site Collection of solid Waste, recyclable materials and compostable materials carts not at the curb is available for an extra charge as set forth in Exhibit C.

Special pickups of Bulky Items may be requested by Multi-Family Customers for an additional fee as listed in Exhibit C, provided that such a request may only be made by the bill payer (Property Manager or Owner) and not by the occupant of an individual unit. If an individual occupant pays his or her own collection service bill, only then will they be allowed to schedule special pick-ups. COMPANY may provide fee estimates to Customer while scheduling the pickup. These Bulky Items may be Collected in non-compaction vehicles, or in compaction vehicles if the materials are not compacted, and taken to the Designated Processing Site for sorting resulting in greater re-use and recycling. Extra material can be Collected for a fee as listed in Exhibit C in customer provided bags not greater than 32 gallons in size and 60 pounds by weight when placed next to the regular container on Collection day.

## **IV. COMMERCIAL SERVICE**

### **Solid Waste**

COMPANY shall provide semi-automated or automated tipper Carts in 32-, 64-, and 96-gallon capacities to be placed for Collection at the curb or, upon approval of COMPANY, the designated Collection location. COMPANY will also provide Bins with 1-6, 10-, or 18-cubic yard capacities for large volumes of material. COMPANY will determine the size and type of container depending on materials generated, recycled and diverted, safety, collection vehicle and service location. Service levels shall range from one time per week to six times per week. Each Commercial Customer must subscribe to a level of service that is adequate for the volume of material generated. Lids of containers must close and should not be overflowing. Extra fees may be incurred for extra bags or overloaded bins as listed in Exhibit C. COMPANY retains approval of all service locations for carts not at the curb and for bins. COMPANY shall also service Customer-owned compactor units for the fees as listed in Exhibit C. For safety and equipment purposes, COMPANY retains right of approval as to the type of compactor to be serviced and service location.

## Exhibit A: Description of Services

### **Recyclable Materials**

COMPANY shall provide all Commercial Customers with unlimited collection of acceptable glass, metal and plastic bottles, jugs and containers excluding polystyrene, plastic bags and compostable plastics. Acceptable materials may change depending on the markets. A full list of accepted materials is available on the COMPANY's website ([marinsanitaryservice.com](http://marinsanitaryservice.com)). These materials will be collected in Company provided 32 or 64-gallon tipper carts color-coded carts: blue for paper and paper-fiber products, and brown for accepted commingled glass, metal and plastics. Collection is available from one time per week to six times per week. Cardboard placed in carts must be broken down small enough to easily slide out of the cart. Large cardboard boxes may also be broken down and tied into 24" x 24" bundles and left beside the Recycling container. 1-2 cubic yard rear loading bins are available for large amounts of cardboard collection with COMPANY's approval of size and location. COMPANY will evaluate the appropriate container sizes on an individual customer basis. Pickups can be scheduled from one time per week to six times per week. Recyclable Materials placed in COMPANY-provided containers or at the curb for Collection are the property of the COMPANY.

### **Compostable (Organic) Materials**

Two options are available for Commercial Business for collection of Organic materials. Both programs are offered at a discounted rate to commercial customers as listed in Exhibit C.

#### **Commercial Composting**

COMPANY will provide post-consumer Compostable Materials collection at Commercial Businesses that would parallel the Single-Family Residential program. Customers will be provided 32- or 64-gallon tipper green carts for the collection of accepted Yard Trimmings, Food Waste and Food Soiled Papers in the same Container. A full list of accepted materials is available on the COMPANY's website ([marinsanitaryservice.com](http://marinsanitaryservice.com)). By special request and upon approval of the Company, 1-2 cubic yard bins may be available. Monthly collection fees are listed in Exhibit C.

#### **Commercial Food to Energy (F2E) program in partnership with Central Marin Sanitation Agency**

COMPANY will provide restaurants, grocery stores, cafeterias, and other similar businesses with 32 and/or 64-gallon tipper dark green carts for the collection of a subset of Food Waste consisting of fruits, vegetables, meats, dairy, fish, breads, pastas and other food scraps. A full list of accepted materials is available on the COMPANY's website ([marinsanitaryservice.com](http://marinsanitaryservice.com)). This pre-consumer Food will be

## Exhibit A: Description of Services

anaerobically digested for energy production at Central Marin Sanitation Agency. Monthly collection fees for this service are set forth in Exhibit C.

### **Additional Services**

COMPANY is to perform a visual waste audit at least one time per year for each Commercial Business account to provide an estimate of the amount of Recyclable Materials and Compostable Materials still in the Solid Waste container to help guide the Customer in service changes to increase diversion.

COMPANY will provide services to comply with all state laws regarding recycling and organics diversion.

On-site Collection of Solid Waste, Recyclable Materials and compostable Materials Carts not at the curb is available for an extra charge as set forth in Exhibit C.

Special pickups of large, hard to handle or bulky items may be requested for an additional fee as listed in Exhibit C. Estimates can be provided. These bulky items will be collected in non-compaction vehicles and taken to the Marin Recycling Center for sorting resulting in greater re-use and recycling. Extra material can be collected for a fee as listed in Exhibit C in cans or bags not greater than 32 gallons in size or 60 pounds by weight when placed next to the regular container on collection day.

## **V. MUNICIPAL SERVICES**

COMPANY shall provide service to each TOWN facility and those TOWN-owned cans in public areas and parks based upon mutually agreed upon parameters by TOWN and COMPANY. These services shall constitute costs of operation included in the rate base and compensated for through the rates of all Residential, Commercial and Multi-Family Customers.

### **Solid Waste**

COMPANY shall provide semi-automated or automated tipper Carts in 32-, 64-, and 96-gallon capacities to be placed for Collection at the curb or, upon approval of COMPANY, the designated Collection location. COMPANY will also provide Bins with 1-6, 10-, or 18-cubic yard capacities for large volumes of material. COMPANY will determine the size and type of container depending on materials generated, recycled and diverted, safety, collection vehicle and service location. Service levels shall range from one time per week to six times per week. Each TOWN facility must subscribe to a level of service that is adequate for the volume of material generated. Lids of containers must close and should not be overflowing. COMPANY retains approval of all service locations for carts not at the curb and bins. For safety and equipment

## **Exhibit A: Description of Services**

purposes, COMPANY retains right of approval as to the type of compactor to be serviced and service location.

### **Recyclable Materials**

COMPANY shall provide all TOWN facilities with unlimited collection of acceptable glass, metal and plastic excluding polystyrene, plastic bags and compostable plastics. Acceptable materials may change depending on the markets. A full list of accepted materials is available on the COMPANY's website ([marinsanitaryservice.com](http://marinsanitaryservice.com)). These materials will be collected in Company provided 32 or 64-gallon tipper carts color-coded carts: blue for paper and paper-fiber products, and brown for accepted commingled glass, metal and plastics. Collection is available from one time per week to six times per week. Cardboard placed in carts must be broken down small enough to easily slide out of the cart. Large cardboard boxes may also be broken down and tied into 24" x 24" bundles and left beside the Recycling container. 1-2 cubic yard rear loading bins are available for large amounts of cardboard collection with COMPANY's approval of size and location. COMPANY will evaluate the appropriate container sizes on an individual customer basis. Pickups can be scheduled from one time per week to six times per week. Recyclable Materials placed in COMPANY-provided containers or at the curb for Collection are the property of the COMPANY.

### **Compostable (Organic) Materials**

Two options are available for TOWN facilities for collection of Organic materials.

#### **Composting**

COMPANY will provide post-consumer Compostable Materials collection at TOWN facilities that would parallel the Single-Family Residential program. Facilities will be provided 32- or 64-gallon tipper green carts for the collection of accepted Yard Trimmings, Food Waste and Food Soiled Papers in the same Container. A full list of accepted materials is available on the COMPANY's website ([marinsanitaryservice.com](http://marinsanitaryservice.com)). By special request and upon approval of the Company, 1-2 cubic yard bins may be available.

#### **Food to Energy (F2E) program in partnership with Central Marin Sanitation Agency**

COMPANY will provide TOWN facilities with cafeterias or other similar food service facilities with 32 and/or 64-gallon tipper dark green carts for the collection of a subset of Food Waste consisting of fruits,

## Exhibit A: Description of Services

vegetables, meats, dairy, fish, breads, pastas and other food scraps. A full list of materials accepted is available on the website. This pre-consumer Food will be anaerobically digested for energy production at Central Marin Sanitation Agency.

### **Additional Services**

Special pickups of Bulky Items may be requested. These Bulky Items may be Collected in non-compaction vehicles, or in compaction vehicles if the materials are not compacted, and sorted at the Marin Recycling Center for greater re-use and Recycling.

COMPANY shall Collect Discarded Materials from all street-side public litter and Recycling containers based upon mutually agreed upon parameters by TOWN and COMPANY. TOWN shall be responsible for maintaining such containers.

COMPANY shall provide the occasional on-call pick-up of illegally dumped Discarded Materials at TOWN's request. COMPANY shall provide such service within twenty-four (24) hours of such request, provided that the TOWN authorizes or directs the service so that all costs incurred by COMPANY in providing the service shall constitute costs of operations included in the rate base and compensated for through the rates.

COMPANY will collaborate with the TOWN on two community events throughout the year as designated by the TOWN. COMPANY will furnish, at no cost to the promoters, as needed up to ten (10), 3 cubic yard debris boxes (or the equivalent). These debris boxes are to be used solely for solid waste, organics and recycling generated by the events.

### **Services Subject to Change**

Services provided by COMPANY are subject to "Change in Scope" as defined and described in Exhibit B to the Agreement. TOWN and COMPANY shall meet and confer to establish any such change in scope. Agreed upon changes of scope shall be effective irrespective of whether this Exhibit A – Description of Services is subsequently amended to reflect such Changes in Scope.

# **EXHIBIT B**

## **COLLECTOR'S RATE REVENUE REQUIREMENT AND RATE ADJUSTMENT**

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### **Note Regarding Exhibit B**

This Exhibit B is intended to conform to comparable exhibits in other agreements and agreed-upon processes between the members of the Franchisors' Group and Collector. As a result, certain terms in this Exhibit B may not conform to the defined terms used elsewhere in the Agreement to which this Exhibit B is attached (the "Agreement"). In the event of any inconsistency between the terms of the Agreement and this Exhibit B, the terms of this Exhibit B shall control.

## **I. COLLECTOR'S RATE APPLICATION**

### **Overview**

The "Franchisors' Group" (comprised of the cities of Larkspur, Ross and San Rafael, the Las Gallinas Valley Sanitary District and the County of Marin) have joined together to regulate the rates of the Collector in accordance with these procedures. Because the Collector has services and related expenses unrelated to the Franchisors' Group, the revenues and expenses are allocated between the Franchisors' Group and these other agencies. The Collector's rates are based on its rate revenue requirement for the Rate Year<sup>1</sup> calculated in accordance with either Section II or Section III below. Because both the forecasted rate revenue requirement and the revenues from the approved rates involve assumptions about future events and because such assumptions usually differ from actual events and these differences can be material, the Collector is not guaranteed a profit.

### **Collector's Rate Applications**

By August 1 (in a Base Year) or September 1 (in an Indexed Year), Collector shall submit an application requesting the amount of Collector's rate revenue requirement and rate adjustment for the next Rate Year, commencing January 1 of the following calendar year. The application is prepared using either the Base Year approach (Section II) or the Indexed Year approach (Section III). In either case, the application shall be submitted in the format described in Attachment 1 of this Exhibit B. In addition to the application

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<sup>1</sup> The Rate Year is the year for which rates are being calculated, the Current Rate Year is the year during which the rates are being calculated and the Prior Rate Year is the most recently completed Rate Year. For example, in the application for rates effective January 1, 2020 the Rate Year refers to the period from January 1, 2020 to December 31, 2020, the Current Rate Year refers to the period from January 1, 2019 to December 31, 2019 and the Prior Rate Year refers to the period from January 1, 2018 to December 31, 2018.

# EXHIBIT B

## COLLECTOR'S RATE REVENUE REQUIREMENT AND RATE ADJUSTMENT

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the Collector shall provide a description and schedule of forecasted revenues and costs of new programs agreed to by the Collector and any agency that is a member of the Franchisors' Group ("Member") or proposed by the Collector.

**A. Base Year Application:** Once every five years, commencing with the application for the 2025 Rate Year, upon written request of the Collector or the Franchisors' Group, with such written request due by March 1 of the year preceding the January 1 for which rate revenues are requested to be adjusted via a Base Year approach; provided, however, that nothing contained herein shall prevent the Collector and the Franchisors' Group from agreeing to conduct a Base Year approach earlier than would be allowed in the schedule stated above.

The Base Year approach application shall be based on: the Collector's actual financial results of operations for the Prior Rate Year; audited financial statements for the Prior Rate Year; year-to-date financial results of operations for the Current Rate Year; and Collector's forecasted costs for the next Rate Year. This shall be called the "Base Year Rate Revenue Requirement." The Base Year approach application's cost projections shall be directly derived from and directly reference revenues and costs by category as listed in the Collector's audited financial statements such that all figures presented as the basis for the Collector's application can be tied back to the financial statements for the most recently completed fiscal year preceding the given August 1 rate application due date.

In its rate application, the Collector shall assemble and submit its forecasts of revenues at current rates and subscription levels (with no adjustments for bad debt or projected migration or service level changes), annual cost of operations, pass-through costs, and profit, for the coming year. The Collector shall clearly explain in its rate application the method used to produce such forecasts, and such information as is necessary to support the assumptions made with regard to such forecasts (such as projected population growth or migration, service or operational changes, projected changes in tonnages, known or reasonably expected cost increases, etc.).

The Collector shall provide all financial information and supporting documentation required for the completion of the Base Year approach in a format acceptable to the Franchisors' Group or its designated consultant in a timely manner. The Collector shall allow for all required information and supporting documentation to be provided to the Franchisors' Group or its designated consultant via



# **EXHIBIT B**

## **COLLECTOR'S RATE REVENUE REQUIREMENT AND RATE ADJUSTMENT**

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physical mail, e-mail, or any other delivery method approved by the Franchisors' Group, including on-site review of information at the Collector's offices. The Collector shall present forecasted amounts for each of the categories listed in Section II below calculated in accordance with such Section.

- B. Indexed Year Application:** Every year that there is no Base Year approach, commencing with the rate application for the 2020 Rate Year. The application shall be based on the Base Year Rate Revenue Requirement adjusted as described below. This shall be called the "Indexed Year Rate Revenue Requirement." The Indexed Year approach is the default method for annual rate adjustments and shall continue indefinitely unless a Base Year approach is allowed and requested in accordance with Section I.A. above.

### **Review of Rate Application**

The Franchisors' Group or a consultant engaged by the Franchisors' Group will review Collector's rate application to ensure mathematical accuracy, conformance with this Exhibit B, reasonableness of expense and revenue projections, and to review necessary supporting documentation for figures stated by the Collector in the rate application. The Collector shall reimburse the Franchisors' Group for the cost of its consultant in an amount not to exceed \$15,000 for an Indexed Year application, or \$125,000 for a Base Rate application, with such limits to increase annually in accordance with the annual change in the Consumer Price Index for Water and Sewer and Trash Collection, U.S. city average, Bureau of Labor Statistics Series I.D. CUSR0000SEHG, between the Index value for June of the current year and the corresponding Index value for June of the prior year, rounded to the nearest hundredth of a percent, subject to a minimum increase of 2.5% and a maximum increase of 5%.

The amount of reimbursement for an Indexed Year application is included in the Base Year Rate Revenue Requirement for 2019, and as such the Franchisors' Group will be reimbursed annually up to the limit stated above (and including applied annual increase) without additional Indexed Rate Revenue Requirement amounts being necessary. If the full amount of reimbursement is not requested by the Franchisors' Group, then any amounts of reimbursement below the limit will be subtracted from the Rate Revenue Requirement in the Collector's application (Indexed or Base Year) for the following Rate Year. For a Base Year application the amount of such reimbursement will be included in the Collector's Base Year Rate Revenue Requirement.



# **EXHIBIT B**

## **COLLECTOR'S RATE REVENUE REQUIREMENT AND RATE ADJUSTMENT**

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The Franchisors' Group shall make its best efforts to complete the review in a timely manner so that rates may be adjusted effective January 1 of each Rate Year. If Collector submits its rate application on or before the application submittal date (August 1 or September 1, as applicable), and the Franchisors' Group delays approving the annual rate adjustment until after January 1 of the following Rate Year, then Collector shall be entitled to retroactively apply the rate adjustment to January 1. If the Collector submits its rate application after the application submittal date (August 1 or September 1, as applicable), a retroactive adjustment will be at the discretion of the Franchisors' Group.

### **II. CALCULATION OF COLLECTOR'S BASE YEAR RATE REVENUE REQUIREMENT**

The Base Year application shall clearly document Collector's calculation of Collector's Base Year Rate Revenue Requirement and proposed rate adjustment based on the methodology described in this Section II. Collector's Base Year Rate Revenue Requirement shall equal the sum of the forecasted amounts set forth in this Section II, each of which shall be calculated in accordance with this Section II.

#### **A. Forecasted Annual Cost of Operations.**

The forecasted annual cost of operations consists of the sum of forecasted:

1. Labor expense
2. Benefits expense (including workers' compensation)
3. Garbage landfilling and Organics processing expense (including commercial mixed waste processing expense and adjustment for Non-Franchisors' Group entities transfer/transport expenses)
4. General and administrative expense (including other operating expenses)
5. Depreciation and lease expense
6. Maintenance expense (equipment and vehicles)
7. Fuel and oil expense

# EXHIBIT B

## COLLECTOR'S RATE REVENUE REQUIREMENT AND RATE ADJUSTMENT

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**B. Methodology for Forecasting Annual Cost of Operations.**

1. **Determine Actual Costs.** Collector's audited financial statement shall be reviewed to determine Collector's actual costs necessary to perform all the services in the manner required by this Agreement. The Collector's auditor shall determine that costs have actually been incurred and have been assigned to the appropriate cost category as described below:
  
2. **Allocation of Costs.** The audited financial statements include costs of operations unrelated to the Franchisors' Group. These include costs reported for the following Collector's departments:

Department Number	Department Name	Part of Franchisors' Group
100	Garbage Collection	Yes
101	San Anselmo Collection	No
102	County (RVSD-N) Collection	Yes
103	Fairfax Collection	No
104	San Quentin Collection	No
200	Debris Box Collection	No
300	Transfer Station	Yes
400	Shop	Allocation
500	General & Administrative	Allocation
600	Recycling Collection	Yes
700	MRRC Operations	No
800	Shredding/Street Sweeping	No

Collector shall include only costs for Department 100 - Franchisors' Group Garbage Collection, Department 102 – County (RVSD-N) Collection, Department 300 – Transfer

## EXHIBIT B

# COLLECTOR'S RATE REVENUE REQUIREMENT AND RATE ADJUSTMENT

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Station and Department 600 - Recycling Collection, plus allocated Shop (Department 400), General and Administrative costs (Department 500), and management salaries (Department 500) when performing these procedures. In allocating costs among these departments the Collector shall use the following procedures.

- a. Shop costs (Department 400) shall be allocated by truck route hours.
- b. General & administrative costs (Department 500) are allocated using an average of:
  - i. Each department's percentage of projected revenue
  - ii. Each department's percentage of annual customer counts
  - iii. Each department's percentage of wages

For example:

Revenue		
Total Revenue (all departments)		\$100
Franchisors Group (Dept 100) Revenue		\$75
Franchisors Group (Dept 100) Percentage		75% <b>A</b>
Annual Customer Counts		
Total Annual Customer Counts (all departments)		100
Franchisors Group (Dept 100) Annual Customer Counts		73
Franchisors Group (Dept 100) Percentage		73% <b>B</b>
Wages		
Total Wages (all departments)		\$100
Franchisors Group (Dept 100) Wages		\$25
		25% <b>C</b>
Allocation % for General & Administrative Costs to Dept 100		58% <b>(A+B+C)/3</b>

- c. Management salaries (Department 500) shall be allocated based on the study completed for the Rate Year ended December 31, 2017 reporting the time spent by management related to the Franchisors' Group and other non-Franchisors' Group activities.
- d. The Collector shall identify the allocated portion of the Collector's financial statement costs that are allocated to the Franchisors' Group. The methodology for the Franchisors'

# **EXHIBIT B**

## **COLLECTOR'S RATE REVENUE REQUIREMENT AND RATE ADJUSTMENT**

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Group's allocated portion of the Collector's costs shall be the same as or substantially similar to the methodology used to determine the allocations used in setting the Collector's Rate Year 2019 Rate Revenue Requirement.

3. **Calculate Adjusted Costs.** Collector shall adjust actual costs allocated to the Franchisors' Group to eliminate costs that are unnecessary or unreasonable for the performance of the services required by the Agreement. These non-allowable costs include the following:
- a. Costs of any category or type not actually incurred, not necessary for the provision of services under this Agreement or unreasonable in amount.
  - b. Payments to directors and/or owners of Collector, unless paid as reasonable compensation for services actually rendered.
  - c. Fines for penalties of any nature.
  - d. Federal or state income taxes.
  - e. Charitable or political donations.
  - f. Depreciation or interest expense for collection vehicles, containers, other equipment, offices and other facilities if such items are leased from a related party at more than their actual cost.
  - g. Attorneys' fees and other expenses incurred by Collector in any court proceeding in which any agency that is a Member of the Franchisors' Group and Collector are adverse parties, unless Collector is the prevailing party in such proceeding.
  - h. Attorneys' fees and other expenses incurred by Collector arising from any act or omission by Collector in violation of this Agreement.
  - i. Attorneys' fees and other expenses incurred by Collector in any court proceeding in which Collector's own negligence, violation of law or regulation, or wrongdoing are at issue.
  - j. Payments to related-party entities for products or services, in excess of the cost to the related-party entities for those products or services.

# EXHIBIT B

## COLLECTOR'S RATE REVENUE REQUIREMENT AND RATE ADJUSTMENT

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- k. Goodwill.
- l. Transfer and transport, disposal, and/or processing costs whose rate/ton exceeds comparable charges for the same services under the same conditions (e.g., transport distances to processing and disposal facilities) by other companies in the San Francisco Bay Area.

The Allocated Costs (from Step 2 above), adjusted for non-allowable costs (from this Step 3), shall be considered "Allowed Costs" for the purposes of forecasting costs.

4. **Forecasted Rate Year Allowed Cost of Operations.** The Allowed Cost of operations for the Rate Year shall be forecasted in the following manner:
- a. **Labor expense** for the Rate Year shall be forecasted based on negotiated labor agreements for represented employees as well as reasonable wage and salary adjustments for non-represented employees. Reasonableness will be determined by such factors such as a comparison to industry standards for comparable operations in the San Francisco Bay Area.
  - b. **Benefit expense** for the Rate Year shall be forecasted based on negotiated labor agreements for represented employees, reasonable adjustments for non-represented employees, and changes in insurance premiums net of any refunds. Benefits includes workers' compensation expense, which shall be calculated by multiplying the wages established in the Step 4.a above by the applicable premium rates from the Collector's insurance carrier for the projected Rate Year.
  - d. **Garbage landfilling and Organics processing expense** for the Rate Year shall be forecasted in the following manner:
    - i. Garbage expense:

# **EXHIBIT B**

## **COLLECTOR'S RATE REVENUE REQUIREMENT AND RATE ADJUSTMENT**

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Projected Rate Year Disposal Expense = (Rate Year projected disposal tip fee per Ton) X (total annualized actual tons for the first six months of the Current Rate Year subject to reasonable adjustments for anticipated changes).

ii. Commercial mixed waste processing expense:

Projected Rate Year Processing Expense = (Rate Year projected processing fee per Ton) X (total annualized actual tons for the first six months of the Current Rate Year subject to reasonable adjustments for anticipated changes). This tonnage includes waste collected from municipal facilities, parks and cans as well as illegally dumped material.

The Commercial mixed waste processing rate per ton shall be \$96.91 for the Rate Year ending December 31, 2019 and thereafter shall be adjusted annually by multiplying the Processing rate per Ton contained in the most recent Indexed Year Rate Revenue Requirement by one (1) plus the percentage change in the "Consumer Price Index for Water and Sewer and Trash Collection, U.S. city average, Bureau of Labor Statistics Series I.D. CUSR0000SEHG" between the Index value for June of the current year and the corresponding Index value for June of the prior year, rounded to the nearest hundredth of a percent.

iii. Organics processing expense:

Forecasted Organics processing expense = (Organics projected processing rate per Ton as calculated below) X (annualized actual total Tons of Organics for the first six months of the Current Rate Year subject to reasonable adjustments for anticipated changes).

The Organics Processing rate per Ton shall be set at \$50.72 for the 2019 Rate Year and thereafter shall be adjusted annually by multiplying the Processing Rate per Ton contained in the most recent Indexed Year Rate Revenue Requirement by one (1) plus the annual percentage change in the "Consumer Price Index for Water and Sewer and Trash Collection, U.S. city average, Bureau

## EXHIBIT B

# COLLECTOR'S RATE REVENUE REQUIREMENT AND RATE ADJUSTMENT

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of Labor Statistics Series I.D. CUSR0000SEHG" between the average Index value for June of the current year and the corresponding Index value for June of the previous year, rounded to the nearest hundredth of a percent.

- iv. Transfer/transport adjustment for the Rate Year shall reduce costs contained in Department 300, which would otherwise be included in the Collector's Base Year Rate Revenue Requirement, related to the transfer and transport of materials not generated in the Franchisors' Group jurisdictions under their contracts with the Collector shall be calculated in the following manner:

Forecasted Transfer/Transport Adjustment = (Transfer /Transport projected Fee per ton as calculated below) X (annualized actual total disposal Tons for the operations not affiliated with the Franchisors' Group for the first six months of the Current Rate Year subject to reasonable adjustments for anticipated changes). The Transfer/ Fee per ton shall be \$23.35 for the 2019 Rate Year and thereafter shall be determined as part of the Base Year Rate Revenue Requirement.

- e. **General and administrative expense** for the Rate Year shall be forecasted based on historical costs adjusted for the Collector's forecasts as approved by the Franchisors' Group.
- f. **Depreciation and lease expense** for the Rate Year shall be forecasted based on the Collector's actual depreciation, which shall reflect the retirement and addition of assets. Projected depreciation shall include anticipated purchases in the next Rate Year. The Allocation of depreciation and lease expense between the Franchisors' Group and other operations shall be based on truck usage.
- g. **Maintenance expense** for the Rate Year shall be forecasted based on historical costs adjusted for changes in the number of equipment and vehicles to be maintained and the cost of such maintenance.





## EXHIBIT B

# COLLECTOR'S RATE REVENUE REQUIREMENT AND RATE ADJUSTMENT

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The Collector's Rate Year 2019 per ton Recyclable Materials processing cost amount of \$202.00 is calculated as 90% of the projected Recyclable Materials processing cost (90% of a projected \$5,611,111 yielding \$5,050,000 in incentivized processing cost) divided by the projected total tons of Recyclable Materials processed at the Marin Recycling Center (set at 25,000 tons for Rate Year 2019), rounded to the nearest cent. \$5,050,000 divided by 25,000 tons is \$202.00 per ton. The Collector's Rate Year 2019 per ton Recyclable Materials revenue amount of \$162.00 per ton is calculated as 90% of projected Recyclable Materials sales revenues (90% of a projected \$4,500,000 yielding \$4,050,000 in recycling revenues) divided by the projected total tons of processed Recyclable Materials (set at 25,000 tons for Rate Year 2019), rounded to the nearest cent. \$4,050,000 divided by 25,000 tons is \$162.00 per ton.

- ii. Annual Adjustments in Net Recyclable Materials Processing Cost Per Ton: The Rate Year 2019 \$5,050,000 incentivized Recyclable Materials processing cost for the Franchisors' Group shall increase annually by the annual change in the Consumer Price Index for Water and Sewer and Trash Collection, U.S. city average, Bureau of Labor Statistics Series I.D. CUSR0000SEHG between the Index value for June of the current year and the corresponding Index value for June of the prior year, rounded to the nearest hundredth of a percent, rounded to the nearest dollar.

For example, using the same 3.43% increase shown in Section III.A. below, the Rate Year 2020 incentivized processing cost for the Franchisors' Group would be \$5,223,215. That amount shall be divided by the number of all tons of Recyclable Materials processed at the Marin Recycling Center from July 1 of the Prior Rate Year through June 30 of the Current Rate Year. As a sample calculation, if the Marin Recycling Center processes 26,000 tons of Recyclable Materials between July 1, 2018 and June 30 of 2019, then the Collector's Rate Year 2020 per ton

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Recyclable Materials processing cost would be \$5,223,215 divided by 26,000 tons, equaling \$200.89 per ton.

The Rate Year 2020 per ton Recyclable Materials revenue amount shall be calculated based on 90% of the total revenue received by the Marin Recycling Center in the categories of "Salvage Support (Processing Fee Income)", "Salvage Income (Buyback Scrap, Paper, Plastics, Aluminum, Glass)", "Redemption Income – Plastics, Aluminum, Glass (Net of Buyback Purchases)", "Sales Adjustments (Other Salvage Income)" and "Miscellaneous Income (Other Redemption Income-State)" from July 1 of the Prior Rate Year through June 30 of the Current Rate Year. The total of those revenues shall be divided by the number of all tons of Recyclable Materials processed at the Marin Recycling Center during that same time period, yielding the same number of tons as calculated for the per ton Recyclable Materials processing cost, above. For example, using the same example of 26,000 tons from July 1, 2018 through June 30, 2019, and a placeholder example of \$4,500,000 in total revenue received in the categories stated above, the Collector's Rate Year 2020 per ton Recyclable Materials revenue amount would be \$4,500,000 times 90% divided by 26,000 tons, equaling \$155.77 per ton. Based on the examples shown above, the Collector's Rate Year 2020 net Recyclable Materials processing cost would be \$200.89 per ton minus \$155.77 per ton, equaling \$45.12. Notwithstanding the foregoing, (a) Salvage Income for Paper shall be reduced by non-processed paper brokerage sales for third parties, and (b) the calculation will not include income or tons from recyclable materials processed for third parties or agencies that were not customers of the Collector or the Marin Recycling Center as of December 31, 2018.

- iii. Revisions to Incentivized Recyclable Materials Processing Cost: The Franchisors' Group and Collector agree that the methodology to incentivize the Collector to

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maximize revenues from the sale of Recyclable Materials described herein (specifically the use of 90% of costs and 90% of revenues) is appropriate given current market conditions. However, in the event that markets for Recyclable Materials change substantially resulting in two (2) consecutive Rate Years of annual decreases or increases of 10% or greater in the total revenue received by the Marin Recycling Center in the categories of "Salvage Support (Processing Fee Income)", "Salvage Income (Buyback Scrap, Paper, Plastics, Aluminum, Glass)", "Redemption Income – Plastics, Aluminum, Glass (Net of Buyback Purchases)", "Sales Adjustments (Other Salvage Income)" and "Miscellaneous Income (Other Redemption Income-State)" between July 1 of the Prior Rate Year and June 30 of the Current Rate Year, then the Franchisors' Group and Collector agree to mutually consider necessary and appropriate revisions to the incentive mechanism described herein. Such revisions would be considered inasmuch as they would maintain fair and equitable cost to Franchisors' Group rate-payers while continuing to provide incentives for the Collector to maximize efficiencies and the amount of revenue generated from the sale of Recyclable Materials. Any change in the incentive methodology as described herein would be via Amendment to the Agreement. In addition, in a Rate Year subject to a Base Year approach only, the Collector may propose to update the Recyclable Materials processing cost component based on changes in its costs to process Recyclable Materials.

b. **Forecasted Interest Expense** for the Rate Year shall be based on the Collector's actual interest from its loan amortization schedules for actual and projected capital expenditures for services under this Agreement.

c. **Zero Waste Marin (JPA) Fees Expense** for the Rate Year shall be based on the tons collected in the Franchisors' Group Members for the period determined and rate established by the JPA.

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- d. **Forecasted Other Agency Fees Expense.** Forecasted Other Fees expense (including the Vehicle Impact Fee and additional Other Fees not based on tonnage as they may be implemented throughout the Term) for the Rate Year shall be calculated using the appropriate methodology and the forecasted values.
7. **Forecasted Revenues at Current Rates.** Collector shall provide detailed forecasts of revenues at current rates and subscription levels, with no adjustments for bad debt or projected migration or service level changes.
8. **Forecasted Other Revenues.** Forecasted other revenues for the Rate Year shall include revenues received by the Collector from related and third parties from the use of assets (including but not limited to vehicles and transfer station equipment) or provision of services by employees (including but not limited to drivers, operators, and processors).
9. **Forecasted Franchise Fees Expense.** Forecasted Franchise Fees expense for the Rate Year shall be calculated by multiplying the applicable franchise fee percentage by Member (which are each set to be a percentage of gross rate revenues collected by Collector) times the projected revenues for each Member for the Rate Year. Projected revenues for the Rate Year are calculated by multiplying Forecasted Revenues at Current Rates (Step 7, above) times the Rate Adjustment Factor (calculated in accordance with Section II.C, below). Note that is a circular calculation wherein: the Rate Adjustment Factor is dependent on the Total Collector's Rate Revenue Requirement (calculated in accordance with Step 10, below); the Total Collector's Rate Revenue Requirement is dependent on the Forecasted Franchise Fees; the Forecasted Franchise Fees are dependent on the Rate Year Revenues, and; the Rate Year Revenues are dependent on the Rate Adjustment Factor. Because of this circular relationship, this is best calculated using a computer which can run iterative calculations to resolve this circular reference and yield accurate calculations for each of the interdependent elements described in this Section.

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10. **Forecasted Total Collector's Rate Revenue Requirement.** Collector's Total Base Year Rate Revenue Requirement necessary to perform all the services and pay all fees in the manner required by this Agreement for the Rate Year shall be equal to the sum of the following:

- a. Forecasted annual cost of operations (determined in accordance with Step 4 above); plus
- b. Profit (determined in accordance with Step 5 above); plus
- c. Forecasted Other Costs (determined in accordance with Step 6 above); plus
- d. Calculated Franchise Fees at projected Rate Year rates (determined in accordance with Step 9, above); plus or minus
- d. Starting with the 2021 Rate Year, the difference between the Prior Rate Year Rate Revenue Requirement and the total amount of the Collector's billings to all Franchisors' Group customers during the Prior Rate Year. The Rate Revenue Requirement for Rate Year 2019 is \$37,826,662. For example, if the total amount of 2019 charges billed by the Collector to all Franchisors' Group customers is \$37,850,000 then the Rate Year 2021 Rate Revenue Requirement adjustment would be \$37,826,662 minus \$37,850,000, yielding negative \$23,338, thus decreasing the Rate Year 2021 Rate Revenue Requirement by \$23,338. Likewise, if the total amount of 2019 charges billed by the Collector to all Franchisors' Group customers is \$37,700,000 then the Rate Year 2021 Rate Revenue Requirement adjustment would be \$37,826,662 minus \$37,700,000, yielding positive \$126,662, thus increasing the Rate Year 2021 Rate Revenue Requirement by \$126,662.

C. **Rate Adjustment Factor.** The Rate Adjustment Factor shall be calculated overall for the Franchisors' Group and individually by Member via the following:

1. Total Forecasted Revenues, which are calculated as the sum of Forecasted Revenues at Current Rates (Step 7, above) and Forecasted Other Revenues (Step 8, above); minus

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2. The Total Collector's Rate Revenue Requirement for the coming Rate Year for each Member (inclusive of calculations of Franchise Fees and Other Agency Fees for each Member).
3. The difference between the Total Forecasted Revenues minus Total Collector's Rate Revenue Requirement will equal either a negative Shortfall (requiring a rate increase) or a positive Surplus (requiring a rate decrease).
4. The Rate Adjustment Factor is calculated by dividing the Shortfall or Surplus by Forecasted Revenues at Current Rates. For example, using overall Franchisors' Group amounts as shown in Attachment 1 to this Exhibit B:

**Total Forecasted Revenues** = \$34,337,374 in Revenues at Current Rates + \$207,272 in Forecasted Other Revenues = **\$34,544,646.**

**Surplus or Shortfall** = \$34,544,646 in Total Forecasted Revenues minus \$37,826,662 in Total Collector's Rate Revenue Requirement for the Rate Year = **Shortfall of \$3,282,016.**

**Rate Adjustment Factor** = Shortfall of \$3,282,016 divided by \$34,337,374 in Revenues at Current Rates = **9.56% Rate Adjustment Factor (as an increase to rates).**

- D. **Adjustment of Rates.** Each rate approved for the Current Rate Year by each Member shall be multiplied by the Rate Adjustment Factor for each Member to calculate the effective rate for the Rate Year by Member.

### **III. DETERMINATION OF COLLECTOR'S INDEXED RATE REVENUE REQUIREMENT**

The Indexed Year application shall clearly document Collector's calculation of Collector's Indexed Year Rate Revenue Requirement and rate adjustment based on the methodology described in this Section III. Collector's Indexed Year Rate Revenue Requirement shall equal the sum of the forecasted amounts for the categories set forth in this Section III, each of which shall be calculated in accordance with the

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procedures set forth below. The Franchisors' Group and the Collector have agreed after thorough review that the Rate Year 2019 monthly service rates to be set by the Members and charged and billed by the Collector are necessary to collect rate revenues for the following rate revenue categories, yielding a total Rate Year 2019 Base Year Rate Revenue Requirement of \$37,826,662. Amounts shown below are 2019 totals for the Franchisors' Group as a whole and for each Member. Percentages of Total Operating Revenue by Member shall be used in allocating rate revenue elements (except for Franchise Fees and Other Agency Fees) to the Members and shall remain fixed until the next Base Year application.

### 2019 Rate Revenues by Category

	Marin Franchisors' Group Total	San Rafael	Larkspur	County	LGVSD	Ross
<b>Percentage of Total Operating Revenue</b>	<b>100.00%</b>	<b>63.53%</b>	<b>15.97%</b>	<b>9.93%</b>	<b>8.50%</b>	<b>2.08%</b>
Collector Operations	23,795,090	15,116,267	3,799,434	2,362,401	2,022,075	494,914
Fuel and Oil True-up	80,477	51,124	12,850	7,990	6,839	1,674
Garbage Landfilling and Organics Processing	4,084,811	2,594,951	652,234	405,544	347,122	84,960
Garbage Landfilling and Organics True-up	17,597	11,179	2,810	1,747	1,495	366
<b>Subtotal for Profit Calculation</b>	<b>27,977,975</b>	<b>17,773,521</b>	<b>4,467,328</b>	<b>2,777,682</b>	<b>2,377,531</b>	<b>581,914</b>
Collector Profit	2,936,915	1,865,729	468,946	291,580	249,575	61,085
Recyclable Materials Processing	680,000	431,982	108,578	67,511	57,785	14,143
Recycling Losses	117,475	74,628	18,758	11,663	9,983	2,443
Interest	541,131	343,763	86,404	53,724	45,985	11,255
Zero Waste Marin Fees	381,250	242,196	60,875	37,851	32,398	7,930
Franchise Fees	3,978,060	2,338,487	638,199	750,459	145,154	105,761
Other Agency Fees	1,213,857	443,600	568,400	201,857	-	-
<b>Total 2019 Rate Revenue Requirement</b>	<b>37,826,662</b>	<b>23,513,906</b>	<b>6,417,488</b>	<b>4,192,327</b>	<b>2,918,411</b>	<b>784,531</b>

**A. Collector Operations.** The Collector Operations rate revenue category for the Rate Year consists of the sum of the following categories as described below:

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1. Labor expense
2. Benefits expense
3. General and administrative expense
4. Depreciation and lease expense
5. Maintenance expense
6. Fuel and oil expense
7. Fuel and disposal true-ups, which apply only to the Rate Revenue Requirements for Rate Years 2019, 2020 and 2021 (whether calculated under the Base Year approach or Indexed Year approach). The total Rate Revenue Requirement for each of these Rate Years will include \$98,074 to account for prior Collector true-ups on costs for fuel, oil, and disposal (with no further revenue for prior true-ups being collected via the rates or due to the Collector).

The Collector Operations rate revenue category (not including the fuel and disposal true-ups for 2019 through 2021) increases annually from the Prior Rate Year, whether such category for the Prior Rate Year was determined by the Base Year approach or the Indexed Year approach, by the percentage change in the Consumer Price Index for Water and Sewer and Trash Collection, U.S. city average, Bureau of Labor Statistics Series I.D. CUSR0000SEHG, subject to a minimum increase of 2.5% and a maximum increase of 5.0%. The percentage change is calculated by dividing the Index value for June of the current year by the Index value for June of the prior year, rounded to the nearest hundredth of a percent.

For example, the Rate Year 2020 Collector Operations rate revenue category shall be the product of the 2019 Collector Operations rate revenue category of \$23,795,090 times the Index value in June of 2019 divided by the Index value in June of 2018 (which was 236.869), rounded to the nearest dollar. If the Index value in June of 2019 is 245.000, then the Rate Year 2020 Cost of Operations rate revenue category shall equal \$23,795,090 times 245.000 divided by 236.869, which is \$24,611,904 (a 3.43% increase over the Prior Rate Year).

- B. Garbage Landfilling and Organics Processing.** The Rate Year 2019 Garbage Landfilling and Organics processing rate revenue category is set at \$4,102,408 and is calculated based on the sum



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of the products of the projected Rate Year 2019 Franchisors' Group tons and the per ton tipping fees for the following categories: residential garbage, residential green waste/organics, commercial garbage, commercial mixed waste for processing, commercial food scraps, and Franchisors' Group waste delivered to the Collector and Franchisors' Group clean-ups delivered to the Collector. This sum is reduced by the product of the projected Rate Year 2019 non-regulated (non-Franchisors' Group) tons times the per ton credit for hauling of those tons.

The total of the above for Rate Year 2019 is \$4,084,810, to which \$17,598 is added to account for prior year cost true-ups (applicable only in Rate Years 2019, 2020 and 2021), yielding \$4,102,408 in 2019. The specific tons and per ton rates used for the basis of the Rate Year 2019 calculation are shown below.

Residential garbage	10,824 tons times \$57.33 per ton
Residential green waste/organics	17,575 tons times \$50.72 per ton
Commercial garbage	27,497 tons times \$57.33 per ton
Commercial mixed waste for processing	9,615 tons times \$96.91 per ton
Commercial food scraps	2,133 tons times \$23.46 per ton
Franchisors' Group waste <sup>2</sup>	2,043 tons times \$96.91 per ton
Credit for hauling non-regulated tons	7,856 tons times \$23.35 per ton

The Collector shall use the same methodology to calculate the Garbage Landfilling and Organics Processing revenue category amount for each Rate Year after the 2019 Rate Year by using the annualized actual tons by category shown above for the first six months of the Current Rate Year subject to reasonable adjustments for anticipated changes as the basis for projecting tons for the coming Rate Year. For example, the Collector shall use tons in the above categories from January 1, 2019 to June 30, 2019 as the basis for projecting tons for Rate Year 2020, and so forth. The Collector shall multiply the projected tonnages by the actual per ton tipping fees for each category for the coming Rate Year, if available; if actual per ton tipping fees for the coming year are not available for any category, then the Collector will project the coming year per ton tipping fees for such categories by increasing the actual per ton tipping fee in the Current Rate Year by the annual

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<sup>2</sup> This tonnage includes waste collected from municipal facilities, parks and cans as well as illegally dumped material.

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percentage change in the Consumer Price Index for Water and Sewer and Trash Collection, U.S. city average, Bureau of Labor Statistics Series I.D. CUSR0000SEHG between the Index value for June of the current year and the corresponding Index value for June of the prior year, rounded to the nearest hundredth of a percent, subject to a minimum increase of 2.5% and a maximum increase of 5.0%.

- C. Collector Profit.** The Collector Profit rate revenue category is calculated based on the sum of the Collection Operations (per Section III.A. above and including fuel and disposal true-ups in Rate Years 2020 and 2021) and Garbage Landfilling and Organics Processing (per Section III.B. above) for the Rate Year, divided by 0.905 and subtracting the same sum, rounded to the nearest dollar. For example, if the sum of Collector Operations and Garbage Landfilling and Organics Processing for the Rate year is \$29,000,000 then the Collector Profit rate revenue category shall be \$29,000,000 divided by 0.905 (yielding \$32,044,199), minus \$29,000,000, equaling \$3,044,199.
- D. Recyclable Materials Processing.** The Recyclable Materials Processing rate revenue category for each Rate Year shall be calculated in accordance with Section II.B.6.a. above.
- E. Interest.** The Interest rate revenue category shall be increased in the same manner as Collector Operations, in accordance with Section III.A. above.
- F. Franchise Fees.** The Forecasted Franchise Fees category for the Rate Year shall be calculated in accordance with Section II.B.7. above.
- G. Other Agency Fees.** The Forecasted Other Agency Fees category (including the Vehicle Impact Fee and additional Other Fees as they may be implemented throughout the Term) for the Rate Year shall be calculated in accordance with Section II.B.9. above.
- H. Zero Waste Marin (JPA) Fees.** The Zero Waste Marin (JPA) Fees category amount for each Rate Year shall be calculated based on the amounts of Zero Waste Marin (JPA) Fees in the Current Rate Year times the percentage increase in Zero Waste Marin (JPA) Fees to be paid by the Collector in the Rate Year.
- I. Recycling Losses.** Apply only to the Rate Revenue Requirements for Rate Years 2019, 2020 and 2021 (whether calculated under the Base Review approach or Indexed Year approach). The total

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Rate Revenue Requirement for each of these Rate Years will include \$117,475 to account for prior Collector losses on the processing of Recyclable Materials (with no further revenue for prior recycling losses being collected via the rates or due to the Collector).

- J. **Annual Rate Revenue Reconciliation.** The annual rate revenue reconciliation for each Rate Year shall be calculated in accordance with Section II.B.10.d. above.
- K. **Collector's Total Rate Revenue Requirement for Rate Year.** Collector's Total Rate Revenue Requirement for the Rate Year shall be equal to the sum of the amounts calculated in accordance with subsections A through J of this Section III. The Total Rate Revenue Requirement shall be calculated overall for the Franchisors' Group and individually by Member to account for the varying Franchise Fees and Other Agency Fees for each Member.
- L. **Rate Adjustment Factor.** The Rate Adjustment Factor for the Rate Year shall equal the Total Rate Revenue Requirement for each Member (inclusive of calculations of Franchise Fees and Other Agency Fees for each Member) for the Rate Year divided by the Total Rate Revenue Requirement for each Member for the Current Rate Year, rounded to the nearest hundredth of a percent. For example, if the 2020 Total Rate Revenue Requirement, calculated in accordance with subsections A through J, above, is \$38,500,000, then dividing that amount by the Rate Year 2019 total Rate Revenue Requirement of \$37,826,662 yields a Rate Adjustment Factor, effective January 1, 2020, of an increase of 1.78% overall for the Franchisors' Group, with individual adjustments being calculated individually by Member.
- M. **Adjustment of Rates.** Each rate approved for the Current Rate Year by each Member shall be multiplied by the Rate Adjustment Factor for each Member to calculate the effective rate for the Rate Year by Member.

### **IV. RATES FOR CHANGES IN SCOPE, CHANGES IN LAW, CHANGES IN FEES, EXTRAORDINARY COSTS**

In the event of any Change in Scope or Change in Law (each as described below) that results in an increase or decrease in the Collector's costs or revenues, in the event of an Extraordinary Cost Increase (as defined below), or in the event of any Change in Fees (as described below), an appropriate adjustment will be

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# **COLLECTOR'S RATE REVENUE REQUIREMENT AND RATE ADJUSTMENT**

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made in the rates in order to compensate, to the maximum extent possible, for such increase or decrease in costs, revenues or Fees, commencing from the date(s) such increase or decrease first occurs while maintaining the Collector's Profit (as defined in this Exhibit B). Any rate adjustment due to a Change in Scope, a Change in Law or an Extraordinary Cost Increase shall be in the reasonable discretion of the Franchisors' Group.

"Change in Scope" shall mean any change in the services provided by the Collector under the Agreement or under the franchise agreement between the Collector and any other Member of the Franchisors' Group ("Other Franchise Agreement"), whether proposed by the Collector or by such Member.

"Change in Law" shall mean the enactment, adoption, promulgation, issuance, modification or written change in any law, regulation, order or judgment of any governmental body that affects the Collector's performance of services under the Agreement or under any Other Franchise Agreement, including, without limitation, the issuance of final regulations under existing laws, such as SB 1383.

"Change in Fees" shall mean any change in franchise fees, vehicle impact fees and other fees charged to the Collector by any governmental agency in connection with the services provided by the Collector under the Agreement or any Other Franchise Agreement, including, without limitation, Franchise Fees, Other Agency Fees, Zero Waste Marin (JPA) Fees, the cancellation of any existing fees, and the adoption of any new fees.

"Extraordinary Cost Increase" shall mean a substantial increase in the Company's operating or capital costs or expenses that is outside of the Company's control but not due to a Change in Scope or Change in Law.

In the case of a Change in Scope, a Change in Law or an Extraordinary Cost Increase, the Collector shall provide the Franchisors' Group with projected operational, cost and revenue data reflecting the entire financial effect of such Change or Increase, including any change in the Collector's Profit. The Franchisors' Group reserves the right to require that the Collector supply any additional operational, cost and revenue data, or any other information it may reasonably need, to ascertain the appropriate financial impact of the Change or Increase and any necessary adjustment to rates resulting from such Change or Increase.

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Rate adjustments for a qualifying Change in Scope or Change in Law, for a Change in Fees, or for an Extraordinary Cost Increase shall take effect as of the beginning of the next Rate Year; provided, however, that, in the case of any Change in Fees charged by the Franchisors' Group or by any agency that is a member of the Franchisors' Group, the rate adjustment shall take effect as of the effective date of such Change in Fees. The underlying service, cost, revenue or Fee changes supporting any rate adjustment under this Section IV will be added to the appropriate category under Sections II and III above for purposes of future rate adjustments.

Any rate adjustment under this Section IV that results from a Change in Scope, Change in Law, Change in Fees or Extraordinary Cost Increase affecting fewer than all the Members of the Franchisors' Group may be imposed on only the rate-payers of such affected agency or agencies in amounts necessary to compensate the Collector for the financial effects of such Change or Increase.

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### Attachment 1 to Exhibit B: Sample Format of Rate Application: Base Year Application

#### Marin Sanitary Service 2019 Rate Application - Marin Franchisors' Group (MFG)

Expense Allocation (Percentage of Total Operating Revenue)	63.53%	15.97%	9.93%	8.50%	2.08%	100.00%
<b>Current 2018 MFG Rate Revenue</b>	<b>San Rafael</b>	<b>Larkspur</b>	<b>County</b>	<b>LGVS</b>	<b>Ross</b>	<b>MFG Total</b>
MFG Rate Revenue at Current 2018 Rates	\$ 21,377,071	\$ 5,880,740	\$ 3,828,411	\$ 2,539,274	\$ 711,878	\$ 34,337,374
Less: MFG Franchise Fees on 2018 Rate Revenue	(2,137,707)	(588,074)	(689,114)	(25,000)	(96,495)	(3,536,390)
Less: MFG Vehicle Impact and Sweeping Fees	(443,600)	(568,400)	(201,857)	-	-	(1,213,857)
<b>Operating Revenue at Current 2018 Rates</b>	<b>18,795,764</b>	<b>4,724,266</b>	<b>2,937,440</b>	<b>2,514,274</b>	<b>615,383</b>	<b>29,587,127</b>
<b>2019 MSS Operating Expense</b>						
Labor	6,167,373	1,550,153	963,850	824,998	201,923	9,708,297
Benefits	3,070,854	771,851	479,919	410,782	100,541	4,833,947
Garbage Landfilling and Organics Processing	2,606,130	655,044	407,291	348,617	85,326	4,102,408
General and Administrative	2,046,209	514,309	319,786	273,718	66,994	3,221,016
Depreciation and Leases	1,766,157	443,919	276,019	236,256	57,825	2,780,176
Maintenance	1,367,897	343,817	213,778	182,981	44,786	2,153,259
Fuel and Oil	748,900	188,234	117,040	100,179	24,519	1,178,872
<b>2019 MSS Operating Expense (Subject to Profit)</b>	<b>17,773,520</b>	<b>4,467,327</b>	<b>2,777,683</b>	<b>2,377,531</b>	<b>581,914</b>	<b>27,977,975</b>
<b>2019 MSS Revenue Requirement</b>						
2019 MSS Operating Expense (Subject to Profit)	17,773,520	4,467,327	2,777,683	2,377,531	581,914	27,977,975
Operating Profit (90.5% Operating Ratio)	1,865,729	468,946	291,580	249,575	61,085	2,936,915
Recyclables Processing	506,610	127,335	79,174	67,768	16,587	797,474
Interest	343,763	86,404	53,724	45,985	11,255	541,131
Zero Waste Marin Fees	242,196	60,875	37,851	32,398	7,930	381,250
<b>2019 MSS Revenue Requirement</b>	<b>20,731,818</b>	<b>5,210,887</b>	<b>3,240,012</b>	<b>2,773,257</b>	<b>678,771</b>	<b>32,634,745</b>
<b>2019 MFG Pass Through Costs</b>						
Projected 2019 MFG Franchise Fees	2,338,487	638,199	750,459	145,154	105,761	3,978,060
MFG Vehicle Impact and Street Sweeping Fees	443,600	568,400	201,857	-	-	1,213,857
<b>Projected 2019 MFG Pass Through Costs</b>	<b>2,782,087</b>	<b>1,206,599</b>	<b>952,316</b>	<b>145,154</b>	<b>105,761</b>	<b>5,191,917</b>
<b>2019 MFG Revenue Requirement</b>						
2019 MSS Revenue Requirement	20,731,818	5,210,887	3,240,012	2,773,257	678,771	32,634,745
2019 MFG Pass Through Costs	2,782,087	1,206,599	952,316	145,154	105,761	5,191,917
<b>2019 MFG Revenue Requirement</b>	<b>23,513,905</b>	<b>6,417,486</b>	<b>4,192,328</b>	<b>2,918,411</b>	<b>784,532</b>	<b>37,826,662</b>
<b>2019 Revenue Shortfall at Current 2018 Rates</b>						
MFG Rate Revenue at Current 2018 Rates	21,377,071	5,880,740	3,828,411	2,539,274	711,878	34,337,374
Non-Regulated Revenue	129,039	35,498	23,110	15,328	4,297	207,272
<b>2019 Revenue at Current 2018 Rates</b>	<b>21,506,110</b>	<b>5,916,238</b>	<b>3,851,521</b>	<b>2,554,602</b>	<b>716,175</b>	<b>34,544,646</b>
Less: 2019 Revenue Requirement	(23,513,905)	(6,417,486)	(4,192,328)	(2,918,411)	(784,532)	(37,826,662)
<b>2019 Revenue less 2019 Rate Revenue Requirement</b>	<b>(2,007,795)</b>	<b>(501,248)</b>	<b>(340,807)</b>	<b>(363,809)</b>	<b>(68,357)</b>	<b>(3,282,016)</b>
<b>2019 Rate Increase Percentage</b>	<b>9.39%</b>	<b>8.52%</b>	<b>8.90%</b>	<b>14.33%</b>	<b>9.60%</b>	<b>9.56%</b>
<b>2019 Revenues After Rate Adjustment</b>						
Calculated 2019 Rate Revenue	23,384,866	6,381,988	4,169,218	2,903,083	780,235	37,619,390
Non-Regulated Revenue	129,039	35,498	23,110	15,328	4,297	207,272
<b>Projected 2019 Revenue at Adjusted Rates</b>	<b>23,513,905</b>	<b>6,417,486</b>	<b>4,192,328</b>	<b>2,918,411</b>	<b>784,532</b>	<b>37,826,662</b>
2019 MFG Revenue Requirement	23,513,905	6,417,486	4,192,328	2,918,411	784,532	37,826,662

## EXHIBIT B

### COLLECTOR'S RATE REVENUE REQUIREMENT AND RATE ADJUSTMENT

Attachment 1 to Exhibit B: Sample Format of Rate Application: Indexed Year Application

#### EXAMPLE 2020 Indexed Rate Adjustment Calculation

	Marin Franchisors' Group Total	San Rafael	Larkspur	County	LGVSD	Ross
<b>Percentage of Total Operating Revenue</b>	<b>100.00%</b>	<b>63.53%</b>	<b>15.97%</b>	<b>9.93%</b>	<b>8.50%</b>	<b>2.08%</b>
Collector Operations	24,675,509	15,675,569	3,940,013	2,449,810	2,096,891	513,226
Fuel and Oil True-up	80,477	51,124	12,850	7,990	6,839	1,674
Garbage Landfilling and Organics Processing	4,291,484	2,726,244	685,234	426,063	364,685	89,259
Garbage Landfilling and Organics True-up	17,597	11,179	2,810	1,747	1,495	366
<b>Subtotal for Profit Calculation</b>	<b>29,065,067</b>	<b>18,464,116</b>	<b>4,640,907</b>	<b>2,885,610</b>	<b>2,469,910</b>	<b>604,525</b>
Collector Profit	3,051,029	1,938,222	487,167	302,909	259,272	63,458
Recyclable Materials Processing	654,116	415,539	104,445	64,941	55,586	13,605
Recycling Losses	117,475	74,628	18,758	11,663	9,983	2,443
Interest	561,153	356,483	89,601	55,712	47,686	11,671
Zero Waste Marin Fees	400,313	254,306	63,919	39,743	34,018	8,326
Franchise Fees	4,146,018	2,438,544	663,689	781,998	151,392	110,395
Other Agency Fees	1,213,857	443,600	568,400	201,857	-	-
<b>Total 2020 Rate Revenue Requirement</b>	<b>39,209,027</b>	<b>24,385,438</b>	<b>6,636,886</b>	<b>4,344,433</b>	<b>3,027,847</b>	<b>814,423</b>
<b>Total 2019 Rate Revenue Requirement</b>	<b>37,826,662</b>	<b>23,513,906</b>	<b>6,417,488</b>	<b>4,192,327</b>	<b>2,918,411</b>	<b>784,531</b>
<b>2020 Rate Revenue Adjustment</b>	<b>3.65%</b>	<b>3.71%</b>	<b>3.42%</b>	<b>3.63%</b>	<b>3.75%</b>	<b>3.81%</b>