



Staff Report

Date: December 14, 2023

To: Mayor Brekhus and Council Members

From: Christa Johnson, Town Manager

Subject: Marin Sanitary Service Rates for 2024 for Collection, Removal, and Disposal Services and Justification for Town Franchise Fees

Recommendation

It is recommended that the Town Council conduct a public hearing and adopt Resolution No. 2346 authorizing maximum rates imposed and collected by Marin Sanitary Service for Refuse and Recyclable Material Collection and Disposal Services to be effective January 1, 2024, and determining that the Town's franchise fees are justified by the Town's costs of providing solid waste services and reasonable charges for the use of Town property for solid waste services.

Background and discussion

Marin Sanitary Service (MSS) provides residential, commercial, and multi-family solid waste services, including garbage, recycling, and organics collection and processing services in Ross. MSS also provides garbage, recycling, and organics pick-up for Town of Ross facilities, parks, and sidewalk receptacles. Each year, the Town Council holds a public hearing to set the maximum collection rates that can be charged by MSS in the Town of Ross.

These services are provided pursuant to a Franchise Agreement between the Town and MSS which outlines the services provided as well as a methodology to be followed to set customer rates each year. The jurisdictions in Marin that have similar agreements with MSS work together informally as the "Marin Franchisors' Group" to share information and reduce costs. These jurisdictions include San Rafael, Fairfax, Larkspur, Ross, San Anselmo, Las Gallinas Valley Sanitary District, and the County of Marin for a portion of the unincorporated area. The Group meets several times a year to oversee MSS's operations and work together to conduct a single annual rate review analysis rather than each jurisdiction having to conduct and pay for a separate review.

MSS provided their 2024 Rate Application in an August 31st letter (attached) using the agreed upon rate setting indexed rate revenue requirement methodology that is in the Franchise Agreement that assisted in stabilizing rate changes year to year. The Franchisors' Group hired R3 Consulting Group (R3) to review the MSS rate request. R3 found that the MSS rate request of a 6.39% increase for Ross rates to be appropriate under the new methodology (see Attachment 3).

The Ross Franchise Agreement was amended in 2019 with the following modifications:

1. **Replaced the Recycling Reserve Fund** with a net processing fee structure that allows MSS an annually adjusted processing fee minus revenues from the sale of recyclable materials. This new method of calculating recycling in the annual rate application includes an incentive for MSS to seek the best prices for selling the materials, while also providing a mechanism to ensure revenues help offset customer rates when markets are good.
2. Includes a **substantially streamlined and simplified annual rate adjustment methodology**. The new methodology sets rates based on set revenues due to MSS, which are escalated annually based on one simple Water, Sewer, and Trash (WST) index, which has increased between 2% to 5% annually in recent years. This places more incentive on MSS to live within the regulated revenue amount.
3. **Removes all true-up provisions** from the previous method of calculating rates, other than those negotiated for three years to amortize past recycling losses to the company.
4. **Includes a 2.5% minimum and a 5% maximum rate cap** for MSS' operational expenses. This excludes franchise/agency fees and the cost of processing, recycling, composting and disposal elements.

In total, these changes are intended to provide more stable and predictable rates, continued verifiable high levels of service, and a simplified and cost-effective rate-setting methodology that also improves accuracy and transparency.

R3 reviewed the application and all relevant documents and financial schedules with MSS and recommends an increase of 6.39% to the Town of Ross's rates in 2024. This would result in an increase of \$2.95 per month for a residential 32-gallon cart, with monthly cost totaling \$49.11. Recycling is included in all accounts and customers can reduce their regular landfill container size or pickup schedule for commercial accounts resulting in lower rates.

R3 conducted a survey of Marin County refuse haulers as part of the rate review. It summarizes the survey data for residential 30-35 gallon can weekly service with curbside recycling and organics pickup. Using this comparison, the Ross proposed rate of \$49.11 is lower than the Marin County average for non-MSS service agencies of \$55.18. Of the MSS service agencies in Marin County, Ross has the second lowest rate.

As in previous years, it is recommended that the rate adjustment be applied across the board to all residential, multi-family and commercial service accounts. Actual rates for all services are provided as an attachment to Resolution No. 2346.

Franchise Fee

Article XI of the California Constitution and the California Public Resources Code allows cities and towns to regulate refuse and recycling services. Marin Sanitary Service is the Town's sole provider of refuse hauling and recycling services and performs these services in many

surrounding communities as well. These services are pursuant to a Franchise Agreement between the Town and Marin Sanitary Service, which outlines the services that must be provided by the company as well as a methodology to be followed to set customer rates each year. The Franchise Agreement with Marin Sanitary Services includes a franchise fee, which recovers the Town's costs of providing solid waste-related services, including the negotiation and administration of the franchise agreement, as well as charges for the reasonable value of the use of Town property for the provision of solid waste services.

This year, the Town Attorney's Office conducted an analysis of the Town's franchise fees owing to a recent decision by the California State Supreme Court in *Zolly v. City of Oakland*, which ruled that franchise fees may be subject to Article XIII C of the California Constitution. This study was conducted by R3 Consulting Group, Inc. The study demonstrated that the Town's costs of providing solid waste-related services together with the reasonable charges that the Town could impose for the use of Town property for solid waste services exceed the Town's franchise fee. These results can be found in Attachment 4. This year's rate adjustment resolution includes a finding that the Town's franchise fees are justified based on the recently completed analysis in Attachment 4.

Fiscal, resource and timeline impacts

The 6.39% overall increase is applied to all customer types and service options as included in the attached Resolution. If approved, these rates are projected to satisfy the Town's contractual obligations to meet the MSS revenue requirement to cover Ross refuse and recycling service costs, including franchise fees. Franchise fees are deposited into the Town's General Fund and all costs for solid waste-related services are paid for out of the General Fund.

Environmental review (if applicable)

N/A

Attachments

1. Resolution No. 2346 including Rate Schedule
2. Marin Sanitary Service's 2024 Rate Application Letter Including Combined Service Area Rate Application Table
3. Independent Consultant R3's Review of MSS's 2024 Rate Application
4. Solid Waste Franchise Fee Study Report, dated December 6, 2023

ATTACHMENT 1

TOWN OF ROSS

RESOLUTION NO. 2346

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF ROSS AUTHORIZING MAXIMUM RATES TO BE IMPOSED AND COLLECTED BY MARIN SANITARY SERVICE FOR REFUSE AND RECYCLABLE MATERIAL COLLECTION AND DISPOSAL SERVICES TO BE EFFECTIVE JANUARY 1, 2024, AND DETERMINING THAT THE TOWN'S FRANCHISE FEES ARE JUSTIFIED BY THE TOWN'S COSTS OF PROVIDING SOLID WASTE SERVICES AND REASONABLE CHARGES FOR THE USE OF TOWN PROPERTY FOR SOLID WASTE SERVICES

WHEREAS, Section 6.12.350 of the Ross Municipal Code (RMC) provides that a charge shall be imposed and collected by the authorized refuse and recycling agent. Marin Sanitary Services (MSS) is the authorized refuse and recycling agent in the Town of Ross. MSS has proposed a 6.39% increase in customer rates for calendar year 2024. Along with San Rafael, Larkspur, Fairfax, San Anselmo, portions of Marin County and the Las Gallinas Valley Sanitary District, the Town retained R3 Consulting Group, Inc., an independent consulting firm, to review the appropriateness of the proposed rate increase. R3 has determined the proposed rate increase is appropriate per the attached report. Based on R3's findings, the Town determines that the proposed increase is based on a formula determined by MSS's actual costs of service and is authorized under the Franchise Agreement; and

WHEREAS, the services and rates for the collection of solid waste, including food waste and recycling and resource recovery, proposed and charged by MSS are set forth in Exhibit A; and

WHEREAS, the Franchise Agreement between the Town of Ross and MSS includes a franchise fee paid by MSS to the Town to compensate the Town for its costs of providing solid waste services and the reasonable values of the Town property used for solid waste services; and

WHEREAS, the Town of Ross has conducted a review of said franchise fee based on the Town's actual cost of providing solid waste-related services and the reasonable values of Town property used for solid waste services and produced a report justifying the Town's annual franchise fee amounts ("Franchise Fee Report"); and

WHEREAS, the rates for solid waste service are set and imposed by MSS and the Town's franchise fees are set by the Franchise Agreement, and by adopting this resolution, the Town does not intend to impose any rates, fees, or charges on solid waste customers. However, to the extent that the adoption of this resolution results in the Town's imposition of any fees, rates, or charges, on solid waste customers, for services or facilities in connection with a solid waste system, including the franchise fees, those charges are adopted pursuant to California Health and Safety Code section 5471; and

NOW THEREFORE BE IT RESOLVED AS FOLLOWS:

Section 1. The schedule of maximum rates and fees, to be imposed and collected by MSS, attached hereto as "Exhibit A" and incorporated herein by reference, is hereby approved.

Section 2. The Town Council accepts and adopts the Franchise Fee Study and finds and determines that the Town's franchise fee complies with Article XIII C of the California Constitution and is justified by the Town's costs of providing solid waste-related services and the reasonable charges for the use of Town property for solid waste services.

The foregoing resolution was duly adopted by the Ross Town Council at its regular meeting held on the 14th day of December 2023, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Elizabeth Brekhus, Mayor

ATTEST:

Cyndie Martel, Town Clerk

**TOWN OF ROSS
EXHIBIT C - SCHEDULE OF RATES**

RESIDENTIAL REFUSE COLLECTION RATES					
		Rate increase:	6.39%		
		Effective date:	01/01/2024		
<i>Residential Service (Bundled service includes 1 landfill (garbage) cart, 1 organics cart, & 1 recycling split cart)</i>					
REOCCURING CHARGES	Weekly Service Rates (Billed Quarterly)	Flat rate		Hill Rate	
		Monthly Rate	Quarterly Rate	Monthly Rate	Quarterly Rate
	20 gallon cart	\$41.73	\$125.19	\$52.40	\$157.20
	32 gallon cart	\$49.11	\$147.33	\$61.63	\$184.89
	64 gallon cart	\$98.22	\$294.66	\$123.26	\$369.78
	96 gallon cart	\$147.33	\$441.99	\$184.89	\$554.67
	Low income - 20 gal* cart	\$33.38	\$100.14	\$41.92	\$125.76
	Low income - 32 gal* cart	\$39.29	\$117.87	\$49.30	\$147.90
	Low income - 64 gal* cart	\$78.58	\$235.74	\$98.61	\$295.83
	Low income - 96 gal* cart	\$117.86	\$353.58	\$147.91	\$443.73
	Additional Organics Cart Rental (35 or 64 gallon cart)	\$2.64	\$7.92	\$2.64	\$7.92
	Additional Split Cart Rental (64 or 96 gallon cart)	\$2.64	\$7.92	\$2.64	\$7.92
	Additional Monthly Charges	Monthly Fee	Quarterly Fee		
		(per cart, each way)			
Distance 5' - 50'	\$5.97	\$17.91			
Distance Over 50'	\$9.52	\$28.56			

*Must meet PG&E CARE program eligibility requirements.

NOTE: We may not be able to accommodate any collection requests NOT at the curb due to a variety of factors including safety, accessibility, and efficiency. Requests to be assessed and approved by Route Manager.

ONE TIME SERVICE FEES	Fee
Additional Service Fees per Occurrence	
Return Fees - Off day	\$25.00
Return Fees - Same day	\$10.00
Resume Service/Late Fee	\$35.00
Contamination (cart) any size cart	\$30.00
Overload/Overweight (cart)	\$25.00
Extra bag garbage	\$15.00
Extra bag yard waste	\$10.00
Steam Clean (cart)	\$15.00
Special Collection	\$35.00
Special Handling (Bulky items)	\$30.00
Bulky item fees per item	Fees Vary
Cart Strap Set-up Admin Fee	\$25.00
20 Gal Cart Replacement Fee	\$55.00
32 Gal Cart Replacement Fee	\$60.00
64 Gal Cart Replacement Fee	\$65.00
96 Gal Cart Replacement Fee	\$75.00
64 Gal Split Cart Replacement Fee	\$90.00
96 Gal Split Cart Replacement Fee	\$100.00

TOWN OF ROSS
EXHIBIT C - SCHEDULE OF RATES

COMMERCIAL REFUSE MONTHLY COLLECTION RATES

Rate increase: 6.39%
Effective date: 01/01/2024

	COMMERCIAL CARTS, BINS, ROLL-OFFS							Additional One Time Empty/On Call
	Collections per Week							
	1	2	3	4	5	6		
Garbage								
20 gallon cart*	\$41.74	\$83.48	\$125.22	\$166.96	\$208.70	\$250.44	\$9.63	
32 gallon cart	\$49.11	\$98.22	\$147.33	\$196.44	\$245.55	\$294.66	\$11.33	
64 gallon cart	\$98.22	\$196.44	\$294.66	\$392.88	\$491.10	\$589.32	\$22.67	
96 gallon cart	\$147.33	\$294.66	\$441.99	\$589.32	\$736.65	\$883.98	\$34.00	
1 yard bin	\$245.97	\$333.61	\$426.05	\$518.51	\$610.93	\$708.24	\$56.76	
2 yard bin	\$491.94	\$667.22	\$852.12	\$1,037.03	\$1,221.87	\$1,416.46	\$113.52	
3 yard bin	\$630.46	\$1,260.70	\$1,891.18	\$2,521.52	\$3,152.10	\$3,782.33	\$145.49	
4 yard bin	\$804.17	\$1,608.23	\$2,412.41	\$3,216.47	\$4,020.72	\$4,824.72	\$185.58	
5 yard bin	\$977.88	\$1,955.77	\$2,933.67	\$3,911.41	\$4,889.32	\$5,867.10	\$225.66	
6 yard bin	\$1,173.45	\$2,346.93	\$3,520.38	\$4,693.69	\$5,867.21	\$7,040.52	\$270.80	
10 yard roll-off	\$1,457.16	\$2,913.99	\$4,371.08	\$5,828.10	\$7,285.07	\$8,742.25	\$336.27	
18 yard roll-off	\$2,330.56	\$4,661.03	\$6,991.56	\$9,322.00	\$11,652.71	\$13,983.15	\$537.82	
20 yard roll-off	\$2,914.32	\$5,827.98	\$8,742.13	\$11,656.18	\$14,570.13	\$17,484.49	\$672.54	
25 yard roll-off	\$3,642.91	\$7,284.99	\$10,927.67	\$14,570.25	\$18,212.69	\$21,855.61	\$840.67	
Organics (F2E or Compost)	1	2	3	4	5	6	Additional One Time Empty/ On Call	
32 gallon	\$21.03	\$42.06	\$63.09	\$84.12	\$105.15	\$126.18	\$4.85	
64 gallon	\$42.06	\$84.12	\$126.18	\$168.24	\$210.30	\$252.36	\$9.71	
1 yard	\$147.11	\$294.22	\$441.33	\$588.44	\$735.55	\$882.66	\$33.95	
2 yard	\$294.22	\$588.44	\$882.66	\$1,176.88	\$1,471.10	\$1,765.32	\$67.90	
3 yard	\$441.33	\$882.66	\$1,323.99	\$1,765.32	\$2,206.65	\$2,647.98	\$101.85	
10 yard roll-off	\$1,020.01	\$2,040.02	\$3,060.03	\$4,080.04	\$5,100.05	\$6,120.06	\$235.39	
18 yard roll-off	\$1,836.02	\$3,672.04	\$5,508.06	\$7,344.08	\$9,180.10	\$11,016.12	\$423.70	
20 yard roll-off	\$2,040.02	\$4,080.04	\$6,120.06	\$8,160.08	\$10,200.10	\$12,240.12	\$470.77	
25 yard roll-off	\$2,550.03	\$5,100.06	\$7,650.09	\$10,200.12	\$12,750.15	\$15,300.18	\$588.47	
Garbage Compactors (Per empty)								
Roll-off Compactor Tipping fee per ton		\$142.81			Roll-off Compactor Hauling charge		\$316.38	
Stationary FL (Per Compacted Yard)		\$112.87			Roll-off Compactor Special handling		Rates Vary	
Other Charges	Service		Fee		Details			
	Lock		\$25.00		Monthly fee			
	Box rental		Fees Vary		Minimum Bimonthly fee			
	Minimum Load		ML		Monthly fee			
	Distance < 50ft		\$5.97		Monthly fee per cart, each way			
Distance > 50ft		\$9.52		Monthly fee per cart, each way				

* Customers must have a sufficient level of service for the volume of material generated. Requests for 20gal carts require assessment and approval of a Route Manager.

NOTE: All container types and sizes may not be available at all locations depending on a variety of factors including safety, accessibility, and efficiency. Requests to be assessed and approved by Route Manager.
On Call rate only available with approval from Route Manager

	COMMERCIAL SERVICE FEES	
	Service	Fee
Commercial Service Fees		Fee
Return Fee - BIN		\$75.00
Return Fee - CART -same day		\$10.00
Return Fee - CART -off day		\$25.00
Late Fee/Resume Service Fee		\$35.00
Contamination (BIN)		\$50.00
Contamination (CART)		\$30.00
Overload/Compaction (BIN)		\$60.00
Overload/Compaction (CART)		\$25.00
Additional Empty/Bag Garbage		\$15.00
Additional Empty BIN		Fees vary
Extra Bag Yard Waste		\$15.00
Steam Clean (1-6 yard BIN)		\$95.00
Steam Clean (CART)		\$15.00
Steam Clean (COMPACTOR/ROLL-OFF)		\$225.00
Lock Set-up Admin Fee		\$25.00
Lock Single Use Fee		\$5.00
Lock Purchase Fee		\$20.00
Lock Bar Bin Set-up Fee		\$75.00
Overweight Charge Per Ton*		\$205.00
20 Gal Cart Replacement Fee		\$55.00
32 Gal Cart Replacement Fee		\$60.00
64 Gal Cart Replacement Fee		\$65.00
96 Gal Cart Replacement Fee		\$75.00
64 Gal Split Cart Replacement Fee		\$90.00
96 Gal Split Cart Replacement Fee		\$100.00
Bin Repair/Replacement Fee**		Fees vary

*Boxes exceeding 300lbs/yard

**Fees vary by size up to \$1,200, not to exceed current replacement value.

TOWN OF ROSS
EXHIBIT C - SCHEDULE OF RATES

MULTI-FAMILY DWELLING REFUSE MONTHLY COLLECTION RATES

Rate increase: 6.39%
Effective date: 01/01/2024

	MFD CARTS, BINS, ROLL-OFFS							Additional One Time Empty/On Call
	Collections per Week							
Garbage	1	2	3	4	5	6		
20 gallon cart*	\$41.74	\$83.48	\$125.22	\$166.96	\$208.70	\$250.44	\$9.63	
32 gallon cart	\$49.11	\$98.22	\$147.33	\$196.44	\$245.55	\$294.66	\$11.33	
64 gallon cart	\$98.22	\$196.44	\$294.66	\$392.88	\$491.10	\$589.32	\$22.67	
96 gallon cart	\$147.33	\$294.66	\$441.99	\$589.32	\$736.65	\$883.98	\$34.00	
32 gallon - hill	\$61.63	\$123.26	\$184.89	\$246.54	\$308.15	\$369.78	\$14.22	
64 gallon - hill	\$123.26	\$246.52	\$369.78	\$493.04	\$616.30	\$739.56	\$28.44	
96 gallon - hill	\$184.89	\$369.78	\$554.67	\$739.56	\$924.45	\$1,109.34	\$42.67	
1 yard bin	\$245.97	\$333.61	\$426.05	\$518.51	\$610.93	\$708.24	\$56.76	
2 yard bin	\$491.94	\$667.22	\$852.12	\$1,037.03	\$1,221.87	\$1,416.46	\$113.52	
3 yard bin	\$630.46	\$1,260.70	\$1,891.18	\$2,521.52	\$3,152.10	\$3,782.33	\$145.49	
4 yard bin	\$804.17	\$1,608.23	\$2,412.41	\$3,216.47	\$4,020.72	\$4,824.72	\$185.58	
5 yard bin	\$977.88	\$1,955.77	\$2,933.67	\$3,911.41	\$4,889.32	\$5,867.10	\$225.66	
6 yard bin	\$1,173.45	\$2,346.93	\$3,520.38	\$4,693.69	\$5,867.21	\$7,040.52	\$270.80	
10 yard roll-off	\$1,457.16	\$2,913.99	\$4,371.08	\$5,828.10	\$7,285.07	\$8,742.25	\$336.27	
18 yard roll-off	\$2,330.56	\$4,661.03	\$6,991.56	\$9,322.00	\$11,652.71	\$13,983.15	\$537.82	
20 yard roll-off	\$2,914.32	\$5,827.98	\$8,742.13	\$11,656.18	\$14,570.13	\$17,484.49	\$672.54	
25 yard roll-off	\$3,642.91	\$7,284.99	\$10,927.67	\$14,570.25	\$18,212.69	\$21,855.61	\$840.67	
Organics	1	2	3	4	5	6	Additional One Time Empty/ On Call	
Additional Organics Cart Rental (35 gallon cart) after 4 TOTAL carts per cart per month	\$2.64	\$5.28	\$7.92	\$10.56	\$13.20	\$15.84	NA	
Additional Organics Cart Rental (64 gallon cart) after 4 TOTAL carts per cart per month.	\$2.64	\$5.28	\$7.92	\$10.56	\$13.20	\$15.84	NA	
1 yard	\$147.11	\$294.22	\$441.33	\$588.44	\$735.55	\$882.66	\$33.95	
2 yard	\$294.22	\$588.44	\$882.66	\$1,176.88	\$1,471.10	\$1,765.32	\$67.90	
3 yard	\$441.33	\$882.66	\$1,323.99	\$1,765.32	\$2,206.65	\$2,647.98	\$101.85	
Garbage Compactors (Per empty)								
Roll-off Compactor Tipping fee per ton		\$142.81		Roll-off Compactor Hauling charge			\$316.38	
Stationary FL (Per Compacted Yard)		\$112.87		Roll-off Compactor Special handling			Rates Vary	
Other Charges	Service		Fee	Details				
	Lock		\$25.00	Monthly fee				
	Box rental		Fees Vary	Minimum Bimonthly fee				
	Minimum Load ML		Fees Vary	Monthly fee				
	Distance < 50ft		\$5.97	Monthly fee per cart, each way				
Distance > 50ft		\$9.52	Monthly fee per cart, each way					

NOTE: Minimum service level is 32 gallons per unit or equivalent volume. Decrease to 20 gallon per unit is subject to company review and approval.
 NOTE: Up to four (4) Organics carts provided at no additional charge. Additional carts may be rented for a nominal monthly fee.
 NOTE: All container types and sizes may not be available depending on a variety of factors including safety, accessibility, and efficiency. Requests to be assessed and approved by Route Manager.
 On Call rate only available with approval from Route Manager

MFD One Time Service Fees	Fee
Return Fee - BIN	\$75.00
Return Fee - CART -same day	\$10.00
Return Fee - CART -off day	\$25.00
Late Fee/Resume Service Fee	\$35.00
Contamination (BIN) Per Yard	\$50.00
Contamination (CART)	\$30.00
Overload/Compaction (BIN)	\$60.00
Overload/Compaction (CART)	\$25.00
Additional Empty/Bag Garbage	\$15.00
Extra Bag Yard Waste	\$10.00
Additional Empty Garbage	Fees vary
Steam Clean (BIN)	\$95.00
Steam Clean (CART)	\$15.00
Steam Clean (COMPACTOR/ROLL-OFF)	\$225.00
Lock Set-up Admin Fee	\$25.00
Lock Single Use Fee	\$5.00
Lock Purchase Fee	\$20.00
Lock Bar Bin Set-up Fee	\$75.00
Overweight Charge Per Ton*	\$205.00
20 Gal Cart Replacement Fee	\$55.00
32 Gal Cart Replacement Fee	\$60.00
64 Gal Cart Replacement Fee	\$65.00
96 Gal Cart Replacement Fee	\$75.00
64 Gal Split Cart Replacement Fee	\$90.00
96 Gal Split Cart Replacement Fee	\$100.00
Bin Repair/Replacement Fee**	Fees vary by size up

*Boxes exceeding 300lbs/yard
 **Fees vary by size not to exceed current replacement value.

ATTACHMENT 2

Marin Sanitary Service

CONSERVATION – OUR EARTH, OUR MISSION, OUR JOB



August 31, 2023

Sent via e-mail

Mr. Cory Bytof
Sustainability Coordinator
City of San Rafael

Mr. Curtis Paxton
General Manager
Las Gallinas Valley Sanitary District

Ms. Kimberly Scheibly
Zero Waste Marin Executive Director
County of Marin

Ms. Heather Abrams
Town Manager
Town of Fairfax

Mr. Daniel Schwarz
City Manager
City of Larkspur

Mr. Dave Donery
Town Manager
Town of San Anselmo

Ms. Christa Johnson
Town Manager
Town of Ross

Mr. Garth Schultz
Principal
R3 Consulting Group

Subject: 2024 Combined Service Area Rate Application

Dear Ms. Scheibly, Abrams, Johnson, and Messrs. Bytof, Paxton, Schwarz, Donery, and Schultz

Attached is Marin Sanitary Service's (MSS) rate calculation for rates to be effective January 1, 2024, in our combined service area. The 2024 Rate Application has been prepared in accordance with Exhibit B, Collector's Rate Revenue Requirement and Rate Adjustment methodology. This methodology was ratified by the Marin Franchisors' Group (MFG) during the 2019 Rate Application process. The same methodology was adopted by the Town of Fairfax and the Town of San Anselmo in 2019, during the 2020 Rate Application process.

Overview

Exhibit B specifies that the 2024 Rate Application is to be prepared utilizing the Indexed Rate Revenue Requirement methodology. This means that a majority of MSS's operating costs are adjusted by the change in the Consumer Price Index for Water and Sewer and Trash Collection, US city average, (referred to as the WST index). Other operating costs such as Garbage Landfilling, Organics Processing, Recyclable Materials Processing, Zero Waste Marin Fees, and Other Agency Fees are adjusted based upon projections or other methods to arrive at 2024 expenses. These adjusted expenses, plus Franchise Fees and Collector Profit, are totaled for the 2024 Rate Revenue Requirement.

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



The 2024 Rate Revenue Requirement is calculated individually for each jurisdiction to account for varying Franchises Fees and Other Agency Fees. The 2024 Rate Revenue Requirement is then divided by the 2023 Rate Revenue Requirement to arrive at the 2024 Rate Adjustment Factor for each jurisdiction.

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

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

AB 1826 was passed in October 2014 and set requirements for all businesses and multi-family complexes that meet certain criteria to arrange for organics recycling. SB 1383 was passed in September 2016 and expands upon the requirements of AB 1826. Taken together, these two mandates represent the most significant change to the laws affecting our industry since AB 939 was passed in 1989.

We have implemented the changes due to SB 1383 as directed in our franchise agreement amendments from last year. This includes the purchase of new processing equipment that will allow us to expand our Food2Energy program ensuring sufficient capacity for the increased organics we will be collecting. We have also expanded our organics routes including the creation of a new route in 2021. In 2022 we hired an additional outreach specialist to help with SB 1383 compliance for the residents, multi-family properties, and businesses in our service area.

This year, we do not anticipate any significant increases in cost to fulfill our obligations with SB 1383. However, it remains that the changes are incremental and will occur over the next several years, during which time our pool of operating costs subject to the WST indexing may not compensate for our cost increases related to these changes (in law).

Recyclable Materials Processing

As noted in our May 2023 update meeting, the recyclable materials market has softened from the highs of the past few years. This combined with lower curbside tonnage has resulted in an increase in the processing fee to \$1.4 million.

Annual Rate Revenue Reconciliation-2022

As noted in our May 2023 update meeting, our actual annual billings compared to the 2022 rate revenue requirement had a shortfall of \$533 thousand. This is a decrease from last year as we continue to see a recovery from the economic effects of the pandemic on the communities we serve.

Property Insurance

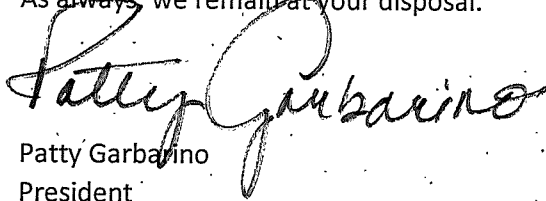
As noted in last year's Rate Application, our long-time property insurance carrier, Affiliated FM, non-renewed their entire book of Waste Hauling business throughout the country. This was due to some very large claims they had at waste facilities in other parts of the country. In addition, the wildfires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

The end result is that the annual premium for our combined facilities increased from about \$80,000 to almost \$760,000. The extraordinary request we have included relates specifically to the increased tipping fee at MRRA, the company that processes the recyclables collected within our franchise agreements. We have explored the option of self-insurance and found that it is not available for property insurance.

Conclusion

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

As always, we remain at your disposal.



Patty Garbarino
President

Cc: Jason Raleigh, Marin Sanitary Service
Justin Wilcock, Marin Sanitary Service
Dale McDonald, Las Gallinas Valley Sanitary District
Cristine Alilovich, City of San Rafael
Berenice Davidson, County of Marin
Casey Poldino, County of Marin
Sean Youra, Town of Fairfax

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

**COLLECTOR'S RATE REVENUE REQUIREMENT AND RATE ADJUSTMENT
INDEXED YEAR - RATE YEAR 2024**

	MSS Service Area Total	Marin Franchisor's Group Total	San Rafael	Larkspur	County	San Anselmo	LGVSD	Fairfax	Ross
Collector Operations	33,462,857	28,727,406	18,249,610	4,586,992	2,852,086	3,182,147	2,441,216	1,553,304	597,502
Garbage Landfilling and Organics Processing	5,738,948	4,684,469	2,975,895	747,983	465,079	664,079	398,080	390,400	97,432
Change in Law - AB 1826 Costs	(7,695)	(6,606)	(4,197)	(1,055)	(656)	(732)	(561)	(357)	(137)
Change in Law - SB 1383 Costs	410,854	352,546	223,017	57,535	38,324	38,798	26,521	19,510	7,148
Subtotal for Profit Calculation	39,604,963	33,757,814	21,444,325	5,391,456	3,354,833	3,884,291	2,865,255	1,962,857	701,945
Collector Profit (90.5% Operating Ratio)	4,157,427	3,543,638	2,251,062	565,954	352,165	407,743	300,773	206,046	73,685
Recyclable Materials Processing	1,402,781	1,180,290	749,801	188,460	117,180	144,253	100,299	78,239	24,549
Interest	722,474	653,297	415,019	104,314	64,860	44,456	55,516	24,721	13,588
Zero Waste Marin Fees	735,888	620,628	394,265	99,098	61,617	73,206	52,740	42,054	12,908
Franchise Fees	5,831,924	4,989,907	2,980,219	771,058	928,516	575,296	178,221	266,721	131,893
Other Agency Fees	2,476,169	2,314,669	1,480,601	568,400	265,668	84,000	-	77,500	-
Annual Rate Revenue Reconciliation	533,181	558,036	354,503	89,103	55,402	29,439	47,421	(54,294)	11,607
Extraordinary Item - Recycling Property Insurance	162,574	136,783	86,894	21,841	13,580	16,720	11,624	9,070	2,845
Total 2024 Rate Revenue Requirement	55,627,383	47,755,063	30,156,689	7,799,684	5,213,821	5,259,405	3,611,849	2,612,914	973,020
Total 2023 Rate Revenue Requirement	52,565,320	45,105,302	28,533,184	7,361,189	4,903,281	4,963,841	3,393,112	2,496,176	914,538
2024 Rate Revenue Adjustment	5.83%	5.87%	5.69%	5.96%	6.33%	5.95%	6.45%	4.68%	6.39%

ATTACHMENT 3

FINAL REPORT

Town of Ross

Review of Marin Sanitary Services' 2024 Rate Application

submitted electronically: October 6, 2023

October 6, 2023

Christa Johnson
Town Manager
Town of Ross
31 Sir Francis Drake Blvd
Ross, CA 94957
submitted via email: cjohnson@townofross.org

SUBJECT: Final Report – Review of Marin Sanitary Service’s 2024 Rate Application

Dear Ms. Johnson,

R3 Consulting Group, Inc. (R3) is pleased to submit this report detailing the results of our review of Marin Sanitary Service’s (MSS’s) 2024 rate application for the Town of Ross.

This review was conducted pursuant to R3’s engagement with the seven agencies (Agencies) served by MSS, including the City of San Rafael, City of Larkspur, County of Marin, Las Gallinas Valley Sanitary District, Town of Ross, Town of Fairfax, and the Town of San Anselmo.

This report summarizes results from our review of MSS’s 2024 indexed rate application per the streamlined rate setting methodology established in 2019. The methodology is described in the amended Exhibit B to the Franchise Agreement that the Town holds with MSS.

* * * * *

We appreciate the opportunity to be of service to the Town. Should you have any questions regarding this report or need any additional information, please do not hesitate to reach out directly.

Sincerely,



Jim Howison | *Sr. Managing Consultant*
R3 Consulting Group, Inc.
925.768.7244 | jhowison@r3cgi.com

FINDINGS

Executive Summary

On August 31, 2023, MSS submitted its application for an increase to its solid waste rates, to be effective January 1, 2024. This is an indexed year rate adjustment, which primarily projects compensation due to MSS based on the applicable water-sewer-trash CPI Index (WST). Based on our review of the rate application, R3 concurs with MSS's calculated 2024 rate revenue requirement of \$973,020, which is \$58,482 higher than the 2023 rate revenue requirement of \$914,538. The corresponding adjustment to the Town's solid waste rates for 2024 is 6.39%, based on a January 1, 2024 effective date.

Table 1: 2024 Rate Adjustment Summary

	2023	2024	Dollar Change	Percentage Change	Adjustment to Rates
Collector Operations	569,049	597,502	28,453	5.00%	3.11%
Garbage Landfilling and Organics Processing	91,355	97,432	6,077	6.65%	0.66%
State Compliance Database Subscription	275	(137)	(412)	-150.00%	-0.05%
SB 1383 Compliance	6,759	7,148	389	5.76%	0.04%
Profit Calculation	70,063	73,685	3,622	5.17%	0.40%
Recyclable Materials Processing	6,201	24,549	18,348	295.89%	2.01%
Interest	12,941	13,588	647	5.00%	0.07%
Zero Waste Marin Fees	12,422	12,908	486	3.91%	0.05%
Franchise Fees	123,966	131,893	7,927	6.39%	0.87%
Annual Rate Revenue Reconciliation	20,081	11,607	(8,474)	-42.20%	-0.93%
Recycling Property Insurance	2,216	2,845	629	28.38%	0.07%
SB 1383 Negotiations and Implementation Support	(789)	0	789	-100.00%	0.09%
Total Annual Rate Revenue Requirement	914,538	973,020	58,482	6.39%	6.39%

2024 Rate Adjustment Details

Collector Operations

Collector Operations compensates MSS for labor, benefits, general and administrative, depreciation and lease, maintenance, fuel and oil. Per Exhibit B, compensation for Collector Operations is adjusted using the CPI index for Water and Sewer and Trash Collection. R3 used publicly available Bureau of Labor Statistics data to verify the calculated increase of 5.0% to Collector Operations. Per Exhibit B, the rate adjustment is subject to a 2.5% minimum and a 5% maximum rate cap for MSS's collection operations. The result is \$597,502 in Collector Operations for the Town in 2024, which is an increase of \$28,453 compared to 2023.

Garbage and Organics Tipping Fees

Garbage Landfilling and Organics Processing tipping fee projections are calculated using actual tonnages collected from January 1 through June 30, 2023, which are then annualized to project total 2023 tonnages. Those tonnages are then multiplied by the projected 2024 tipping fees calculated in accordance with Exhibit B. This is based on the actual per ton tipping fees for each waste stream category, or if unavailable, projected tipping fees are calculated using the current year per ton tipping fees escalated by the change in WST— subject to a minimum increase of 2.5% and a maximum increase of 5.0%.

R3 reviewed MSS's projected 2024 tons and the 2024 per ton tipping fees for residential garbage, residential green waste/organics, commercial garbage, commercial mixed waste for processing, commercial food scraps, and MSS-served Agencies' waste delivered to MSS. Per Exhibit B, R3 confirmed that MSS materially correctly projected tons by category using annualized actual tons for the first six months of the current rate year and, as actual tipping fees are unavailable, applied the 5.0% WST adjustment to project 2024 per ton tip fees. The result is \$97,432 in Garbage and Organics Tipping fees for the Town in 2024, which is an increase \$6,077 compared to 2023.

Database Subscription for Compliance with State Law

The rate setting methodology allows for the recovery of additional revenues associated with costs for changes in law and/or new State mandates. For increased operating expenses due to State Laws, including AB 1826 and SB 1383, MSS has included in its rate application a line item for a compliance database. Zero Waste Marin has assumed responsibility for the tracking and reporting of materials. MSS discontinued its subscription to Recyclist and received a refund. Compared to 2024 costs declined \$412. For 2024 the City's portion of that credit totals \$137.

Compliance with SB 1383

MSS is requesting continued revenue in association with SB 1383 with the goal of increasing compliance with the State of California's organics state mandate(s). The company will continue to provide compliance monitoring and inspection services, contamination monitoring, outreach and education, and reporting functions on behalf of the Town. The total 2024 revenue recovery for these new SB 1383 compliance measures for MSS is \$7,148 for an increase of \$389 or 5.76%.

Profit Calculation

R3 reviewed the calculation of MSS's profit, which is a function of total allowable operating expenses (\$701,945 for the Town) divided by the contractually set operating ratio of 90.5% and subtracting the same sum, rounded to the nearest dollar. MSS's actual profit achievement will vary depending on the company's real revenues and expenses; as such, profit is not guaranteed. The result is \$73,685 in Calculated Profit for the Town in 2024, which is an increase of \$3,622 compared to 2023. The increase is due to increases in allowable operating expenses, which were described in the previous sections of this report.

Recyclable Materials Processing

A net recyclable materials processing cost is calculated each year to share the risks and rewards of changing recycling markets between rate payers and MSS. Per Exhibit B, the Recyclable Materials Processing cost is escalated by the annual change in the WST and that amount is then divided by the number of all tons of recyclable materials processed at Marin Recycling Center from July 1 of the prior rate year through June 30 of the current rate year.

The recyclable materials revenue amount is calculated based on 90% of the total revenue received by the Marin Recycling Center for recyclable materials, which is then divided by the number recyclable material tons processed at Marin Recycling Center. The calculation does not include income or tons from recyclable materials processed for third parties or agencies that were not customers of MSS or the Marin Recycling Center as of December 31, 2018. For Rate Year 2024, the resulting Net Recyclable Materials Processing Cost Per Ton is \$78.87, an increase of \$60.15 from the 2023 value of \$18.72. This increase is due to changes in the value of recyclable commodities sold by MSS. The result is \$24,549 in Recyclable Materials Processing costs for the Town in 2024, which is an increase of \$18,348.

Interest

Interest is based on MSS's actual interest from its loan amortization schedules for actual and projected capital expenditures for services under the Agreement as of the last base year review in 2019. This is increased in the same manner as Collector Operations, as described above, via WST annually. The result is \$13,588 in interest for the Town in 2024, which is an increase of \$647 compared to 2023.

Zero Waste Marin Fees

Zero Waste Marin Fees are set as a pass through as government fees and, per Exhibit B to the agreements, changes in such fees result in appropriate adjustments to rates to compensate MSS for increases or decreases in such fees. Zero Waste Marin fees included in the annual indexed rate applications for the MSS service area are set to be equal to the current Zero Waste Marin Fee assessments for the current fiscal year, with 100% of the MSS hauler fees passed through to the MSS Agencies, and with none of the MSS Transfer Station fees passed through to the MSS Agencies. The result is \$12,908 in Zero Waste Marin Fees for the Town in 2024, which is an increase of \$486 compared to 2023.

Franchise Fees

Franchise Fees are calculated by multiplying the applicable franchise fee percentage by each agency served by MSS by the revenues projected for each that Rate Year. The Town's Franchise Fee is 13.555% of gross revenues. The result is \$131,893 in Franchise Fees for the Town in 2024. Franchise Fees fund the costs of compliance with State laws, management and administration of the Town's Agreement with MSS, and compensate the Town for the value of the property rights conveyed to MSS via the Agreement.

Annual Rate Revenue Reconciliation

The Rate Revenue Reconciliation item is to reconcile the projected rate revenue from the 2022 rate adjustment to the actual revenue collected through rates charged during the 2021 rate year. MSS experienced a surplus of \$11,607 in 2022 billed revenues in the Town compared to the 2022 revenue requirement. That amount is therefore included in the 2024 rate application.

Recycling Property Insurance

Property insurance for recycling processing facilities have gone up across the country for circumstances outside of MSS's control. MSS has previously and separately briefed the Agencies on this item, and R3 is aware of the market circumstances surrounding it. R3 finds that this extraordinary item is supported and reasonable. The result is \$2,845 in Recycling Property Insurance for the Town in 2024, which is an increase of \$629 compared to 2023.

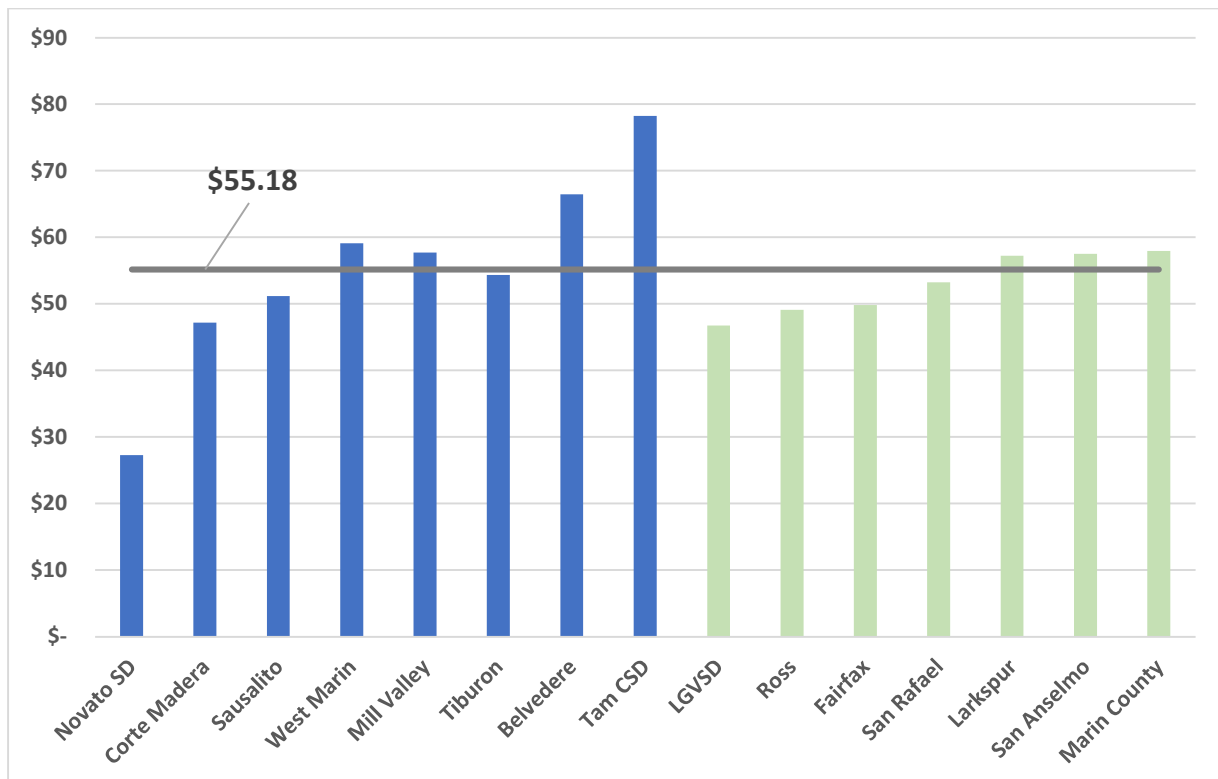
Funding for SB 1383 Contract Negotiations and Implementation

The MSS served Agencies have contracted with R3 to provide support for negotiation of an amendment to the MSS franchise agreements with the Agencies, effectuating the new services, terms and conditions for SB 1383 compliance. That contract also includes a contingency for support to the Agencies in implementing SB 1383 in 2022. R3's expenses for that work were budgeted at \$44,380 but then determined that services were not needed. For 2023 the Town of Ross received a credit for its portion of \$789.

Survey of Comparable Rates

Figure 1 illustrates R3's survey of solid waste rates as of October 2023 for agencies located throughout Marin County. These survey results are presented as an indication of the reasonableness of the resulting rates for 2024. For comparison purposes, agencies serviced by MSS are designated in green and represent the proposed pricing for 32-gallon cart, including the current rate increase. Other, non-MSS service agencies are designated in blue and are current pricing, though price increases are expected for 2024 as well. The average cost for the 30–35-gallon cart for non-MSS service agencies is represented by the grey line is \$55.18. The 32-gallon cart is projected to cost \$49.11 per month for the flat regions of the Town. The 2024 Hill Rate for the 32-gallon cart is projected at \$61.63 per month. The Town's commercial rates for a 3-cubic yard bin serviced one time per week will be \$630.46 compared to \$592.59 the previous year.

Figure 1: Comparison of MSS's 2024 Rates to Other Marin County Agencies



ATTACHMENT 4

December 6, 2023

Ms. Christa Johnson
Town Manager
Town of Ross

submitted via email: cjohnson@townofross.org

SUBJECT: Solid Waste Franchise Fee Study Report

Dear Ms. Johnson,

R3 Consulting Group, Inc. (R3) is pleased to submit the attached report of Solid Waste Franchise Fee Study (Study) to the Town of Ross (Town). This Report presents our analytical methodology, results and findings, and recommendations regarding the solid waste Franchise Fee paid by the Town's contracted solid waste collection service provider, Marin Sanitary Service (Contractor), per the Refuse and Recyclable Material Collection and Disposal Services Agreement (Agreement) between the Town and the Contractor. The purpose of this Study was to comprehensively analyze and calculate the following:

- » **Town's Costs:** The annual costs to the Town for performing its management, administration, regulatory compliance and enforcement, solid waste collection and clean-up, and other obligations associated with the Contractor's Agreement and providing services related to the sanitation system.
- » **Property Use Charges:** The annual use charge to the Contractor for its special and lasting access to use government property in the public right-of-way for placement of solid waste containers and collection of the solid waste contents.
- » **Pavement Impacts:** The annualized costs for pavement repair, maintenance and rehabilitation resulting from the unique impacts to Town street pavement caused by the Contractor's solid waste collection vehicles during the course of providing sanitation service.

We then compared the calculated values for each component to the annual Franchise Fee paid by the Contractor to the Town per the Agreement. We found that the Town's current and projected Franchise Fee revenues are less than the sum of the Town's Costs and government Property Use Charges calculated in this Study; while we calculated Pavement Impacts, those are for informational purposes only, and are not included in the results for the Franchise Fee. Based on these results, we conclude that the Town's Franchise Fee amount is not more than necessary to cover the Town's reasonable costs in managing and administering the Agreement and providing services related to the sanitation system plus the reasonable value of the Contractor's use of the public right-of-way.

We appreciate the opportunity to be of service to the Town. If you have any questions regarding this Report or need additional information, please contact me.

Sincerely,



Garth Schultz | *Principal*
R3 Consulting Group, Inc.
510.292.0853 | gschultz@r3cgi.com

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1. Executive Summary

Background

The Town's Agreement with the Contractor is for the collection, processing, and disposal of solid waste from covered waste generators in the Town. The Agreement provides the Contractor with the exclusive right to provide critical aspects of the Town's sanitation system including solid waste collection and the other services and programs included in the Agreement. The Agreement specifies that the Contractor will charge solid waste service subscribers, with the Contractor billing and collecting revenues from subscribers and the Town authorizing the maximum rates that the Contractor may charge pursuant to the rate adjustment methodology included in the Agreement.

Per the Agreement, the Contractor pays the Town a Franchise Fee to cover the costs incurred by the Town in managing, administering, enforcing, and supplementing the services provided in the Agreement, as well as the reasonable charge for the use of the public right-of-way for the special and lasting access to use it for set-out and collection of solid waste containers.

Purpose

The purpose of this Study is to prove that the Franchise Fee paid by the Contractor to the Town is exempt from consideration as a tax per Article XIII C, Section 1(e) of the California Constitution ("Proposition 26") and is not higher than necessary to cover the Town's reasonable costs plus the reasonable value of the Contractor's use of the public right-of-way. There are three primary exceptions to the Proposition 26 definition of tax that are relevant to this Study:

- » **Exception 1:** "A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege."
- » **Exception 2:** "A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product."
- » **Exception 4:** "A charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property."

The Franchise Fee is a legal fee with two components. The first component includes the Town's reasonable and proportionate costs (**Town's Costs**) and is a legal fee per Exception 2. The second component includes the reasonable and proportionate and reasonable charges for the Contractor's use of the public right-of-way (**Property Use Charges**) and is a legal fee per Exception 4. Exemption 1 would apply to a charge for pavement impacts caused by Contractor's vehicles during the course of providing sanitation services; however, the Town has no such charge.

Methodology and Findings

To complete this Study, R3 reviewed and analyzed information provided by the Town and the Contractor pertaining to the Town's Costs, Property Use Charges, and impacts on pavement. Using that information, we then calculated the reasonable and proportionate amounts necessary to cover the Town's costs, including staffing and other costs, use of government property in the public right-of-way, and pavement repair, maintenance, and rehabilitation costs caused by the Contractor's solid waste collection vehicles during the course of providing sanitation service. All calculated amounts in this Study are in current Fiscal Year (FY) 2023-24 dollars.

Town's Costs

The annual costs to the Town for management, administration, regulatory compliance and enforcement, solid waste collection and clean-up, and other obligations associated with the Contractor's Agreement and the sanitation system includes: staffing salary and benefits, contracted services, capital and equipment depreciation, operations and maintenance, supplies, and overhead for distributed costs including but not limited to property, utilities, insurance, human resources, payroll administration, accounts payable and receivable, and other finance functions. Staffing costs are calculated based on estimated time allocations (based on historical experience) and other costs are calculated based on estimated share allocations associated with the sanitation system, with distributed overhead applied to both.

- » The calculation results are \$36,527 in staffing costs and \$64,541 in other costs for annual proportionate Town's Costs totaling **\$101,068**.

Property Use Charges

The annual charge to the Contractor for use of government property in the public right-of-way is calculated as a function of estimates for the number of solid waste accounts setting out solid waste collection containers in the right-of-way, the set-out area used, the amount of time it is used, and the reasonable market value for the per square foot use of the public right-of-way.

- » The calculation result for the use of the public right-of-way is a proportionate annual total Property Use Charge of **\$35,846**.

Pavement Impacts

The annualized costs for pavement repair, maintenance and rehabilitation is calculated based on the proportionate impact to pavement from solid waste collection vehicles compared to other sources of impacts. This calculation accounts for the Town's annual repair costs, five-year projections for capital improvement costs, and five-year projections for growth in deferred maintenance. The calculation also accounts for the high loading and slow speed impacts on pavement associated with solid waste collection vehicles.

- » The calculation result for the proportionate Pavement Impacts caused by Contractor's solid waste collection vehicles during the course of providing sanitation service is an annualized total repair, maintenance, and rehabilitation cost of **\$123,293**.

Conclusions

Franchise Fee

The FY 2022-23 Franchise Fee paid Contractor to the Town was \$123,350 and the projection for FY 2023-24 is \$133,360. The sum of FY 2023-24 annual Town's Costs and amounts for Property Use Charges calculated in this Study is **\$136,930** which is \$3,570 (2.7%) higher than the projected FY 2023-24 Franchise Fee payments.

- » The amount of the Franchise Fee is therefore not more than necessary to cover the Town's reasonable costs incurred in managing and administering the Agreement and providing services related to the sanitation system plus the reasonable value of the Contractor's use of the public right-of-way.

Reasonableness of Estimates and Assumptions

In performing calculations, it was necessary to estimate certain values for which information could not be attained, and for which reasonable ranges exist. Where assumptions were necessary for completing calculations, our objective was to apply assumptions on the lower end of the reasonable range.

Had we used other higher assumptions, the results of this Study would have been higher calculated Franchise Fee amounts. Therefore, we conclude that the calculated fee amounts are not higher than necessary to cover the Town's reasonable costs plus the reasonable value of the Contractor's use of the public right-of-way.

Limitations

This Study relies on information provided by the Town and the Contractor, which we have reviewed and analyzed for reasonableness and accuracy but did not independently audit or verify.

As stated above, it was necessary to estimate certain values for which information could not be attained, and for which reasonable ranges are known to exist. Though, changes to estimates and other underlying assumptions may materially change the calculations, we have elected to apply estimates on the low end of reasonable ranges, thus minimizing the potential that changes in calculations would result in different findings. We have reviewed all estimates and assumptions with Town staff and legal counsel and have mutual concurrence on applicability and reasonableness of all such values in this Study.

Finally, the methodology employed by this Study calculates the reasonable values for the Franchise Fee within the context of current laws, regulations, and court rulings. Changes in the legal framework may require revisions to the methodology and findings contained in this Study.

2. Methodology and Calculations

Town's Costs

Methodology

R3 reviewed and analyzed information provided by the Town pertaining to the General Fund costs incurred for management, administration, regulatory compliance and enforcement, solid waste collection and clean-up, and other obligations associated with the Contractor's Agreement and providing services related to the sanitation system. These costs include but may not be limited to:

- » Staffing costs, including salaries and benefits.
- » Contracted services.
- » Capital and equipment depreciation.
- » Capital and equipment operations and maintenance.
- » Supplies and materials.
- » Overhead for distributed costs such as property, utilities, insurance, human resources, payroll administration, accounts payable and receivable, and other finance functions.

Using the total annual salary, benefit and other cost information provided by the Town we estimated the proportion of costs associated with management and administration of the agreement and providing services related to the sanitation system. We then calculated the proportionate totals and categorized them by the functions listed in the sections below.

Variables, Estimates and Assumptions

Staffing Costs

Variables associated with salaries and benefits include the allocation of time that positions are dedicated to management and administration of the Agreement and providing services related to the sanitation system (including time supervising others with primary responsibility for these duties), the amount by which funding of salaries and benefits is paid by the General Fund, and the applicable amount of General Fund overhead. The estimated time allocation by position category used in this Study (and based on historical experience) is shown in Table 1, below, along with the explanation for the allocation values.

Table 1 – Allocations of Staffing Time by Position

Positions	Time Allocation	Explanation
Town Manager	5%	Estimated allocation based on Town Manager's direct solid waste management and administration role, including sitting as Zero Waste Marin Board member.

Positions	Time Allocation	Explanation
Town Clerk, Public Works Director (50%), Senior Building Inspector	2.8%	Calculated allocation based on the percentage of Town's Costs plus Property Use Charges plus Pavement Impacts divided by FY 2023-24 General Fund Budget.

R3 verified with Town staff that the salaries and benefits included in this Study are paid by the General Fund – any non-General Fund portions of positions included in Table 1 have been excluded from the calculations. A General Fund overhead rate of 15% (provided by the Town's finance staff) is also applied to the total allocated costs for distributed costs including but not limited to property, utilities, insurance, human resources, payroll administration, accounts payable and receivable, and other finance functions.

Other Costs

Variables associated with the Town's other (i.e., non-salary and benefit) costs include the proportionate allocation of those costs that are for management and administration of the Agreement and providing services related to the sanitation system, the amount by which these costs are paid by the General Fund, and the applicable amount of General Fund overhead. The estimated time allocation by cost category used in this Study is shown in Table 2, below, along with the explanation for the allocation values.

Table 2 –Allocations of Other Costs by Category

Cost Category	Cost Allocation	Explanation
Tree Trimming for Vehicle Access to Public Right-of-Way	10%	Estimated allocation based on the estimated proportion of tree trimming costs associated with this activity.
Public Works Maintenance costs for Street Sweeping and Catch Basin Waste Removal.	80%	Estimated allocation based on proportion of waste generation in by properties receiving Contractor's solid waste services in the Town.
Consulting costs for direct management and administration of Agreement and providing services related to the sanitation system. Legal costs for indirect management and administration of same.	100%	All these costs are directly associated with management and administration of the Agreement and providing services related to the sanitation system.

R3 verified with Town staff that the other costs included in this Study are paid by the General Fund – any non-General Fund portions of these costs as included in Table 2 have been excluded from the calculations. A General Fund overhead rate of 15% (provided by the Town's Finance Director) is also applied to the total allocated costs (each for staffing and for other costs) to account for distributed costs including but not limited to property, utilities, insurance, human resources, payroll administration, accounts payable and receivable, and other finance functions.

Analysis

Direct Management and Administration

This category includes Town staffing and consulting costs for direct management and administration of the Agreement and providing services related to the sanitation system. Staffing costs include allocated costs for the Town Manager, for a calculated \$22,695 in annual staffing costs. Other costs include solid waste consulting services provided by R3, for \$3,450 in annualized consulting costs. The total calculated cost for this category is **\$26,145**.

Indirect Management and Administration

This category includes Town staffing costs for indirect management and administration, including supervision of those responsible for direct management and administration of the Agreement and providing services related to the sanitation system and associated responsibilities. Allocated costs for the Town Clerk and Public Works Director are included for a calculated total annual staffing costs of \$8,370. Other costs include annual legal costs of \$11,500. The total calculated cost for this category is **\$19,870**.

CalRecycle and SB 1383 Compliance

This category would include Town staff costs and other costs for various activities associated with the Town's need to implement Senate Bill 1383 (Short-Lived Climate Pollutants Act) as well as annual reporting to the State agency, CalRecycle. No costs for these activities are included in this Study as these costs are not funded by the Town's General Fund.

Code Enforcement

This category would include Town staffing costs for enforcing the solid waste provisions of the Town's Municipal Code, which includes illegal solid waste accumulations, illegal dumping, littering, improper waste collection setouts, nuisances, and the associated investigations, warnings, notices of violation, and administration of penalties. No costs for these activities are included in this Study as these costs are not funded by the Town's General Fund.

Street Sweeping

When the Contractor or individual waste generators do not properly manage the collection of solid waste, that mismanaged solid waste tends to end up in the public right-of-way and on streets, where it must be removed by the Town. Street sweeping captures solid waste that ends up in public streets because of improper collection. Most if not all of the solid waste that ends up in the streets is generated by properties that receive solid waste collection services from the Contractor.

For the purposes of this Study, we do not assume that all mismanaged solid waste that ends up on the Town's streets is generated by properties receiving solid waste services. Rather, because there is the possibility that some solid waste collected by street sweeping operations was originally generated by other sources, this Study estimates that only 80% of the solid waste collected by street sweepers was generated by properties receiving solid waste services. This assumption is consistent with other studies conducted by R3 (for the cities of Garden Grove and San Bruno) wherein street sweeping activities were allocated between 77.4% and 90% to the sanitation system.

The allocated and annualized costs for the Town's street sweeping contract is **\$48,116**.

Catch Basin Waste Removal

As with street sweeping, solid waste that is not properly managed by waste generators or the Contractor, and not otherwise captured by street sweeping operations, accumulates in catch basins and other trash capture devices in the Town's storm drain system. As with the street sweeping category, we do not assume that all mismanaged solid waste that ends up in catch basins or trash capture devices is generated by properties that receive solid waste services; the 80% estimate used for street sweeping costs is also applied here, and for the same reasons.

This category includes Town staffing, capital equipment, and operations and maintenance costs for the Town's catch basin waste removal operations. The allocated and annualized costs for capital equipment and operations and maintenance costs are calculated to be **\$1,065**.

Illegal Dumping Mitigation

The Town's Building Inspector provides prevention and enforcement activities associated with minimal illegal dumping in the Town. As with street sweeping and catch basin waste removal, an 80% waste generation allocation is applied. Allocated annual staffing costs for this activity are calculated to be **\$5,462**.

Public Waste Containers

This category would include Town staff costs and other costs for collection of waste deposited in public waste containers in the public right-of-way and other public locations in the Town. No costs for these activities were identified by the Town and thus none of the costs associated with category are included in this Study.

Waste Collection at Town Events

This category would include Town staff costs and other costs for collection of waste generated and disposed of at Town public events. No costs for these activities were identified by the Town and thus none of the costs associated with category are included in this Study.

Tree Trimming for Vehicle Access to Public Right-of-Way

This category includes Town costs for trimming of the Town's street trees to provide safe clearance for collection vehicles to collect solid waste from the public right-of-way. The allocated and annual costs for this activity is calculated to be **\$409**.

Annual Total of Town's Costs

Table 3, on the following page, shows the total of the Town's Costs for management and administration of the Agreement and providing services related to the sanitation system as calculated in this Study, by category.

Table 3 – Annual Town’s Costs by Category and in Total

Category	Staffing Costs	Other Costs	Total
Direct Management and Administration	\$22,695	\$3,450	\$26,145
Indirect Management and Administration	\$8,370	\$11,500	\$19,870
Street Sweeping	N/A	\$48,116	\$48,116
Catch Basin Waste Removal	N/A	\$1,065	\$1,065
Illegal Dumping Mitigation	\$5,462	N/A	\$5,462
Tree Trimming for Vehicle Access to Curb	N/A	\$409	\$409
Total Annual Town’s Costs	\$36,527	\$64,541	\$101,068

Property Use Charges

Methodology

R3 reviewed and analyzed information provided by the Town and the Contractor pertaining to Property Use Charges for Contractor’s use of the public right-of-way for collection of solid waste collection containers. We then calculated the annual Property Use Charges based on:

- » The setout area used for collection of solid waste containers (in square feet).
- » The amount of time that the area is used.
- » The reasonable market value for use of the public right-of-way (in dollars per square foot).
- » The number of solid waste subscribers setting out collection containers in the public right-of-way.

Using these values, we calculated the reasonable market value for the Contractor’s use of government property in the Town.

Variables, Estimates and Assumptions

Setout Area

Standard residential solid waste collection setouts include three solid waste collection containers, usually carts with wheels and lids, with one each for garbage, recycling, and organics waste streams. The setout area needed for placement of these containers is inclusive

of the width of each container (typically two feet) as well as minimum required space between the containers and other objects such as cars (minimum of one foot). The set-out area also takes up available parking space and is thus assumed to extend six feet out from the curb. It should be noted that the Contractor's service guide shows two feet between containers and five feet between containers and other objects, which requires a much larger area than the amounts estimated in this Study. Thus, our estimated average setout area is likely low, and is therefore conservative. Taken altogether, the area for residential setouts is calculated as three containers that are each two feet wide, plus one foot between each container and other objects, for a total area ten feet wide times six feet in depth. The result is 60 square feet of setout area used for collection of solid waste containers in residential areas.

The amount of area used for commercial setouts (in this Study, use of the term commercial also always includes multi-family) can vary widely, as there is no standard commercial subscription size profile – each commercial solid waste subscriber can select from a range of container sizes, with most of them being larger than the containers used in residential areas. Given this complexity, this Study assumes that the average commercial setout area is twice that of the residential setout area, for 120 square feet. This estimate is likely lower than the average setout area needed in commercial areas and is therefore conservative.

Setout Time Usage

Standard residential solid waste collection is performed once weekly. Most residential containers are set out the evening prior to collection and are removed from the public right-of-way the following afternoon. Thus, for the purposes of this Study, we assume that collection containers are in the public right-of-way for an average of 18 hours per day, one day per week, which amounts to approximately 10.71% of each week (18 hours divided by 24 per day divided by 7 days per week).

Commercial solid waste subscription setout times can vary widely – just as there is no standard commercial subscription size profile, likewise there is no standard collection frequency. Commercial solid waste subscribers can select collection frequency between once and six times per week, and with different frequencies for different waste streams. Given this complexity, this Study assumes that the average commercial collection frequently is twice weekly, for 21.42% of each week. As with the setout area, this estimate is likely lower than the average commercial collection frequency and is therefore conservative.

Reasonable Market Value for Use of Public Right-of-Way

To establish the reasonable market value for use of the public right-of-way, R3 conducted an online survey of recent purchases of bare land in the Town and elsewhere in Marin County. R3 found one recent sale of bare land in the Town which was sold for \$126.26 per square foot. To that value, R3 added the per square foot value of the Town's street pavement, which is calculated as a function of the total replacement value of the Town's streets (\$32,567,000) divided by the area of the streets in square feet (1,286,144) both of which are contained in the Town's P-TAP report (see next section).

The resultant value of the street improvements is \$25.32 per square foot, which, when added to the \$126.26 reasonable market value of bare land, yields \$151.58 per square foot. This value is then divided by a reasonable rental realization rate of 20, for a total annual per square foot use charge for the public right-of-way of \$7.58. This is multiplied by the General Fund overhead rate of 15% to account for distributed costs including but not limited to property, utilities, insurance,

human resources, payroll administration, accounts payable and receivable, and other finance functions, with the resulting per square foot value of \$8.72.

This value is comparatively low given other methods that we could have used. For example, other Bay Area communities have established use charges for use of the public right-of-way via “Streatory” programs or parklet rentals. Other Marin County communities including Fairfax, Larkspur, San Anselmo and San Rafael have such use charges, as do other communities including Healdsburg, Oakland, Torrance, and Windsor. The minimum annual use charge per square foot in these communities is \$5.21 (Fairfax and Oakland) and the largest is \$30.00 (Windsor). The average annual per square foot use charge in these communities is \$15.67. To be conservative in our calculations, we used the lower \$8.72 per square foot charge for the purpose of this study as the Town has not established a “Streatory” program use charge.

Number of Subscriptions Setting Out Containers

The Contractor reports that there are 795 residential and 20 commercial solid waste service subscribers in the Town. However, not all subscribers set out their containers in the public right-of-way for collection all the time. To account for non-setouts (either because subscribers don’t have waste materials to set out or because they receive on-premises service) we assume that only 90% of residential solid waste subscribers set out containers on a regular basis. Additionally, because approximately 10% of the streets in the Town are privately owned and maintained, we further assume a reduction in public right-of-way used for setouts in this analysis. The result is 636 average residential setouts. It is also understood that most commercial subscribers do not set out containers in the public right-of-way, and therefore we conservatively assume that only 5% of commercial subscribers set out containers on a regular basis, for a resulting total of 1 average commercial setouts.

Analysis and Total Annual Property Use Charges

Calculating the total annual Property Use Charges using the variables, estimates and assumptions from the prior section is a function of multiplication, as shown in Table 4, below.

Table 4 – Calculation of Total Annual Property Use Charges

Variable Category	Residential	Commercial	Grand Total Annual Property Use Charge
Setout Area	60 SF	120 SF	
Setout Time Usage	10.71%	21.42%	
Annual Use Charge	\$8.72 per SF	\$8.72 per SF	
Number of Setouts	636	1	
Total Annual Property Use Charges	\$35,638	\$224	\$35,862

Pavement Impacts

Methodology

R3 reviewed and analyzed information provided by the Town pertaining to Pavement Impacts from the Contractor’s solid waste collection vehicles. We then calculated estimates of the proportionate share of the average annual pavement repair, maintenance and rehabilitation costs

associated with solid waste collection vehicles based on the proportionate impact to pavement from solid waste collection vehicles compared to other sources of impacts.

The calculation accounts for the Town's annual repair costs, five-year projections for capital improvement costs, and five-year projections for annualized growth in deferred maintenance. The calculation also accounts for the high loading and slow speed impacts on pavement associated with solid waste collection vehicles. The calculation proportionately allocates the average annual pavement management costs to solid waste vehicles based on:

- » The equivalent single-axle load and proportionate impacts from speed for those vehicles compared to other vehicles.
- » The number of vehicle trips on Town streets.
- » The proportion of vehicle trips that are made by trucks versus automobiles.¹

Variables, Estimates and Assumptions

The weight, loading, slow speed, and frequent stops that characterize solid waste collection vehicle operations impose unique and quantifiable impacts on the Town's street pavement. It is important to understand that, while calculation of vehicle impacts to pavement can be precise for individual vehicles, out of necessity we made certain assumptions about overall blended pavement impacts associated with several categories of vehicle types for the purposes of this Study. This is because we sought to calculate estimated impacts to all street pavement in the Town, covering all vehicle uses, and precise traffic information at that scale is not currently available. Thus, we make informed assumptions regarding several variables necessary for this Study.

For each of these variables, there is a range of potentially reasonable values that may be used. We have selected values at the low end of the reasonable range to present findings that conservatively calculate estimated values of the pavement impacts associated with the Contractor's solid waste collection vehicles during the course of providing sanitation service. Assumptions used are described in the following subsections, which reference sources supporting the summary provided here. We must note that changes in assumptions may result in material changes in calculation results and findings.

Factors Impacting Pavement Conditions

Street pavement repair, maintenance and rehabilitation needs and their resulting costs are affected by several factors including vehicle usage and trench cuts and subsurface activities related to underground utilities. Environmental conditions such as light and water also contribute to pavement repair, maintenance and rehabilitation needs in combination with the primary impacts from vehicles, trench cuts, and subsurface activities. This Study only focuses on the impacts to street pavement from vehicles, and the proportion of those impacts that are attributable to the Contractor's solid waste collection vehicles as they perform sanitation service.

¹ Our analysis accounts for the distribution of vehicles among the 13 Federal Highway Administration vehicle classifications, which include passenger cars, SUVs/pick-ups, buses, and multiple truck and truck/trailer axle combinations.

Town’s Costs for Pavement Repair, Maintenance and Rehabilitation

The Town regularly projects its costs for repair, maintenance and rehabilitation of pavement resulting from degradation due to use. These projections, and the basis for them, are documented in Pavement Management Technical Assistance Program (P-TAP) reports which the Town commissions with engineering consultants.² Per the Town’s March 2022 P-TAP report, the Town’s projected average annual pavement maintenance and rehabilitation costs from 2022 through 2026 for its entire street network, are approximately \$526,000. Per the P-TAP, deferred pavement maintenance on the Town’s streets³ (which is the result of degrading pavement conditions associated with the impacts of vehicles) is not projected to increase.

Axle Loading

Our methodology for calculating the proportionate amount of pavement maintenance and rehabilitation impacts for the Contractor’s vehicles is grounded in the fact that all vehicles, including solid waste collection vehicles, degrade pavement during use. Measurement of that impact – also known as “vehicle loading” – can be estimated, quantified, and expressed as an Equivalent Single Axle Load (ESAL), which is a function of the vehicle’s weight and the distribution of that weight over the vehicle’s axles. It is important to note that heavier vehicles have more impacts on pavement and have a higher vehicle loading ESAL value. It is also important to note that ESAL values are associated with vehicle loading only, and not the speed of the vehicle; it is therefore assumed that relative ESAL values between vehicle types are based on vehicles travelling at the same rate of speed.

For this analysis, R3 used the vehicle categories and average ESAL values shown in Table 5, below. Table 5 explains and cites supporting information for how the ESAL for each vehicle type was determined.

Table 5 – ESAL Value Assumptions by Vehicle Type

Vehicle Type	ESAL Value	Source
Automobiles (Passenger Cars)	0.0008	AASHTO (American Association of State Highway and Transportation Officials) Design Guide with ESALs by Vehicle Type.
Average of All Other Trucks⁴	0.0171	Calculated Value Using AASHTO Design Guide with ESALs by Vehicle Type, Federal Highway Administration ESALs by Vehicle Type, Comparative Traffic Counts
Solid Waste Vehicle (Garbage)	1.0000	

² The Town’s current P-TAP report was prepared by Pavement Engineering Inc., a consulting firm with expertise in pavement engineering. Broadly speaking, a P-TAP is designed to provide objective information and useful data for analysis so that managers can make more consistent, cost-effective, and defensible decisions related to the preservation of a pavement network.

³ Deferred maintenance is planned maintenance that gets delayed and backlogged because of a lack of funding. Deferred maintenance costs remain on the books until they are funded and the work is completed and recategorized in the Town’s P-TAP.

⁴ “All other trucks” means all vehicles with high loading and impact on street pavement other than solid waste vehicles.

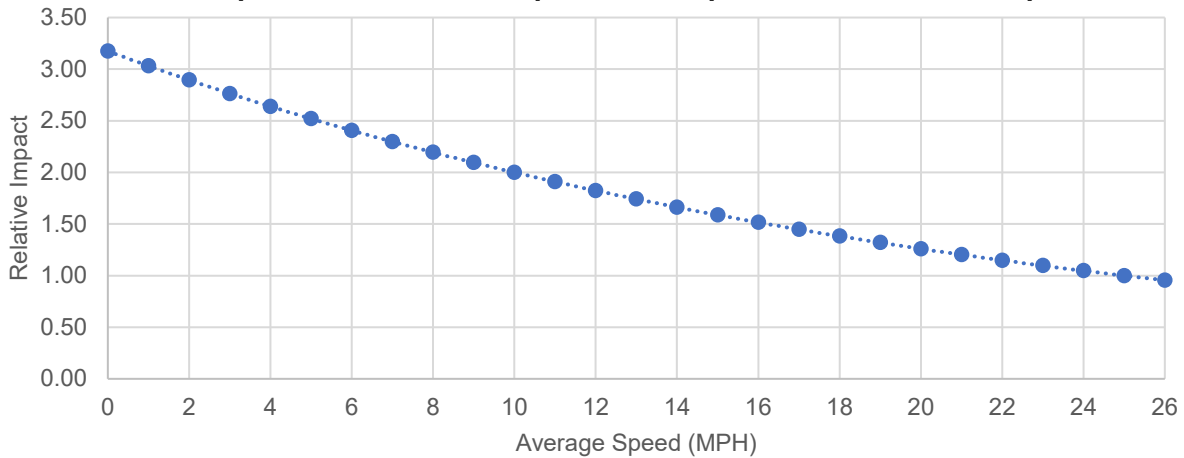
Solid Waste Vehicle (Organics)	1.0000	Calculated Values by Type Using Example Axle Weights and AASHTO Axle Load Equivalency Factors
Solid Waste Vehicle (Recycling)	0.7500	

Given the assumed ESAL values in Table 5, a solid waste vehicle collecting garbage has 1,250 times the impact of an automobile. We are aware of other research concluding that the impacts of solid waste collection vehicles may be as high as 8,000-9,000 times the impact of passenger cars; thus, our assumed ESAL of “1” for garbage collection vehicles is on the low end of the reasonable range of ESALs for such vehicles.

Speed Impact

Impacts to flexible pavements (which are typical for residential streets) are also influenced by vehicle speeds, with impacts being exponentially higher when a load carrying vehicle is moving at a very slow speed.⁵ This is demonstrated in Chart 1, below.

Chart 1 – Exponential Relationship Between Speed and Pavement Impacts



Unlike typical traffic on residential streets, which tends to travel at or near the posted speed limit (25 miles per hour [mph] in the Town), solid waste vehicles slow and stop for collection in front of each household, averaging approximately 4 mph to 8 mph.⁶ At these low speeds, and as shown in Chart 1, vehicles have approximately 2.2 (8 mph) to 2.6 (4 mph) times the impact to the pavement than they would travelling only at the 25 mph speed limit.

In this Study we conservatively assume that solid waste vehicles in the Town may be travelling at a faster 10 mph average speed, and we thus assume that the relative impact of speed is a factor of 2, not the higher 2.2 to 2.6 factors corresponding with slower speeds as noted above. We apply this speed factor of 2 as a multiplier to the ESAL loading for solid waste collection vehicles in our analysis of impacts to residential streets only; the factor is not applied to the ESAL loading for arterial and collector streets, as those streets are not typically comprised of flexible pavements,

⁵ Effect of truck speed on the response of flexible pavement systems to traffic loading; International Journal of Pavement Engineering, July 2020; Michael R. S. Mshali and Wynand JvdM. Steyn.

⁶ Real-world activity, fuel use, and emissions of heavy-duty compressed natural gas refuse trucks; Science of the Total Environment 761, 2021; Gurdas S. Sandhu, H. Christopher Frey, Shannon Bartelt-Hunt, Elizabeth Jones.

solid waste collection vehicles stop less frequently on those streets (and thus have a higher average speed).

Vehicle Passes Per Day

By estimating the number and type of vehicles (i.e., solid waste collection vehicles, automobiles, and all other trucks) that travel on a street, and the average pavement impacts (measured in ESAL loading) associated with each vehicle type (described in the prior subsection), the total impacts that the pavement will experience can be estimated in a mathematical calculation. Our analysis makes informed assumptions about the number of vehicle passes (meaning trips down streets) by type for the two major types of streets identified by the Town in its P-TAP. Those two types of streets are: high traffic volume streets (namely arterial and collector streets) and low traffic volume streets (residential streets). Specific data for the Town relating to the number of vehicle passes per day and the proportion of those passes that are comprised of trucks was not available for this Study.

For the low traffic residential streets, we used an estimate of 1,500 vehicle passes per day, which we find to be a reasonable average figure based on prior experience working with other community. In the Town, this figure is likely to be lower than estimated, given that the Town is primarily a residential community. We also estimated that 5% of residential traffic trips were made by trucks, which we also find to be conservative based on prior experience – data provided to us by communities in prior studies has shown this percentage to be less than 5%, which would increase the proportion of impacts from the Contractor’s solid waste collection vehicles used in performing sanitation services.

For arterial and collector streets, we used an estimate of 15,000 passes per day, which is the same value used in the prior study. For the percentage of those trips that are trucks, we used a calculated value based on comparative traffic counts from the Town of Torrance in 2023 and which is the same dataset that we used to estimate the average ESAL for “All other trucks” in Table 5. R3 calculated the average daily traffic counts for all vehicles on commercial streets in that city, with 87.7% of the average daily traffic count being comprised of passenger cars and motorcycles and the remaining 12.3% being comprised of trucks. For the purposes of this Study, we have assumed an even higher percentage of arterial and collector street traffic being trucks, at 15% of the average daily traffic. As with the prior assumptions, this value is conservative in that it returns a low proportionate value for the impacts to streets from the Contractor’s solid waste vehicles. Table 6, below, is a summary of the average daily vehicles passes and the percentage that are trucks assumptions used in this Study.

Table 6 – Vehicle Passes Per Day by Street Type

Street Type	Vehicle Passes Per Day	Percentage of Vehicle Passes That Are Trucks
Residential	1,500	5%
Arterial and Collector	15,000	15%

Vehicle Passes By Vehicle Type

The variables described in the prior subsection provide the overall number of vehicle passes per day, and the percentage of those passes that are trucks. To isolate the vehicle loading impacts

to pavement associated with solid waste collection vehicles we need to determine the number of passes that those vehicles make per day. This is a relatively simple calculation based on the weekly schedule of collections for solid waste collection services. For the low traffic residential streets, solid waste collection operations are on a weekly schedule. Since weekly collections are on both sides of the street, each street is driven twice (once in each direction) by a minimum of one of each type of solid waste collection vehicle. For the purposes of this Study, we assume that each solid waste collection vehicle makes two passes per week, or 0.286 passes per day on residential streets. This value does not account for the fact that some streets are driven on multiple times each week in order to access other portions of the route, meaning that the actual average passes per week in the Town is actually higher than stated above. Using the lower passes per week is conservative in that it returns a lower result for the street impacts from the Contractor’s solid waste vehicles. For the high traffic arterial and collector streets, which are primarily commercial, the schedule for solid waste collection can vary. Solid waste collection services may be provided up to five or six times a week for larger waste generators and may be as low as weekly for smaller generators. Additionally, because solid waste generators in commercial areas are not all on the same collection schedules as residential accounts are, vehicles in commercial areas pass over the same streets multiple times to serve accounts with different collection schedules.

For the purposes of this Study, for arterial and collector streets, we assume that solid waste collection vehicles collecting garbage for landfill disposal pass over each street two times per day (once in each direction), while solid waste collection vehicles for organics and recycling pass over each street once per day (one half in each direction). Total passes for organics and recycling collection vehicles are less because it is generally the case that service levels for garbage are at least twice those of the corresponding organics or recycling service level.

The number of passes per day for the remaining vehicle types – automobiles and other trucks – are simply calculated as a function of the total number of daily passes, the total number of those that are trucks (based on the percentages discussed in the prior section), and the number of passes for solid waste collection vehicles. For example, for the Town’s residential streets, given the assumed 1,500 passes per day and 5% (75) of those being trucks, there are 1,425 automobile passes per day (1,500 x 95%). With three types of solid waste collection vehicles each passing 0.286 times per day (as described above), the total passes per day are 0.857 (3 x 0.286). The number of passes for all other trucks is 74.143 (150 minus 0.857). Table 7, below, provides a summary of vehicle passes per day by street type.

Table 7 – Vehicle Passes Per Day by Vehicle Type and Street Type

Vehicle Type	Residential Streets	Arterial and Collector Streets
Automobiles (Passenger Cars)	1,425.000	12,750.000
Average of All Other Trucks	74.143	2,247.143
Solid Waste Vehicle (Garbage)	0.286	1.429
Solid Waste Vehicle (Organics)	0.286	0.714
Solid Waste Vehicle (Recycling)	0.286	0.714
Total	1,500	15,000

Percentage of Streets by Type

A final variable that needs to be addressed in the percentage of streets by type. This information is included in the Town’s P-TAP, including the relative area by street type, as shown in Table 8, on the following page.

Table 8 – Percentage of Streets by Type

Street Type	Area (Square Feet)	Percentage of Area
Residential	734,433	57.1%
Arterial	151,470	11.8%
Collector	400,241	31.1%
Total	1,286,144	100%

Analysis

Percentage Impact for Solid Waste and Street Sweeping Vehicles by Street Type

With the variables for ESAL by vehicle type, the multiplication factor for the relative impacts of speed for solid waste collection vehicles on residential streets, and the number of passes by vehicle type established, we then calculate the relative percentage impact associated with each vehicle type. This is calculated as a function of ESAL multiplied by speed factor (residential streets only) multiplied by the number of weekly passes, multiplied by ESAL, with the product being the total vehicle loading pavement impact by vehicle type per week. Totaling the weekly total vehicle loading by vehicle types yields the total estimated loading experienced by each street type (i.e., residential, arterial and collector). From there, we calculate the percentage contribution to total vehicle loading for solid waste collection vehicles, which is the total weekly ESAL loading associated with solid waste collection vehicles divided by the total ESAL loading for the street. Table 9, below, and Table 10, on the following page, show these calculations and the results.

Table 9 – Calculation of Solid Waste Pavement Impacts – Residential Streets

	A	B	C	D	E	F
Vehicle Type	Average ESAL / Vehicle (Per Table 5)	Relative Impact from Speed	Passes / Day / Vehicle Type (Per Table 7)	Passes / Week / Vehicle Type (C x 7)	Total Weekly ESAL Loading (A x B x D)	Percent of Total ESAL Loading (E / 27.85)
Automobiles	0.0008	1x	1,425.000	9,975	7.98	28.65%
All Other Trucks	0.0171	1x	74.143	519	8.87	31.86%
Garbage Vehicles	1.0000	2x	0.286	2	4.00	14.36%
Organic Material Vehicles	1.0000	2x	0.286	2	4.00	14.36%
Recycling Vehicles	0.7500	2x	0.286	2	3.00	10.77%
Total			1,500	10,500	27.85	100%

As shown in Table 9, for the Town’s residential streets we calculated the percentage impacts for solid waste vehicles to be 39.49% of total impacts to residential street pavement (14.36% times 2 plus 10.77%)

Table 10 – Calculation of Solid Waste Vehicle Impacts – Arterial and Collector Streets

	A	B	C	E	F
Vehicle Type	Average ESAL / Vehicle <i>(Per Table 5)</i>	Passes / Day / Vehicle Type <i>(Per Table 7)</i>	Passes / Week / Vehicle Type <i>(B x 7)</i>	Total Weekly ESAL Loading <i>(A x C)</i>	Percent of Total ESAL Loading <i>(E / 359.13)</i>
Automobiles	0.0008	12,750.000	89,250	71.40	19.88%
All Other Trucks	0.0171	2,247.143	15,730	268.98	74.90%
Garbage Vehicles	1.0000	1.429	10	10.00	2.78%
Organic Material Vehicles	1.0000	0.714	5	5.00	1.39%
Recycling Vehicles	0.7500	0.714	5	3.75	1.04%
Total		15,000	105,000	359.13	100%

For the Town’s arterial and collector streets, Table 10 calculates the percentage impact from solid waste vehicles to be 5.22% of the total impacts (2.78% plus 1.39% plus 1.04%).

Average Annual Pavement Expenses

Per the P-TAP report, the Town is projected to spend \$526,000 per year on pavement repair, maintenance, and rehabilitation. Additionally, the Town spends approximately \$81,912 annually for spot repair work (inclusive of allocated staffing costs and contract/supply costs) not included in the P-TAP. Therefore, the total annual estimated Town costs for pavement repair are \$607,912.

Reduction for Pavement Subsurface Impacts

Expenditures for pavement maintenance repair impacts to pavement caused by vehicles, trench cutting and subsurface activities, as well as the environmental impacts associated with those same sources of primary impacts. We roughly estimate the impacts of trench cutting and subsurface activities on the Town’s streets to be 10% of all pavement repair, maintenance, and rehabilitation costs. This leaves 90% of the average annual pavement management costs associated with vehicle impacts for residential streets, and 90% for other streets. This is demonstrated in Table 11, on the following page.

Table 11 – Average Annual Pavement Impacts from Vehicles

Category	Amount of Impacts from All Sources	Reduction for Subsurface Activities and Private Streets	Amount of Pavement Impacts from Vehicles
Average Annual Pavement Expenses	\$607,912	-10%	\$547,121

Table 12, below, shows the breakdown of the average annual pavement impacts from all vehicles by street type, using the total from Table 11 above.

Table 12 –Total Pavement Impacts from Vehicles by Street Type

Variable	Residential	Arterial and Collector	Total
Percentage of Streets by Type (From Table 8)	57.1%	42.9%	100%
Annual Pavement Impacts from Vehicles	\$312,425	\$234,696	\$547,121

Total Annual Pavement Impacts

Calculating the total annual Pavement Impacts using the variables, estimates and assumptions from the prior section is a function of multiplication, as shown in Table 13, below. A reduction factor is applied to residential streets because approximately 10% of the streets driven on by Contractor’s solid waste collection vehicles while performing sanitation services are private.

Table 13 – Calculation of Total Pavement Impacts from Contractor’s Vehicles

Variables	Residential	Arterial and Collector	Grand Total
Annual Pavement Impacts from Vehicles (From Table 12)	\$312,425	\$234,696	
Percentage Impacts from Contractor’s Vehicles (From Tables 9 and 10)	39.49%	5.22%	
Reduction for Private Streets	-10%	N/A	
Total	\$111,040	\$12,253	\$123,293

3. Findings and Conclusions

Franchise Fee

- » The FY 2022-23 Franchise Fee paid to the Town was \$125,350 and the projection for FY 2023-24 is \$133,360.
- » R3 calculated reasonable estimates of the Town's Costs and Property Use Charges based on actual and estimated cost information provided by the Town, and with reasonable and conservative assumptions for estimated values.
- » The sum of FY 2023-24 annual Town's Costs (\$101,068) and Property Use Charges (\$35,862) amounts calculated in this Study is \$136,930.
- » The calculated amounts bear a reasonable relationship to the Contractor's burdens on the Town resulting from the management and administration of the Agreement and providing services related to the sanitation system, and the reasonable value of the Contractor's use of the public right-of-way. The Town's Costs have been reviewed and confirmed by Town staff as being representative of the actual time and costs incurred for these activities. Amounts of Property Use Charges are proportionately allocated to the Contractor with due recognition of the realities of the Contractor's operations.
- » The amounts calculated in this Study are \$3,570 (2.7%) higher than the projected FY 2023-24 Franchise Fee payments. It is highly unlikely, given the justification provided herein, that FY 2023-24 Franchise Fee payments will exceed the amounts calculated in this Study.
- » The projected FY 2023-24 Franchise Fee is less than would be justified by the calculations in this Study.
- » The Franchise Fee therefore is not more than necessary to cover the Town's reasonable costs incurred in managing and administering the Agreement and providing services related to the sanitation system plus the reasonable value of the Contractor's use of the public right-of-way.
- » The Town's street pavement is also impacted by the Contractor's solid waste collection vehicles as they provide sanitation services in the Town. The Town receives no compensation for this impact. The calculated annual magnitude of those Pavement Impacts is \$123,293, which is nearly as much as the Town's Franchise Fee itself and is therefore further demonstration that the Franchise Fee is not more than necessary to cover the Town's reasonable costs incurred in managing and administering the Agreement and providing services related to the sanitation system plus the reasonable value of the Contractor's use of the public right-of-way.

4. Recommendations

Annual Adjustments

All values calculated in this Study are in current FY 2023-24 dollars. Given that the Town's Costs and Property Use Charges will all tend to change over time in response to changing staffing, benefits, and other costs, it would be appropriate for the Town to implement an annual adjustment to the Franchise Fee.

- » We recommend that the Town consider including an automatic annual adjustment that would change the fees in proportion to the percentage change in the Consumer Price Index (CPI). We recommend the CPI for All Urban Consumers (CPI-U) for the San Francisco Bay Area (U.S. Bureau of Labor Statistics series ID: CUURS49BSA0).

Periodic Recalculation

Over time, the Town's Costs associated with the Agreement and providing services related to the sanitation system, the value of Property Use Charges for use of the public right-of-way, and the annualized costs associated with Pavement Impacts from the Contractor's solid waste collection vehicles may change in ways that vary from the annual change in the CPI. Additionally, changes in Town policies, programs, procedures, organization, geopolitical boundaries, laws, regulations, court rulings, and/or other factors may also trigger a need for recalculating fees.

- » We recommend that the Town consider updating this Study periodically (e.g., every five years) or more frequently if needed to recalculate fees in response to other factors.