




# Agenda Summary Report

To: Board of Directors

From: Dale McDonald, Administrative Services Manager   
 (415) 526-1519 [dmcdonald@lqvsd.org](mailto:dmcdonald@lqvsd.org)

Meeting Date: March 21, 2024

Re: Refuse Rate Adjustment for 2024

Item Type: Consent \_\_\_\_\_ Action X Information \_\_\_\_\_ Other \_\_\_\_\_

Standard Contract: Yes \_\_\_\_\_ No \_\_\_\_\_ (See attached) Not Applicable X .

## STAFF RECOMMENDATION

It is recommended that the District Board conduct a public hearing to allow for discussion and input from the public concerning the proposed refuse rate increase, and adopt Ordinance No. 194 Amending Title 4, Chapter 1 of the Las Gallinas Valley Sanitary District Code establishing the maximum rates collected by Marin Sanitary Service for Solid Waste Services, to be effective January 1, 2024, in the unincorporated areas of the Las Gallinas Valley Sanitary District, and determining that the District's franchise fees are reasonable and justified by the District's costs of providing solid waste services.

## BACKGROUND

The Las Gallinas Valley Sanitary District ("District") entered into a Franchise Agreement ("Agreement") with Marin Sanitary Service ("MSS") to provide for the collection, removal and delivery for Disposal, Recycling or processing of Solid Waste collected and accumulated within the unincorporated areas of the District. As part of an amendment to the agreement entered into between both parties on January 10, 2019, a simplified and streamlined annual rate setting methodology to establish stable and predictable rates, and a firm basis for rate control in future years, was established.

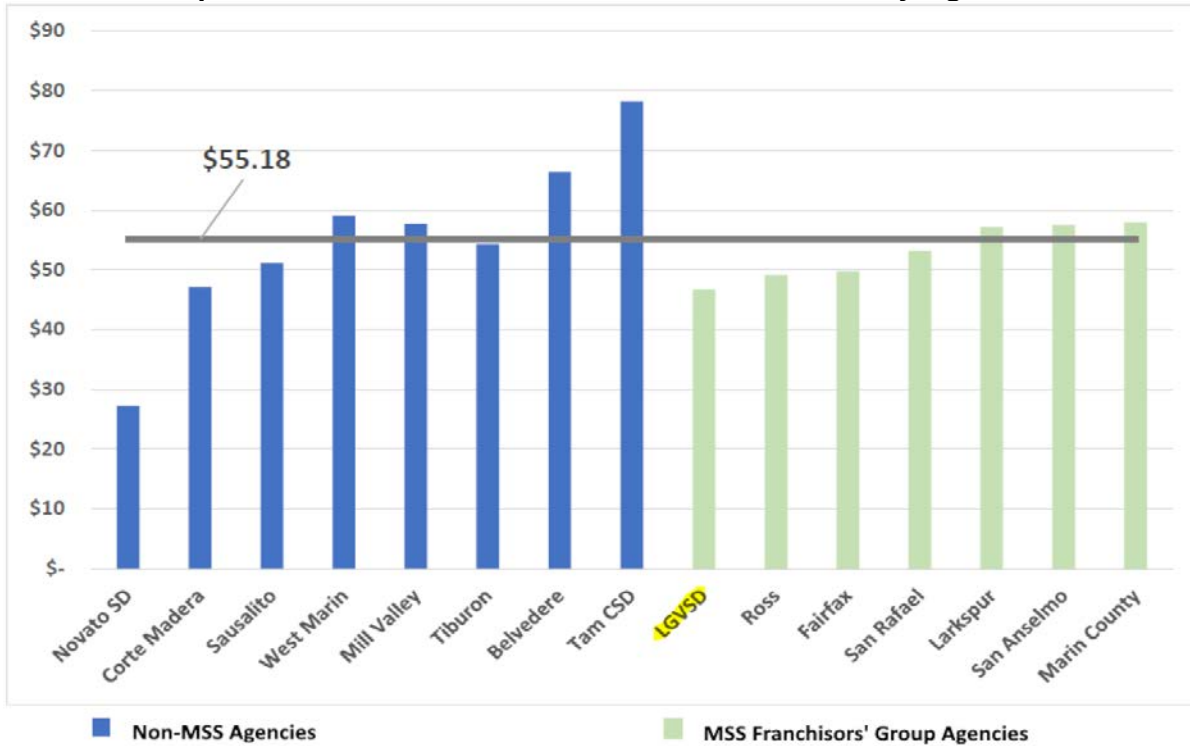
The following jurisdictions within Marin have similar agreements with MSS and work together to share information and reduce costs: the City of San Rafael, City of Larkspur, the Towns of Ross, San Anselmo, and Fairfax, the County of Marin, and the District. This Marin Franchisors' group meets throughout the year to collaborate on oversight of MSS's operations and works together to conduct a single annual rate review analysis rather than each jurisdiction having to conduct and pay for a separate review.

### Rate Review and Methodology

In accordance with the Agreement, MSS submitted their 2024 application for rate review, requesting an increase in service charges to be effective January 1, 2024. The District, as part of the Franchisors' group, retained R3 Consulting Group, Inc. ("R3") as an independent consultant to review the rate application in accordance with the rate-setting methodology set forth in the Agreement. Each agency within the Franchise Group is intrinsically different from one another; the type of services provided, the level of subscription, the ratio of residential to commercial and industrial customers, the terrain in which services are performed, disposal costs per capita, rate structures, and governmental fees.

The review by R3 yielded a calculated rate adjustment of 6.45% for the District. While the proposed District rate increase is the highest percentage increase within the Franchisors' Group, the District's comparable rates remain the lowest as shown in Figure 1 from the Review of Marin Sanitary Service's 2024 Rate Application by R3 (*Attachment A*).

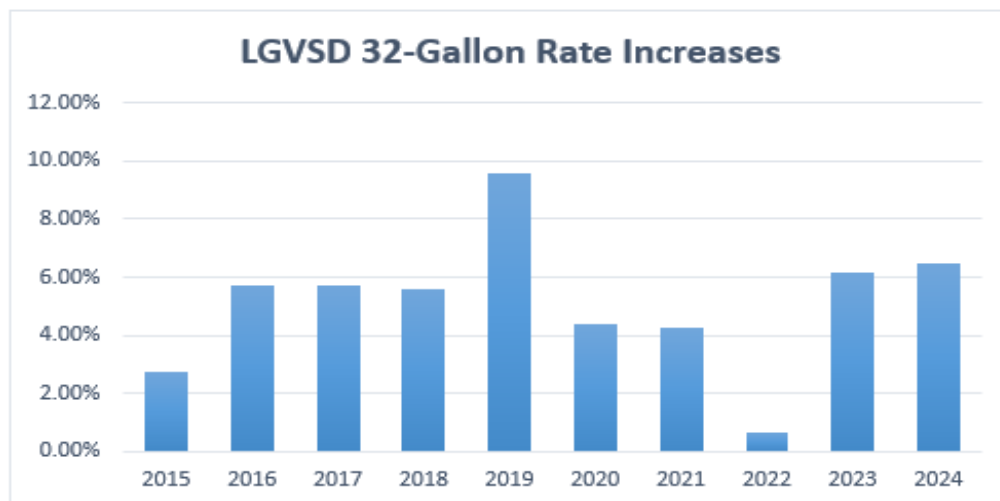
**Figure 1**  
**Comparison of MSS's 2024 Rates to Other Marin County Agencies**



The survey data for residential 32-gallon cart weekly service with curbside recycling and organics pickup shows that the Las Gallinas Valley Sanitary District rates are the lowest among the MSS franchise agencies and below the average cost of \$55.18 for other non-MSS agencies.

**Proposed Adjustment**

The recommended District proposed rate increase is 6.45%. Over the past ten years rate adjustments in our District have ranged from 0.64% to 9.60%. Last year's adjustment was 6.17%.

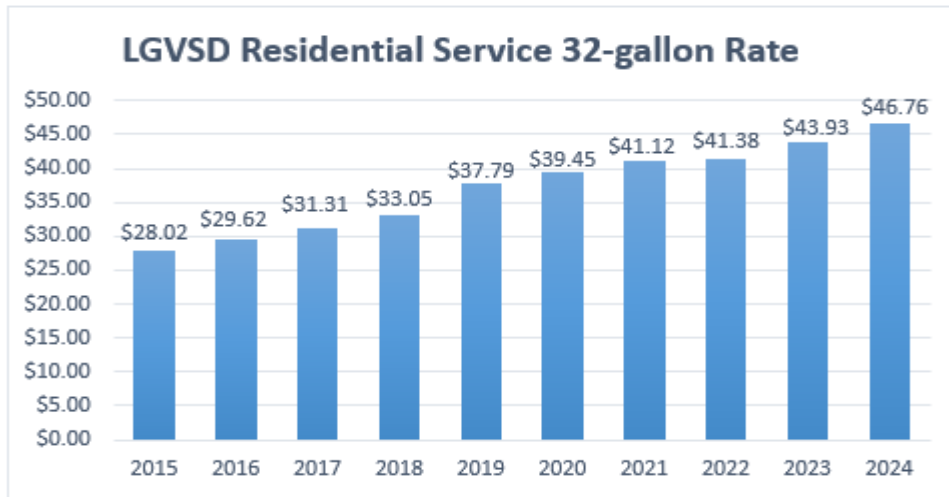




Rate Payer Categories and Comparisons

Based on the above recommendation, the cost for bundled services based on a 32-gallon residential landfill cart would be increased approximately \$2.83 per month, from \$43.93 to \$46.76. Residential bundles service includes 1 landfill (garbage) cart, 1 organics cart, and 1 recycling cart.

The cost of commercial service for a 3-yard landfill dumpster picked up once per week would be increased by approximately \$41.05 per month, from \$636.43 to \$677.48. Recycling is included in all accounts. Businesses with a vigorous recycling program can reduce their regular container size or pickup schedule resulting in lower rates.



The maximum rate increase applies to all residential, commercial, and multi-family dwellings and incorporated into Appendix, Las Gallinas Valley Sanitary District Schedule of Rates, incorporated into Ordinance No. 194 (*Attachment B*) amending Title 4, Chapter 1 of the District Code.

Franchise Fee

Article XI of the California Constitution and the California Public Resources Code allows cities, towns, and special districts to regulate refuse and recycling services. MSS is the District’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 District and MSS, 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 MSS includes a franchise fee, which recovers the District’s costs of providing solid waste-related services, including the negotiation and administration of the franchise agreement, as well as other obligations associate with implementation of the Agreement.

This year, the District conducted an analysis of the District’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 District’s costs of providing solid waste-related services exceed the District’s franchise fee. These results can be found in *Attachment C*. This year’s rate adjustment Ordinance includes a finding that the District’s franchise fees are justified based on the recently completed analysis in *Attachment C*.



## **DISCUSSION AND PUBLIC HEARING**

The District initially scheduled a public hearing on December 7, 2023 to consider the rate adjustment but pulled the item from the agenda to perform a Solid Waste Franchise Fee Study. The study was completed on March 18, 2024.

In accordance with the requirements of the Agreement, as well as state law, the District posted notice of the March 21, 2024 public hearing in the three designated places in the District, as well as on the District website, advising that this public hearing to consider the requested increase would be held on March 21, 2024 and that any person interested, including all persons owning property within the District, was invited to appear and be heard on the matters set forth in the public hearing notice.

## **PREVIOUS BOARD ACTION**

Ordinance 190 – Refuse Rates for 2023 adopted December 15, 2022.

On November 16, 2023, the Board received R3’s Review of Marin Sanitary Service’s 2024 Rate Application and approved setting a Public Hearing for the 2024 MSS Refuse Rate Adjustment.

## **ENVIRONMENTAL REVIEW**

N/A

## **FISCAL IMPACT**

The 6.45% overall increase is applied to all customer types and service options as included in the attached Ordinance. Rates are paid directly by MSS’s customers to MSS within the unincorporated areas of the District. After Ordinance adoption, MSS will spread the 2024 annual rate increase for its residential and commercial customers over the remaining billing cycles of this calendar year.

Franchise Fee revenue that will be received from Marin Sanitary Service in 2024 will be \$178,221.

## Attachments:

- Attachment A Review of Marin Sanitary Service’s 2024 Rate Application by R3
- Attachment B Ordinance 194 Amending Title 4, Chapter 1 of the District Code, Regulating Garbage, Rubbish, Waste Matter and Refuse, and the Collection, Removal and Disposal Thereof, including Schedule of Rates effective January 1, 2024.
- Attachment C Solid Waste Franchise Fee Study Report by R3, dated March 18, 2024.

# **FINAL REPORT**

Las Gallinas Valley Sanitary District

## **Review of Marin Sanitary Services' 2024 Rate Application**

*submitted electronically: October 6, 2023*

October 6, 2023

Dale McDonald  
Administrative Services Manager  
Las Gallinas Valley Sanitary District  
101 Lucas Valley Road, Suite 300  
San Rafael, CA 94903  
*submitted via email: dmcdonald@lgvsd.org*

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

Dear Mr. McDonald,

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 Las Gallinas Valley Sanitary District (District).

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 District holds with MSS.

\* \* \* \* \*

We appreciate the opportunity to be of service to the District. 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](mailto: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 \$3,611,849, which is \$218,738 higher than the 2023 rate revenue requirement of \$3,393,112. The corresponding adjustment to the District’s solid waste rates for 2024 is 6.45%, based on January 1, 2024 effective date.

**Table 1: 2024 Rate Adjustment Summary**

	2023	2024	Dollar Change	Percentage Change	Adjustment to Rates
Collector Operations	2,324,968	2,441,216	116,248	5.00%	3.43%
Garbage Landfilling and Organics Processing	373,248	398,080	24,832	6.65%	0.73%
State Compliance Database Subscription	1,123	(561)	(1,684)	-150.00%	-0.05%
SB 1383 Compliance	25,102	26,521	1,418	5.65%	0.04%
Profit Calculation	285,991	300,773	14,782	5.17%	0.44%
Recyclable Materials Processing	25,337	100,299	74,962	295.86%	2.21%
Interest	52,873	55,516	2,643	5.00%	0.08%
Zero Waste Marin Fees	50,753	52,740	1,987	3.92%	0.06%
Franchise Fees	165,553	178,221	12,668	7.65%	0.37%
Annual Rate Revenue Reconciliation	82,044	47,421	(34,623)	-42.20%	-1.02%
Recycling Property Insurance	9,055	11,624	2,569	28.37%	0.08%
SB 1383 Negotiations and Implementation Support	(2,935)	0	2,935	-100.00%	0.09%
<b>Total Annual Rate Revenue Requirement</b>	<b>3,393,112</b>	<b>3,611,849</b>	<b>218,738</b>	<b>6.45%</b>	<b>6.45%</b>

## 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 \$2,441,216 in Collector Operations for the District in 2024, which is an increase of \$116,248 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 \$398,080 in Garbage and Organics Tipping fees for the District in 2024, which is an increase \$24,832 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 2023 costs declined \$1,684. For 2024 the District's portion of that credit totals \$561.

### 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 District. The total 2024 revenue recovery for these new SB 1383 compliance measures for MSS is \$26,521 for an increase of \$1,418 or 5.65%.

### Profit Calculation

R3 reviewed the calculation of MSS's profit, which is a function of total allowable operating expenses (\$2,865,255 for the District) 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 \$300,773 in Calculated Profit for the District in 2024, which is an increase of \$14,782 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 \$100,299 in Recyclable Materials Processing costs for the District in 2024, which is an increase of \$74,962.

## 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 \$55,516 in interest for the District in 2024, which is an increase of \$2,643 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 \$52,740 in Zero Waste Marin Fees for the District in 2024, which is an increase of \$1,987 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 District's Franchise Fee is 5% of gross revenues. The result is \$178,221 in Franchise Fees for the District in 2024. Franchise Fees fund the costs of compliance with State laws, management and administration of the District's Agreement with MSS, and compensate the District 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 \$47,421 in 2022 billed revenues in the District 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 \$11,624 in Recycling Property Insurance for the District in 2024, which is an increase of \$2,569 compared to 2023.

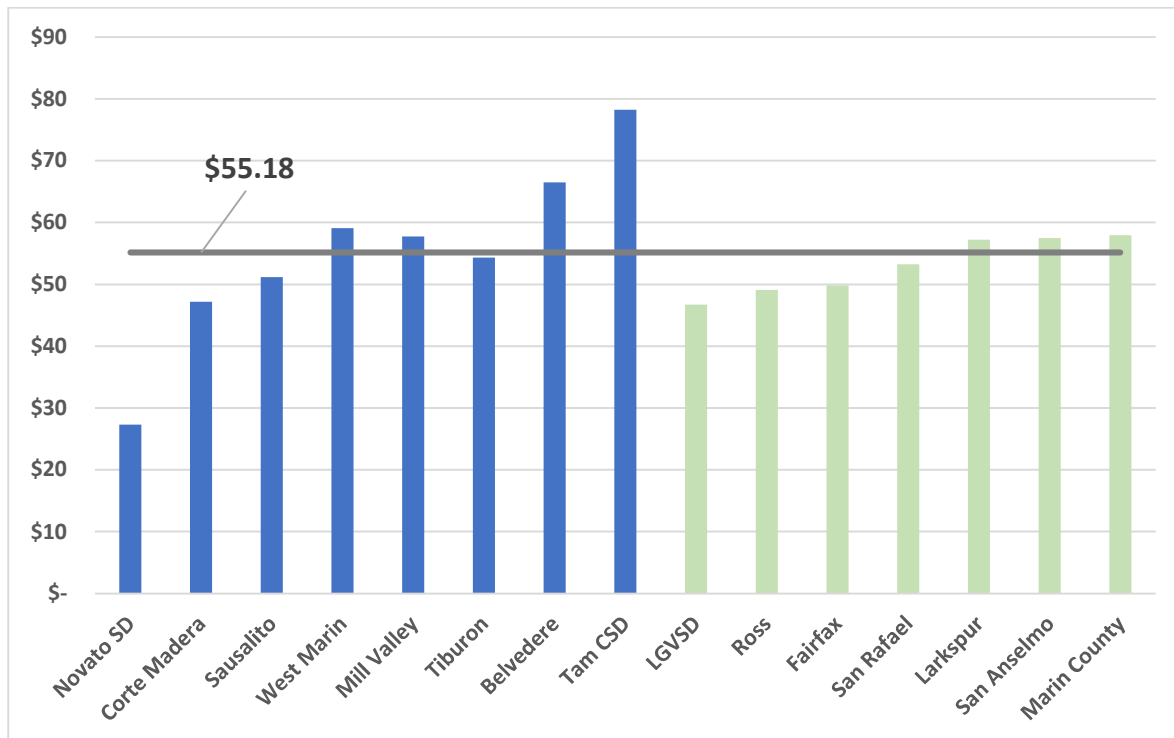
## Funding for SB 1383 Contract Negotiations and Implementation

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 Las Gallinas Valley Sanitary District received a credit of \$2,935 for its portion.

## 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 \$46.76 per month. The District's commercial rates for a 3-cubic yard bin serviced one time per week will be \$677.48 compared to \$636.43 the previous year.

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



**BOARD OF DIRECTORS OF THE  
LAS GALLINAS VALLEY SANITARY DISTRICT**

**ORDINANCE NO. 194**

**AN ORDINANCE AMENDING TITLE 4, CHAPTER 1, AN ORDINANCE  
REGULATING SOLID WASTE, RECYCLABLE AND ORGANIC MATERIALS, AND  
THE COLLECTION, REMOVAL AND DISPOSAL THEREOF, 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 DISTRICT'S FRANCHISE FEES ARE JUSTIFIED BY THE DISTRICT'S  
COSTS OF PROVIDING SOLID WASTE SERVICES .**

WHEREAS, Section 236 of the Las Gallinas Valley Sanitary District ("District") code 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 . MSS has proposed a 6.45% increase in customer rates for calendar year 2024. Along with San Rafael, Larkspur, Fairfax, San Anselmo, portions of Marin County and the Town of Ross, the District 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 District 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 Appendix A; and

WHEREAS, the Franchise Agreement between the District and MSS includes a franchise fee paid by MSS to the District to compensate the District for its costs of providing solid waste services; and

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

WHEREAS, the rates for solid waste service are set and imposed by MSS and the District's franchise fees are set by the Franchise Agreement, and by adopting this Ordinance, the District does not intend to impose any rates, fees, or charges on solid waste customers. However, to the extent that the adoption of this Ordinance results in the District'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 sections 6518.5 and 6520.5.

The Board of Directors of the Las Gallinas Valley Sanitary District, Marin County, California, does ordain as follows:

**Section 1.** The Las Gallinas Valley Sanitary District Board accepts and adopts the Franchise Fee Study and finds and determines that the District’s franchise fee complies with Article XIII C of the California Constitution and is justified by the District’s costs of providing solid waste-related services.

**Section 2.** Appendix A of Title 4, Chapter 1 of the Las Gallinas Valley Sanitary District Ordinance Code, the schedule of maximum rates and fees effective January 1, 2024 to be imposed and collected by MSS, attached hereto as “Appendix A” and incorporated herein by reference, is hereby approved.

All other ordinances and parts of ordinances inconsistent herewith are hereby repealed.

\* \* \* \* \*

I hereby certify that the foregoing is full, true, and correct copy of the Ordinance duly and regularly passed and adopted by the Sanitary Board of the Las Gallinas Valley Sanitary District of Marin County, California, at a meeting hereof held on March 21, 2024, by the following vote of members thereof:

AYES:

NOES:

ABSTAIN:

ABSENT:

\_\_\_\_\_  
Dale McDonald, Acting Board Secretary  
Las Gallinas Valley Sanitary District

APPROVED:

\_\_\_\_\_  
Craig K. Murray, President  
Las Gallinas Valley Sanitary District

(seal)

**LAS GALLINAS VALLEY SANITARY DISTRICT  
APPENDIX A - SCHEDULE OF RATES**

RESIDENTIAL REFUSE COLLECTION RATES			
		Rate increase: 6.45%	
		Effective date: 01/01/2024	
<i>Residential Service (Bundled service includes 1 landfill (garbage) cart, 1 organics cart, &amp; 1 recycling split cart )</i>			
REOCCURRING CHARGES	Weekly Service Rates (Billed Quarterly)	Flat rate	
		Monthly Rate	Quarterly Rate
	20 gallon cart	\$39.76	\$119.28
	32 gallon cart	\$46.76	\$140.28
	64 gallon cart	\$93.52	\$280.56
	96 gallon cart	\$140.28	\$420.84
	Low income - 20 gal* cart	\$31.81	\$95.43
	Low income - 32 gal* cart	\$37.41	\$112.23
	Low income - 64 gal* cart	\$74.82	\$224.46
	Low income - 96 gal* cart	\$112.22	\$336.66
	Additional Organics Cart Rental (35 or 64 gallon cart)	\$2.76	\$8.28
	Additional Split Cart Rental (64 or 96 gallon cart)	\$2.76	\$8.28
	<b>Additional Monthly Charges</b>	<b>Monthly Fee</b>	<b>Quarterly Fee</b>
		(per cart, each way)	
	Distance 0' - 50'	\$6.42	\$19.26
Distance Over 50'	\$8.26	\$24.78	

\*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.

	Additional Service Fees per Occurrence	Fee
ONE TIME SERVICE FEES	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	

**LAS GALLINAS VALLEY SANITARY DISTRICT  
APPENDIX A - SCHEDULE OF RATES**

**COMMERCIAL REFUSE MONTHLY COLLECTION RATES**

Rate increase: 6.45%  
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		
<b>Garbage</b>								
20 gallon cart*	\$40.66	\$81.32	\$121.98	\$162.64	\$203.30	\$243.96	\$9.38	
32 gallon cart	\$47.83	\$95.66	\$143.49	\$191.32	\$239.15	\$286.98	\$11.04	
64 gallon cart	\$95.66	\$191.32	\$286.98	\$382.64	\$478.30	\$573.96	\$22.08	
96 gallon cart	\$143.49	\$286.98	\$430.47	\$573.96	\$717.45	\$860.94	\$33.11	
1 yard bin	\$334.82	\$670.45	\$1,005.28	\$1,340.10	\$1,675.65	\$2,010.39	\$77.27	
2 yard bin	\$506.15	\$977.30	\$1,448.09	\$1,918.81	\$2,389.97	\$2,860.72	\$116.80	
3 yard bin	\$677.48	\$1,284.13	\$1,890.87	\$2,497.54	\$3,104.26	\$3,711.01	\$156.34	
4 yard bin	\$894.50	\$1,753.53	\$2,612.75	\$3,471.70	\$4,330.76	\$5,190.09	\$206.42	
5 yard bin	\$1,111.54	\$2,222.95	\$3,334.64	\$4,445.87	\$5,557.28	\$6,669.22	\$256.51	
6 yard bin	\$1,287.20	\$2,439.87	\$3,592.66	\$4,745.32	\$5,898.12	\$7,050.91	\$297.05	
10 yard roll-off	\$2,045.06	\$3,877.92	\$5,710.35	\$7,542.96	\$9,375.96	\$11,208.50	\$471.94	
18 yard roll-off	\$3,356.19	\$6,288.99	\$9,221.69	\$12,154.55	\$15,087.57	\$18,020.28	\$774.51	
20 yard roll-off	\$4,090.12	\$7,755.82	\$11,420.69	\$15,085.93	\$18,751.90	\$22,417.00	\$943.87	
25 yard roll-off	\$5,112.67	\$9,694.80	\$14,275.86	\$18,857.42	\$23,439.89	\$28,021.26	\$1,179.85	
<b>Organics (F2E or Compost)</b>								
32 gallon	\$22.59	\$45.18	\$67.77	\$90.36	\$112.95	\$135.54	\$5.21	
64 gallon	\$45.18	\$90.36	\$135.54	\$180.72	\$225.90	\$271.08	\$10.43	
1 yard	\$158.08	\$316.16	\$474.24	\$632.32	\$790.40	\$948.48	\$36.48	
2 yard	\$316.16	\$632.32	\$948.48	\$1,264.64	\$1,580.80	\$1,896.96	\$72.96	
3 yard	\$474.24	\$948.48	\$1,422.72	\$1,896.96	\$2,371.20	\$2,845.44	\$109.44	
10 yard roll-off	\$1,431.54	\$2,863.08	\$4,294.62	\$5,726.16	\$7,157.70	\$8,589.24	\$330.36	
18 yard roll-off	\$2,576.77	\$5,153.54	\$7,730.31	\$10,307.08	\$12,883.85	\$15,460.62	\$594.64	
20 yard roll-off	\$2,863.08	\$5,726.16	\$8,589.24	\$11,452.32	\$14,315.40	\$17,178.48	\$660.71	
25 yard roll-off	\$3,578.85	\$7,157.70	\$10,736.55	\$14,315.40	\$17,894.25	\$21,473.10	\$825.89	
<b>Garbage Compactors (Per empty)</b>								
Roll-off Compactor Tipping fee per ton		\$162.30			Roll-off Compactor Hauling charge		\$329.67	
Stationary FL (Per Compacted Yard)		\$137.48			Roll-off Compactor Special handling		Rates Vary	
<b>Other Charges</b>	<b>Service</b>		<b>Fee</b>		<b>Details</b>			
	Lock		\$25.00		Monthly fee			
	Box rental		Fees Vary		Minimum Bimonthly fee			
	Minimum Load		ML		Monthly fee			
	Distance < 50ft		\$6.42		Monthly fee per cart, each way			
Distance > 50ft		\$8.24		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		
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.

**LAS GALLINAS VALLEY SANITARY DISTRICT  
APPENDIX A - SCHEDULE OF RATES**

**MULTI-FAMILY DWELLING REFUSE MONTHLY COLLECTION RATES**

Rate increase: 6.45%  
Effective date: 01/01/2024

REOCCURING CHARGES	MFD CARTS, BINS, ROLL-OFFS	Collections per Week						Additional One Time Empty/On Call
	Garbage	1	2	3	4	5	6	
	20 gallon cart*	\$39.75	\$79.50	\$119.25	\$159.00	\$198.75	\$238.50	\$9.17
	32 gallon cart	\$46.76	\$93.52	\$140.28	\$187.04	\$233.80	\$280.56	\$10.79
	64 gallon cart	\$93.52	\$187.04	\$280.56	\$374.08	\$467.60	\$561.12	\$21.58
	96 gallon cart	\$140.28	\$280.56	\$420.84	\$561.12	\$701.40	\$841.68	\$32.37
	1 yard bin	\$309.24	\$535.75	\$762.19	\$988.70	\$1,215.20	\$1,441.74	\$71.36
	2 yard bin	\$506.15	\$977.30	\$1,448.09	\$1,918.81	\$2,389.97	\$2,860.72	\$116.80
	3 yard bin	\$677.48	\$1,284.13	\$1,890.87	\$2,497.54	\$3,104.19	\$3,710.84	\$156.34
	4 yard bin	\$894.50	\$1,753.53	\$2,612.75	\$3,471.70	\$4,330.76	\$5,190.09	\$206.42
	5 yard bin	\$1,111.54	\$2,222.95	\$3,334.64	\$4,445.87	\$5,557.28	\$6,669.22	\$256.51
	6 yard bin	\$1,287.20	\$2,439.87	\$3,592.66	\$4,745.32	\$5,898.12	\$7,050.91	\$297.05
	10 yard roll-off	\$2,045.06	\$3,877.92	\$5,710.35	\$7,542.96	\$9,375.96	\$11,208.50	\$471.94
	18 yard roll-off	\$3,356.19	\$6,288.99	\$9,221.69	\$12,154.55	\$15,087.57	\$18,020.28	\$774.51
	20 yard roll-off	\$4,090.12	\$7,755.82	\$11,420.69	\$15,085.93	\$18,751.90	\$22,417.00	\$943.87
	25 yard roll-off	\$5,112.67	\$9,694.80	\$14,275.86	\$18,857.42	\$23,439.89	\$28,021.26	\$1,179.85
	<b>Organics</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>Additional One Time Empty/On Call</b>
	Additional Organics Cart Rental (35 gallon cart) after 4 TOTAL carts per cart per month	\$2.76	\$5.52	\$8.28	\$11.04	\$13.80	\$16.56	NA
	Additional Organics Cart Rental (64 gallon cart) after 4 TOTAL carts per cart per month.	\$2.76	\$5.52	\$8.28	\$11.04	\$13.80	\$16.56	NA
	1 yard	\$158.08	\$316.16	\$474.24	\$632.32	\$790.40	\$948.48	\$36.48
	2 yard	\$316.16	\$632.32	\$948.48	\$1,264.64	\$1,580.80	\$1,896.96	\$72.96
	3 yard	\$474.24	\$948.48	\$1,422.72	\$1,896.96	\$2,371.20	\$2,845.44	\$109.44
	<b>Garbage Compactors (Per empty)</b>							
	Roll-off Compactor Tipping fee per ton		\$162.30		Roll-off Compactor Hauling charge		\$329.67	
	Stationary FL (Per Compacted Yard)		\$137.48		Roll-off Compactor Special handling		Rates Vary	
	<b>Other Charges</b>	<b>Service</b>		<b>Fee</b>	<b>Details</b>			
		Lock		\$25.00	Monthly fee			
		Box rental		Fees Vary	Minimum Bimonthly fee			
		Minimum Load	ML	Fees Vary	Monthly fee			
		Distance < 50ft		\$6.42	Monthly fee per cart, each way			
	Distance > 50ft		\$8.24	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

ONE TIME SERVICE FEES	MFD One Time Service Fees	Fee
		Return Fee - BIN
	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 to \$1,200

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

March 18, 2024

Dale McDonald  
Administrative Services Manager  
Las Gallinas Valley Sanitary District  
*submitted via email: dmcDonald@lgsd.org*

**SUBJECT: Solid Waste Franchise Fee Study – R3 Report**

Dear Mr. McDonald,

R3 Consulting Group, Inc. (R3) is pleased to submit the attached Solid Waste Franchise Fee Study (Study) to the Las Gallinas Valley Sanitary District (District). This Report presents our analytical methodology, results and findings, and recommendations regarding the solid waste Franchise Fee paid by the District's contracted solid waste collection service provider, Marin Sanitary Service (Contractor), per the Franchise Agreement Collection Services (Agreement) between the District and the Contractor.

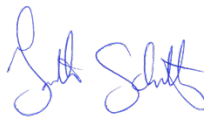
***The purpose of this Study was to comprehensively analyze and calculate the following:***

- » **District's Costs:** The annual costs to the District 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 the sanitation system.

We then compared the calculated values for each component to the annual Franchise Fee paid by the Contractor to the District per the Agreement. We found that the District's current and projected Franchise Fee revenues are less than the sum of the District's Costs. Based on these results, we conclude that the District's fee amount is not more than necessary to cover the District's reasonable costs in managing and administering the Agreement and the sanitation system.

We appreciate the opportunity to be of service to the District. 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](mailto:gschultz@r3cgi.com)



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# 1. EXECUTIVE SUMMARY

## Background

The District's Agreement with the Contractor is for the collection, processing, and disposal of solid waste from covered waste generators in the District. The Agreement provides the Contractor with the exclusive right to provide critical aspects of the District'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 and billing and collecting revenues from subscribers with the District 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 District a Franchise Fee to cover the costs incurred by the District in managing, administering, enforcing, and supplementing the services provided in the Agreement.

## Purpose

The purpose of this Study is to ascertain whether the Franchise Fee paid by the Contractor to the District 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 District's reasonable costs.

***There are three primary exceptions to the Proposition 26 definition of tax that are relevant:***

- » **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."

## Methodology and Findings

To complete this Study, R3 reviewed and analyzed information provided by the District and the Contractor pertaining to the District's costs. Using that information, we then calculated the reasonable and proportionate amounts necessary to cover the District's costs, including staffing and other costs. All calculated amounts in this Study are in current Fiscal Year (FY) 2023-24 dollars.

### District's Costs

The annual costs 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 \$177,840 in staffing costs and \$9,890 in other costs, for annual proportionate District's Costs totaling **\$187,731**.

## Conclusions

### Franchise Fee

The FY 2023-24 Franchise Fee paid by Contractor to the District was \$166,833 and the projection for FY 2024-25 is \$178,221. The sum of FY 2023-24 annual District's Costs calculated in this Study is **\$187,731**, which is \$9,510 (5%) higher than the projected FY 2024-25 Franchise Fee payments.

» The amount of the Franchise Fee is therefore not more than necessary to cover the District's reasonable costs incurred in managing and administering the Agreement and the sanitation system.

### 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 District's reasonable costs.

### Limitations

This Study relies on information provided by the District 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 District staff 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 & CALCULATIONS

### District's Costs

#### Methodology

R3 reviewed and analyzed information provided by the District 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 the sanitation system.

**These costs include any 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 District, we estimated the proportion of costs associated with management and administration of the agreement and 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 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 and on the following page, along with the explanation for the allocation values.

**Table 1: Allocations of Staffing Time by Position**

Positions	Time Allocation	Explanation
General Manager, Administrative Services Manager, and Executive Secretary/District Secretary	10%	Calculated allocation based on the percentage of District's Costs FY 2023-24 General Fund Budget.

R3 verified with District 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% (approved by the Administrative Service Manager) is also applied to the total allocated costs.

#### Other Costs

Variables associated with the District'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 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 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
Municipal Code Enforcement	100%	Direct costs for enforcing solid waste regulations funded by the general fund.
Management and Administration	100%	Costs for managing the District's solid waste and recycling utility.
Legal Costs	100%	All included costs are directly associated with management and administration of the Agreement and the sanitation system.
Consulting Costs	100%	All these costs are directly associated with management and administration of the Agreement and the sanitation system.

R3 verified with District 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. The General Fund overhead rate of 15% is also applied to the total allocated costs.

### Analysis

No costs for the following activities are included in this Study as these costs are not funded by the District's General Fund:

- CalRecycle and SB 1383 Compliance
- Street Sweeping
- Catch Basin Waste Removal
- Illegal Dumping Clean-up
- Public Waste Containers
- Waste Collection at District Events
- Tree Trimming for Vehicle Access to Public Right-of-Way

### Direct Management and Administration

This category includes \$57,399 in direct staffing costs and \$345 of other costs for direct management and administration of the Agreement and the sanitation system, for total annual costs in this category of **\$57,744**.

### Indirect Management and Administration

This category includes District staffing costs for indirect management and administration, including supervision of those responsible for direct management and administration of the Agreement and the

sanitation system and associated responsibilities. Allocated costs for General Manager and Executive Secretary/District Secretary are calculated for total annual costs in this category. Total annual staffing costs equal \$120,441, in addition to \$230 for supplies and materials, for total costs in this category of **\$120,671**.

**Legal Costs and Consulting Costs**

Consulting costs include five-year annualized solid waste consulting services provided by R3 of \$3,450. Legal fees related to the administration of the sanitation system and related activities are an annualized value of \$5,865, for total costs in this category of **\$9,315**.

**Table 3**, below, shows the total of the District’s Costs for management and administration of the Agreement and the sanitation system as calculated in this Study, by category.

**Table 3: District’s Annual Costs by Category and in Total**

Category	Staffing Costs	Other Costs	Total
Direct Management and Administration	\$57,399	\$345	\$57,744
Indirect Management and Administration	\$120,441	\$230	\$120,671
Legal Costs and Consulting Costs	-	\$9,315	<b>\$9,315</b>
<b>Total Annual District’s Costs</b>	<b>\$177,840</b>	<b>\$9,890</b>	<b>\$187,731</b>

# 3. FINDINGS & CONCLUSIONS

## Franchise Fee

- » The anticipated FY 2023-24 Franchise Fee paid to the District is \$166,833 and the projection for FY 2024-25 is \$178,221.
- » R3 calculated reasonable estimates of the District's Costs based on actual and estimated cost information provided by the District, and with reasonable and conservative assumptions for estimated values.
- » The sum of FY 2023-24 annual District's Costs calculated per this Study is \$187,731.
- » The calculated amounts bear a reasonable relationship to the Contractor's cost burden on the District resulting from the management and administration of the Agreement and the sanitation system. The District's Costs have been reviewed and confirmed by District staff as being representative of the actual time and costs incurred for these activities.
- » The costs calculated in this Study are \$9,510 (5%) higher than the projected FY 2024-25 Franchise Fee payments. It is highly unlikely, given the justification provided herein, that FY 2024-25 Franchise Fee payments will exceed the amounts calculated in this Study.
- » The projected FY 2024-25 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 District's reasonable costs incurred in managing and administering the Agreement and the sanitation system.

## 4. RECOMMENDATIONS

### Sources and Uses Accounting

Currently, the District's Costs are not tied to Franchise Fee revenues in the District's accounting system. The District could implement project code accounting and/or enterprise fund accounting for the Franchise Fee to better track source revenues and their uses. In either case, allocated and/or direct staffing and other costs could be tied to source revenues.

- » R3 recommends the District consider implementing sources and uses accounting practices for Franchise Fee revenues, District's Costs.

### Periodic Recalculation

Over time, the District's Costs associated with the Agreement and the sanitation system may change in ways that vary from the annual change in the CPI. Additionally, changes in District policies, programs, procedures, organization, geopolitical boundaries, laws, regulations, court rulings, and/or other factors may also trigger a need for recalculating fees.

- » R3 recommends the District consider updating this Study periodically (e.g., every five years) or more frequently if needed to recalculate fees in response to other factors.