



CONSULTING GROUP, INC.
RESOURCES · RESPECT · RESPONSIBILITY

Handout
Agenda Item 3
Date December 13, 2018

Marin Sanitary Rate Method and 2019 Rates



PRESENTATION TO:

Las Gallinas Valley Sanitary District, Board of Directors

December 13, 2018

R3
CONSULTING
GROUP, INC.

2019 Rate Adjustment

- ▶ MSS originally requested 13.98% increase
 - Not including recycling costs
- ▶ Revised increase after R3 review
 - 8.20% for LGVSD w/out recycling at current franchise fee (12.86% at 5% franchise fee)
 - 14.33% w/recycling (losses and future costs)
- ▶ 2019 Rates at 2018 average for Marin County
 - 2019 increases for most others expected
 - Rate increasing throughout Bay Area

Cost of Recycling

- ▶ Recommended 2019 rates include
 - Net cost of processing included rates with incentives to maximize efficiency
 - MSS incentivized to maximize revenues from recyclable materials sales
 - Resolution of prior recycling losses
- ▶ Future net costs depend on markets
 - Costs are fixed but markets are unknown
 - Revisit incentivization provision if 10% change in two consecutive years

Summary of Rate Factors

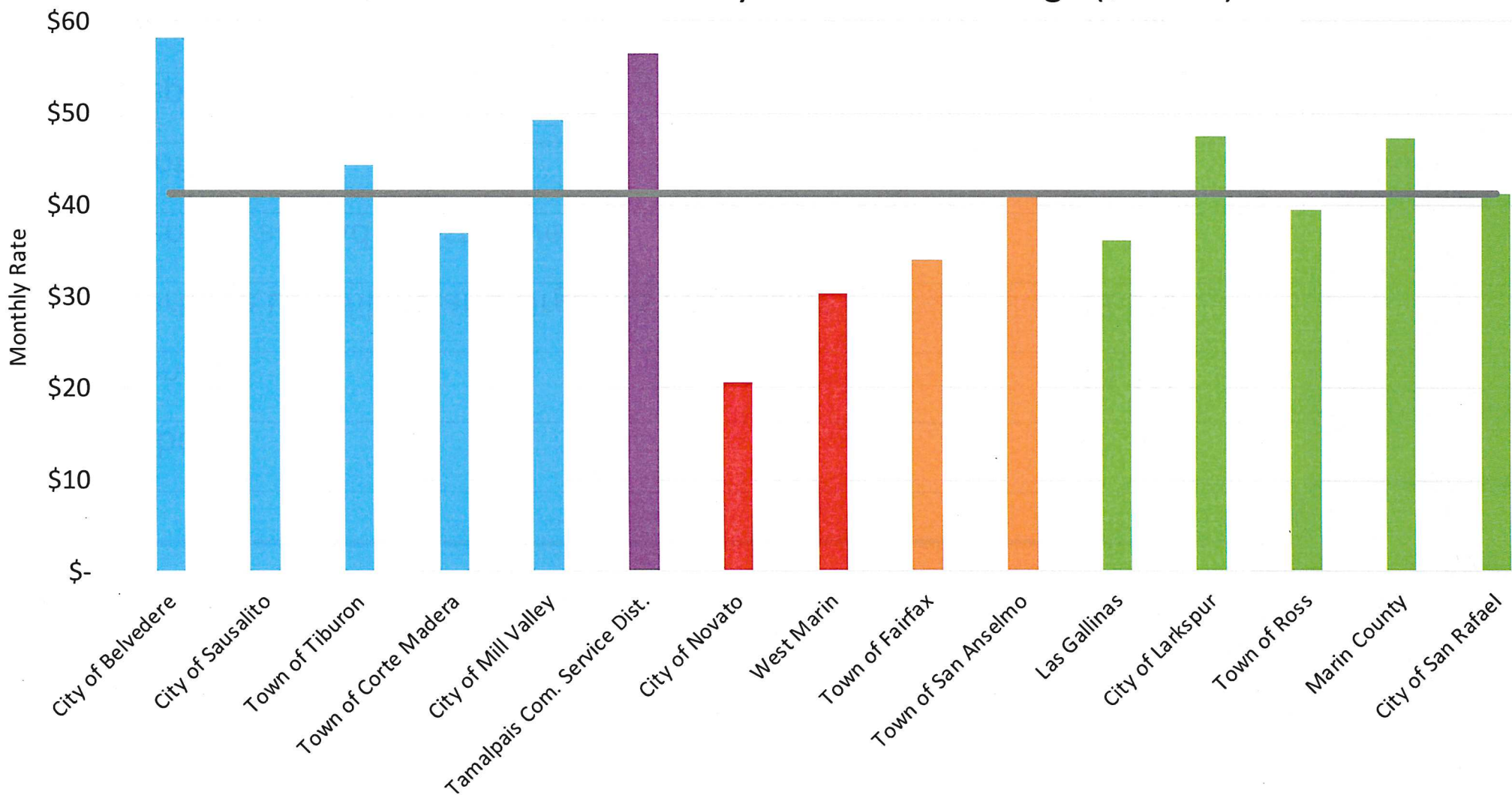
Rate Components	Breakdown of 2019 Recommended Increase
Labor	5.34%
Franchise Fees	4.74%
Recyclables Processing	2.67%
Fuel and Oil	1.07%
Maintenance	0.83%
Profit	0.62%
Benefits	0.57%
Garbage Landfilling and Organics Processing	0.06%
Interest	0.04%
General and Administrative	-0.08%
Depreciation and Leases	-0.14%
Zero Waste Marin Fees	-0.43%
Revenues at Current 2018 Rates	-0.97%
Total	14.33%

What's in the rates?

Labor	28.3%
Benefits	14.1%
Garbage Landfilling and Organics Processing	11.9%
General and Administrative	9.4%
Profit	8.6%
Depreciation and Leases	8.1%
Maintenance	6.3%
Franchise Fees	5.0%
Fuel and Oil	3.4%
Recyclables Processing	2.3%
Interest	1.6%
Zero Waste Marin Fees	1.1%

Marin Co. Rate Comparison

Marin County Solid Waste Rates - MFG 2019 Residential 30-35 Gal Can to Current 2018 Marin County Rates and Average (\$41.23)



New Rate Methodology

- ▶ Transparent, predictable customer rates and company revenues
- ▶ Streamline, less costly process
- ▶ 5 years of indexed adjustments
 - MSS operating revenues tied to market index
 - Processing and disposal tied to tons/tip fees
 - Government fees set to actual
- ▶ Detailed “Base year” in 2025
 - Sets rates based on actual costs
 - Optional every 5 years, as requested

Future Index Projections

Example Rate Adjustments - Middle Scenario

MSS Operations @ 3.7%/year - Minor Improvements to Recycling Markets

	2019	2020	2021	2022
MSS Operations	27,353,613	28,368,168	29,420,560	30,421,401
Processing	4,764,811	4,945,600	5,141,482	5,352,990
Government Fees	5,573,167	5,760,188	5,952,782	6,104,201
Other	135,072	135,072	331,117	204,230
Total	37,826,662	39,209,027	40,845,941	42,082,822
Annual Rate Adjustment	9.39%	3.65%	4.17%	3.03%

Example Rate Adjustments - High Scenario

MSS Operations @ 5%/year - No Improvements to Recycling Markets

	2019	2020	2021	2022
MSS Operations	\$ 27,353,613	\$ 28,717,010	\$ 30,148,594	\$ 31,560,970
Processing	\$ 4,764,811	\$ 5,143,164	\$ 5,540,696	\$ 5,957,777
Government Fees	\$ 5,573,167	\$ 5,824,584	\$ 6,085,993	\$ 6,310,525
Other	\$ 135,072	\$ 135,072	\$ 334,171	\$ 210,547
Total	\$ 37,826,662	\$ 39,819,831	\$ 42,109,453	\$ 44,039,820
Annual Rate Adjustment	9.39%	5.27%	5.75%	4.58%

Other Outcomes & Benefits

- ▶ MSS commitment not to sell company
 - Revisions to assignment language = greater control for City in event of sale
 - Annual MSS updates on succession planning
- ▶ Performance commitments
 - Quantitative metrics for outreach/education and increasing diversion
 - City option for detailed performance review
 - Obligation to process recyclables in Marin
- ▶ Maintains current high levels of quality services (no cuts)

THANK YOU FOR YOUR TIME

For additional questions, contact:

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