



TOWN OF FAIRFAX

SUPPLEMENTAL STAFF REPORT

December 16, 2020

TO: Mayor and Town Council

FROM: Garrett Toy, Town Manager

SUBJECT: Adopt a resolution approving a 4.73% rate increase for Solid Waste Services provided by Marin Sanitary Service to be effective January 1, 2021

RECOMMENDATION

- 1) Conduct public hearing
- 2) Adopt resolution establishing maximum rates collected by Marin Sanitary Service for Solid Waste Services, to be effective January 1, 2021

BACKGROUND

This report serves as a supplemental report to item #5 on the agenda.

As previously reported, the new methodology calculates rates based on compensation due to MSS for collection services (which comprise 2/3 of the rates) and which are now adjusted annually based on one simple Water, Sewer, and Trash (WST) CPI index, which has increased between 2 to 5% annually in recent years. Compensation to MSS for other activities (including landfilling of garbage, composting of organics, recyclables sorting and marketing, and government fees comprise of 1/3 of the rates. These fees are adjusted annually based on projections of actual expenses. As a result, Fairfax will experience an increase different from other agencies because of the actual expenses.

The table below (note: same as the table in the initial staff report) shows the increases by category.

	2020	2021	\$ Variance	% Variance	As % Rate Increase
Collector Operations	\$ 1,329,205	\$ 1,367,887	\$ 38,682	2.91%	1.72%
Garbage Landfilling and Organics Processing	\$ 320,768	\$ 345,008	\$ 24,240	7.56%	1.08%
Change in Law - AB 1826 Costs	\$ -	\$ 1,160	\$ 1,160	N/A	0.05%
Subtotal for Profit Calculation	\$ 1,649,973	\$ 1,714,055	\$ 64,082	3.88%	2.86%
Collector Profit (90.5% Operating Ratio)	\$ 173,202	\$ 179,928	\$ 6,726	3.88%	0.30%
Recyclable Materials Processing	\$ 69,569	\$ 72,011	\$ 2,442	3.51%	0.11%
Interest	\$ 21,154	\$ 21,770	\$ 616	2.91%	0.03%
Zero Waste Marin Fees	\$ 27,076	\$ 40,411	\$ 13,335	49.25%	0.59%
Franchise Fees	\$ 224,275	\$ 234,889	\$ 10,614	4.73%	0.47%
Other Agency Fees	\$ 77,500	\$ 77,500	\$ -	0.00%	0.00%
Extraordinary Item - Recycling Property Insurance	\$ -	\$ 8,329	\$ 8,329	N/A	0.37%
Total	\$ 2,242,749	\$ 2,348,893	\$ 106,144	4.73%	4.73%

Garbage Landfilling and Organics is one of the costs based on projections of actual expenses. Attachment A shows the impact of the changes in Fairfax tonnage projections (based on actuals) from 2020 to 2021. The bottom line is that, between increases in commercial garbage and organics tonnages, and the price per ton increase, that Fairfax's Garbage Landfilling and Organics Processing line item in the rate application is increasing approximately 7.6%, which accounts for the magnitude of the comparative difference between Fairfax and the other MSS agencies. Anecdotally, we believe Fairfax generates a higher tonnage of green waste per capita when compared to other agencies. The reason could be because of a robust chipper days program and residents doing much more brush clearance due to fire prevention efforts.

If Fairfax's projected tonnages were less such that the Garbage Landfilling and Organics Processing line item were only increasing by the average for most other agencies at 2.1%, then Fairfax's increase would be 3.95% or below, akin to the other agencies. Attachment B highlights the line item and the scenario.

The Town and Council should note that these are projections – if actuals end up being lower than projections, then the trend will be reversed in the following rate year. This is because the methodology looks back at actual tonnages to project future tonnages, so if actual tonnages end up being lower, that will result in a smaller increase (or, potentially) a decrease in this line item for 2022.

R3 Consulting will discuss this more during their presentation.

FISCAL IMPACT

Increasing MSS's rates will result in slight increases to the franchise fees paid by MSS to the Town.

ATTACHMENTS

- A. Disposal Projection table
- B. Scenario for MFG

ATTACHMENT A
MARIN SANITARY SERVICE
TOWN OF FAIRFAX
2021 RATE APPLICATION
DISPOSAL EXPENSE PROJECTION

PROJECTED DISPOSAL EXPENSE

	A	B	C	D	E	F	Variance	Variance	Variance
	FAIRFAX			Fairfax			FFX 2021 %	FFX 2021 %	FFX 2021 %
	2021 RATE APPLICATION PROJECTION			2020 PROJECTION			Change in	Change Per	Change
	2020 Proj.	2021	Amount	2019 Proj.	2020	Amount	Tons	Ton Rate	Overall
	Tons	Rate		Tons	Rate				
MRRC - Commercial	218.9	\$ 103.03	\$ 22,553	255.3	\$ 100.12	\$ 25,561	-14%	3%	-11.8%
Transfer Station - Commercial	1,226.9	61.42	75,359	1,157.9	59.86	69,312	6%	3%	8.7%
Transfer Station - Residential	1,230.4	61.42	75,573	1,229.2	59.86	73,580	0%	3%	2.7%
MRRC - Res'l Yard Waste	1,880.8	53.92	101,414	1,747.3	52.40	91,559	8%	3%	10.8%
F2E	183.2	24.63	4,512	130.9	24.29	3,179	40%	1%	41.9%
Other: Cleanups, Bulky items, Illegal dumping, etc.	44.7	103.03	4,605						
Subtotal	4,785.0		\$ 284,016	4,520.6		\$ 263,191	6%		7.9%
Add: Hauling of Fairfax T/S Volume to Landfill	2,457.4	\$ 24.82	\$ 60,992	2,387.1	\$ 24.12	57,577	3%	3%	5.9%
2020 Projected Disposal Expense (MFG Exhibit B)			\$ 345,008			\$ 320,768			7.6%

Attachment B

Scenario- Disposal same as the Marin Franchisor's Group (MFG)

	2020	2021	\$ Variance	% Variance	As % Rate Increase	Notes
Collector Operations	\$ 1,329,205	\$ 1,367,887	\$ 38,682	2.91%	1.72%	Set at WST-CPI - same across all MSS agencies.
Garbage Landfilling and Organics Processing	\$ 320,768	\$ 345,008	\$ 24,240	7.56%	1.08%	Set based on tonnages and per ton rate - see FFX disposal tab.
Change in Law - AB 1826 Costs	\$ -	\$ 1,160	\$ 1,160	N/A	0.05%	Proportionate share of Recyclist Costs - shared by all MSS agencies.
Subtotal for Profit Calculation	\$ 1,649,973	\$ 1,714,055	\$ 64,082	3.88%	2.86%	
Collector Profit (90.5% Operating Ratio)	\$ 173,202	\$ 179,928	\$ 6,726	3.88%	0.30%	Calculated value.
Recyclable Materials Processing	\$ 69,569	\$ 72,011	\$ 2,442	3.51%	0.11%	Set based on tonnages and per ton rate.
Interest	\$ 21,154	\$ 21,770	\$ 616	2.91%	0.03%	Set at WST-CPI - same across all MSS agencies.
Zero Waste Marin Fees	\$ 27,076	\$ 40,411	\$ 13,335	49.25%	0.59%	Set based on actual fees + one-time adjustment for 2019 and 2020. 2021 one-time adjustment applies to all agencies.
Franchise Fees	\$ 224,275	\$ 234,889	\$ 10,614	4.73%	0.47%	Calculated value set by Town.
Other Agency Fees	\$ 77,500	\$ 77,500	\$ -	0.00%	0.00%	Value set by Town.
Extraordinary Item - Recycling Property Insurance	\$ -	\$ 8,329	\$ 8,329	N/A	0.37%	Proportionate share of extraordinary insurance costs based on recycling tonnages - shared by all MSS agencies.
Total	\$ 2,242,749	\$ 2,348,893	\$ 106,144	4.73%	4.73%	

BELOW SHOWN AS EXAMPLE ONLY

Baseline Disposal (MFG @ 2.1%)	\$ 320,768	\$ 327,504	\$ 6,736			Shows what FFX disposal increase would have been based on MFG average disposal increase (for comparison only).
Base Rate Adjustment before FFX Tonnages			\$ 88,640	3.95%		Shows what FFX total increase would have been based on MFG above (for comparison only). Does not include changes for profit or franchise fees.