

# Review of Mill Valley Refuse Service's 2018 Rate Application



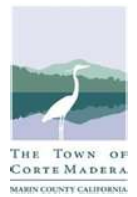
**PRESENTATION TO:**  
Strawberry Recreation District

June 12, 2018

# The Project

□ R3 conducted a review of Mill Valley Refuse Service's (MVRS) 2018 rate application based on the methodology agreed to via the Franchise Agreements between MVRS and:

- Mill Valley
- Belvedere
- Corte Madera
- Tiburon
- Southern Marin County Franchise Areas



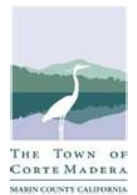
# MVRS Rate Application Submittal

- ❑ MVRS Proposed a overall **14.93% increase** to solid waste rates—14.71% for Strawberry
- ❑ Submitted: April 1, 2018 (to be effective July 1, 2018)
- ❑ MVRS attributed its approx. **\$2.48 million shortfall** to several factors, most notably China’s “National Sword” initiative
- ❑ Of the 14.93% rate increase, 8.67% is due to the cost of recycling. 6.26% is due to rising operational expenses including fuel and labor.



# Scope of R3's Review

- ❑ Reviewed the rate application for mathematical accuracy and logical consistency
- ❑ Tied MVRS CY 2017 Profit and Loss Statement to rate application figures
- ❑ Reviewed the allocation of CY 2017 revenues and expenses among MVRS business units
- ❑ Reviewed projections for Rate Year 2018
- ❑ Reviewed the factors used to allocate Rate Year 2018 revenues and expenses among franchisees
- ❑ Documented profit level, franchise fee, free services, non-allowable expenses and pass-through for each contracting jurisdiction



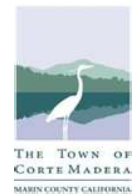
# Scope of R3's Review

- ❑ Reviewed for consistency with applicable terms and conditions of the franchise agreements
- ❑ Reviewed adjustments made in prior rate applications for determine if similar adjustments were made in this rate application
- ❑ Adjusted MVRS's projected Rate Year 2018 revenues and expenses based on our recommended adjustments
- ❑ Recalculated the rate adjustments for each contracting jurisdiction per above
- ❑ Presented findings to MVRS for review and comment, and made appropriate revisions



# R3 Review of Rate Application

- ❑ **Legal Fees (\$446):** Disallowed certain legal expenses allocated to Belvedere and Tiburon per franchise agreements.
- ❑ **Penalties (\$35):** Disallowed non-allowable Penalty expense
- ❑ **Fuel Adjustment (\$43,824):** Calculated based on MVRs's reported current per gallon cost of \$4.15 times the projected number of total gallons
- ❑ **Corte Madera Owner Pension (\$17,093):** Disallowed all officer pension and retirement plan costs for Corte Madera per franchise agreement





# R3 Review of Rate Application

- ❑ **Licenses—Portable Toilet Allocation (\$8,057):** Reduced the allocation of the License expense to account for the portion of that expense that should be allocated to Portable Toilets
- ❑ **Payroll Taxes (\$4,166):** Increased the Payroll Tax expense associated with non-allowable Officer compensation that MVRS excluded from the rate application to reflect a rate of 1.45% rather than the 2.50% figure used by MVRS
- ❑ **Tiburon Street Sweeping (\$9,472):** Corrected the treatment of street sweeping expenses per Tiburon's franchise agreement



# Recycling Markets and Rates

## ❑ Rising tip fees for recyclables

- Driven by China's National Sword
- Increases from \$0/ton to \$80/ton over the last year
- \$109/ton included in the rate application based on a quote from Recology San Francisco (recently increased to \$188/ton)
- MVRS broker: *"given the tremendous uncertainty in the marketplace right now, the tip fee is subject to change monthly."*

## ❑ Limited options for recyclables processing

- Recyclables are currently sent to GreenWaste in San Jose for processing, however the future of this arrangement is uncertain
- Recology San Francisco can take recyclables at a high cost
- Other local facilities are not currently accepting more materials, and are stockpiling what they process in hopes markets improve





# Recycling Markets and Rates

- ❑ A new mechanism is needed to address risk of low or high recycling costs
  - Carry-forward – surplus/shortfall of recycling costs would feed back into the rates each year
  - Effective for the next three years, until the next detailed rate review
  - Rate payers and MVRS share the risks and rewards of recycling markets
  - Protects rate-payers against risk of over payment and MVRS against risk of loss



# MVRS Proposed Dual Stream Pilot

- ❑ Pilot September 3<sup>rd</sup> – December 29<sup>th</sup> 2018
- ❑ Response to China's National Sword in an effort to achieve potential cost savings
- ❑ Strawberry: 448 homes Wednesday service
- ❑ Pick-up of carts / cans on alternating weeks
  - Mixed paper and cardboard one week
  - All other mixed recyclables the next week
- ❑ Recyclables delivered to Marin Sanitary Services, reduced per ton fee of \$17.50



# R3's Recommendations

- ❑ Based on our review of the application, R3 has determined that an overall rate increase of **14.41%\*** is appropriate to compensate MVRS for its projected 2018 expenses
- ❑ We have reviewed our findings with MVRS, and they are in agreement with the proposed adjustments to their rate application and the recommended 14.41% rate increase for 2018
- ❑ R3 recommends approving a carry-forward mechanism for recycling expenses, which remain volatile and uncertain

\*Note: actual rate increase percentage varies between MVRS jurisdictions as detailed on the following slide.



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# R3's Recommendations

- ❑ Strawberry: 14.32%
  - ❑ Mill Valley: 14.60%
  - ❑ Belvedere: 19.47%
  - ❑ Corte Madera: 13.77%
  - ❑ Alto: 14.27%
  - ❑ Tiburon: 13.71%
  - ❑ County: 17.54%
  - ❑ Homestead: 13.89%
  - ❑ Almonte: 13.11%
- ❑ Rate increase percentages vary by agency due to:
    - ❑ franchise agreement differences
    - ❑ Allocations of revenue and expenses by agency
  - ❑ Overall this represents a 14.41% increase



# Estimated 2018-19 Rates

## Residential 32-Gallon Rate Summary

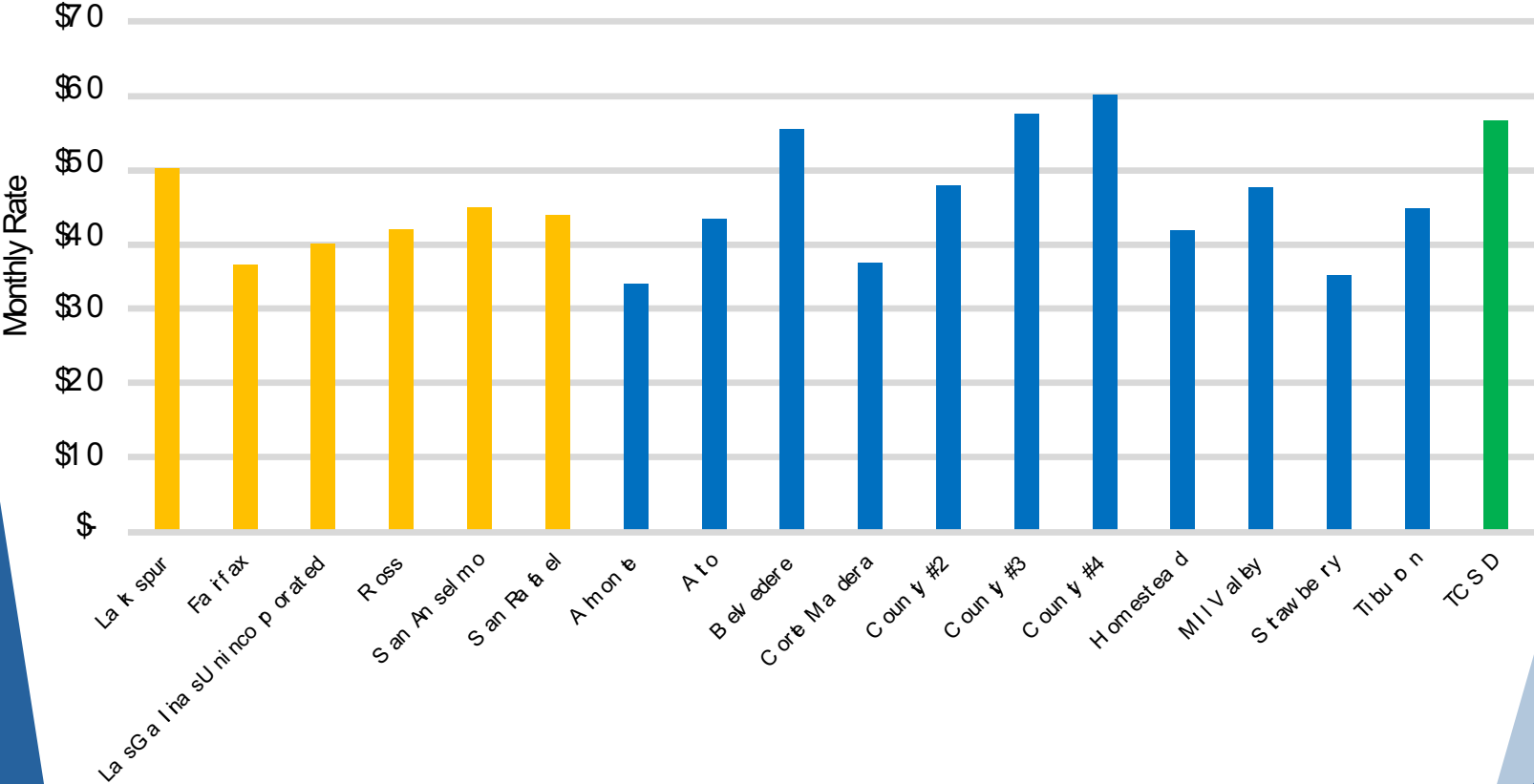
Jurisdiction	Current Rate (\$/mo.)	Estimated Rate* (\$/mo.)	\$ Difference
Mill Valley	\$41.23	\$47.25	\$6.02
Belvedere	\$46.25	\$55.25	\$9.00
Corte Madera	\$32.47	\$36.94	\$4.47
Alto	\$37.55	\$42.91	\$5.36
Tiburon	\$39.02	\$44.37	\$5.35
County 2	\$40.47	\$47.57	\$7.10
County 3	\$48.84	\$57.41	\$8.57
County 4	\$50.98	\$59.92	\$8.94
Homestead	\$36.34	\$41.39	\$5.05
Strawberry	\$30.80	\$35.21	\$4.41
Almonte	\$30.17	\$34.13	\$3.96

\*Estimated based on currently posted rates and proposed rate increase by jurisdiction per R3's review of MVRs's 2018 rate application.



# Rates in Other Jurisdictions

Marin County Residential Solid Waste Rates  
 FY 18/19 Comparable Rates (Projected)  
 30-35 Gal Can



THE TOWN OF  
 CORTE MADERA  
 MARIN COUNTY CALIFORNIA



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# Questions & Discussion

# THANK YOU FOR YOUR TIME

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For additional questions, contact:

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