

**TOWN OF FAIRFAX  
STAFF REPORT**

**To: Mayor, Members of the Town Council**  
**From: Michael Rock, Town Manager**   
**Date: December 7, 2011**  
**Subject: Adoption of a Resolution approving a garbage and recycling service rate increase of 17.41% in the Town of Fairfax**

**RECOMMENDATION**

Staff recommends that the Town Council hear the presentation, open the public hearing, take public comment, then adopt a Resolution providing for an average 17.41 percent rate adjustment for Marin Sanitary Service, Inc. (MSS) beginning January 6, 2012.

The rate will increase from \$24.78/month for a 32-gallon cart in flat areas to \$29.09/month for a 32-gallon cart in flat areas. The hill rate will increase from \$28.94/month to \$33.97/month.

The Town Code (Section 8.08.030) requires all garbage service rate increases to be approved by resolution of the Town Council.

**DISCUSSION**

Marin Sanitary Service assumed a Solid Waste and Recycling Agreement on April 19, 1993 from Fairfax Disposal Service. From 1993 to 2009 Fairfax did not see any rate increases directly related to the cost of providing the garbage and recycling service because Marin Sanitary did not petition for increases it was entitled to receive to cover its cost. Beginning in 2009, Fairfax and Marin Sanitary have worked together to get rates set at a level that covered Marin Sanitary costs without causing undue hardship to customers. According to the independent consultants, even with our last rate adjustment of 10%, Marin Sanitary is not receiving sufficient revenue to cover its operating costs. Thus, the proposed increase is intended to get rates caught up to a break-even point and to a lesser extent cover some new and exciting services included in the new franchise agreement.

The rate adjustment analysis produced by Hilton Farnkopf and Hobson (HF&H) Consultants in March 2011 recommended a 24.23% rate increase for garbage and recycling services in Fairfax. At the April 2011 Town Council meeting the Council increased the garbage and recycling rate by 10% with the understanding that the Council would be reviewing the rates as soon as the new Franchise Agreement was approved. The Town Council approved a new Franchise Agreement with MSS at the November 2, 2011 Council meeting that includes new waste reduction and recycling programs. Thus, there remains 14.23% of the recommended rate increase from the HF&H study for consideration in addition to determining compensation for MSS's additional obligations under the new Franchise Agreement.

Listed below are the garbage hauling, waste reduction and recycling programs that make up the recommended rate increase of 17.41%:

HF&H Study	14.23%
Brush Clearing Program	1.06%
Delivering of Compost 3x/year	0.13%
Paper Shredding/E-Waste/Prescription Medication 1x/year	0.30%
Household Hazardous Waste Pick-Up by Appointment	0.49%

Special Events-Waste Reduction/Recycling/Reuse	0.60%
Education and Promotion of all programs	0.60%
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TOTAL	17.41%

In addition to the benefits to residential customers there are many services available only to commercial customers as outlined below:

1. Container sizes from 32 gallon to 6 cubic yard to accommodate varying levels of service.
2. No distance charges for commercial customers. MSS retrieves carts and returns them; curbside service is preferred, but not mandatory for commercial.
3. Under the new contract MSS will collect 6 days per week from Town owned solid waste containers placed throughout the downtown area to ensure areas are clean and containers empty at the beginning of the business day.
4. Availability of Waste Audit. MSS Commercial Recycling Coordinators will arrange for a series of free waste audits to characterize material for recycling.
5. Unlimited Commercial Recycling. All MSS commercial customers are eligible for unlimited recycling services up to 6 days per week regardless of garbage cart size included free in their rates. A commercial customer may have only 1-32 garbage carts picked up once per week, but are able to set out unlimited amounts of recycling material up to 6 days per week.
6. The services of a dedicated commercial cardboard truck scanning the Town 6 days per week. This service includes on-call collection and container sizes up to 2 cubic yards and is not available to residential customers
7. Bulky item collection is available to all commercial customers Monday-Friday and not subject to the Off-Day collection requirements for residential customers.
8. Unlike other jurisdictions MSS serves, the Quarterly Residential Newsletter has always been sent to commercial customers in Fairfax to ensure they are knowledgeable of available services. The new Commercial Newsletter is being sent to all commercial customers explaining the full range of service available to them.

The HF&H Study is attached as Exhibit B and explains the reasons for the recommended increase of 14.23%. The HF&H analysis does not include recycling materials as part of the data that determines how the rates are set. Recycling revenues (or the lack thereof) are not factored into the rate increases. The risk or reward regarding recycling materials is taken solely by Marin Sanitary Service.

The staff recommendation is a rate increase to become effective January 6, 2012.

In summary, the recommended rate increase reflects the following components of MSS costs:

1. Increase in benefits for Marin Sanitary employees
2. Increase in workers compensation costs
3. Increase in disposal fees based on increased tonnage
4. Increase in other operating costs for the company that has been determined to be compensable through rate analysis, and includes wage adjustments, depreciation, other vehicle related costs, administrative expenses and other operating costs; and
5. New program cost for the food composting program.

## **BACKGROUND**

The Town Council approved a 10% rate increase effective May 1, 2011, a 3.18% rate increase effective May 1, 2010 and approved a rate increase of 20% effective on April 1, 2009. The only other rate increase in the eight years prior to April 1, 2009 was passed on January 4, 2005 for 5.5%. That increase addressed road impacts and the funds are used exclusively to repair streets impacted by garbage trucks. Thus, the average rate increase to the Town residents and businesses over the last ten years (assuming the 18.41% rate increase is approved for an effective date of January 6, 2012) is 4.70% per year.

## **FISCAL IMPACT**

This rate increase will affect all residential and business rate payers of solid waste and recycling services in the Town of Fairfax. The Town budget will receive a slight increase in revenue from franchise fees collected from Marin Sanitary Service.

## **ATTACHMENTS**

Exhibit A: Resolution Approving a Garbage and Recycling Service Rate Increase

Exhibit B: Rate Increase Calculation for the Town of Fairfax from HF&H

Exhibit C: New Proposed Rate Schedule for the Town of Fairfax

# EXHIBIT A

## RESOLUTION 11-

### A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF FAIRFAX APPROVING A GARBAGE AND RECYCLING SERVICE RATE INCREASE IN THE TOWN OF FAIRFAX

**WHEREAS**, the Town Code Section 8.08.030 of the Fairfax Town Code provides that garbage service charges will be established by resolution of the Town Council; and

**WHEREAS**, the franchisee, Marin Sanitary Service, has submitted an application for rate review, requesting an increase in service charges to commence on January 6, 2012, in order to pass on the increased cost of doing business caused by poor recycling markets, increases in labor costs, implementation of a new food waste composting program and the general increase in costs due to the consumer price index over the last eight years; and

**WHEREAS**, in accordance with the requirements of Section 16, "Notice of Rate Review," of the garbage disposal contract agreement dated December 1, 2011, the Town of Fairfax posted a notice of the public hearing in the three designated places on November 25, 2011, and published in the Marin Independent Journal on November 24 and December 1, 2011; and

**WHEREAS**, a public hearing was held on December 7, 2011, to review the franchisee's application;

**NOW, THEREFORE, BE IT RESOLVED**, that effective January 6, 2012, the combined rates for both garbage and recycling charges shall be raised 17.41% overall rate categories as shown more particularly on the Rate Schedule attached hereto as Exhibit C. All rates are rounded to the nearest five cents.

The foregoing Resolution was duly passed and adopted at a Regular Meeting of the Town Council of the Town of Fairfax held in said Town on the 7th day of December, 2011 by the following vote, to wit:

AYES:

NOES:

ABSENT:

\_\_\_\_\_  
Pam Hartwell-Herrero, Mayor

Attest:

\_\_\_\_\_  
Judy Anderson, Town Clerk

**Marin Sanitary Service  
2011 Rate Application  
Rate Calculation**

	<b>MSS Proposed</b>		<b>Base</b>
	<b>Fairfax</b>	<b>HF&amp;H Adj</b>	<b>Adjusted</b>
	<b>Fairfax</b>		<b>Fairfax</b>
Rate Application Operating Expenses:			
Wages	\$ 353,376		\$ 353,376
Benefits	178,829	10,735.41	189,564
Disposal Fees	289,047	33,181.00	322,228
Fuel & Oil	69,430	(1,192.39)	68,238
Maintenance Expense	75,099		75,099
Depreciation/Leases	136,232	3,334.74	139,567
Other Operating/G&A	52,056	(478.59)	51,578
<b>Total Operating Expenses</b>	<b>1,154,070</b>	<b>45,580</b>	<b>1,199,650</b>
Operating Profit	121,145		121,145
Interest Expense	13,702	31,891	45,593
<b>Revenue Requirement</b>	<b>1,288,917</b>	<b>77,471</b>	<b>1,366,388</b>
Route Revenues (2011 Projected)	1,206,126	39,991	1,246,117
Adjustment:			
Adjusted Route Revenues	1,206,126	39,991	1,246,117
Less: Franchise Fees	(120,613)		(124,612)
Less: Vehicle Impact Fee	(48,000)		(48,000)
Net Regulated Revenues	1,037,513		1,073,505
Non-Regulated Revenues	-		
<b>Total Revenues</b>	<b>1,037,513</b>		<b>1,073,505</b>
Adjustment:	-		
Less: Franchise Fees	-		
Adjusted Total Revenues	1,037,513		1,073,505
<b>Revenue Surplus/(Shortfall)</b>	<b>(251,404)</b>		<b>(292,883)</b>
Calculated Rate Adjustment	24.23%		27.28%
<u>Additional Rate Adjustment Items</u>			
Additional Rate Increase			
<b>Total</b>	<b>24.23%</b>	<b>0.00%</b>	<b>27.28%</b>

HF&H Adjustments  
MSS Base Application

<b>Fuel</b>	<b>FG</b>	<b>Fairfax</b>	
2010 RA	845,759.51	64,465.51	
2010 Actual	\$ 830,116		
decrease	(15,643.61) -1.85%	(1,192.39)	<b>Adjustment - #1</b> Reduction to NonFG based on % reduction to FG

**Depreciation**

2010 RA	2,122,094.58	113,269.34	
Depreciation per WP		54246.34	
Truck Allocation		278651	
HFH Adj		2220	<b>Adjustment - #2</b> allocation of shop equip
Other Trucks Adj		290.06	<b>Adjustment - #3</b> non franchise roll off adj
		20.66	<b>Adjustment - #4</b> non franchised trucks
		\$ (247.67)	<b>Adjustment - #5</b> Adj to 7 yr Life Truck 47
		\$ (148.33)	<b>Adjustment - #6</b> Adj to 5 year life
		<u>\$ 1,200.02</u>	<b>Adjustment - #7</b> Office Remodel
Total Depreciation Adj	\$ 3,334.74		

**Workers Compensation**

Adjustment per WC Schedule	10,735.41	<b>Adjustment - #8</b>	Workers Comp adjustment
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**JPA Fees**

\$ (478.59)	<b>Adjustment - #9</b>	JPA adjustment
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**Interest**

\$ 31,395.25	<b>Adjustment - #10</b>	Interest
495.76	<b>Adjustment - #11</b>	Interest on new assets
<u>\$ 31,891.01</u>		

Disposal	16,011.00	<b>Adjustment - #12</b>	Adj 2010 to new 2010 projection
	<u>17,170.00</u>	<b>Adjustment - #13</b>	Adj 2011 based on new 2010 projection
	33,181.00		

**EXHIBIT C**  
**Town of Fairfax**  
**Refuse Collection Rates**  
**Effective 1/6/2012**

Effective 1/6/2012 - 17.41% Rate Increase

**Residential Service**

Can Service	FLAT			HILL			Flat Quarterly Rate	Hill Quarterly Rate
	Current Rate Monthly	1/06/2012 Rate		Current Rate Monthly	1/06/2012 Rate			
Weekly Service		Monthly	Amt of Inc	Monthly	Monthly	Amt of Inc		
20 gallon	\$20.66	\$24.26	\$3.60	\$24.12	\$28.32	\$4.20	\$72.78	\$84.96
32 gallon	\$24.78	\$29.09	\$4.31	\$28.94	\$33.98	\$5.04	\$87.27	\$101.94
64 gallon	\$49.56	\$68.18	\$8.62	\$57.88	\$67.96	\$10.08	\$174.54	\$203.88
96 gallon	\$74.34	\$87.27	\$12.93	\$86.82	\$101.94	\$15.12	\$261.81	\$305.82
Add'l Can	\$24.78	\$29.09	\$4.31	\$28.94	\$33.98	\$5.04	\$87.27	\$101.94
Low income - 20 gal*	\$17.96	\$21.09	\$3.13	\$20.99	\$24.64	\$3.65	\$63.27	\$73.92
Low income - 32 gal*	\$21.56	\$25.31	\$3.75	\$25.18	\$29.56	\$4.38	\$75.93	\$88.68
Low income - 64 gal*	\$43.13	\$60.64	\$7.51	\$50.35	\$59.12	\$8.77	\$151.92	\$177.36
Low income - 96 gal*	\$64.69	\$75.96	\$11.26	\$75.53	\$88.88	\$13.15	\$227.85	\$266.04
Add'l yard waste cart	\$1.45	\$1.70	\$0.25	\$1.45	\$1.70	\$0.25	\$5.10	\$5.10

\*Must meet PG&E CARE program eligibility requirements

Distance Charges	Current	1/6/2012
Distance 5'-50'	\$3.70	\$4.36
Distance over 50' (per 50' each can)	\$7.35	\$8.65

Note: Multi-Family service is one can per unit-minimum (commercial rate)

Extra Charges	Current	1/6/2012
Per bag	\$3.50	\$4.10
Per 32 gallon can	\$7.80	\$9.15
Per 64 gallon can	\$15.70	\$18.45
Per 96 gallon can	\$23.50	\$27.60
Per add'l can	\$7.80	\$9.15

**Commercial Service**

Can Service	Collections per Week					
	1	2	3	4	5	6
<b>Current</b>						
32 gallon	\$29.20	\$58.40	\$87.60	\$116.80	\$146.00	\$175.20
64 gallon	\$58.40	\$116.80	\$175.20	\$233.60	\$292.00	\$350.40
96 gallon	\$87.60	\$175.20	\$262.80	\$350.40	\$438.00	\$525.60
<b>1/6/2012</b>						
32 gallon	\$34.30	\$68.60	\$102.90	\$137.20	\$171.50	\$205.80
64 gallon	\$68.60	\$137.20	\$205.80	\$274.40	\$343.00	\$411.60
96 gallon	\$102.90	\$205.80	\$308.70	\$411.60	\$514.50	\$617.40

Box Service	On-Call	Collections per Week						per single collection
		1	2	3	4	5	6	
<b>Current</b>								
1 yard		\$145.65	\$245.40	\$345.00	\$444.80	\$544.50	\$644.20	\$24.90
2 yard	\$149.60	\$243.50	\$431.50	\$619.40	\$807.35	\$995.35	\$1,183.25	\$46.95
3 yard		\$341.50	\$617.70	\$893.85	\$1,170.05	\$1,446.15	\$1,672.20	\$69.10
4 yard		\$487.25	\$899.25	\$1,273.10	\$1,614.90	\$2,268.60	\$2,722.30	\$94.00
6 yard		\$612.85	\$1,110.00	\$2,104.50	\$2,801.95	\$3,099.30	\$3,596.65	\$138.10
<b>1/6/2012</b>								
1 yard		\$171.00	\$288.10	\$405.05	\$522.25	\$639.30	\$756.35	\$29.25
2 yard	\$176.65	\$285.90	\$606.60	\$727.25	\$947.90	\$1,168.65	\$1,389.25	\$55.10
3 yard		\$400.95	\$725.25	\$1,049.45	\$1,373.75	\$1,697.90	\$1,963.35	\$81.15
4 yard		\$572.10	\$1,055.80	\$1,494.75	\$2,130.85	\$2,663.65	\$3,196.25	\$110.35
6 yard		\$719.55	\$1,303.25	\$2,470.90	\$3,054.95	\$3,638.90	\$4,222.85	\$162.15

	Current Rate	1/6/2012		Current Rate	1/6/2012
Lock Charges - single pickup	\$4.55	\$5.35	Box Rental - 1 yard	\$45.95	\$53.95
Lock Charges - weekly pickup	\$15.90	\$18.65	Box Rental - 2 yard	\$55.60	\$65.30
MSS Company Lock	\$15.00	\$17.60	Box Rental - 3 yard	\$65.40	\$76.80
Steam clean - can	\$11.00	\$12.90	Return fee	\$5.00	\$5.85
Steam clean - bin	\$75.00	\$88.05	Same day bin service	\$35.00	\$41.10
Bulky pickup, plus cost of disposal	\$85.00	\$85.00	Off-day pickup	\$17.50	\$20.55