

REVISED AND RESTATED
EXCLUSIVE FRANCHISE AGREEMENT
TO COLLECT, TRANSFER, PROCESS, MARKET, AND
DISPOSE OF SOLID WASTE, RECYCLABLE AND ORGANIC
MATERIALS
BETWEEN MARIN SANITARY SERVICE, INC.

AND THE
LAS GALLINAS VALLEY SANITARY DISTRICT

REVISED: FEBRUARY 28, 2013

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EXHIBITS

- Exhibit A. Marin Sanitary Service Description of Services
- Exhibit B. Collector's Revenue Requirement and Rate Adjustment
- Exhibit C. Current Rates

Revised and Restated Exclusive Franchise Agreement

To Collect, Transfer, Process, Market, and Dispose of Solid Waste, Recyclable and Organic Materials

THIS AGREEMENT is made effective and entered into this 28 day of February, 2013, by and between the LAS GALLINAS VALLEY SANITARY DISTRICT, a sanitary district located in Marin County, California, created under the Sanitary District Act of 1923, Part 1 of Division 6 of the Health and Safety Code of the State of California, hereinafter referred to as "District", and MARIN SANITARY SERVICE, Inc., a California corporation, hereinafter referred to as "Collector".

WITNESSETH:

WHEREAS, District has authority under Health and Safety Code § 6518.5 to provide for the collection of Solid Waste, Recyclables, and Organic Materials; and

WHEREAS, District finds and determines that it is in the best interest of the public health, safety and welfare of the residents of the District and that it is necessary for the protection of public health, safety and welfare, and property within said District that Solid Waste, Recyclable and Organic Materials collection, processing and disposal services be rendered to businesses and all residential properties within the District; and

WHEREAS, Collector has for decades provided high quality and efficient Solid Waste, Recyclable and Organic Materials collection, processing and disposal services to residents and businesses within the District ; and

WHEREAS, the District and Collector entered into a written agreement on February 1, 2000, which has not been amended, and pursuant to which the Collector currently renders Solid Waste, Recyclable Material and Organics collection, processing and disposal services to businesses and residents in the District; and

WHEREAS, the District and Collector now desire to amend and restate the original collection agreement to make current the description of services provided by the Collector as well as adopt procedures by which the Collector may request and the District shall review adjustments to the rates charged by the Collector for the various types of services it provides;

NOW THEREFORE, it is mutually agreed as follows:

ARTICLE 1. DEFINITIONS

For the purpose of this Agreement, the following definitions will apply, unless the context hereof requires a different meaning:

"Board of Directors"

The Board of Directors of the Las Gallinas Valley Sanitary District.

"Collector"

Marin Sanitary Service, Inc.

"Debris Box"

Any container furnished by the Collector for receiving and holding all Garbage, Waste Matter and Debris. They shall be watertight; have lids or covers; and a capacity of not less than three (3) cubic yards.

"District"

The Las Gallinas Valley Sanitary District, Marin County, California.

"Debris"

Any and all material resulting from construction, demolition or temporary clean-up operations collected and transported on an occasional basis.

"Garbage"

Any kitchen, table, counter, fountain, or bar Refuse; dead animals if not more than then (10) pounds each, offal; and animal, vegetable or other matters that attend the preparation, consumption, decay, dealing in, or storage of meats, fish, fowls, birds, fruits, vegetables and other matters for human food consumption that is not intended for placement in a recycling or Organics composting container.

"Generator"

Any Person as defined by Section 40170 of the Public Resources Code, whose act or process produces Solid Waste, Recyclable or Organic Materials as defined in the Public Resources Code, or whose act first causes such materials to become subject to regulation.

"Hazardous Waste"

All substances defined as Hazardous Waste, acutely Hazardous Waste, or extremely Hazardous Waste by the State of California in Health and Safety Code Sections 25117, 25110.02, and 25115, or in the future amendments to or recodifications of such statutes, or identified and listed as Hazardous Waste by the U.S. Environmental Protection Agency, pursuant to the Federal Resource Conservation and Recovery Act (42 USC Section 6901, et seq.), all future amendments thereto and all rules and regulations promulgated thereunder.

"Organics"

A subset of organic Recyclable Materials consisting of food scraps, food waste, grass cuttings, weeds, leaves, prunings, branches, dead plants, brush, tree trimmings, dead trees [not more than six (6) inches in diameter], and similar materials generated at residential properties within the District, separated and set out for collection and processing. Organics does not include materials not normally produced from gardens or landscapes, such as, but not limited to, palm fronds, brick, rock, gravel, large quantities of dirt, concrete, sod, non-organic wastes, oil and wood or wood products, diseased plants and trees are also excluded from Organics.

"Person"

Any human being, individual, firm, company, partnership, association, and private, public and municipal corporations, the United States of America, the State of California, districts and all political subdivisions and governmental agencies.

"Recyclable Materials"

Segregated residential, commercial or industrial by-products set aside, handled, packaged, or offered for collection in a manner different from Refuse. Recyclable Materials include but are not limited to paper, glass, cardboard, plastics, ferrous metal, aluminum, food scraps and yard waste.

"Refuse"

All types of waste materials as defined under the headings of Garbage and Waste Matter.

"Solid Waste"

All putrescible and non-putrescible solid, semisolid, and liquid wastes, including Garbage, trash, Refuse, ashes, industrial wastes, demolition and construction wastes, discarded home and industrial appliances,

manure, vegetable or animal solid and semisolid wastes, and other discarded solid and semisolid Waste Matter, as defined in California Public Resources Code § 40191, as that section may be amended from time to time. For the purposes of this Agreement, "Solid Waste" does not include abandoned vehicles and parts thereof, Hazardous Waste or low-level radioactive waste, and medical waste.

"Waste Matter"

Crockery, bottles, tin cans, metal, vessels, ashes, shells, plaster, bricks and all other similar non-combustible materials that is not intended for placement in a recycling or Organics composting container.

ARTICLE 2. TERM OF AGREEMENT

The term of this Agreement shall be from the date hereof through December 31, 2033. At the end of each calendar year beginning with the year 2014, the expiration date of this Agreement shall be extended by one calendar year. Thus, at the end of the calendar year 2014, a calendar year shall be added to the term of this Agreement, thereby making the expiration date of this Agreement December 31, 2034. Such annual extensions shall continue until either party to this Agreement gives not less than twelve (12) months written notice to the other party terminating the annual extensions.

ARTICLE 3. GRANT OF FRANCHISE

District hereby grants to Collector the exclusive franchise, right and privilege to collect, transfer, process, market and dispose of all Solid Waste, Recyclable Materials and Organics from within the District during the term hereof, consistent with local, state and federal laws and regulations.

ARTICLE 4. EXCEPTIONS TO FRANCHISE

This franchise for the collection, transportation, processing, marketing and disposal of Solid Waste, Recyclable and Organic Materials shall be exclusive to the Collector, except for the following:

- A. Solid Waste, including Recyclable and Organic Materials, removed from the premises of a waste Generator by the waste Generator or the waste Generator's full-time employee in a vehicle owned by the waste Generator.
- B. Recyclable Materials separated from Solid Waste by the waste Generator and collected by a licensed recycler who pays a net amount to the waste Generator.

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- C. Organic Materials removed from the premises by a gardening, landscaping or tree trimming contractor as an incidental service.
- D. Construction and deconstruction Debris serviced by temporarily located Debris Boxes.
- E. Animal waste (other than incidental) and by-products from animals for use as tallow.
- F. Sewerage and sewerage by-products of sewerage treatment plants, including sludge, sludge ash, grit and screenings.
- G. Hazardous Waste from residential, commercial or industrial sites regardless of the source.

ARTICLE 5. SCOPE OF SERVICES

Subject to Article 4, the Agreement granted to Collector shall be exclusive for collection, transportation, transfer, processing, marketing and/or disposal of Solid Waste, Recyclable and Organic Materials generated in the District, except where otherwise precluded by federal, State and local laws and regulations or where other current programs provide for collection of household Hazardous Waste.

The Collector shall be responsible for providing the following services as more fully described in Attachment A to this Agreement, as responsibilities may be limited by Article 4 or precluded by applicable law:

- A. Collecting all Solid Waste, Recyclable and Organic Materials generated in the District and placed by Single-Family, Multi-Family, and Commercial Generators in containers provided by Collector at the curb or in another approved location not less than once per week. Customers who wish to place additional materials out for collection may do so, provided such materials are separated and packaged according to guidelines provided by Collector. Collector may charge an extra fee. In the event that a customer fails to sort or improperly sorts Solid Waste, or fails to or improperly sets out the containers for collection, Collector shall not be obligated to collect such materials. Collector may issue warning notices to customers stating the reason for failure to collect from this location. If this issue is not resolved to the Collector's satisfaction, Collector shall notify District of the dispute.
- B. Collecting Solid Waste, Recyclable and Organic Materials from District facilities (as defined in Exhibit A of this Agreement).

- C. Transporting collected materials to the disposal site, recyclables processing site, or composting site.
- D. Processing and marketing, or arranging for processing and marketing of Recyclable and Organic Materials collected in the District by Collector.
- E. Providing public education to residents and businesses located in the District.
- F. Providing customer service and billing service as necessary to fulfill its obligations under this Agreement.
- G. Furnishing all labor, supervision, vehicles, containers, other equipment, materials, supplies, and all other items and services necessary to perform its obligations under this Agreement.
- H. Providing fuel efficient low emission semi-automated equipment, clean, painted and in a state of good repair with Collector's name and telephone number, a vehicle or equipment identification, a minimum of four (4) inches high, clearly visible from the outside of the vehicle or equipment. Collector is not authorized to use the name, signature or logo of the District on any of Collector's vehicles or equipment. Collector shall replace rolling stock equipment that has reached the end of its useful life with more fuel efficient or alternative fuel vehicles, to the extent reasonably available at reasonable cost.
- I. Paying all expenses related to provision of services required by this Agreement including, but not limited to, taxes, regulatory fees, District fees, utilities, etc.
- J. Performing or providing all other services necessary to fulfill its obligations under this Agreement.
- K. Providing all services required by this Agreement in a thorough and professional manner so that residents, businesses, and the District are provided timely, reliable, courteous and high-quality service at all times.
- L. Using due care to prevent Solid Waste and or liquids from leaking, being spilled and/or scattered during the collection/transportation process. If any Solid Waste or fluids escape, leak or spill, Collector shall promptly clean up all such spills or leaks. Collector shall properly cover all open containers for transportation.

- M. Performing all services in full accordance with this Agreement at all times using best industry practice for comparable operations.
- N. Complying with applicable law.
- O. Continue working, at reasonable cost approved by the District as allowable costs for rate-setting purposes, towards the Marin County Zero Waste diversion rate goal for 2025 of 94% by promoting recycling.
- P. Providing reports in a timely manner with details as requested by the District.

The enumeration and specification of particular aspects of service, labor, or equipment requirements shall not relieve Collector of the duty of accomplishing all other aspects necessary to fulfill its obligations under this Agreement whether such requirements are enumerated elsewhere in the Agreement or not, unless excused in accordance with Article 28.

ARTICLE 6. DISABLED CUSTOMERS

Collector shall use best management practices to work with users of service defined as "disabled" pursuant to the Americans with Disabilities Act. The same considerations and concerns shall apply to senior citizens and areas considered difficult to service.

ARTICLE 7. COLLECTION SCHEDULES

Collector will provide to residential customers, at least once a year, a schedule of collection times and dates. Residential routes shall be scheduled between 6:00 a.m. and 6:00 p.m., Monday through Friday. Collector shall notify residential customers of any change in regularly scheduled collections in writing at least two weeks prior to any scheduled change. The schedule for the collection from commercial customers may be extended to Saturdays and may commence before 6:00 a.m. The District shall be notified of schedules and any changes in same.

ARTICLE 8. ROUTES

Collector shall maintain and preserve data that establishes the routes reflecting the source of Solid Waste collected from within the District and location where the same is disposed. Collector shall notify District before destroying such data.

ARTICLE 9. COMPLAINT RESOLUTION

Collector shall promptly investigate and correct, where appropriate, any complaint by customer(s) within the District with respect to its services or its employees. Collector shall maintain a written record of all customer complaints and the actions taken by Collector in response to these complaints. District may request and receive from Collector an up-to-date written record of all customer complaints and actions taken by Collector in response to these complaints.

ARTICLE 10. OWNERSHIP OF MATERIALS

Once Solid Waste, Recyclable and Organic Materials have been placed in proper containers and left in the designated collection location, ownership and the right of possession of same shall transfer directly from the waste Generator to the Collector.

ARTICLE 11. HAZARDOUS MATERIALS

Collector shall reject any Solid Waste, Recyclable and Organic Materials observed to be contaminated with Hazardous Waste and shall have the right not to collect Solid Waste, Recyclable or Organic Materials that appear to be contaminated. Collector shall notify the proper agencies of any reportable quantities observed.

ARTICLE 12. RATES FOR SERVICES

- A. District shall establish, by ordinance, rates for the various types of services provided for under this agreement, and Collector shall bill and collect for services rendered at such rates.
- B. The parties intend to create a rate structure that will provide reasonable compensation, including a reasonable profit, to Collector from the service rendered to residents and businesses within the District, and the parties intend at all times to maintain a rate structure, which, upon review, will continue to provide reasonable compensation to Collector. In this regard, the parties agree that a review and any increase or decrease of said rates or charges, in the future, shall be based upon a rate setting methodology as set forth in Exhibit B, which is attached hereto and incorporated by reference, and as said Attachment may be amended by the Board of Directors with the consent of the Collector from time to time. For this purpose, the books and records and other financial data including recycling revenues of Collector from the curbside collection of Recyclable Materials shall be open to inspection and audit by the Board of

Directors, or their designee(s). District may request and Collector agrees to provide in response thereto without cost to District a financial summary from Collector relating to Collector's operation in the District no more frequently than once each calendar year. Collector shall retain such records and data for a three (3) year period. In any judicial review of the District's actions of setting rates or other regulations, the parties agree that the standard of review shall be whether or not the District's actions are supported by substantial evidence.

- C. Neither the District nor any of its officers, employees, or appointive or elective officials shall be liable or in any way responsible for the payment of said charges to Collector for performing said service to customers.

ARTICLE 13. FRANCHISE FEES

Collector shall pay to the District the sum of \$25,000 per year, in advance by February 28 of each year, as a franchise fee hereunder. District may, from time-to-time, adjust such fees as it deems appropriate. The right to adjust the franchise fee shall be within the sole discretion of the District. District reserves the right to set other fees, the amount, time, method of payment and any adjustments to be as it deems necessary. All such fees shall be included as allowable pass-through costs in the rate-setting process.

ARTICLE 14. BILLINGS AND DISCONTINUATION OF SERVICE

- A. Collector shall prepare, bill, mail and collect payment (and issue written receipts for cash) for the services provided by Collector under this agreement. Collector shall maintain for inspection by District, copies of billings and payment receipts for a period of not less than three (3) years after date of service.
- B. Collector may discontinue service to any account if payment is not received by Collector within sixty (60) days after the due date of the last billing cycle. Collector shall provide all delinquent accounts with written notice of intent to discontinue service at least thirty (30) days prior to discontinuing service. A copy of such notice of discontinuance of service shall be forwarded promptly to District.

ARTICLE 15. FAILURE TO PERFORM

Should Collector, its successors or assigns, fail to perform this Agreement or materially breach any provision, District will have the option to cancel this Agreement, upon giving at least thirty (30) days

advance written notice to Collector. The notice will describe the Collector's failure to perform or its material breach in detail. District will provide Collector with a reasonable opportunity to be heard before the Board of Directors and the opportunity to correct the claimed failure of performance or material breach, which opportunity will consist of thirty (30) days to cure or, if thirty (30) days is insufficient to permit Collector to cure, a reasonable time provided that Collector commences efforts to cure within thirty (30) days.

ARTICLE 16. PERFORMANCE BOND

- A. Collector shall provide District within ten (10) days after execution of this Agreement, cash or a surety bond in the amount of one hundred thousand dollars (\$100,000.), provided by a Surety Company with a Best rating of "A" or better and licensed to do business in the State of California, assuring the full faithful performance of all provisions of this Agreement and any extensions or amendments thereto. Said surety bond must be approved by District prior to performance of any work under this Agreement. A certificate of deposit or an irrevocable letter of credit for the required amount from a bank acceptable to District may be provided in lieu of said surety bond.
- B. Subject to the notice and hearing procedures set forth herein, if District determines that Collector has substantially failed to keep and perform any provisions of this Agreement or any extension or amendment thereto, District may require surety to perform or may resort to any certificate of deposit or irrevocable letter of credit received in lieu of a bond. In that event, District shall notify the surety of Company's failure to perform any provision, as well as the amount of time necessary for performance as determined by District. If the Surety fails to perform, District may perform and assess the surety on its bond for all costs associated with such performance. The costs of performance may include all labor, equipment, insurance, and any and all other reasonably necessary resources as determined by District to perform the work required under this agreement.
- C. Notwithstanding any other provision of this Agreement, District shall annually review the adequacy of the amount of the surety bond and District shall notify Collector in writing of any changes to the required bond amount not later than thirty (30) days after the completion of said review. Collector shall renew said surety bond as necessary and file it with District at least thirty (30) days prior to the expiration of the bond; provided, however, that Collector shall not be

required to increase or decrease the amount of the bond prior to six (6) months following any such bond adjustment required pursuant to this Article. The costs of the bond shall be allowable pass-through costs for rate-setting purposes.

ARTICLE 17. INSURANCE

At all times during the term of this Agreement, Collector will carry the following insurance:

- A. **Liability Insurance.** Collector shall maintain in full force and effect, for the period covered by this Agreement, comprehensive liability insurance. The comprehensive general and automobile liability insurance shall include, but not be limited to, protection against claims arising from any act or occurrence arising out of Collector's operations in the performance of this Agreement, including without limitation, acts involving vehicles. The amounts of insurance shall be not less than the following: single limit coverage applying to bodily and personal injury, including death resulting therefrom, and property damage, in the total amount of \$5,000,000.

The following endorsements must be attached to the policy:

1. If the insurance policy covers an "accident" basis, it must be changed to "occurrence".
 2. The policy must cover personal injury as well as bodily injury.
 3. Blanket contractual liability must be provided and the policy must contain a cross liability or severability of interest endorsement.
 4. The District, its officers, employees and agents shall be named as additional insured under the policy, and the policy shall provide that the insurance will operate as primary insurance and that no other insurance maintained by the District will be called upon to contribute to a loss hereunder.
- B. **Workers Compensation Insurance.** In accordance with the provisions of Section 3700 of the Labor Code, Collector shall be required to be insured for workers' compensation or to undertake self-insurance. Collector agrees to comply with such provision before commencing the performance of the work of this Agreement.

- C. Unemployment and State Disability Insurance. During the term of this Agreement, Collector shall maintain unemployment and state disability insurance as required by the laws of the State of California.
- D. The following requirements apply to all insurance to be provided by Collector:
 - 1. A copy of each insurance policy (except Workers' Compensation) shall be furnished to District. A certificate of insurance shall be provided before commencement of this Agreement. Subsequent certificates of insurance shall be provided at least ten (10) days before the expiration date of current policies.
 - 2. Certificates and policies shall state that the policies shall not be canceled or reduced in coverage or changed in any other material aspect unless thirty (30) days prior written notice is provided to District.
 - 3. Approval of the insurance by District shall not relieve the Collector from nor decrease the extent to which the Collector may be held responsible for payment of damages resulting from Collector's services or operations pursuant to this Agreement.
- E. If Collector fails or refuses to procure or maintain the insurance required by this Article or fails or refuses to furnish District with required proof that insurance has been procured and is in force and paid for, District shall have the right, at District's election, to terminate this Agreement in accordance with the provisions herein. If insurance coverage for certain items becomes unavailable on an industry basis, termination of this Agreement as above provided shall not apply. The parties shall meet and mutually agree upon appropriate revisions or amendments to such coverage requirements.

ARTICLE 18. INDEMNIFICATION

- A. Collector agrees to perform all of the services called for in this Agreement as an independent Collector, not as an agent or employee of the District.
- B. Collector agrees to hold District, its officers, agents and employees harmless from any and all liability of any kind, including, but not limited to, claims alleging violation of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) (42 USC Sec. 9602, et seq.) and related California statutes, to which District or any of its officers or employees may be subjected by reason of Collector's performance or non-performance under this Agreement and

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in this connection Collector further agrees to indemnify District, its officers and employees for any liability and costs of defending against such claims brought against the District, its officers and/or employees.

- C. Collector shall defend, indemnify and save harmless District, its officers, agents and employees from any and all claims, demands, damages, costs, expenses (including reasonable attorney's fees), judgments or liabilities arising out of this Agreement or connected with the performance or attempted performance of the provisions hereof, including but not limited to any act or omission to act on the part of Collector or its agents, employees, or subcontractors directly responsible to it, except those claims, demands, damages, costs, expenses (including reasonable attorney's fees), judgments or liability resulting from the sole negligence or willful misconduct of District.
- D. The Collector acknowledges that the District is not an arranger of Solid Waste service, nor a "potentially responsible party" within the meaning of CERCLA in performing Solid Waste service under any Federal, State or local laws, rules or regulations as a result of granting this franchise, and that District has not exercised flow control by entering into this agreement.

Subject to Public Resources Code Section 40059.1, Collector shall also defend and indemnify District for any fines or penalties imposed by the California Department of Resources Recycling and Recovery ("CalRecycle") or its agents to the extent lawful and only to the extent that Collector's delays in providing information or reports required pursuant to this Agreement prevent District from submitting records or attaining goals in a timely manner as required by the Integrated Waste Management Act.

- E. Collector shall also defend and indemnify District for all actions of the Collector associated with the Collector's role as the arranger of Solid Waste service, or as a "potentially responsible party" within the meaning of CERCLA in performing Solid Waste service under any Federal, State, or local laws, rules or regulations. The Collector shall further defend and indemnify District from any and all legal actions against District on the basis of the assertion that District is an arranger of Solid Waste services as a result of this Agreement. Notwithstanding any language to the contrary in this Agreement, Collector shall not be required to defend and/or indemnify District from any liability that District may have as a Generator or disposer of its own Solid Waste, nor shall Collector be required to defend and/or indemnify District from any allegations or legal

actions which assert that the District has liability for a period prior to the commencement of this or any preceding agreement between the District and Collector, or which allege that District 's liability arises from actions taken by District after the termination of this Agreement.

- F. Collector hereby releases and forever discharges and agrees to hold harmless, defend and indemnify District, its officers, agents, employees and volunteers from any and all claims, demands, liabilities, costs and refunds, repayments, costs and expenses, reasonable attorneys' fees, damages, causes of action, and judgment, in any manner arising out of District 's approval of revised rates and fees for services performed under this Agreement, in connection with the application of Article XIII C and Article XIII D of the California Constitution to the imposition, payment or collection of said revised rates and fees, arising out of this Agreement or connected with the performance or attempted performance of provisions hereof, including any act or omission to act on the part of Collector, or its agents, employees or subcontractors directly responsible to it except those claims, demands, damages, costs, expenses, including reasonable attorney's fees, judgment or Liabilities resulting from the negligence or willful misconduct of District; provided, however, that such release and agreement to hold harmless, defend and indemnify shall not apply to the imposition or payment of franchise fees or any other amounts payable to the District under this Agreement.
- G. Additionally, Collector, with respect to any legal challenge resulting from the imposition, payment or collection of said revised rates and fees, agrees to cancel as a lien against property, the imposition, payment or collection of revised rates and fees if such rates and fees cannot be legally enforced. The parties agree that Collector shall have the right, at its sole discretion, to stipulate to a judgment or dismissal in any legal action relating to such a claim or, alternatively, if the District desires, shall allow the District to defend the action at the sole expense of the District. Notwithstanding the foregoing, with respect to any legal challenge resulting from the imposition, payment or collection of said revised rates and fees, Collector shall have the right, exercisable on one hundred eighty (180) days' prior written notice to the District, to terminate this Agreement.

ARTICLE 19. ASSIGNMENT

- A. Notwithstanding Article 2 of this Agreement, if any assignment of this Agreement by Collector occurs, the provision in Article 2 of this Agreement, setting forth the automatic extension of the

term of the Agreement shall be immediately terminated and the term of this Agreement shall expire following three (3) years from the date of any such assignment.

- B. No interest in this Agreement may be assigned, sold, subcontracted or transferred, either in whole or in part, without the prior written consent of the District. District will not unreasonably withhold consent to any assignment, sale, subcontract or transfer. Collector shall promptly notify the District in writing in advance of any proposed assignment, sale subcontract or transfer. In the event that the Board of Directors approves of any assignment, sale, subcontract or transfer, said approval shall not relieve Collector of any of its obligations or duties arising under this Agreement prior to such any assignment, sale, subcontract or transfer unless this Agreement is modified in writing to that effect.
- C. Collector shall also notify the District of any change in control and/or ownership of Collector. For purposes of this Agreement, change of ownership or control is presumed to include, without limitation, the sale or transfer of at least 25 percent of Collector's assets or at least 25 percent of Collector's voting stock (subject to E. below). As of the date of this Agreement, the ownership of Collector is as follows: The Joseph Garbarino and Angelina Garbarino 1988 Trust dated February 23, 1988 (1,390 shares), The Joseph and Sally Garbarino Revocable Trust under declaration of trust dated August 14, 2012 (1,390 shares), Patricia D. Garbarino (90 shares), Judith A. Rosa (90 shares), Joanne O. Pelfini (90 shares), Suzanne C. Oranje (90 shares), Dave Garbarino (120 shares), Ray Garbarino (120 shares), and Allen J. Garbarino (120 shares). The shares of the first two owners are subject to a Voting Trust dated August 14, 2012.
- D. Neither party shall assign its rights nor delegate or otherwise transfer its obligations under this Agreement to any other Person without the prior written consent of the other party. Any such assignment made without the consent of the other party shall be void and the attempted assignment shall constitute a material breach of this Agreement. The District may, however, assign its rights and subrogate its obligations under this Agreement to a joint powers authority authorized by Govt. Code §6500 et seq. without the prior written consent of Collector.
- E. For purposes of this section, "assignment" shall include, but not be limited to:
 - 1. A sale, exchange or other transfer to a third party of at least twenty-five percent (25%) of Collector's assets dedicated to service under this Agreement; and

2. A sale, exchange or other transfer to a third party, including other shareholders (but excluding any transfers between related family members of either the family of Joseph John and Sally Garbarino, or between the family of Joseph and Angela Garbarino, or between such family members (s) and a trust whose trustors, trustees, and beneficiaries are limited to members of either or both of these families), of outstanding common stock of Collector which may result in a change of control of Collector; and
 3. Any dissolution, reorganization, consolidation, merger, recapitalization, stock issuance or reissuance, voting trust, pooling agreement, escrow arrangement, liquidation or other transaction (but excluding any transfers between related family members of either the family of Joseph John and Sally Garbarino, or between the family of Joseph and Angela Garbarino, or between such family members (s) and a trust whose trustors, trustees, and beneficiaries are limited to members of either or both of these families) to which Collector or any of its shareholders is a party which results in a change of ownership or control of Collector; and
 4. Any assignment by operation of law, including insolvency or bankruptcy, assignment for the benefit of creditors, writ of attachment for an execution being levied against this Agreement, appointment of a receiver taking possession of Collector's property, or transfer occurring in the probate proceeding, and
 5. Any combination of the foregoing (whether or not related or contemporaneous transactions), which has the effect of any such transfer or change of ownership or change of control of Collector,
- F. Collector acknowledges that this agreement involves rendering a vital service to District residents and businesses, and that District has selected Collector to perform the services specified herein based on:
1. Collector's experience, skill and reputation for conducting its Solid Waste management operations in a safe, effective and responsible fashion, at all times in keeping with applicable local, state and federal environmental laws, regulations and best waste management practices;

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2. Collector's commitment to: (i) sustainability including, but not limited to, recycling and diversion of materials from landfill disposal; and, (ii) the communities in which it serves.
 3. Collector's financial resources to maintain the required equipment and to support its indemnity obligations to District under this Agreement. District will rely on each of these factors, among others, in choosing Collector to perform the services to be rendered by Collector under this Agreement.
- G. The District is concerned about the possibility that assignment could result in significant rate increases, as well as a change in the quality of service. Accordingly, the following standards have been set to ensure that assignment will result in continued quality of service. In addition, District reserves the right to solicit competitive bids for these services if the assignment results in a request by the assignee for rate increases made at the time of assignment that are higher than the Consumer Price Index (CPI) for the San Francisco/Oakland Bay Area and do not reflect value changes in service standards. At a minimum, no request by Collector for consent to an assignment need be considered by District unless and until Collector has met the following requirements:
1. Collector shall undertake to pay District its reasonable expenses for attorney's fees and to investigate the suitability of any proposed assignee, and to review and finalize any documentation required as a condition for approving any such assignment;
 2. Collector shall furnish District with audited financial statements of the proposed assignee's operations for the immediately preceding three (3) operating years;
 3. Collector shall furnish District with satisfactory proof:
 - a. That the proposed assignee has at least ten (10) years of Solid Waste management experience on a scale equal to or exceeding the scale of operations conducted by Collector under this Agreement;
 - b. That in the last five (5) years, the proposed assignee or affiliates have not suffered significant major citations or other charges from any federal, state or local agency having jurisdiction over its waste management operations due to any significant failure to comply with state, federal or local environmental laws and that the assignee has provided District with a complete list of such citations and charges;

- c. That the proposed assignee has conducted its operations in a reasonably environmentally safe and conscientious fashion;
- d. That the proposed assignee has conducted its Solid Waste management practices in good faith and substantial compliance with sound waste management practices and in good faith and substantial compliance with all federal, state and local laws regulating the collection and disposal of Solid Waste, including Hazardous Wastes; and
- e. Provide any other available information reasonably required by District to ensure the proposed assignee can fulfill the terms of this Agreement in a timely, safe and effective manner.

Under no circumstances shall the District be obliged to consider any proposed assignment by Collector if Collector is in material breach of any Agreement provision at any time during the period of consideration. District will provide Collector with a reasonable opportunity to be heard before the Board of Directors and the opportunity to correct any such claimed failure of performance or material breach.

- H. Assignment of Agreement; Requests for Rate Adjustments. In the case of any assignment, sale, lease, subcontract, or transfer of all or any part of Collector's assets or stock, the acquiring party shall not be entitled to request any adjustment in rates based on the purchase price or any other consideration associated with said assignment, purchase, lease, subcontract or transfer. In addition, any such acquiring party shall not be entitled to request any adjustment in rates under this Agreement for any cost which said acquiring party incurs prior to the assignment, sale, lease, subcontract or transfer of Collector's assets or stocks.

ARTICLE 20. NOTICES

Any notices required by this contract, or by the applicable ordinance or ordinances shall be given in writing, personally delivered or by mail, to the business address of the addressee. If given by mail, time shall be computed from the date of deposit in the United States Post Office, or a Post office box maintained or controlled by the United States Postal Service. Notice shall be deemed given on the day it is personally delivered or, if mailed, three (3) calendar days from the date it is deposited in the mail.

If to District:

Revised and Restated Exclusive Franchise Agreement

To Collect, Transfer, Process, Market, and Dispose of Solid Waste, Recyclable and Organic Materials

General Manager
Las Gallinas Sanitary District
300 Smith Ranch Road
San Rafael, CA 94903

With copies to:

District Counsel
Las Gallinas Sanitary District
300 Smith Ranch Road
San Rafael, CA 94903

and,

Administrative Services Manager
Las Gallinas Sanitary District
300 Smith Ranch Road
San Rafael, CA 94903

If to Collector:

President
Marin Sanitary Service, Inc.
1050 Andersen Drive
San Rafael, CA 94901

With copies to:

David Cohen, Esq.
Cohen & Ostler, APC
455 N. Whisman Road, Suite 100
Mountain View, CA 94043

The address to which communications may be delivered may be changed from time to time by a notice given in accordance with this Section.

ARTICLE 21. FINAL AND ENTIRE AGREEMENT

Any prior agreements of the parties shall merge into this Agreement. Any modifications shall be in writing. There are no other oral agreements between the parties.

ARTICLE 22. REFERENCES TO LAWS

All references in this Agreement to laws shall be understood to include such laws as they may be subsequently amended or recodified, unless otherwise specifically provided.

ARTICLE 23. INTERPRETATION

This Agreement shall be interpreted and construed reasonably and neither for nor against either party, regardless of the degree to which either party participated in its drafting.

ARTICLE 24. AMENDMENT

This Agreement may not be modified or amended in any respect except in writing, signed by the parties.

ARTICLE 25. SEVERABILITY

If any non-material provision of this Agreement is for any reason deemed to be invalid and unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Agreement which shall be enforced as if such invalid or unenforceable provision had not been contained herein.

ARTICLE 26. COUNTERPARTS

This Agreement may be executed in counterparts each of which shall be considered an original.

ARTICLE 27. EXHIBITS

Each of the Exhibits identified as Exhibits "A", "B", and "C" is attached hereto and incorporated herein and made a part hereof by this reference.

ARTICLE 28. FORCE MAJEURE

Notwithstanding any other provision herein, no default, delay or failure to perform on the part of either party shall be considered a breach hereunder if such default, delay or failure to perform is due to causes beyond such party's control, including, but not limited to, riots, civil disturbances, actions or inactions of governmental authorities, epidemic, war, embargoes, severe weather, fire, earthquake, acts of God, defaults by the other party or defaults by carriers. In the event of any such default, delay or failure to perform, any dates or times by which the affected party otherwise is scheduled to perform shall be extended for a period of time equal in duration to the additional time required because of the excused default, delay or failure to perform.

IN WITNESS WHEREOF, City and Collector have executed this Agreement as of the day and year first above written.

ATTEST:

Las Gallinas Valley Sanitary District, a public corporation ("District")

By Megan O'Leary
President

By Cash Harrison
Secretary

Date: 3/14/13

Date: 3/14/2013

APPROVED AS TO FORM:

David Byus
District Counsel

Date: 3/14/13

Marin Sanitary Service, Inc., a California corporation ("Collector")

By Joseph J. Garbarino
Joseph J. Garbarino, Chairman

By Patricia Garbarino
Ms. Patricia Garbarino, President

Date: 3/27/13

Date: 12 Mar 13

EXHIBITS

1. [Illegible text]

2. [Illegible text]

EXHIBIT A

MARIN SANITARY SERVICE DESCRIPTION OF SERVICES

I. GENERAL

Marin Sanitary Service (Collector) shall provide collection services using modern automated and semi-automated equipment with the Collector's name and telephone number clearly visible from the outside of the vehicle or equipment.

Collector shall provide carts or bins to residential and commercial customers that are clearly labeled for their allowable contents, with Solid Waste, Recyclable or Organic Materials. Containers provided by the Collector are the property of the Collector.

Collector shall provide an updated website with information on residential and commercial services offered and current customer rates. The website will contain recycling information for residential customers including materials accepted at the curbside, disposal and recycling information for items not accepted at the curbside, and information on the household Hazardous Waste collection center. The website will contain recycling information for commercial customers including information on the State mandatory commercial recycling law, availability of recycling services tailored to individual businesses. The website will also include information on the services available to meet the requirements of District's construction and demolition ordinance and the materials accepted at the Marin Resource Recovery Center (MRRRC).

Collector shall provide customer billing and payment options including automatic billing, credit card billing, and online payments.

Collector shall provide written warning to the owner or landlord if it becomes aware that the premises is trash strewn prior to the pickup of garbage unless the area is fenced or otherwise contained to keep trash from blowing away. Repeat offenders shall be reported to the County of Marin, Department of Environmental Health.

Collector shall provide annual reporting to District on customer education and outreach activities.

Collector shall provide quarterly reporting on customer service complaints.

II. RESIDENTIAL SERVICE (FOUR OR FEWER UNITS IN A SINGLE STRUCTURE)

Garbage

Collector shall provide semi-automated tipper carts in 20, 32, 64, and 96-gallon capacities to be placed at the curb or Collector-designated location for one time per week collection at the rates and fees listed in Exhibit C. Twenty-gallon carts shall be available for smaller households and intensive recyclers. Carts should be placed at the designated collection location by 6:00 am the day of service. On-site collection for cans not at the curb is available for an extra charge. Items placed outside the cart or overflowing carts will incur an additional charge. Carts are the property of Collector. Collector will determine the appropriate collection location. Customers may set out additional containers or bags not to exceed 32 gallons in size for a fee as listed in Exhibit C. Low-income rates listed in Exhibit C are available for qualifying customers.

Recycling

Collector shall provide all residential customers with one 64-gallon dual sort recycling cart, one side for paper and fiber products, one side for glass, metal and plastic (#1-#7) bottles and containers excluding polystyrene and compostable plastics, and may set out unlimited additional customer-owned containers for each commodity. Cardboard may be broken down and tied into 24" x 24" bundles and left beside the recycling container. Carts or containers must be placed at the curb or, upon approval of Collector, the designated collection location next to their Garbage container for one time per week collection by 6:00 am the day of service. Customers may set out additional containers of acceptable Recyclable Material at no charge. Dual Sort Carts are the property of Collector. All residential customers must be offered recycling collection.

Recyclable material placed in Collector containers or at the curb for collection is the property of Collector, and the theft thereof is a crime.

Organics

Collector shall provide all residential customers with one 64-gallon cart for Organics, currently green in color, to be placed at the curb or Collector-approved designated collection location next to their Garbage container for one time per week collection by 6:00 am the day of service. Customers may, for a

fee as listed in Exhibit C, have up to two additional 64 gallon "green" carts to be set out on the regularly scheduled day. Individual "green" carts should weigh not more than 65 pounds. Green carts are the property of Collector. All residential customers must be offered Organics collection.

Additional Services

Special pickups of large, hard to handle or bulky items may be requested for an additional fee as listed in Exhibit C. Estimates shall be provided by Collector. These bulky items will be collected in non-compaction vehicles and taken to Marin Resource and Recovery Center (MRRC) for sorting resulting in greater re-use and recycling. Extra material can be collected for a fee as listed in Exhibit C in cans or bags not greater than 32 gallons when placed next to the regular container on collection day.

Holiday trees will be collected curbside on the regularly-scheduled pickup day during the month of January. If trees are greater than six (6) feet in length, they must be cut in half. All metal stands, plastic tree bags, and ornaments must be removed. Flocked trees will not be accepted.

At the District's request, Collector shall distribute fifteen (15) tons of compost three times per year, spring, summer and fall at no cost to residents. The District shall provide a designated location and will provide a bunker. Compost delivery will commence in the summer of 2013.

III. COMMERCIAL SERVICE

Garbage

Collector shall provide semi-automated or automated tipper carts in 32, 64, and 96-gallon capacities to be placed for collection at the curb or, upon approval of Collector, the designated collection location. On-site collection for cans not at the curb is available for an extra charge. Collector will also provide bins from 2-, 3-, 4-, 5-, 6-, 10-, or 18-yard capacities for large volumes of material. Service levels shall range from one time per week to six times per week. Customers may set out additional containers or bags not to exceed 32 gallons in size for a fee as listed in Exhibit C. Collector retains approval of all service locations for bins. Collector also services customer-owned compactor units for the fees as listed in Exhibit C. For safety and equipment purposes, Collector retains right of approval as to the type of compactor to be serviced and service location.

Recycling

Collector shall provide unlimited commercial recycling collection of glass bottles and jars; aluminum and metal cans and containers; all plastic bottles and containers marked #1 - #7 (except polystyrene and

compostable plastics); newsprint; office paper; and, fiber or cardboard. These materials will be collected in source-separated color coded carts, currently: blue for paper and paper-fiber products and brown for accepted commingled glass, metal and plastics. Collector shall provide semi-automated tipper carts in 32 and 64-gallon capacity for collection from one time per week to six times per week. Collector may provide 3-yard, rear-loading bins for cardboard collection with the Collector's approval of the size and location. Collector will evaluate the appropriate container sizes on an individual customer basis. Pickups can be scheduled from one time per week to six times per week. Collector is to perform a simple visual waste audits at least one time per year for each commercial account to provide an estimate of the amount of recyclables still in the Garbage to help guide the customer in service changes to increase recycling. For an additional fee per Exhibit C, the Collector may perform a detailed waste audit to determine composition and characterization of waste and will provide a detailed report with photos showing the waste streams. This report will provide a detailed plan with recommendations regarding recycling service changes as well as an outreach and education plan. Recycling services must be offered to all commercial customers.

Recyclable Materials placed in Collector containers or at the curb for collection is the property of Collector, and the theft thereof is a crime.

Collector will provide services to comply with the State's mandatory commercial recycling law.

Organics

Collector is working with franchising agencies to develop and implement a commercial Organics collection program. The first phase of this program will be the implementation of a pre-consumer commercial food-to-energy program in partnership with Central Marin Sanitation Agency. This is a food scraps only collection program. The second phase of removing Organics from the commercial Solid Waste stream will be to determine the feasibility of a post-consumer commercial composting program that would parallel the residential program, which includes food scraps and food soiled papers. Upon approval of the program, the Collector will perform a waste audit of all commercial customers for evaluation and inclusion into the food waste collection program, and inform customers of all options to participate. This section of Exhibit A and Exhibit C may be amended to include Organics collection, rates and fees.

Additional Services

Special pickups of large, hard to handle or bulky items may be requested for an additional fee as listed in Exhibit C. Estimates can be provided. These bulky items will be collected in non-compaction vehicles and taken to MRRC for sorting resulting in greater re-use and recycling. Extra material can be collected for a fee as listed in Exhibit C in cans or bags not greater than 32 gallons when placed next to the regular container on collection day.

IV. MULTI-FAMILY (FIVE OR MORE UNIT STRUCTURES)

Garbage

Collector provides semi-automated or automated tipper carts in 32, 64, and 96-gallon capacities for collection at the curb or designated collection location. Minimum service for all multi-family units is 32 gallons per unit, or the equivalent bin service. On-site collection for cans not at the curb is available for an extra charge. Collector will also provide bins from 2-, 3-, 4-, 5-, 6-yard capacities for large volumes of material. Service levels range from one time per week to six times per week. Collector retains approval of service locations for bins. Collector also services customer-owned compactor units for the fees as listed in Exhibit C. For safety and equipment purposes, Collector retains right of approval as to compactor type and service location. Apartments or multi-family complexes which have cart service for Garbage (no bin service) and fewer than 10 units, may be eligible to waive the 32 gallon per unit minimum in exchange for 20-gallon minimum service at the discretion of Collector based on the history of material collected at that location. Each complex would be required to have a 20 gallon cart for each unit. Complexes must have in place and make use of all available recycling services to be considered eligible for the waiver.

Recycling

Collector provides unlimited multi-family recycling collection of glass bottles and jars; aluminum and metal cans and containers; all plastic bottles and containers marked # 1-7 (except polystyrene and compostable plastics); newsprint, office paper, and fiber or cardboard. These materials will be collected in source separated color coded carts, currently: blue for paper and paper fiber products and brown for accepted commingled glass, metal and plastics. Cardboard or fiber not able to fit in containers may be broken down and tied into 24" x 24" bundles and placed alongside the recycling containers for collection. The list of acceptable Recyclable Materials is defined in the Agreement. Collector is to perform a simple visual waste audit at least one time per year for each commercial account to provide

an estimate of the amount of recyclables still in the Garbage to help guide the customer in service changes to increase recycling. For an additional fee per Exhibit C, the Collector can perform a detailed waste audit to determine composition and characterization of waste and will provide a detailed report with photos showing the waste streams. This report will provide a detailed plan with recommendations regarding recycling service changes as well as an outreach and education plan. Collector provides semi-automated tipper carts in 32 and 64-gallon capacity for collection from one time per week to six times per week. Recycling services must be offered to all multi-family customers.

Recyclable material placed in Collector containers or at the curb for collection is the property of Collector, and the theft thereof is a crime.

Collector will provide services to comply with the State's mandatory commercial recycling law.

Organics

Collector is working with franchising agencies to develop and implement a commercial Organics collection program. The first phase of this program will be the implementation of a pre-consumer commercial food-to-energy program in partnership with Central Marin Sanitation Agency. This is a food scraps only collection program. The second phase of removing Organics from the commercial stream will be to determine the feasibility of a post-consumer commercial composting program that would parallel the residential program which includes food scraps and food soiled papers. The list of acceptable Organics is defined in the Agreement. Upon approval of the program, the Collector will perform a waste assessment of all commercial customers for evaluation and inclusion into the Organics collection program, and inform customers of all options to participate. This section of Exhibit A and Exhibit C may be amended to include Organics collection, rates and fees.

Additional Services

Special pickups of large, hard to handle or bulky items may be requested for an additional fee as listed in Exhibit C. Estimates shall be provided by Collector. These bulky items will be collected in non-compaction vehicles and sorted at MRRC for greater re-use and recycling. Extra material can be collected for a fee as listed in Exhibit C in cans or bags not greater than 32 gallons when placed next to the regular container on collection day.

V. DISTRICT SERVICES

Garbage

Collector shall provide and collect Garbage from semi-automated or automated tipper carts in 32- or 64-gallon sizes, or bins from 2-, 3-, 4-, 5-, 6-, 10-, or 18-yard capacities for large volumes of material upon request for service at District-owned facilities. District will provide Collector with locations of all District-owned containers.

Collector shall provide scheduled and on-call service for collection of rags and grit in bins up to six (6) times per month.

Collector shall provide on call collection from drop boxes up to twice per year.

Recycling

Collector shall provide unlimited commercial recycling collection of glass bottles and jars; aluminum and metal cans and containers; all plastic bottles and containers marked # 1-7 (except polystyrene and compostable plastics); newsprint, office paper, and fiber or cardboard. These materials will be collected in source separated color coded carts, currently: blue for paper and paper fiber products and brown for accepted commingled glass, metal and plastics. Collector provides semi-automated tipper carts in 32 and 64-gallon capacity for collection from one time per week to six times per week. Collector can provide 1- 3-yard rear loading bins for cardboard collection with the Collector's approval of the size and location. Pick-ups can be scheduled from one time per week to six times per week.

Recyclable material placed in Collector containers or at the curb for collection is the property of MSS, and the theft thereof is a crime.

Collector will provide services to comply with the State's mandatory commercial recycling law.

Organics

Collector shall provide and collect Organics from semi-automated or automated tipper carts in 32- or 64-gallon sizes, or bins from 2-, 3-, 4-, 5-, 6-, 10-, or 18-yard capacities for large volumes of material upon request for service at District-owned facilities. District will provide Collector with locations of all District-owned containers.

Additional Services

Special pickups of large, hard to handle or bulky items may be requested. These bulky items will be collected in non-compaction vehicles and sorted at MRRC for greater re-use and recycling.

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EXHIBIT B

COLLECTOR'S REVENUE REQUIREMENT AND RATE ADJUSTMENT

I. COLLECTOR'S APPLICATION

Overview

The "Franchisors' Group" (comprised of the cities of Larkspur, Ross and San Rafael, the Las Gallinas Valley Sanitary District and the County of Marin) have joined together to regulate the rates of the Collector in accordance with these procedures. Because the Collector has services and related expenses unrelated to the Franchisors' Group, the revenues and expenses are allocated between the Franchisors' Group and these other agencies.

The Collector's rates are based on its revenue requirement for the Rate Year¹ which is the sum of: the forecasted allowable cost of Rate Year operations; adjusted for variations between actual and prior year forecasted disposal, Organics processing, fuel, depreciation and interest expenses; plus profit, agency fees; less, other revenues exclusive of revenues from the sale of Recyclable Materials. The rate adjustment is based on the difference between the Collector's revenue requirement and the average of the past three years' revenues. Because both the forecasted revenue requirement and the revenues from the approved rates involve assumptions about future events and because such assumptions usually differ from actual events and these differences can be material, the Collector is not guaranteed a profit.

Collector's Rate Applications

By August 1, Collector shall submit an application requesting the amount of Collector's revenue requirement rate adjustment for the next Rate Year commencing January 1 of the following calendar year. The application is prepared using either the Base Year approach (Section II) or the Indexed Year approach (Section III).

¹ The Rate Year is the year for which rates are being calculated, the Current Year is the year during which the rates are being calculated and the Prior Year is the most recently completed rate year. For example, in the application for rates effective January 1, 2013 the Rate Year refers to the period from January 1, 2013 to December 31, 2013, the Current Rate Year refers to the period from January 1, 2012 to December 31, 2012 and the Prior Rate Year refers to the period from January 1, 2011 to December 31, 2011.

- **Base Year Application:** Once every three years, commencing with the application for the Rate Year ending December 31, 2013, the application shall be based on: the Collector's actual financial results of operations for the preceding Rate Year ending December 31; audited financial statements for the preceding Rate Year ending December 31; year-to-date financial results of operations for the Current Rate Year; and Collector's forecasted costs for the next Rate Year. This shall be called the "Base Year Revenue Requirement."
- **Indexed Application:** Two out of every three years, commencing with the rate application for the two Rate Years ending December 31, 2014 and 2015, the application shall be based on the Base Year Revenue Requirement adjusted as described below. This shall be called the "Indexed Revenue Requirement."

In either case, the application shall be submitted in the format described in Attachment 1 of this Exhibit B. Collector shall assemble and provide documentation that supports the report of actual data and assumptions made by the Collector to forecast Collector's revenue requirement for the projected Rate Year.

In addition to the application the Collector shall provide the following information:

1. Five-year capital requirements schedule, including replacements and new programs; and,
2. Description and schedule of forecasted revenues and costs of new programs agreed to by the Collector and the District or proposed by the Collector.

Review of Rate Application

The District, or its representative, will review Collector's application for compliance with this Agreement, accuracy, and reasonableness. It shall make its best efforts to complete the review in a timely manner so that rates may be adjusted effective January 1 of each Rate Year. If Collector submits its Application on or before the Application submittal date (August 1), and District delays approving the annual Rate adjustment until after January 1 of the following Rate Year, then Collector shall be entitled to retroactively apply the rate adjustment to January 1. If the Collector submits its Application after the Application submittal date (August 1), a retroactive adjustment will be at the discretion of the District.

II. CALCULATION OF COLLECTOR'S BASE YEAR REVENUE REQUIREMENT

The Base Year application shall clearly document Collector's calculation of Collector's revenue requirement and rate adjustment based on the methodology described in this Section II.

Collector's revenue requirement shall equal the sum of the forecasted annual cost of operations, profit, forecasted interest expense, franchise and other District fees, less other revenues, each of which shall be calculated in accordance with procedures set forth below.

A. Forecasted Annual Cost of Operations. The forecasted annual cost of operations consists of the sum of forecasted:

1. Wages and salaries expense
2. Benefits expense
3. Workers compensation expense
4. Disposal expense
5. Commercial mixed waste processing expense
6. Organics processing expense
7. Recyclable materials processing expense
8. Adjustment for Non-Franchisors' Group entities transfer/transport expenses
9. Fuel and oil expense
10. Equipment and vehicle expense
11. Depreciation/lease expense
12. JPA fees
13. Other operating / General and administrative expense

B. Methodology for Forecasting Annual Cost of Operations

1. **Determine Actual Costs.** Collector's audited financial statement shall be reviewed to determine Collector's actual costs necessary to perform all the services in the manner required by this Agreement. The Collector's auditor shall determine that costs have actually been incurred and have been assigned to the appropriate cost category as described below:

2. **Allocation of Costs.** The audited financial statements include costs of operations unrelated to the Franchisors' Group. These include costs reported for the following Collector's departments:

Department Number	Department Name	Part of Franchisors' Group
100	Garbage Collection	Yes
101	San Anselmo Collection	No
102	County (RVSD-N) Collection	No
103	Fairfax Collection	No
104	San Quentin Collection	No
200	Debris Box Collection	No
300	Transfer Station	Yes
400	Shop	Allocation
500	General & Administrative	Allocation
600	Recycling Collection	Yes
700	MRRC Operations	No
800	Shredding/Street Sweeping	No

Collector shall include only costs for Department 100 - Franchisors' Group Garbage Collection, Department 300 – Transfer Station and Department 600 - Recycling Collection- plus allocated Shop (Department 400), General and Administrative costs (Department 500), and management salaries (Department 500 and other related entities) when performing

these procedures. In allocating costs among these departments the Collector shall use the following procedures.

- a. Shop costs (Department 400) shall be allocated by truck route hours by type of truck assigned to each jurisdiction.
- b. General & administrative costs (Department 500) are allocated using an average of:
 - i. Each department's percentage of projected revenue
 - ii. Each department's percentage of annual customer counts
 - iii. Each department's percentage of wages

For example:

Revenue	
Total Revenue (all departments)	\$100
Franchisors Group (Dept 100) Revenue	\$75
Franchisors Group (Dept 100) Percentage	75% A
Annual Customer Counts	
Total Annual Customer Counts (all departments)	100
Franchisors Group (Dept 100) Annual Customer Counts	73
Franchisors Group (Dept 100) Percentage	73% B
Wages	
Total Wages (all departments)	\$100
Franchisors Group (Dept 100) Wages	\$25
	25% C
Allocation % for General & Administrative Costs to Dept 100	58% (A+B+C)/3

- c. Management salaries (Department 500 and other related entities) shall be allocated based on a study reporting the time spent by management related to the Franchisors' Group and other non-Franchisors' Group activities. The study shall be performed as part of the base year revenue requirement analysis.
3. **Calculate Adjusted Costs.** Collector shall adjust actual costs allocated to the Franchisors' Group to eliminate costs that are unnecessary or unreasonable for the performance of the services required by the Agreement. These non-allowable costs include the following:
- a. Costs of any category or type not actually incurred, not necessary for the provision of services under this Agreement or unreasonable in amount.

- b. Payments to directors and/or owners of Collector, unless paid as reasonable compensation for services actually rendered.
- c. Fines for penalties of any nature.
- d. Federal or state income taxes.
- e. Charitable or political donations.
- f. Depreciation or interest expense for collection vehicles, containers, other equipment, offices and other facilities if such items are leased from a related party at more than their actual cost.
- g. Attorneys' fees and other expenses incurred by Collector in any court proceeding in which the District and Collector are adverse parties, unless Collector is the prevailing party in such proceeding.
- h. Attorneys' fees and other expenses incurred by Collector arising from any act or omission in violation of this Agreement.
- i. Attorneys' fees and other expenses incurred by Collector in any court proceeding in which Collector's own negligence, violation of law or regulation, or wrongdoing are at issue.
- j. Payments to Related-Party Entities for products or services, in excess of the cost to the Related-Party Entities for those products or services.
- k. Goodwill.
- l. Transfer and transport, disposal, and/or processing costs whose rate/ton exceeds comparable charges for the same services under the same conditions (e.g., transport distances to processing and disposal facilities) by other companies in the San Francisco Bay Area.

The Allocated Costs (from step 2 above), adjusted for non-allowable costs (from this step 3), shall be considered "Allowed Costs" for the purposes of forecasting costs.

4. **Forecasted Rate Year Allowed Cost of Operations.** The Allowed Cost of operations for the Rate Year shall be forecasted in the following manner:

- a. Wage and salaries expense for the Rate Year shall be forecasted based on negotiated labor agreements for represented employees as well as reasonable wage and salary adjustments for non-represented employees. Reasonableness will be determined by such factors such as including a comparison to industry standards for comparable operations in the San Francisco Bay Area.
- b. Benefit expense for the Rate Year shall be forecasted based on negotiated labor agreements for represented employees, reasonable adjustments for non-represented employees, and changes in insurance premiums net of any refunds.
- c. Workers' compensation expense shall be calculated by multiplying the wages established in the step 4.a above by the applicable premium rates from the Collector's insurance carrier for the projected Rate Year.
- d. Disposal expense for the Rate Year shall be forecasted to include projected disposal expense and adjustments to the previous two disposal expense forecasts (Current Rate Year and Prior Rate Year) and shall be calculated in the following manner:
 - i. $\text{Projected Rate Year Disposal Expense} = (\text{Rate Year disposal tip fee per Ton}) \times (\text{total tons projected for the Rate Year}); \text{ plus,}$
 - ii. $\text{Revised Current Rate Year Expense Adjustment} = (\text{Revised Current Rate Year projected tons}) \times (\text{Current Rate Year disposal tip fee}) \text{ less (the Current Rate Year Expense projected one year ago); plus,}$
 - iii. $\text{Revised Prior Rate Year Expense Adjustment} = (\text{Actual Prior Rate Year disposal tons}) \times (\text{Actual Prior Year disposal tip fee}) \text{ less (the Prior Year Expense established during the previous review).}$
 - iv. Example:

Example Calculation of Forecasted Disposal Expense

Example:	
Projected Rate Year	2013
Current Rate Year	2012
Prior Rate Year	2011
Total Forecasted Disposal Expense	
i. Projected Rate Year Disposal Expense	\$ 42,000
ii. Current Rate Year Disposal Expense Adjustment	\$ 1,300
iii. Prior Rate Year Disposal Expense Adjustment	\$ (500)
Total Forecasted Disposal Expense	\$ 42,800
i. Projected Rate Year Disposal Expense	
Projected Tip Fee	\$ 42
Projected Rate Year Tons	1,000
Projected Rate Year Disposal Expense (2013)	\$ 42,000
ii. Current Rate Year Disposal Expense Adjustment	
Current Rate Year Tip Fee	\$ 52
Revised Current Rate Year Projected Tons	1,000
Revised 2012 Disposal Expense	\$ 52,000
2012 Disposal Expense Projected in 2011	\$ 50,700
Disposal Expense Adjustment (2012)	\$ 1,300
iii. Prior Rate Year Disposal Expense Adjustment	
Actual Prior Rate Year Tip Fee	\$ 50
Actual Prior Rate Year Disposal Tons	990
Revised Prior Rate Year Disposal Expense	\$ 49,500
2011 Disposal Expense Projected in 2011	\$ 50,000
Disposal Expense Adjustment (2011)	\$ (500)

e. Commercial mixed waste processing expense for the Rate Year shall be forecasted to include the projected processing expense and adjustments to the previous two processing expense forecasts (Current Rate Year and the Prior Rate Year) and shall be calculated in the following manner:

- i. Projected Rate Year Processing Expense = (Rate Year processing fee per Ton) X (total tons projected for the Rate Year); plus,
- ii. Revised Current Rate Year Expense Adjustment = (Revised Current Rate Year projected tons) X (Current Rate Year processing fee) less (the Current Rate Year Expense projected one year ago); plus,

iii. Revised Prior Year Expense Adjustment = (Actual Prior Rate Year processing tons) X (Actual Prior Year processing fee) less (the Prior Year Expense established during the previous review).

iv. See Section II.B.4.d.iv for an example of the calculation substituting "processing expense" for "disposal expense".

The commercial mixed waste processing rate per ton shall be \$83.00 for the Rate Year ending December 31, 2013 and thereafter shall be adjusted annually by multiplying the Processing rate per Ton contained in the most recent Index Year Revenue Requirement by one (1) plus the percentage change in the "San Francisco-Oakland-San Jose Metropolitan Area Consumer Price Index (Urban Wage Earners; 1982-84=100)" between the average index for the twelve (12) months ending June of the current year and the corresponding twelve (12) months ending June of the previous year.

At the option of the District or the Collector, a review of the Collector's actual costs to provide the service may be included as part of the Base Year Revenue Requirement.

f. The Collector's charge for the processing of separated Recyclable Materials shall be \$0.00.

g. Organics processing expense for the Rate Year shall be forecasted to include the projected processing expense for the Rate Year and adjustments to the previous two processing expense forecasts (Current Rate Year and the Prior Rate Year) and shall be calculated in the following manner:

i. Forecasted yard trimmings expense = (Yard Trimmings Processing rate per Ton as calculated below) X (total Tons of Yard Trimmings projected for the Current Rate Year); plus,

ii. Revised Current Rate Year Processing Expense Adjustment = (Revised projected processed Tons) X (Current processing fee) less (the Current Rate Year Expense projected one year ago); plus,

iii. Revised Prior Year Processing Expense Adjustment = (Actual processed tons) X (Actual processing fee) less (the Prior Year Expense established during the previous review).

iv. See Section II.B.4.d.iv for an example of the calculation substituting "processing expense" for "disposal expense".

The Yard Trimmings Processing rate per Ton shall be set at \$51.54 for the year ending December 31, 2013 and thereafter shall be adjusted annually by multiplying the Processing Rate per Ton contained in the most recent Index Year Revenue Requirement by one (1) plus the percentage change in the "San Francisco-Oakland-San Jose Metropolitan Area Consumer Price Index (Urban Wage Earners; 1982-84=100)" between the average index for the twelve (12) months ending June of the current year and the corresponding twelve (12) months ending June of the previous year.

At the option of the District or the Collector, a review of the Collector's actual costs to provide the yard trimmings processing service may be included as part of the Base Year Revenue Requirement.

h. Transfer/transport adjustment for the Rate Year shall reduce costs contained in Department 300, which would otherwise be included in the Collector's revenue requirement, related to the transfer and transport of materials not generated in the Franchisors' Group jurisdictions under their contracts with the Collector shall be calculated in the following manner:

i. Forecasted Transfer/Transport Adjustment = (Transfer /Transport Fee per ton as calculated below) X (total disposal Tons for the operations not affiliated with the Franchisors Group for the Current Rate Year).

ii. Revised Current Rate Year Transfer/Transport Adjustment = (Revised projected disposal Tons) X (Current Transfer/Transport fee) less (the Current Rate Year Expense projected one year ago); plus,

iii. Revised Prior Year Transfer/Transport Adjustment = (Actual disposal Tons) X (Actual Transfer/Transport fee) less (the Prior Year Expense established during the previous review).

- iv. See Section II.B.4.d.iv for an example of the calculation substituting “transfer/transport expense” for “disposal expense”.

The Transfer/Transport Fee per ton shall be \$20.00 for the Rate Year ending December 31, 2013 and thereafter shall be determined as part of the Base Year Revenue Requirement.

- i. Fuel and oil expense for the Rate Year shall be forecasted to include the projected fuel and oil expense for the Rate Year and adjustments to the previous two fuel (not oil) expense forecasts (Current Rate Year and the Prior Rate Year) and shall be calculated in the following manner:

- i. Forecasted fuel and oil costs shall be based on Current Year to date actual annualized costs and gallons of fuel and oil consumed, adjusted for anticipated changes in the consumption and price of these commodities; plus,
- ii. Revised Current Year Expense Adjustment = (Projected fuel gallons from the previous review) X (Average price per gallon based on actual year to date purchases) less (the Current Rate Year Expense projected one year ago); plus,
- iii. Revised Prior Year Expense Adjustment = (Projected fuel gallons from the Prior Year review) X (Average price per gallon for the prior year) less (the Prior Year Expense established during the previous review).

- iv. See Section II.B.4.d.iv for an example of the calculation substituting “fuel expense” for “disposal expense” and “gallons” for “tons”.

- j. Equipment and vehicle maintenance expense for the Rate Year shall be forecasted based on historical costs adjusted for changes in the number of equipment and vehicles to be maintained and the cost of such maintenance.

- k. Depreciation and lease expense for the Rate year shall be forecasted based on the Collector’s actual depreciation, which shall reflect the retirement and addition of assets. Projected depreciation shall include anticipated purchases in the next Rate Year. Adjustments shall be made for previous year projections if assets were not

10. **Forecasted Total Collector's Revenue Requirement.** Collector's revenue requirement necessary to perform all the services and pay all fees in the manner required by this Agreement for the Rate Year shall be equal to the sum of the following:

- a. Forecasted annual cost of operations (determined in accordance with Step 4 above); plus,
- b. Profit (determined in accordance with step 5 above); plus,
- c. Forecasted interest, franchise fee, other fees expense and other revenues (determined in accordance with steps.6-9 above).

C. Rate Adjustment Factor

1. The Rate Adjustment Factor shall equal the Total Collector's Revenue Requirement for the coming Rate Year divided by the Gross Rate Revenues. Gross Rate Revenues shall mean the statements of charges for services rendered by Collector, to owners or occupants of property, including residential and commercial premises, for the collection of materials pursuant to the Agreement, net of a reasonable allowance for uncollectible accounts. In order to mitigate significant differences in the forecasted and actual revenues received, a three year trend in subscription levels will be factored into the calculation. Gross Rate Revenues shall be calculated in the following manner:

- a. $\text{Gross Rate Revenues} = (\text{Actual revenue for the Current Year through June and projections for the remainder of the Current Year}) \times (\text{Average percentage surplus or shortfall rate revenue for the three most recently completed Rate Years.})$
- b. Example:

Calculation of Rate Adjustment Factor

	Rate Year 1	Rate Year 2	Rate Year 3	
Projected Rate Revenues	\$ 1,000	\$ 1,100	\$ 1,200	
Actual Rate Revenues	\$ 900	\$ 1,100	\$ 1,250	
Excess (Deficiency)	\$ (100)	\$ -	\$ 50	
% of Actual Revenue of Projected Revenue	90.0%	100.0%	104.2%	
	(A)	(B)	(C)	
Three Year Average of % of Actual Revenue of Projected Revenue	[(A + B + C) divided by 3]			98.1%
Projected Rate Year Revenue Requirement				\$ 1,275
Projected Revenue based Current Year Revenues				1,250
Adjustment for Three Year Average % of Projected vs Actual Revenue				98.1%
Adjusted Projected Revenue				1,226
Projected Revenue Excess (Deficiency)				\$ (49)
Rate Adjustment Factor				4%

D. Adjustment of Rates

- Each rate approved for the Current Rate Year shall be multiplied by the Rate Adjustment Factor to calculate the effective rate for the Rate Year.

III. DETERMINATION OF COLLECTOR'S INDEXED REVENUE REQUIREMENT

The Indexed Year application shall clearly document Collector's calculation of Collector's revenue requirement and rate adjustment based on the methodology described in this Section III.

Collector's revenue requirement shall equal the sum of the forecasted annual cost of operations, profit, forecasted interest expense, franchise and other District fees, less other revenues, each of which shall be calculated in accordance with procedures set forth below.

The District, or its representative, will review Collector's application for compliance with this Agreement, accuracy, and reasonableness.

A. Forecasted Annual Cost of Operations. The annual cost of operations for the Rate Year consists of the sum of forecasted categories of expenses as described below:

1. Wages and salaries expense
2. Benefits expense
3. Workers' compensation expense
4. Disposal expense
5. Commercial mixed waste processing expense
6. Organics processing expense
7. Recyclable materials processing expense
8. Adjustment for Non-Franchisors' Group entities transfer/transport expenses
9. Fuel and oil expense
10. Equipment and vehicle expense
11. Depreciation/lease expense
12. JPA Fees
13. Other operating / general and administrative expense

B. Methodology for Forecasting Annual Cost of Operations

The forecasted annual cost of operations for the Indexed Revenue Requirement shall be based on Collector's most recent Base Year Revenue Requirement adjusted as described below.

1. Wages and salaries expense shall be calculated by multiplying the most-recently approved wages and salaries expense by one (1) plus the percentage change in the "San Francisco-Oakland-San Jose Metropolitan Area Consumer Price Index (Urban Wage Earners; 1982-84=100)" between the average index for the twelve (12) months ending June of the current year and the corresponding twelve (12) months ending June of the previous year, in the first year following the Base Year Revenue Requirement.
2. Benefits expense, except for Workers' Compensation expense, shall be calculated by multiplying the most-recently approved benefits expense by one (1) plus the percentage

change in the Employment Cost Index – Benefits (Private Industry Workers) between the average index for the twelve (12) months ending June of the current year and the corresponding twelve (12) months ending June of the previous year, in the first year following the Base Year Revenue Requirement.

3. Workers' compensation expense shall be calculated by multiplying the wages established in the Base Year Revenue Requirement by the applicable premium rates from the Collector's insurance carrier for the projected Rate Year.
4. Forecasted disposal expense for residential and commercial solid waste tons transferred at the Collector's transfer station shall be calculated in the same manner as described in Section II.B.4.d.
5. Forecasted commercial mixed waste processing expense for commercial tons processed at the Collector's processing facility shall be calculated in the same manner as described in Section II.B.4.e.
6. Forecasted Organics processing expense shall be calculated in the same manner as described in Section II.B.4.g.
7. Forecasted Recyclable Material processing cost shall be \$0.00.
8. Forecasted transfer/transport adjustment for tons not affiliated with the Franchisors Group transferred and transported through the Collector's transfer station shall be calculated in the following manner:
 - a. Forecasted Transfer/Transport Adjustment = (Transfer /Transport Fee per ton as calculated below) X (total disposal Tons for the operations not affiliated with the District for the Current Rate Year).
 - b. Revised Current Rate Year Transfer/Transport Adjustment = (Revised projected disposal Tons) X (Current Transfer/Transport fee) less (the Current Rate Year Expense projected one year ago); plus,

- c. Revised Prior Year Transfer/Transport Adjustment = (Actual disposal Tons) X (Actual Transfer/Transport fee) less (the Prior Year Expense established during the previous review).
- d. See Section II.B.4.d.iv for an example of the calculation substituting "transfer/transport expense" for "disposal expense".

The Transfer/Transport Fee per ton shall be calculated by multiplying the most-recently approved rate per ton by multiplying the Transfer/Transport Fee per Ton contained in the most recent Base Year Revenue Requirement by one (1) plus the percentage change in the "San Francisco-Oakland-San Jose Metropolitan Area Consumer Price Index (Urban Wage Earners; 1982-84=100)" between the average index for the twelve (12) months ending June of the current year and the corresponding twelve (12) months ending June of the previous year, in the first year following the Base Year Revenue Requirement.

- 9. Forecasted fuel and oil expense shall include projected fuel and oil expense and adjustments to the previous two fuel expense (not oil) forecasts (Current Rate Year and Prior Rate Year) and shall be calculated in the following manner:
 - a. Projected Year Fuel Expense = (Projected gallons established as part of the Base Year Revenue Requirement) X (Average price per gallon based on recent trends from actual purchases); plus,
 - b. Revised Current Year Expense Adjustment = (Projected gallons from the previous review) X (Average price per gallon based on actual year to date purchases) less the expense established during the previous review; plus,
 - c. Revised Prior Year Expense Adjustment = (Projected gallons from the Prior Year review) X (Average price per gallon for the prior year) less the expense established during the previous review.
 - d. See Section II.B.4.d.iv for an example of the calculation substituting "fuel expense" for "disposal expense" and "gallons" for "tons".

Projected oil expense shall be calculated by multiplying the oil expense contained in the most recent Base Year Revenue Requirement by one (1) plus the percentage change in the "Motor Vehicle Related Index (All Urban Consumers, U.S. City Average [PI-U] 1982-1984 = 100)" between the average index for the twelve (12) months ending June of the current year and the corresponding twelve (12) months ending June of the previous year, in the first year following the Base Year Revenue Requirement. This step will be repeated in the second year following the Base Year Revenue Requirement.

10. Equipment and vehicle maintenance expense shall be calculated by multiplying the most-recently approved equipment and vehicle maintenance expense by one (1) plus the percentage change in the "Motor Vehicle Related Index (All Urban Consumers, U.S. City Average [PI-U] 1982-1984 = 100)" between the average index for the twelve (12) months ending June of the current year and the corresponding twelve (12) months ending June of the previous year, in the first year following the Base Year Revenue Requirement.
11. Forecasted depreciation and lease expense shall be based on the Collector's actual depreciation from fixed asset system and depreciation records, which shall reflect the retirement and addition of assets. Allocation of depreciation of trucks to Franchisors Group and other operations shall be based on truck usage. Projected depreciation shall include anticipated purchases in the next Rate Year. Adjustments shall be made for previous year projections if assets were not purchased in projected time period.
12. Forecasted JPA fees shall be based on the tons collected in the District for the period determined and rate established by the JPA.
13. Forecasted other operating and general and administrative expense shall be calculated by multiplying the most-recently approved other operating and general and administrative expense by one (1) plus the percentage change in the "San Francisco-Oakland-San Jose Metropolitan Area Consumer Price Index (Urban Wage Earners; 1982-84=100)" between the average index for the twelve (12) months ending June of the current year and the corresponding twelve (12) months ending June of the previous year, in the first year following the Base Year Revenue Requirement.

14. Forecasted annual cost of operations for the Indexed Revenue Requirement shall equal the sum of the preceding expenses.
- C. Calculate Profit.** The Collector shall calculate profit by dividing the forecasted annual costs of operations by 0.905 and subtracting the forecasted annual costs of operations from the dividend.
- D. Forecasted Interest Expense.** Forecasted interest expense for the Rate Year shall be based on the Collector's actual interest from its loan amortization schedules for actual and projected capital expenditures for services under this Agreement. Adjustment shall be made in the Current Rate Year if projected asset purchases from the Prior Rate Year were not purchased in projected time period.
- E. Forecasted Franchise Fees Expense.** Forecasted franchise fee expense for the Rate Year shall be calculated using the appropriate methodology and the forecasted values.
- F. Forecasted Other Agency Fees Expense.** Forecasted other agency fees expense (such as: Vehicle Impact Fee, Tree Maintenance, Administration fee) for the Rate Year shall be calculated using the appropriate methodology and the forecasted values.
- G. Forecasted Other Revenues.** Forecasted other revenues for the Rate Year shall include revenues received by the Collector from related and third parties from the use of assets (including but not limited to vehicles and transfer station equipment) or provision of services by employees (including but not limited to drivers, operators, and processors).
- H. Forecast Collector's Total Revenue Requirement for Rate Year.** Collector's Revenue requirement for Rate Year shall be equal to the sum of the following:
1. Forecasted annual cost of operations (determined in accordance with Step B above).
 2. Profit (determined in accordance with Step C above).
 3. Forecasted interest expense (determined in accordance with Step D above).
 4. Forecasted franchise fees expense (determined in accordance with Step E above).
 5. Forecasted other agency fees expense (determined in accordance with Step F above).
 6. Forecasted other revenues (determined in accordance with Step G above).

- I. **Rate Adjustment Factor** The Rate Adjustment Factor shall be calculated using the procedure described in Section II C.
- J. **Adjustment of Rates** Each then-current rate shall be multiplied by the Rate Adjustment Factor to calculate the effective rate for the coming Rate Year.

IV. RATES FOR CHANGES IN SCOPE

In the event either the District or Collector requests a change in scope in accordance with Section 4 of the Agreement and such request occurs in a Rate Year when an index-based adjustment shall be made to determine Rates for the subsequent Rate Year, the Collector shall furnish the District with projected operational and cost data for the net change in scope (additional cost of the change in scope less savings resulting from change of scope) to support any adjustment to Rates. For the purposes of analyzing cost impacts of changes in scope, the Collector's profit shall be calculated using an operating ratio of .905 of actual reasonable and necessary costs. The District reserves the right to require that the Collector supply any additional cost data or other information it may reasonably need to ascertain the appropriate Rate adjustment, if any, for the change in scope. The District shall review this operational and cost data, and the District shall consider Rates for the change in scope, if warranted.

V. DETERMINATION OF NET RECYCLABLE REVENUE CONTRIBUTION TO RESERVE

Forecasted Recyclable Material processing revenue shall be calculated to allocate equally between the Collector and the rate payers the benefits and risks from the processing and sale of separated Recyclable Materials; and, create an incentive for the Collector to operate cost effectively and to obtain maximum value from the sale of Recyclable Material. The procedure is to be applied to the agencies of the Franchisors' Group (cities of San Rafael and Larkspur, Town of Ross, Las Gallinas Valley Sanitary District and County of Marin) taken as a whole.

- A. To prevent instability in the rate revenue resulting from the sharing of such profits and losses, the rate payers share of the net revenues and losses from the processing and sale of separated Recyclable Materials shall be accumulated in a reserve (retained by the Collector but separately accounted for in the Collector's balance sheet and fully disclosed in the annual report prepared by a certified public accountant). For example, if in the first year the net results of processing and sales were a net loss of \$5.00 per processed ton, the ratepayers share of the net loss would be \$2.50 (50%) multiplied by the Franchisors Group tons (15,000) or \$(37,500). The \$(37,500)

would be added to the reserve (no consideration for this negative value shall be made in the calculation of rates for the collection of refuse, recycling and yard trimmings) and if in the second year the net results of processing and sales were net revenues of \$20.00 per processed ton, the ratepayers share of \$10.00 (50%) multiplied by the number of the Franchisors Group tons (15,000) or \$150,000 would be added to the reserve for a net balance of \$112,500 (and no consideration for this positive value shall be made in the calculation of rates for the collection of refuse, recycling and yard trimmings).

- B. Should the net positive value in the reserve exceed \$250,000 (based on a reasonable worst case loss attributable to the Franchisors Group of approximately \$17 per ton on 15,000 tons), then the excess shall be used to offset one-time costs related to diversion programs approved by a majority of the agencies comprising the Franchisors' Group. Should the net negative value in the reserve exceed \$250,000 (based on a reasonable worst case loss attributable to the Franchisors Group of approximately \$17 per ton on 15,000 tons), then the District or the Collector may request a review of the actual costs and revenues of providing the service. The Franchisors Group and Collector agree to meet and confer to determine a reasonable remedy to the Collector.
- C. The Collector's net revenues from the processing of recyclables shall be calculated using the following procedure:
1. The Collector shall account for revenues and expenses and prepare financial statements for its source separated Recyclable Materials processing and sales operation (currently organized as the Marin Resource Recovery Association (MRRA)) in accordance with Generally Accepted Accounting Principles and Section IIB.1.2.3. 5. and 6 of this Exhibit B.
 2. Revenues and expenses shall be for the 12 months ending December 31 for the calendar year prior to the submission of the application. For example, for rates to be set for 2013, the revenues and expenses will be for the 12 months ending December 31, 2011.
 3. In addition to the non-allowable costs in Section IIB.2, Collector shall:
 - a. Exclude payments made to related-parties pursuant to consulting agreements in its calculation of actual expenses.

- b. Exclude facility rental payments to related-parties in excess of \$119,130 per year.
 - c. Exclude revenue and related expenses of the Household Hazardous Waste operations.
- D. Contactor shall include all revenue related to these operations including but not limited to:
 - 1. Revenue received from the sale of Recyclable Materials.
 - 2. Revenue from related and third parties from the use of assets (including but not limited to balers, scales, etc.) or provision of services by employees (including but not limited to the brokering of material processed by others).
 - 3. Revenue from the sale of assets used in the Recyclable Material processing operations.
 - 4. Revenue from grants received from Federal, State or local agencies.
- E. Collector shall properly include expenses for all personnel working at the facility in MRRA's accounting records.
- F. Collector shall be entitled to consideration equal to an operating ratio of 0.95 on its adjusted actual expenses. Collector shall calculate the consideration by dividing the annual adjusted actual expense, which shall be determined in accordance with these procedures, by 0.95, subtracting the forecasted annual costs of operations from the dividend.
- G. The Collector's independent auditor shall annually review the Collector's financial statements in accordance with Generally Accepted Auditing Standards and shall issue an opinion thereon.
- H. At the option of the District or the Collector, a review of the actual costs/revenues to provide the service may be included as part of the Base Year Revenue Requirement. The processing revenue per ton shall be competitive with processing revenue per ton received in the San Francisco Bay Area by comparable facilities.

Attachment 1 to Exhibit B: Sample Format of Rate Application

Marin Sanitary Service Sample Rate Application Rate Calculation

Expense Allocation (Percentage of Total Revenues)	44.11%	20.81%	8.56%	15.63%	2.24%	7.34%	1.32%
	San Rafael	Las Gallinas- City of S.R.	Las Gallinas- County	Larkspur	Ross	County - RVSD	County
Rate Application Operating Expenses:							
Wages	\$ 2,920,480	\$ 1,378,066	\$ 566,507	\$ 1,035,013	\$ 148,143	\$ 485,949	\$ 87,115
Benefits	1,365,786	644,464	264,931	484,032	69,280	227,258	40,740
Disposal Fees	1,900,895	896,963	368,731	673,674	96,424	316,297	56,702
Commercial Materials Processing Expense							
Yard Trimmings Processing Expense							
Non-Franchisors Group Transfer/Transport Adjustment							
Fuel & Oil	553,207	261,038	107,310	196,056	28,062	92,050	16,502
Equipment and Vehicle Expense	653,060	308,155	126,679	231,443	33,127	108,665	19,480
Depreciation/Leases	809,665	382,051	157,057	286,944	41,071	134,723	24,152
Other Operating/G&A	1,096,388	517,345	212,674	388,558	55,615	182,432	32,704
Total Operating Expenses	9,299,481	4,388,082	1,803,889	3,295,720	471,722	1,547,374	277,395
Operating Profit	976,189	460,627	189,359	345,960	49,518	162,432	29,119
Interest Expense	126,231	59,564	24,486	44,736	6,403	21,004	3,765
Revenue Requirement	10,401,901	4,908,273	2,017,734	3,686,416	527,643	1,730,810	310,279
Route Revenues (2012 Projected)	11,293,496	5,321,604	1,969,908	3,948,182	588,350	2,090,610	378,317
Adjustment:							
Adjusted Route Revenues	11,293,496	5,321,604	1,969,908	3,948,182	588,350	2,090,610	378,317
Less: Franchise Fees	(1,129,350)	(532,160)	(25,000)	(394,818)	(79,751)	(313,592)	(56,748)
Less: Street Sweeping						(44,977)	(22,488)
Less: Vehicle Impact Fee	(137,676)	(58,324)	-	-	-	(63,702)	-
Net Regulated Revenues	10,026,470	4,731,120	1,944,908	3,553,364	508,599	1,668,340	299,082
Non-Regulated Revenues	4,278	2,018	830	1,516	217	712	127
Total Revenues	10,030,748	4,733,138	1,945,738	3,554,880	508,816	1,669,052	299,209
Adjustment:							
Less: Franchise Fees							
Adjusted Total Revenues	10,030,748	4,733,138	1,945,738	3,554,880	508,816	1,669,052	299,209
Revenue Surplus/(Shortfall)	\$ (371,153)	\$ (175,135)	\$ (71,996)	\$ (131,536)	\$ (18,827)	\$ (61,758)	\$ (11,070)
Rate Increase Requested by MSS	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
Reserve for Future Diversion Programs							
Balance - Beginning of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current Year Addition/Reduction	81,909	38,596	33,108	32,898	7,699	21,962	4,622
Balance - End of Year	\$ 81,909	\$ 38,596	\$ 33,108	\$ 32,898	\$ 7,699	\$ 21,962	\$ 4,622

EXHIBIT C
CURRENT RATES

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Marin Sanitary Service
Refuse Collection Rates - Effective January 1, 2013
Las Gallinas Valley Sanitary District

County Portion of District

Effective 1/1/2013 - 0.22% Rate Increase
 MALG-(rounded to nearest \$.01)

Residential Service

Can Service	Current Rate Monthly	1/1/2013		
		Monthly	Amt of Inc	Quarterly Rate
20 gallon*	\$21.90	\$21.96	\$0.06	\$65.88
32 gallon	\$25.77	\$25.83	\$0.06	\$77.49
64 gallon	\$51.54	\$51.66	\$0.12	\$154.98
96 gallon	\$77.31	\$77.49	\$0.18	\$232.47
Add'l Can	\$25.77	\$25.83	\$0.06	\$77.49
Low Income Rate**	\$17.49	\$17.53	\$0.04	\$52.59

* New service level available to single family residential customers. Subject to account review by the Company.

** Based on Pacific Gas & Electric CARE Program guidelines

Note: One Can of compacted garbage will be charged the two can rate

Distance Charges	Current	1/1/2013
Distance 5'-50'	\$3.53	\$3.54
Distance over 50' (per 50' each can)	\$4.55	\$4.56

Multi-Family Service

Box Service	Collections per week		
	1	2	3
Current			
1 yard box **	\$170.47	\$295.31	\$420.18
3 yard box	\$373.44	\$707.88	\$1,042.32
1/1/2013			
1 yard box **	\$170.85	\$295.96	\$421.10
3 yard box	\$374.26	\$709.44	\$1,044.61

Note: Multi-Family service is one can per unit-minimum

Commercial Service

Can Service	Collections per Week					
	1	2	3	4	5	6
Current						
32 gallon	\$26.37	\$52.74	\$79.11	\$105.48	\$131.85	\$158.22
64 gallon	\$52.74	\$105.48	\$158.22	\$210.96	\$263.70	\$316.44
96 gallon	\$79.11	\$158.22	\$237.33	\$316.44	\$395.55	\$474.66
1/1/2013						
32 gallon	\$26.43	\$52.86	\$79.29	\$105.72	\$132.15	\$158.58
64 gallon	\$52.86	\$105.72	\$158.58	\$211.44	\$264.30	\$317.16
96 gallon	\$79.29	\$158.58	\$237.87	\$317.16	\$396.45	\$475.74

Box Service	Collections per Week						per single collection
	1	2	3	4	5	6	
Current							
1 cu yard**	\$184.55	\$369.57	\$554.17	\$738.72	\$923.67	\$1,108.21	\$51.47
3 cu yard	\$373.44	\$707.88	\$1,042.32	\$1,376.76	\$1,711.20	\$2,045.64	\$97.08
5 cu yard	\$612.74	\$1,225.39	\$1,838.20	\$2,450.73	\$3,063.38	\$3,676.33	\$151.50
10 cu yard	\$1,127.32	\$2,137.66	\$3,147.79	\$4,158.00	\$5,168.40	\$6,178.60	\$252.78
18 cu yard	\$1,850.09	\$3,466.74	\$5,083.39	\$6,700.11	\$8,316.92	\$9,933.51	\$403.88
1/1/2013							
1 cu yard**	\$184.96	\$370.38	\$555.39	\$740.35	\$925.70	\$1,110.65	\$51.58
3 cu yard	\$374.26	\$709.44	\$1,044.61	\$1,379.79	\$1,714.96	\$2,050.14	\$97.29
5 cu yard	\$614.09	\$1,228.09	\$1,842.24	\$2,456.12	\$3,070.12	\$3,684.42	\$151.83
10 cu yard	\$1,129.80	\$2,142.36	\$3,154.72	\$4,167.15	\$5,179.77	\$6,192.19	\$253.34
18 cu yard	\$1,854.16	\$3,474.37	\$5,094.57	\$6,714.85	\$8,335.22	\$9,955.36	\$404.77

	Current Rate	1/1/2013	Box Rental	Current Rate	1/1/2013
	Lock Charges - single pickup	\$4.14		\$4.15	
Lock Charges - weekly pickup	\$18.03	\$18.07	1 yard**	\$50.67	\$50.78
Compacted refuse w/o recyclables	\$75.78	\$75.95	3 & 5 yard	\$50.67	\$50.78
Compacted refuse with recyclables	\$60.75	\$60.88	10 yard	\$113.24	\$113.49
Refuse per yard - per pickup	\$51.47	\$51.58	18 yard	\$227.41	\$227.91

Commercial Boxes exceeding 300 lbs per cu yd filled with non-recyclables are subject to a tonnage surcharge @ \$134.69 per ton

** no longer offered to new customers

