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October 24, 2020

Authority Staff
South Lake Tahoe Basin Waste Management Authority
1901 Airport Road
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Subject: **Base Year 2021 Rate Analysis of South Tahoe Refuse Company**

Crowe LLP (Crowe) has completed its analysis of South Tahoe Refuse Company's (STR's) Base Year 2021 Rate Application (Application). The South Lake Tahoe Basin Waste Management Authority contracted with Crowe to conduct an analysis of the Application, and to provide potential refuse collection rate changes for the JPA to consider effective January 1, 2021. This letter report documents results of our analysis, and is organized as follows:

- A. Purpose of Analysis
- B. Summary
- C. Background of Analysis
- D. Scope of Analysis
- E. Rate Setting Adjustments
- F. Clean Tahoe Program
- G. Results of Analysis.

There are four (4) attachments to this report:

- Attachment A – Recommended Residential Rate Structure
- Attachment B – 2021 Base Year Rate Application
- Attachment C – Rate Model with Adjustments
- Attachment D – Consumer Price Index Data.

A. Purpose of Analysis

The purpose of the 2021 Base Year Rate Analysis of South Tahoe Refuse Company (Analysis) is to assist the South Lake Tahoe Basin Waste Management Authority (JPA), and each respective JPA jurisdiction including the City of South Lake Tahoe, Douglas County, and El Dorado County (Specified Parties), with establishing solid waste collection rates charged by South Tahoe Refuse Company Inc. The analysis was conducted in accordance with JPA's 2012 Solid Waste Rate Setting Policies and Procedures Manual (Manual).

The information in this Analysis is based on estimates, assumptions and other data developed by Crowe LLP ("Crowe") from information provided by STR, knowledge of and participation in other studies, data supplied by the JPA, and other sources deemed to be reliable.

In the course of preparing this Analysis, we have not conducted an audit, review, or compilation of any financial or supplemental data used in the accompanying Analysis. We have made certain projections of revenues and expenses which may vary from actual results because events and circumstances

frequently do not occur as expected and such variances may be material. We have no responsibility to update this Analysis for events or circumstances occurring after the date above.

Our procedures and work product are intended for the benefit and use of the Specified Parties. This engagement was not planned or conducted in contemplation of reliance by any other party or with respect to any specific transaction and is not intended to benefit or influence any other party. Therefore, items of possible interest to a third party may not be specifically addressed or matters may exist that could be assessed differently by a third party.

B. Summary

The analysis of the 2021 rate application and supporting documentation indicates a 9.04 percent rate increase for the City of South Lake Tahoe, a 7.11 percent increase for Douglas County, and a 5.77 percent increase for El Dorado County, effective January 1, 2021. This compares to STR's requested 2021 rate increase of 11.79 percent for the City of South Lake Tahoe and Douglas County, and 8.82 percent for El Dorado County. Current and proposed residential rates are shown in **Table 1** below. The complete recommended residential rate structure is provided in **Attachment A** of this report.

Table 1
South Tahoe Refuse
Residential Rates with 9.04 Percent Rate Increase for the City of South Lake Tahoe, 7.11 Percent Rate Increase for Douglas County and 5.77 Percent Rate Increase for El Dorado County (Base Year 2021)

Service Level	Current Rate (Per Customer, Per Month)	Proposed Rate (Per Customer, Per Month)	Proposed Rate Increase (Per Customer, Per Month)
City of South Lake Tahoe			
Unlimited service	\$30.66	\$33.43	\$2.77
Douglas County			
1, 32-gallon can	\$20.07	\$21.50	\$1.43
El Dorado County			
Unlimited service	\$35.39	\$37.43	\$2.04

C. Background of Analysis

The South Lake Tahoe Basin Waste Management Authority is comprised of the City of South Lake Tahoe, California; Douglas County, Nevada; and El Dorado County, California (Member Agencies). The JPA is responsible for overseeing regional cooperation regarding solid waste and coordinating solid waste program planning and reporting for these Member Agencies.

The franchise hauler for the three (3) jurisdictions is STR. Each Member Agency has an exclusive franchise agreement with STR for collection and disposal of refuse. STR provides exclusive refuse collection, recycling, and transfer station operations to Member Agencies in accordance with terms specified in separate franchise agreements.

JPA rate setting follows the JPA's 2012 *Solid Waste Rate Setting Policies and Procedures Manual*, Volume 2 (Manual). The Manual allows STR to submit a base year rate application for the rate year 2021. Our analysis was conducted in accordance with Steps 2, 3, 4, and 5 in Section 2 of the Manual.¹

In accordance with the Manual, rate setting follows a three-year cycle with the prior base year rate analysis conducted for rate year 2018. The JPA and STR followed the Base Year Rate Setting Process in Section 3 of the Manual for base rate year 2018.

As specified in the Manual, base year reviews involve a detailed and rigorous review of revenues and costs, including actual costs (tied to an audited financial statement), estimated costs (based on year to date results), and projection year costs (entirely projected based on assumptions about cost escalation). During base year reviews STR rates are established to cover a revenue requirement (which includes allowable costs, a specific regulated profit level, and pass-through costs). Interim years follow a more streamlined process and essentially provide for an inflationary rate change equal to the most recent change in the Consumer Price Index.

Recently approved rate changes granted to STR include:

- 2012 – 4.97 percent rate increase (City of South Lake Tahoe and Douglas County) and 4.48 percent rate increase (El Dorado County) – base year
- 2013 – 1.57 percent rate increase (City of South Lake Tahoe), 1.53 percent rate increase (Douglas County), and 1.58 percent rate increase (El Dorado County) – interim year
- 2014 – 2.78 percent rate increase (City of South Lake Tahoe and El Dorado County) and 2.73 percent rate increase (Douglas County) – interim year
- 2015 – 2.88 percent rate increase (City of South Lake Tahoe and Douglas County) and 2.66 percent rate increase (El Dorado County) – base year
- 2016 – No rate change – interim year
- 2017 – 1.62 percent rate increase (City of South Lake Tahoe and El Dorado County) and 1.59 percent rate increase (Douglas County) – interim year.
- 2018 – 8.81 percent rate increase (City of South Lake Tahoe), 6.81 percent rate increase (Douglas County), 9.34% rate increase (El Dorado County)² – base year
- 2019 – 3.11 percent rate increase (City of South Lake Tahoe and El Dorado County) and 3.05 percent rate increase (Douglas County) – interim year.
- 2020 – 2.93 percent rate increase (City of South Lake Tahoe and El Dorado County) and 2.87 percent rate increase (Douglas County) – interim year.³

In **Table 2**, we summarize residential rates since 2014.

¹ The JPA allows for the franchise hauler to submit an interim year rate application in each of the “interim” two (2) years between “base” years, should the franchised hauler want to request an increase rates.

² With 3.08 percent of the El Dorado County rate increase deferred to 2019.

³ The percent rate changes in interim years differ by jurisdiction due to differences in franchise fees (City and El Dorado are set at 5% of gross revenues and Douglas County is set at 3% of gross revenues).

Table 2
South Tahoe Refuse
Selected Residential Rates
(2014 to 2020)

Service Level	2014	2015	2016	2017	2018	2019	2020
City of South Lake Tahoe							
Unlimited Service	\$25.40	\$26.13	\$26.13	\$26.55	\$28.89	\$29.79	\$30.66
Douglas County							
1, 32-gallon can	\$16.95	\$17.44	\$17.44	\$17.72	\$18.93	\$19.51	\$20.07
El Dorado County							
Unlimited Service	\$29.20	\$29.98	\$29.98	\$30.47	\$32.38	\$34.38	\$37.44

In June of 2020, STR submitted its base year rate application to the JPA for rate year 2021 (hereafter referred to as the Application). We enclose a copy of this Application as **Attachment B**. The JPA requires the franchise hauler to submit a base year rate application once every three (3) years. In accordance with the Manual, rate year 2021 is a base year. For the next two years, 2022 and 2023, rates will be set using the simplified interim year process (i.e., rate changes tied to the change in CPI).

STR's Application to the JPA projected a rate increase was needed to cover a combined \$1,991,501 estimated net shortfall, including franchise fees, for fiscal year 2021. STR requested an increase of 11.79 percent (\$1,663,587 projected total shortfall) for the City of South Lake Tahoe and Douglas County and an 8.82 percent (\$327,914 projected total shortfall) for El Dorado County.

We relied on STR audited financial statements, internally prepared financial information, and operational data for our analysis. STR provided audited financial statements for rate year 2019. STR also provided internally prepared financial information and operational data for rate years 2020 (estimated) and 2021 (projected), and additional information and data requested by Crowe.

D. Scope of Analysis

Our scope of services included the following tasks:

1. Verify the completeness of STR's Base Year 2021 Application
2. Analyze the Base Year 2021 Application and prepare responses
3. Identify rate adjustments, by line item, and rate adjustment tables
4. Analyze proposed adjustments with JPA and STR representatives, and clarify outstanding issues
5. Determine the revenue requirement and associated rate adjustments
6. Prepare a draft report
7. Prepare a final report
8. Participate in JPA meeting.

For this analysis, we performed the following tasks:

- Assessed if the Application was mathematically accurately and logically consistent
- Verified that the Application complied with the terms and conditions of the Manual
- Reconciled the Application to STR's Rate Year 2019 audited financial statements
- Analyzed STR financial information, operational data, and projections
- Assessed supporting data, worksheets, and documentation
- Analyzed historical actual, estimated, and projected revenues and expenses

- Analyzed cost allocation methods
- Analyzed the assignment of revenues and expenses to each Member Agency
- Obtained and analyzed support for the assumptions used to project Rate Year 2020 and 2021 revenues and expenses
- Confirmed the use of the allowed operating ratio
- Confirmed the franchise fee calculation
- Confirmed the accuracy of STR's calculated revenue requirement and associated rate adjustment
- Prepare draft and final reports
- Participated in JPA and Member Agency preparation and meeting(s).

The JPA entered into a contract with Crowe in June 2020 to provide these services. We submitted a detailed data request to STR on August 26, 2020 and a follow-up data request to STR on September 24, 2020.

E. Rate Setting Adjustments

In this section, we identify adjustments to the STR rate application for calendar year 2021. Total adjustments result in a projected 2021 revenue shortfall of \$1,451,241 combined for the three JPA Member Agencies. The revenue shortfall includes a Base Year 2021 revenue shortfall of \$1,233,793 for the City of South Lake Tahoe and Douglas County combined; and a projected Base Year 2021 revenue shortfall of \$217,448 for El Dorado County. **Attachment C** includes the rate model with Crowe's rate adjustments summarized.

Adjustments are organized to generally match the organization provided in STR's rate application. The STR rate application is organized consistent with the guidance provided in the Base Year Rate Setting Process for allowable revenue and expense categories contained in the Manual, using the template located in Appendix A (Exhibit A-1) of the Manual. The remainder of this subsection is organized as follows:

- **Revenues**
 - Residential Collection Revenues
 - Commercial Collection Revenues
 - Forestry, Federal, and State Contracts
 - Non-Collection Revenue Allocation
 - Transfer Station and RRF Revenues
- **Recycled Material Sales (MRF and Recycling Sales)**
- **Operating Expenses**
 - Operating Expense Allocation
 - Expense Escalation
 - Direct Labor
 - Equipment Costs and Facility Costs
 - Landfill Disposal Costs
 - Office Salaries
 - General and Administrative Costs
 - MRF Principal and Interest Costs (El Dorado County)⁴
 - RRF Principal and Interest Payments (El Dorado County)⁴
 - Other Interest Expenses
- **Operating Profit**

⁴ The El Dorado County franchise agreement treated MRF and RRF principal and interest as allowable costs, or slightly differently from the City and Douglas County. The City and Douglas County franchise agreements treat MRF and RRF principal and interest expenses as pass-through costs.

- **Pass-Through Costs⁵**

- MRF Principal Payments (City and Douglas)
- RRF Principal Payments (City and Douglas)
- MRF and RRF Interest Expenses (City and Douglas).
- Other Interest Expenses
- RRF Fund Credit
- Recycling Revenue Bonus
- Franchise Fees

Revenues

Residential Collection Revenues

STR estimated residential collection revenues to increase by \$367,029, or 4.49 percent, between 2019 and 2020. STR projected residential collection revenues to increase by \$218,399 or 2.56 percent, between 2020 and 2021. These changes in residential collection revenues are consistent with recent trends in revenues and accounts.

STR projected residential uncollectible revenues of \$2,043 for Base Year 2021. This projected residential uncollectible revenue amount represents 0.023 percent of projected Base Year 2021 residential revenues. This comparatively low uncollectible revenue level results from the ability for STR to use a liens process whereby unpaid amounts are included on the tax role, as leverage to collect on unpaid accounts.

Impact(s):

- No adjustment.

Commercial Collection Revenues

STR estimated commercial collection revenues to decrease by \$157,249 or -2.27 percent, between 2019 and 2020. STR projected commercial collection revenues to decrease by \$233,800 or -3.46 percent, between 2020 and 2021.

STR based projections of 2021 commercial revenues on year-to-date 2020 results which were negatively impacted by COVID-19 and resulting local business closures. We considered the current state of COVID-19 impacts on business activity, the gradual reopening of businesses in the area in the latter part of 2020, and more recently monthly trends in commercial revenues. Accounting for these factors, rather than continuing to project additional declining commercial revenues, we increased the 2021 projection of commercial revenues by \$213,823 back to levels observed in 2020.

STR projected commercial uncollectible revenues of \$19,977 for Base Year 2021. This projected commercial uncollectible revenue amount represents 0.31 percent of projected Base Year 2021 commercial revenues.

Impact(s):

- Increased 2021 commercial revenue by \$164,785 for the City of South Lake Tahoe and Douglas County combined, and \$49,038 for El Dorado County.

Non-Collection Revenues Allocation

For 2021, STR allocated non-collection revenues, including: (1) transfer station and RRF revenues, (2) forestry, federal, and state contracts revenues; and (3) recycled materials sales, between (1) the City of

⁵ Pass through costs are those that are allowed to be recovered in rates, but for which a profit is not applied.

South Lake Tahoe and Douglas County, and (2) El Dorado County. The non-collection revenue allocation was based on actual 2019 residential and commercial collection revenues.

Revenue allocation percentages for these non-collection revenue sources were 79.45 percent and 20.55 percent, respectively, for the City of South Lake Tahoe and Douglas County combined, and El Dorado County.⁶ We verified these allocation calculations were supported and correctly applied. This allocation method was applied to (1) transfer station and RRF revenues; and (2) forestry, federal, and state contracts revenues, and (3) recycled materials sales revenues.

Impact(s):

- No adjustment.

Transfer Station and RRF Revenues and Forestry, Federal, and State Contracts

STR estimated transfer station and RRF revenues to increase by \$52,386 or 2.10 percent, between 2019 and 2020. STR estimated commercial collection revenues to decrease by \$5,754 or -0.23 percent, between 2020 and 2021.

The dip in revenue between 2020 and 2021 was due to the facility being intermittently closed in early 2020 because of COVID-19. The closure affected 2020 transfer station and RRF revenues since STR was unable to accept materials, however, revenues were normalized for 2021 as future facility closures are not expected.

STR estimated forestry, federal, and State contract revenues to increase by approximately \$13,206, or 1.96 percent, between 2019 and 2020. The increase was calculated by using a rolling four quarter estimate for FY20 since most revenue is earned in quarter 1. STR projected a decrease of 5,754 or -0.86 percent, between 2020 and 2021.

Impact(s):

- No adjustment.

Recycled Material Sales (Materials Recovery Facility (MRF) and Recycling Sales)

STR estimated revenues associated with the MRF sale of recyclables to decrease by approximately \$382,675, or -25.83 percent, between 2019 and 2020, largely driven by significantly lower commodity prices for aluminum, plastic, and glass, the China National Sword policy⁷, and the facility closure for several months of 2020 due to COVID-19.

STR estimated recycled material sales to decrease by \$37,892 or -3.45 percent, between 2020 and 2021. This estimated decrease is based on the year-to-date 2020 trend with a normalization of recycling picking up at the middle to end of 2020 when the facility re-opened, and as there is a trend toward more residents occupying the Lake Tahoe area.

Impact(s):

- No adjustment.

⁶ El Dorado County is separated from the other two jurisdictions based on the differences in franchise agreement treatment (i.e., regulated profit levels are slightly different for El Dorado County from the other two jurisdictions).

⁷ China's policy to restrict importation of certain plastics, paper, and solid waste into its country and significantly reduce the contamination levels of materials accepted. China historically had purchased recyclable materials more readily from the U.S. This had the impact of restricting the markets and decreasing recycled materials sales revenues.

Operating Expenses

Operating Expense Allocation

For 2021, STR allocated operating expenses between (1) the City of South Lake Tahoe and Douglas County, and (2) El Dorado County, based on actual 2019 residential and commercial collection revenues. Revenue allocation percentages were 79.45 percent and 20.55 percent, respectively, for the City of South Lake Tahoe and Douglas County together, and El Dorado County. We verified that the allocation calculation was supportable and correct.

Impact(s):

- Used collection revenue allocation percentages for operating expense allocations.

Expense Escalation

Per the Rate Manual, the CPI we used in this analysis should be based on the most current actual information for the U.S. City Average Garbage and Trash Collection CPI (CPI, see **Attachment D**). For purposes of projecting inflationary costs, as shown in **Table 3**, we used a 3.26 percent CPI equal to the percent change from the June 2019 to the June 2020 index. Crowe rounded the CPI increase to the nearest hundredth given its material effect on the projections and for consistency with prior assessments.

Table 3
Consumer Price Index (CPI)
Used by Crowe for Rate Setting Purposes

Description	Index
June 2019	480.984
June 2020	496.679
Percent Change	3.26%

STR escalated certain general and administrative expenses for Base Year 2021, including for example advertising, utilities, and licenses and fees, and used this factor in the COLA adjustment for labor costs.

Impact(s):

- Used an escalation factor of 3.26 percent versus 3.49 percent to capture the fiscal year CPI change from June to June.

Direct Labor

STR estimated direct labor expenses to increase by \$413,417, or 5.50 percent, from 2019 to 2020. STR projected direct labor expenses to increase by \$407,643, or 5.14 percent from 2020 to 2021. This projected direct labor increase reflects various wage and benefit increases and decreases, including:

- Cost of living adjustment of 4.95 percent applied to wages and salaries based on the CPI and California minimum wage increases
- Officer salary increases to equal 6 percent of net revenue estimations for 2020 and 2021
- Health insurance expense increase of 9.80 from 2019 to 2020 and 8.94 percent from 2020 to 2021; with estimates provided by the benefit plan administrator and the health insurance company
- Workers' compensation expense increase of 23.77 percent from 2020 to 2021
- Pension expense increase from 7.0 percent to 8.5 percent of labor costs for qualifying employees (where qualifying employees must work at least 1,000 hours) from 2020 to 2021.

We noted that STR set their entry positions \$1 per hour above the minimum wage in order to attract workers and at the beginning of 2020 gave \$1 raises for employees whose hourly wage was below \$26 per hour.

The increase in the pension plan was supported by the fact that it was previously 10 percent of each eligible employee's compensation, however, after the 2008 recession it was cut down to 3 percent. Since 2008, JPA has allowed a partial restoration of benefits during each base year rate application which has slowly increased the contribution from 3 percent to 7 percent, and STR is requesting 8.5 percent for base year 2021.

Impact(s):

- Net decrease in Direct Labor expenses by \$90,960 for the City of South Lake Tahoe and Douglas County and a decrease of \$23,530 for El Dorado County for 2021. Components of this reduction are as follows:
 - Minor net increase to reflect exact annualization calculation for direct labor pay rate increases
 - Increase in officer salary with an increase in projected revenues (officer's salary is capped at 6 percent of revenues)
 - Decrease in health insurance costs by using the actual fiscal year 2020 health insurance costs and escalating these costs by 8.94 percent consistent with the benefit plan administrator projection
 - Decrease in projected Worker's Compensation expenses by decreasing the projected 23.77 percent increase to a 11.50 percent increase for 2021. This calculation reflects use of an average of three years of recent STR experience modification rates (referred to as "mod rate," essentially a measure of the riskiness of STR's business against similar companies) used to calculate the 2021 premium rather than the mod rate projected for 2021. This is intended to reflect a likelihood that STR can manage its business during the upcoming interim years through operational improvements so that it can bring the high 2021 mod rate downward to be more in line with historical STR norms.

Equipment Costs and Facility Costs

STR estimated equipment costs and facility costs to decrease by approximately \$126,518 or -7.58 percent, between 2019 and 2020. STR projected equipment costs and facility costs to decrease by \$93,647 or -6.07 percent, between 2020 and 2021.

STR estimated depreciation costs to remain relatively flat over the 2020 to 2021 period, at \$1.2M. The current depreciation for 2021 accounts for retirement of certain assets and additions of fine screens and LED lights needed to maintain compliance with California Air Resources Board (CARB) requirements.

Impact(s):

- Decrease in Equipment and Facility expenses by \$8,256 for the City of South Lake Tahoe and Douglas County, and a decrease of \$2,138 for El Dorado County for 2021. This change was based on normalizing repairs and maintenance costs for the parking area lot using a two-year average.

Landfill Disposal Costs

STR estimated landfill disposal costs to increase by approximately \$179,529 or 12.13 percent, between 2019 and 2020 due to the tipping fee price escalation and greater use of the Carson City Landfill as opposed to Lockwood Landfill (Carson City Landfill has a higher tip fee rate). STR projected landfill disposal costs to decrease by \$143,818 or -8.67 percent between 2020 and 2021 due to business changes associated with Covid-19. Landfill disposal costs include Lockwood landfill and Carson City landfill dump fees; disposal costs related to e-waste, tire, asphalt, and food waste recycling; and alternative daily cover (ADC) dump fees.

Tables 4 and 5, below, provides a summary of the dump fees for Lockwood landfill and Carson City landfill, for FY 2019 and FY 2020. Per STR's contract with Lockwood landfill, the rate per ton of MSW/C&D increases each April, based on an index. The landfill disposal costs, and tonnage do not include disposal costs and tonnages for other "dump fee" services, such as for e-Waste, Freon, tires, tire recycling, and other materials processing and disposal.

**Table 4
FY 2019 Actual Landfill Disposal Costs and Tonnage**

Landfill	ADC Cost / Ton	ADC Tons	ADC Costs	C&D / Cost / Ton	C&D / Tons	C&D / Costs	MSW / Cost / Ton	MSW / Tonnage	MSW / Costs		
Lockwood	\$23.34	1,680.81	\$39,237.98	-	-	-	\$18.66	24,596.85	\$485,875.42		
Carson City	-	22,880.52	-	\$24.00	4,012.13	\$96,291.12	\$24.00	22,250.54	\$534,012.96		
Subtotal		24,561.33	\$39,237.98		4,012.13	\$96,291.12		46,847.39	\$992,888.38		
Total Tons:		75,420.85								Costs:	\$1,128,417.48

**Table 5
FY 2020 Estimated Landfill Disposal Costs and Tonnage**

Landfill	ADC Cost / Ton	ADC Tons	ADC Costs	C&D / Cost / Ton	C&D / Tons	C&D / Costs	MSW / Cost / Ton	MSW / Tonnage	MSW / Costs		
Lockwood	-	-	-	\$22.55	1,792.71	\$40,417.06	\$19.43	7,277.37	\$141,389.20		
Carson City	-	13,874.67	-	\$24.00	9,390.54	\$225,372.96	\$24.00	38,152.29	\$915,654.72		
Subtotal	-	13,874.67	-		11,183.25	\$265,790.02		45,429.66	\$1,057,043.92		
Total Tons:		70,499.43								Costs:	\$1,323,118.34

In projecting landfill dump fees, STR accounted for changes in both tonnage and tipping fees. STR provided documentation from landfills to support the tipping fees used in their projections. STR has operational changes to employ a greater use of Carson City Landfill, and is currently managing the flow of materials to both Lockwood and Carson City Landfills depending on the material type, fee, trucking staff availability, time of year, and the ultimate disposition (e.g., disposal versus diversion).⁸

STR has made efforts to employ the two landfills to optimize its disposal/ADC mix. These year-over-year disposal cost increases are supported by increases in tipping fee rates charged by third parties (e.g., for composting and asphalt recycling). Note that for the Lockwood to Carson City shift, STR realized offsetting cost savings in Direct Labor and General and Administrative (fuel) costs as Carson City is located geographically closer to STR.

A decrease of 8.15 percent was applied to MRF dump fees for both 2020 and 2021 considering the expected lower volumes for both years due to reasons mentioned above in the subsections describing residential and commercial revenues.

We increased STR's tonnage projection for MSW from 40,243 to 44,054 for 2021 to reflect an expected return in activity by commercial business in 2021 (this aligns with the expected increase in commercial revenues noted above). With this increase in projected disposal tonnage, we increased dump fees by \$76,798 for 2021.

Impact(s):

- Increase in disposal costs by \$61,014 for the City of Lake Tahoe and Douglas County and \$15,784 for El Dorado County in 2021.

⁸ Carson City Landfill is operated/owned by the City of Carson City, a non-related entity to STR.

Office Salaries

STR estimated office salaries to increase by \$53,860, or 4.56 percent, between 2019 and 2020. STR estimated office salaries to decrease by \$44,018, or -3.56 percent, between 2020 and 2021. STR projected office salary expenses of \$ 1,191,167 for 2021. Office salaries are primarily associated office and customer service representatives, not non-collection drivers and MRF workers. This projected increase accounts for projected wage and benefit changes as follows:

- A cost of living adjustment (COLA) of 4.95 percent for wages and salaries
- Health insurance expense increase of 8.94 percent from 2020 to 2021
- Workers' compensation expense increase of 23.77 percent from 2020 to 2021
- Pension expense increase based on 8.5 percent of labor costs for qualifying employees (where qualifying employees must work at least 1,000 hours).

Impact(s):

- Net increase in Direct Labor expenses by \$122 for the City of South Lake Tahoe and Douglas County and an increase of \$31 for El Dorado County for 2021. Components of this reduction are as follows:
 - Minor net increase to reflect exact annualization calculation for direct labor pay rate increases
 - Increase in officer salary with an increase in projected revenues (officer's salary is capped at 6 percent of revenues)
 - Decrease in health insurance costs by using the actual fiscal year 2020 health insurance costs and escalating these costs by 8.94 percent consistent with the benefit plan administrator projection
 - Decrease in projected Worker's Compensation expenses by decreasing the projected 23.77 percent increase to a 11.50 percent increase for 2021.

General and Administrative (G&A) Costs

Below we discuss key subcategories with this G&A cost category and applicable adjustments to these cost subcategories:

Cost of Goods Sold (COGS)

STR estimated COGS for recycled materials to decrease by approximately \$21,162 from 2019 to 2020 and \$32,531, or -5.0 percent, between 2020 and 2021. The 2021 estimated decrease is based on the year-to-date 2020 trend. This reduction results from across the board reductions in prices paid for purchased materials due to declining recycling market prices, facility and business closures due to COVID-19, and a lower population within the area due to restrictions placed by the City.

We obtained actual 2020 COGS (\$533,844) from STR used this for the 2021 projection. This had the impact of decreasing the COGS 2021 projection by \$84,255.

Advertising, Postage, Utilities, Licenses and Fees

STR estimated advertising to increase by \$11,278, or 34 percent between 2020 and 2021. STR escalated advertising, postage, utilities, and licenses and fees using year-to-date 2020 trends. We projected 2021 costs in these categories based on applying the 3.26 percent CPI increase as opposed to the 3.49 percent CPI increase to estimated 2020 costs.

General Insurance

STR estimated general insurance expenses to increase by \$92,231, or 36.0 percent, between 2020 and 2021. STR provided general insurance documentation pertaining to the increased costs. In total, general insurance was expected to increase by 36 percent for STR and related parties effective 4/1/2020.

Crowe noted that a 36 percent increase in general insurance costs is significantly higher than other years, however, STR clarified that it had asked its broker to shop for cheaper insurance rates, but was unable to secure lower premiums. With STR located in a fire hazard zone, having large equipment and property that generally is not covered by most insurance companies, general insurance costs are escalating for STR. We received documentation in the form of a memorandum from STR's insurance company which supports the 36 percent increase.

We recalculated the projection for 2021 and found that the figures included in the projection year 2021 were slightly overstated (based on including an additional quarter of the 36 percent increase) and we decreased the 2021 projection by \$28,775.

Professional Fees

STR estimated professional fees to increase by \$20,979 or 6 percent, between 2020 and 2021, based on year-to-date expenditures. STR reduced 2021 professional fees by the \$61,000 one-time fee for the network upgrade since it was applied to and paid for in 2020. We accepted this projection.

Fuel

STR estimated a fuel decrease of \$22,883 or -4.0 percent, between 2020 and 2021. This increase is based on the year-to-date 2020 trend and consistent with published projections of fuel price escalations. We made a minor adjustment to fuel costs by using a fuel price escalation for 2021 exactly equal to the actual change from 2019 to 2020, or a -4.2 percent decrease (as opposed to -4.0 percent). This had the impact of reducing the expense by \$1,133.

Bad Debt

STR projected bad debt of \$22,020 for 2021, which is a 12 percent increase from 2020, and a 2 percent increase from 2019. This estimate stems from quarter 4 of FY20 due to COVID-19 business closures, a higher rate of employment and an increased risk of not collecting outstanding account balances.

We noted that the bad debt expense is relatively small, where actual bad debt was \$19,660 in FY19 and \$9,830 for FY20. Increasing the base year 2021 bad debt to \$22,020 was relatively conservative given the circumstances surrounding the uncertainty of COVID-19. We confirmed that bad debt was excluded from the G&A calculation and the equivalent amount was included as an allowance for uncollectibles in the revenue portion of the Application.

Supplies

Within this cost subcategory, STR projected \$46,142 in personal protective equipment (PPE) costs for 2021 based on 2020 spend levels (which included some advanced inventory purchases). We used a two-year average for this PPE expense, resulting in a reduction to supply expenses of \$20,845.

Hazardous Materials

STR annualized hazardous waste costs for 2020 based on actual costs incurred through March 2020, at \$177,467, which was the equivalent of an increase of 30.56 percent from 2019 levels. STR projected 2021 hazardous waste costs of \$231,708 by escalating the 2020 estimate of \$177,467 by another 30.56 percent.

The largest contributor to hazardous materials expense is Stericycle Environmental to whom STR paid \$122,756 (80 percent of total hazardous waste costs) in FY20. The largest expected cost increase in the subcategory was for Rynocare, a vendor that provides sharps pick-ups once a month for a flat rate of \$1,995. Rynocare had 10 monthly pickups in FY19 and 12 monthly pickups in FY 20. STR provides this service at no charge to residents at the request of El Dorado County since STR has a state permit to operate a needle consolidation program.

During our review we obtained the full year of actual hazardous waste costs for fiscal year 2020 which equaled \$152,602, a 12.27 percent increase from 2019. To project 2021 hazardous waste costs of

\$171,328, we increased actual 2020 costs of \$152,602 by 12.27 percent (a decrease in the STR projection by \$60,254).

Impact(s):

- Decrease in overall general and administrative costs based on the discussion above for the key subcategories by \$265,767 for 2021. This reduced general and administrative costs for the City of Lake Tahoe and Douglas County by \$211,145 for and for El Dorado County by \$54,621 for 2021.

MRF Principal and Interest Payments (El Dorado County)

STR projected El Dorado County's portion of MRF principal and interest payments of \$5,923 for 2021. The MRF debt financing is through a Union Bank term loan of \$2 million. STR estimated that approximately 38.3 percent of the term loan is related to the MRF. STR allocated 38.3 percent of financing costs, to MRF principal and interest payments. STR then determined El Dorado County's portion of MRF principal and interest payments, based on the 2019 collection revenue allocation percentage (20.55 percent). We found this approach to determining the MRF principal and interest cost for El Dorado County reasonable.

Impact(s):

- No adjustment.

RRF Principal and Interest Payments (El Dorado County)

STR projected El Dorado County's portion of 2021 RRF principal and interest payments to equal \$170,754. The RRF debt financing is through a California Pollution Control Financing Authority (CPCFA) 2008 Bond of \$16.615 million. STR determined El Dorado County's portion of RRF principal and interest payments, based on the 2019 total collection revenue allocation percentage. We found this approach to determining the MRF principal and interest cost for El Dorado County reasonable.

Impact(s):

- No adjustment.

Other Interest Expenses

Other interest expenses include interest on debt used to finance STR operations, excluding the MRF/RRF building financing. STR projected other interest expenses of \$68,502 for 2021. STR included other interest expenses of \$14,079 for El Dorado County's portion, under allowable operating costs, and \$54,423 for the City and Douglas County, under pass through costs.

Impact(s):

- No adjustment.

Operating Profit

In accordance with the Manual, for the City of South Lake Tahoe and Douglas County, a profit is allowed based on a sliding scale which varies with STR's recovery percentage; and for El Dorado County, a profit is allowed, based on a targeted operating ratio ranging between 87 and 91 percent. In a base year, if rates change, STR applies an 89 percent operating ratio for the base year calculation.

In the Application, STR used an 87 percent operating ratio for the City of South Lake Tahoe and Douglas County, and an 89 percent operating ratio for El Dorado County. STR provided a Waste Facility Diversion Summary Report, which included monthly tons diverted through six (6) operations: (1) MRF floor sort, (2) MRF line sort, (3) RRF, (4) alternate daily cover (ADC), (5) recycle center, and (6) direct export. Based on this diversion report, STR's recovery rate was 63.4 percent for FY 2020.

We calculated operating profit, based on our adjustments to the estimated 2020 and projected 2021 allowable operating costs. We decreased operating profits by \$45,210 in 2021.

Impact(s):

- Decrease in operating profits by \$45,210 in 2021.

Pass-Through Costs

MRF Principal Payments (City and Douglas)

STR projected the City of South Lake Tahoe and Douglas County's portion of MRF principal payments of \$20,662 for 2021. The MRF debt financing was through a Union Bank term loan of \$2 million (which was subsequently refinanced to a Bank of America loan in FY15). STR estimated that approximately 38.3 percent of the term loan is related to the MRF. For the Union Bank term loan, STR projected principal payments based on loan balances. STR allocated 38.3 percent of financing costs, to MRF principal payments. STR then determined the City of South Lake Tahoe and Douglas County's portion of MRF principal payments, based on the 2019 collection revenue allocation percentage (79.45 percent).

Impact(s):

- No adjustment.

RRF Principal Payments (City and Douglas)

STR projected the City of South Lake Tahoe and Douglas County's portion of RRF principal payments of \$579,133 in 2021. The RRF debt financing is through a CPCFA 2008 Bond of \$16.615 million. For the bond financing, STR projected principal payments based on bond balances. STR allocated 100 percent of financing costs, to RRF principal payments. STR then determined the City of South Lake Tahoe and Douglas County's portion of RRF principal payments, based on the 2019 total collection revenue allocation percentage (79.45 percent).

Impact(s):

- No adjustment.

MRF and RRF Interest Expenses (City and Douglas)

STR projected the City of South Lake Tahoe and Douglas County's portion of MRF and RRF interest payments of \$83,269 for 2021. The MRF debt financing was through a Union Bank term loan of \$2 million (which was subsequently refinanced to a Bank of America loan in FY15). STR estimated that approximately 38.3 percent of the term loan is related to the MRF. The RRF debt financing is through a CPCFA 2008 Bond of \$16.615 million.

For the MRF and RRF debt financing, STR projected principal payments based on debt balances, and interest payment based on general ledgers. STR then determined the City of South Lake Tahoe and Douglas County's portion of MRF and RRF interest payments, based on the 2019 collection revenue allocation percentage.

Impact(s):

- No adjustment.

Other Interest Expenses

Other interest expenses are interest on debt used to finance STR operations, excluding the MRF/RRF building financing. Recently financed assets include several new trucks. STR projected other interest expenses of \$54,425 for 2021. STR then determined the City of South Lake Tahoe and Douglas County's portion of other interest expenses, based on the 2019 total collection revenue allocation percentage

(79.45 percent). STR included other interest expenses of \$54,423, for the City of South Lake Tahoe and Douglas County's portion, under pass-through costs.

Impact(s):

- No adjustment.

RRF Fund Credit

The RRF fund credit had been paid to JPA jurisdiction ratepayers, to account for excess rate revenues collected during the construction of the RRF. On March 2, 2012, the JPA approved an RRF fund credit of \$4,722,285, with a six (6) year payback period, applied in base years, beginning in 2012. The credit amount was determined by dividing the credit of \$4,722,285 by six years, resulting in fund credit amounts of \$787,048. Collection rates in the six (6) years from 2013 to 2017 had included a total annual RRF fund credit of \$787,047, based on a total RRF revenue balance and the six (6) year payback period. As 2017 represented the final year, STR removed the RRF Fund Credit from the rate base. This amount is \$0 for this base year.

Impact(s):

- No adjustment.

Recycling Revenue Bonus

In accordance with the Manual, STR is allowed a recycling revenue bonus, which is tied to STR's diversion levels. For 2021, STR is allowed a 50 percent recycling revenue share, by exceeding the minimum diversion rate of 47 percent. STR projected a recycling revenue bonus of \$221,423 for 2021. This calculation is based on: (total recycling revenues less cost of goods sold) x 0.50. Due to a reduction in COGS to \$533,844 (noted above in the G&A subcategory) the recycling revenue bonus was increased to \$263,550. This \$263,550 share amount is included as a pass-through cost in the rate model.

Impact(s):

- Increase in Recycling Revenue Bonus by \$42,127.

Franchise Fees

STR calculated and allocated projected franchise fees, based on 2021 projected collection revenues and transfer fees, multiplied by franchise fee rates. The Manual allocates franchise fees based on gross residential, commercial, and recycling revenues. The City of South Lake Tahoe and El Dorado County receive five (5) percent of gross revenues and Douglas County receives three (3) percent. Below, we list the revenue sources used for Member Agency franchise fee calculations:

- City of South Lake Tahoe, 5 percent of the following:
 - City residential collection revenues
 - City commercial collection revenues
 - Transfer station and RRF revenues
- El Dorado County, 5 percent of the following:
 - County residential collection revenues
 - County commercial collection revenues
- Douglas County, 3 percent of the following:
 - County residential collection revenues
 - County commercial collection revenues.

Recycling material sales revenues, which includes MRF and recycling sales revenues, are not included in franchise fee calculations. STR projected total franchise fees of \$802,335 for 2021, including franchise fees of \$642,422 for the City of South Lake Tahoe and Douglas County, and franchise fees of \$159,913 for El Dorado County.

We projected total franchise fees of \$792,687 for 2021, including franchise fees of \$630,418 for the City of South Lake Tahoe and Douglas County, and franchise fees of \$162,269 for El Dorado County. The larger franchise fee number is the result of the calculation being applied to revenues which have been increased as noted in the revenues section above.

Impact(s):

- Decrease in franchise fee projection by \$9,648 in 2021.

F. Clean Tahoe Program

The Clean Tahoe Program (CT) is a community based non-profit organization dedicated to improving the visual environment of the South Shore of the Lake Tahoe Basin through proper litter and trash management and public education. In 1989, CT funding was comprised of a yearly surcharge on City residents' trash bills and a yearly charge per improved parcel in El Dorado County for properties within the Tahoe Basin. CT joined the Joint Powers Agreement in 1992, and in 1994 they became a public benefit non-profit corporation.

Surcharge rates for CT have not increased since 1999. The program has been underfunded for several years, resulting in a challenging financial situation and an inability to expand the program and provide services. Basic expenses such as rent, utilities, insurance, dump fees, transportation, and labor have increased since 1999, while the funding levels have essentially remained the same. CT has requested an increase of \$120,418 in their annual budget beginning January 1, 2021. CT proposes the following increases to current CT fees charged to ratepayers within STR service areas:

- Increase in the fee collected through City residential rates from \$1.20 to \$2.08 per quarter
- Increase in the fee collected through El Dorado County residential rates from \$0.45 to \$1.33 per quarter
- Increase in the fee collected through City and County commercial rates from 1.34 percent to 2.33 percent.

Crowe reviewed the detailed proposed CT budget and conducted an interview of the executive director to review explanations for material changes in cost line items within the budget. General increases are proposed to increase employee hourly rates, add an additional field assistant position (to ease the workload burden of intermittent temporary employees and provide more scheduling flexibility for peak summer workloads), provide a basic health benefit stipend, and cover increasing worker's compensation, auto insurance, and general insurance costs. We obtained supporting documentation comparing selected hourly wage rates to those of similar positions in the Lake Tahoe area (e.g., City employees). Some of the wage increases are needed to retain long-term employees.

The CT budget also includes one additional \$5 dump day which carries additional labor costs (for STR support) as well as transportation and disposal of the bulky items collected. This is intended to provide an inexpensive disposal source for items that could otherwise be illegally disposed.

Our analysis of the CT budget as proposed did not reveal costs that we would consider unallowable or inconsistent with the CT mission. The proposed rate change calculations align with the CT's requested \$120,418 increase in the budget. We have not included the CT budget increase in our analysis of STR's application and the results which are presented in Section G. below. The additional effective percent rate increases, above those presented in Section G., for each applicable jurisdiction⁹, are show below:

⁹ The Clean Tahoe program only provides services to the mandatory collection areas which are the City and El Dorado County.

- City of South Lake Tahoe (residential customers) – 0.94 percent
- City of South Lake Tahoe (commercial customers) – 1.07 percent
- El Dorado County (residential customers) – 0.78 percent
- El Dorado County (commercial customers) – 0.19 percent.

G. Results of Analysis

Crowe's Analysis of the Application, and as shown in Attachment C, results in an 8.64 percent combined rate increase for the City of South Lake Tahoe and Douglas County; and a 5.77 percent rate increase for El Dorado County, assuming an implementation date of January 1, 2021. These rate increases will cover the following revenue shortfalls:

- \$1,023,284 revenue shortfall for the City of South Lake Tahoe, or a 9.04 percent rate increase for Base Year 2021 (difference from Douglas County is due to franchise fee differences (5% of gross revenues for SLT and 3% of gross revenues for Douglas County))
- \$210,509 revenue shortfall for the Douglas County, or a 7.11 percent rate increase for Base Year 2021
- \$217,448 revenue shortfall for El Dorado County, or a 5.77 percent rate increase for Base Year 2021.

This Analysis is substantially different from an audit, examination, or review in accordance with Generally Accepted Auditing Standards, the objective of which is to express an opinion regarding STR financial statements. Accordingly, we do not express such an opinion.

The consulting services did not contemplate obtaining the understanding of STR internal controls or assessing control risk, tests of accounting records and responses to inquiries by obtaining corroborating evidential matter, and certain other procedures ordinarily performed during an audit or examination. Thus, this engagement was not intended to provide assurance that we would become aware of significant matters that would be disclosed in an audit or examination.

As part of this Analysis, the JPA agreed to be responsible to: make all management decisions and perform all management functions; designate an individual who possesses suitable skill, knowledge, and/or experience, preferably within senior management to oversee our services; evaluate the adequacy and results of the services performed; accept responsibility for the results of the services; and establish and maintain internal controls, including monitoring ongoing activities. The JPA has authority for recommending rate changes to each JPA jurisdiction, and each JPA jurisdiction has the ultimate authority to approve rate changes.

Crowe's fees are not dependent upon the outcome of this report and Crowe is independent with respect to any other economic interests.

* * * * *

We appreciate the contribution of JPA management and your input and direction on this project. We also thank STR management for its timely responses to our data requests. If you have any questions regarding this report, please call Erik Nylund at (415) 230-4963, or email erik.nylund@crowe.com.

Attachment A: Recommended Residential Rate Structure

Attachment A, 2021 Base Year Adjusted Rate Application

Base Year Rate Application

Summary

Rate Change

1.	Percent Rate Change Requested (City of South Lake Tahoe and Douglas County)	8.64%
	Percent Rate Change Requested (El Dorado County)	5.77%

Residential Rate Schedule

	Rate Schedule (per customer, per month)		Current Rate	Rate Adjustment	New Rate
2.	City of South Lake Tahoe			9.04%	
	2.1. Unlimited service	Note 1	\$ 30.66	\$ 2.77	\$ 33.43
	2.2. Mandated pickup per 32-gallon can/bag		6.55	0.59	7.14
	2.3. Mandated pickup per cubic yard		43.83	3.96	47.79
	2.4. Qualified senior rate	Note 1	22.20	2.01	24.21
	2.5. House service - 1 can	Note 1	35.12	3.18	38.30
	2.6. House service - 2 cans	Note 1	39.59	3.58	43.17
	2.7. House service - 3 cans	Note 1	44.04	3.98	48.02
	2.8. Residential - All other services		-	-	-
3.	Douglas County			7.11%	
	3.1. 1, 32-gallon can		\$ 20.07	\$ 1.43	\$ 21.50
	3.2. 2, 32-gallon cans		38.62	2.75	41.37
	3.3. 3, 32-gallon cans		58.89	4.19	63.08
	3.4. 4, 32-gallon cans		77.47	5.51	82.98
	3.5. One extra 32-gallon can (also the seasonal service rate)		5.03	0.36	5.39
	3.6. On-call 32-gallon can billed monthly/arrears		n/a	n/a	-
	3.7. Per cubic yard		32.41	2.31	34.72
	3.8. 1, 45-gallon can		24.33	1.73	26.06
	3.9. 2, 45-gallon cans		46.77	3.33	50.10
	3.10. 3, 45-gallon cans		71.27	5.07	76.34
	3.11. One extra 45-gallon can (also the seasonal service rate)		6.13	0.44	6.57
	3.12. On-call 45-gallon can billed monthly/arrears		n/a	n/a	-
	3.13. Residential - All other services		109.28	7.77	117.05
4.	El Dorado County				
	4.1. Unlimited service		\$ 35.39	\$ 2.04	\$ 37.43
	4.2. Mandated pickup per 32-gallon can/bag		7.41	0.43	7.84
	4.3. Mandated pickup per cubic yard		42.43	2.45	44.88
	4.4. Qualified senior rate		26.58	1.53	28.11
	4.5. House service per can		4.48	0.26	4.74
	4.6. Residential - All other services (Area B - formerly ARD)		19.26	1.11	20.37

Certification

Fiscal Year: 2021

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Attachment B, 2021 Base Year Rate Application

Exhibit B-1, STR Fiscal Year 2021 Rate Application

Base Year Rate Application

Summary

Rate Change		
1.	Percent Rate Change Requested (City of South Lake Tahoe and Douglas County)	11.79%
	Percent Rate Change Requested (El Dorado County)	8.82%

Residential Rate Schedule				
Rate Schedule (per customer, per month)		Current Rate	Rate Adjustment	New Rate
2. City of South Lake Tahoe				
2.1. Unlimited service	Note 1	\$ 30.66	\$ 3.61	\$ 34.27
2.2. Mandated pickup per 32-gallon can/bag		6.55	0.77	7.32
2.3. Mandated pickup per cubic yard		43.83	5.17	49.00
2.4. Qualified senior rate	Note 1	22.20	2.62	24.82
2.5. House service - 1 can	Note 1	35.12	4.14	39.26
2.6. House service - 2 cans	Note 1	39.59	4.67	44.26
2.7. House service - 3 cans	Note 1	44.04	5.19	49.23
2.8. Residential - All other services		-	-	-
3. Douglas County				
3.1. 1, 32-gallon can		\$ 20.07	\$ 2.37	\$ 22.44
3.2. 2, 32-gallon cans		38.62	4.55	43.17
3.3. 3, 32-gallon cans		58.89	6.94	65.83
3.4. 4, 32-gallon cans		77.47	9.13	86.60
3.5. One extra 32-gallon can (also the seasonal service rate)		5.03	0.59	5.62
3.6. On-call 32-gallon can billed monthly/arrears		n/a	n/a	-
3.7. Per cubic yard		32.41	3.82	36.23
3.8. 1, 45-gallon can		24.33	2.87	27.20
3.9. 2, 45-gallon cans		46.77	5.51	52.28
3.10. 3, 45-gallon cans		71.27	8.40	79.67
3.11. One extra 45-gallon can (also the seasonal service rate)		6.13	0.72	6.85
3.12. On-call 45-gallon can billed monthly/arrears		n/a	n/a	-
3.13. Residential - All other services		109.28	12.88	122.16
4. El Dorado County				
4.1. Unlimited service		\$ 35.39	\$ 3.12	\$ 38.51
4.2. Mandated pickup per 32-gallon can/bag		7.41	0.65	8.06
4.3. Mandated pickup per cubic yard		42.43	3.74	46.17
4.4. Qualified senior rate		26.58	2.34	28.92
4.5. House service per can		4.48	0.39	4.87
4.6. Residential - All other services (Area B - formerly ARD)		19.26	1.70	20.96

Certification

To the best of my knowledge, the data and information in this application is complete, accurate, and consistent with the instructions provided by the South Lake Tahoe Basin Waste Management Authority.

Name: Jeffery R. Tillman Title: President

Signature: Date: 7/10/2020

Note 1: Rate does not include City surcharges: street sweeping (\$0.25), nuisance abatement (\$0.25) and clean community surcharge (\$0.40).

	Prior Year All Three Jurisdictions Ended 6/30/19	Current Year All Three Jurisdictions Ending 6/30/2020	Base Year	
			City of SLT and Douglas County Ending 6/30/2021	El Dorado County Ending 6/30/2021
Section I--Allowable Operating Costs				
5. Direct Labor	\$ 7,511,578	\$ 7,924,995	\$ 6,620,078	\$ 1,712,560
6. Equipment Costs and Facility Costs	1,668,980	1,542,462	1,151,048	297,767
7. Landfill Disposal Costs	1,479,716	1,659,245	1,203,970	311,457
8. Office Salaries	1,181,325	1,235,185	946,353	244,814
9. General and Administrative Costs	4,072,750	4,336,065	3,211,873	827,592
10. MRF Principal and Interest Payments (El Dorado County)	6,702	6,042	0	5,923
11. RRF Principal and Interest Payments (El Dorado County)	195,691	174,101	0	170,754
Other Interest Expenses	16,062	16,794	0	14,077
12. Total Allowable Operating Costs	\$ 16,132,804	\$ 16,894,889	\$ 13,133,322	\$ 3,584,944
Section II--Allowable Operating Profit				
13. Operating Ratio	87.00%	87.00%	87.00%	89.00%
14. Allowable Operating Profit	\$ 2,410,649	\$ 2,524,524	\$1,962,450	\$443,083
Section III--Pass Through Costs without Franchise Fees				
15. MRF Principal Payments (City and Douglas)	\$20,662	\$20,662	\$20,662	\$0
16. RRF Principal Payments (City and Douglas)	579,133	579,133	579,133	0
17. MRF and RRF Interest Expenses (City and Douglas)	182,695	96,671	83,269	0
Other Interest Expenses	62,100	64,927	54,425	0
18. RRF Fund Credit	0	0	0	0
19. Recycling Revenue Bonus	404,860	224,103	208,207	13,216
20. Total Pass Through Costs	\$1,249,450	\$985,496	\$945,696	\$13,216
Section IV--Revenue Requirement without Franchise Fees				
21. Total Allowable Operating Costs (Line 12) plus Allowable Operating Profit (Line 14) plus Total Pass Through Costs (Line 20)	\$ 19,792,903	\$ 20,404,909	\$ 16,041,468	\$ 4,041,243



			Prior Year All Three Jurisdictions Ended 6/30/19	Current Year All Three Jurisdictions Ending 6/30/2020	Base Year City of SLT and Douglas County Ending 6/30/2021	El Dorado County Ending 6/30/2021
Section V--Revenues without Rate Change in Base Year						
Residential Revenues	Current Rate/Month	Months	Projected Accounts			Total
City of South Lake Tahoe						
22. Unlimited service	\$ 30.66	12	14,325		\$ 5,270,454	
23. Mandated pickup per 32-gallon can/bag	6.55	12	0		0	
24. Mandated pickup per cubic yard	43.83	12	0		0	
25. Qualified senior rate	22.20	12	107		28,505	
26. House service - 1 can	35.12	12	6		2,529	
27. House service - 2 cans	39.59	12	0		0	
28. House service - 3 cans	44.04	12	0		0	
29. Residential - All other services	-	12	0		0	
Douglas County						
30. 1, 32-gallon can	\$ 20.07	12	1,443		\$ 347,532	
31. 2, 32-gallon cans	38.62	12	301		139,495	
32. 3, 32-gallon cans	58.89	12	23		16,254	
33. 4, 32-gallon cans	77.47	12	2		1,859	
34. One extra 32-gallon can (also the seasonal service rate)	5.03	12	0		0	
35. On-call 32-gallon can billed monthly/arrears	n/a	12	0	# pickups	0	
36. Per cubic yard	32.41	12	0		0	
37. 1, 45-gallon can	24.33	12	377		110,069	
38. 2, 45-gallon cans	46.77	12	67		37,603	
39. 3, 45-gallon cans	71.27	12	2		1,710	
40. One extra 45-gallon can (also the seasonal service rate)	6.13	12	0		0	
41. On-call 45-gallon can billed monthly/arrears	n/a	12	0	# pickups	0	
42. Residential - All other services	109.28	12	5		6,557	
El Dorado County						
43. Unlimited service	\$ 35.39	12	6,446			\$ 2,737,487
44. Mandated pickup per 32-gallon can/bag	7.41	12	0			0
45. Mandated pickup per cubic yard	42.43	12	0			0
46. Qualified senior rate	26.58	12	75			23,922
47. House service per can	4.48	12	1			54
48. Residential - All other services (Area B - formerly ARD)	19.26	12	151			34,899
49. Residential Revenues Subtotal					\$ 5,962,567	\$ 2,796,362
50. Less: Allowance for Uncollectible Residential Accounts					(1,394)	(649)
51. Total Residential Revenues (without Rate Change in Base Year)			\$ 8,171,458	\$ 8,538,487	\$ 5,961,173	\$ 2,795,713
52. Commercial Revenues					\$ 6,146,937	\$ 401,897
53. Less: Allowance for Uncollectible Commercial Accounts					(18,717)	(1,260)
54. Total Commercial Revenues (without Rate Change in Base Year)			\$ 6,919,906	\$ 6,762,657	\$ 6,128,220	\$ 400,637
55. Transfer Station and RRF Revenues (AND FORESTRY, FED, STATE CONTRACTS)			2,500,225	2,552,611	2,023,416	523,441
56. Recycled Material Sales			1,481,512	1,098,837	907,494	153,451
57. Total Revenues (Lines 51 + 54 + 55 + 56)			\$ 19,073,101	\$ 18,952,592	\$ 15,020,303	\$ 3,873,242
Section VI--Net Shortfall (Surplus)						
58. Net Shortfall (Surplus) without Franchise Fees (Line 21 - Line 57)			\$ 719,802	\$ 1,452,317	\$ 1,021,165	\$ 168,001
59. Residential and Commercial Franchise Fees			\$ 793,851	\$ 802,835	\$ 642,422	\$ 159,913
60. Net Shortfall (Surplus) with Franchise Fees (Lines 58 + 59)			\$ 1,513,653	\$ 2,255,152	\$ 1,663,587	\$ 327,914
Section VII--Percent Change in Rates						
61. Total Residential, Commercial, Transfer Station, and RRF Revenues Prior to Rate Change (Line 51 + 54 + 55)					\$ 14,112,809	\$ 3,719,791
62. Percent Change in Existing Residential/Commercial/Transfer Station/RRF Rates (Line 60 ÷ Line 61)					11.79%	8.82%

Base Year Rate Application

Operating Information

	Prior Year	Current Year	Percent Change	Base Year		Percent Change
	Audited	Estimated		Projected		
	Information	Information		City of SLT and Douglas County	El Dorado County	
	All Three Jurisdictions	All Three Jurisdictions				
Section VIII--Operating Data						
(1)						
63. Residential Accounts	19,207	19,338	0.68%	12,823	6,647	0.68%
64. Multi-family Accounts	3,547	3,580	0.93%	3,587	26	0.92%
65. Commercial Accounts	974	955	-1.95%	827	128	0.00%
66. Total Accounts	23,728	23,873	0.61%	17,237	6,801	0.69%
67. Residential Refuse Tons	23,840	23,683	-0.66%	15,720	5,264	-11.40%
68. Residential Recycling Tons	38,424	38,120	-0.79%	25,303	8,473	-11.40%
69. Residential Yard Waste Tons	5,378	5,078	-5.58%	3,371	1,129	-11.38%
70. Commercial Refuse Tons	27,254	30,027	10.17%	23,047	3,770	-10.69%
71. Commercial Recycling Tons	43,925	48,332	10.03%	37,097	6,069	-10.69%
Commercial Yard Waste Tons	6,148	6,439	4.73%	4,942	808	-10.70%
72. "Free" Drop Boxes Provided (Monthly)	16	16	0.00%	15	1	0.00%
73. "Free" Bins Provided	26	26	0.00%	25	1	0.00%

Section IX--Change in Commercial Rates

74. 2 Yard Bin--Once per Week			%			%
75. 3 Yard Bin--Once per Week			%			%
76. 4 Yard Bin--Once per Week			%			%
77. 5 Yard Bin--Once per Week			%			%
78. 6 Yard Bin--Once per Week			%			%
City - per cubic yard	34.43	35.44	2.93%	39.62	0.00	11.79%
Douglas - per cubic yard	28.64	29.46	2.86%	32.93	0.00	11.79%
El Dorado - per cubic yard	41.22	42.43	2.94%	0.00	46.17	8.82%
City - compacted per cubic yard	48.31	49.73	2.94%	55.59	0.00	11.79%
Douglas - compacted per cubic yard	37.01	38.07	2.86%	42.56	0.00	11.79%
El Dorado - compacted per cubic yard	55.19	56.81	2.94%	0.00	61.82	8.82%
City - per 32 gal can/bag	4.74	4.88	2.95%	5.46	0.00	11.79%
Douglas - per 32 gal can/bag	4.49	4.62	2.90%	5.16	0.00	11.79%
El Dorado - per 32 gal can/bag	7.20	7.41	2.92%	0.00	8.06	8.82%

(1) Amounts are based on management's estimate.

Attachment C: Rate Model with Adjustments

Exhibit C-1, Adjustments to Fiscal Year 2021 Rate Application

Base Year Rate Application

Financial Information for All Three Jurisdictions

	Actual Audited Prior Year All Three Jurisdictions Ended 6/30/19	Estimated Current Year All Three Jurisdictions Ending 6/30/2020	Projected Base Year			
			City of SLT and Douglas County Ending 6/30/2021	Difference from Request	El Dorado County Ending 6/30/2021	Difference from Request
Section I--Allowable Operating Costs						
5. Direct Labor	\$ 7,511,578	\$ 7,924,995	\$ 6,529,118	\$ (90,960)	\$ 1,689,030	\$ (23,530)
6. Equipment Costs and Facility Costs	1,668,980	1,542,462	1,142,783	(8,265)	295,629	(2,138)
7. Landfill Disposal Costs	1,479,716	1,659,245	1,264,984	61,014	327,241	15,784
8. Office Salaries	1,181,325	1,235,185	946,475	122	244,845	31
9. General and Administrative Costs	4,072,750	4,336,065	3,000,728	(211,145)	772,971	(54,621)
10. MRF Principal and Interest Payments (El Dorado County)	6,702	6,042	-	-	5,923	-
11. RRF Principal and Interest Payments (El Dorado County)	195,691	174,101	-	-	170,754	-
Other Interest Expenses	16,062	16,794	-	-	14,079	2
12. Total Allowable Operating Costs	\$ 16,132,804	\$ 16,894,889	\$ 12,884,089	\$ (249,233)	\$ 3,520,472	\$ (64,473)
Section II--Allowable Operating Profit						
13. Operating Ratio	94.73%	98.43%	87.00%	1	89.00%	1
14. Allowable Operating Profit	\$ 896,997	\$ 269,371	\$ 1,925,209	(37,242)	\$ 435,114	(7,969)
Section III--Pass Through Costs without Franchise Fees						
15. MRF Principal Payments (City and Douglas)	\$20,662	\$20,662	\$20,662	0	\$0	-
16. RRF Principal Payments (City and Douglas)	579,133	579,133	579,133	0	0	-
17. MRF and RRF Interest Expenses (City and Douglas)	182,695	96,671	83,269	0	0	-
Other Interest Expenses	62,100	64,927	54,423	(1)	0	-
18. RRF Fund Credit	0	0	0	-	0	-
19. Recycling Revenue Bonus	404,860	224,103	241,677	33,470	21,873	8,657
20. Total Pass Through Costs	\$1,249,450	\$985,497	\$979,165	33,469	\$21,873	8,657
Section IV--Revenue Requirement without Franchise Fees						
21. Total Allowable Operating Costs (Line 12) plus Allowable Operating Profit (Line 14) plus Total Pass Through Costs (Line 20)	\$ 18,279,250	\$ 18,149,757	\$ 15,788,463	(253,006)	\$ 3,977,459	(63,784)
Section V--Revenues without Rate Change in Base Year						
49. Residential Revenues Subtotal			\$ 5,962,567	-	\$ 2,796,362	-
50. Less: Allowance for Uncollectible Residential Accounts			(1,394)	-	(649)	-
51. Total Residential Revenues (without Rate Change in Base Year)	\$ 8,171,458	\$ 8,538,487	\$ 5,961,173	-	\$ 2,795,713	-
52. Commercial Revenues			\$ 6,311,722	164,785	\$ 450,935	49,038
53. Less: Allowance for Uncollectible Commercial Accounts			(18,717)	-	(1,260)	-
54. Total Commercial Revenues (without Rate Change in Base Year)	\$ 6,919,906	\$ 6,762,657	\$ 6,293,005	164,785	\$ 449,675	49,038
55. Transfer Station and RRF Revenues (AND FORESTRY, FED, STATE CONTRACTS)	2,500,225	2,552,611	2,023,416	(0)	523,441	0
56. Recycled Material Sales	1,481,512	1,098,837	907,494	(0)	153,451	(0)
57. Total Revenues (Lines 51 + 54 + 55 + 56)	\$ 19,073,101	\$ 18,952,592	\$ 15,185,087	\$ 164,784	\$ 3,922,280	\$ 49,038
Section VI--Net Shortfall (Surplus)						
58. Net Shortfall (Surplus) without Franchise Fees (Line 21 - Line 57)	\$ (793,851)	\$ (802,835)	\$ 603,375	(417,790)	\$ 55,179	(112,822)
59. Residential and Commercial Franchise Fees	\$ 793,851	\$ 802,835	\$ 630,418	(12,004)	\$ 162,269	2,356
60. Net Shortfall (Surplus) with Franchise Fees (Lines 58 + 59)	\$ -	\$ -	\$ 1,233,793	(429,794)	\$ 217,448	(110,466)
Section VII--Percent Change in Rates						
61. Total Residential, Commercial, Transfer Station, and RRF Revenues Prior to Rate Change (Line 51 + 54 + 55)			\$ 14,277,594	164,785	\$ 3,768,829	49,038
62. Percent Change in Existing Residential/Commercial/Transfer Station/RRF Rates (Line 60 ÷ Line 61)			8.64%	-3.15%	5.77%	-3.05%

Fiscal Year 2021

Attachment D: Consumer Price Index Data

Exhibit D-1, CPI from June 2019 to June 2020

CPI for All Urban Consumers (CPI-U)
Original Data Value

Series Id: CUUR0000SEHG02, CUUS0000SEHG02

Not Seasonally Adjusted

Series Title: Garbage and trash collection in U.S. city average, all

Area: U.S. city average

Item: Garbage and trash collection

Base Period: DECEMBER 1983=100

Years: 2010 to 2020

Jun-19	480.984
Jun-20	496.679
Change	15.70
% Change	3.26%

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	HALF1	HALF2
2010	380.036	382.490	383.362	383.615	383.405	383.749	383.832	385.010	385.920	385.909	387.216	387.884		
2011	389.727	391.854	391.855	392.754	395.477	395.329	395.723	396.605	397.028	397.106	398.910	398.720		
2012	398.880	400.381	401.692	400.913	401.067	402.793	406.243	406.823	407.594	409.495	410.155	410.416		
2013	411.126	411.805	412.305	413.675	414.511	414.802	416.505	417.760	418.357	419.687	421.427	422.237		
2014	422.440	422.483	423.413	425.393	425.242	425.930	426.562	426.771	427.327	427.995	427.808	428.187		
2015	427.734	429.248	429.235	429.807	431.234	430.813	431.229	432.967	433.843	434.829	436.428	436.996		
2016	437.205	438.296	437.699	437.676	438.317	437.858	438.607	439.358	439.707	440.311	443.343	444.745		
2017	446.266	447.699	446.987	447.129	447.272	448.046	448.328	448.717	449.008	452.196	453.820	453.596		
2018	453.354	454.915	455.230	458.722	462.887	465.041	465.579	470.457	471.026	472.535	486.650	485.935	458.358	475.364
2019	475.687	477.474	478.569	479.449	480.865	480.984	482.138	483.987	484.346	486.133	486.485	486.708	478.838	484.966
2020	491.003	494.429	495.288	494.432	494.946	496.679	498.564						494.463	