



## Tahoe Truckee Sierra Disposal

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Tahoe Truckee Sierra Disposal • P.O. Box 6479 • Tahoe City, CA 96145-6479 • Ph.: (530) 583-0148 • (530) 389-2367 • Fax: (530) 583-0804

March 8th, 2010

Gerri Silva, M.S., REHS  
Director of Environmental Management  
County of El Dorado  
Placerville Office  
2850 Fairlane Court  
Building "C"  
Placerville, CA 95667

Dear Gerri,

Please accept this letter as our request to approve the 5% rate increase to garbage collection rates effective July 1st, 2010 in the area of El Dorado County which our company services, per the recently signed five-year contract extension which went into effect January 1st of this year.

Per the contract requirements, attached is an updated company-prepared break-out financial profit & loss statement for the area, using the most recent results available through the 2009 calendar year.

Also attached is a spreadsheet showing the overall rate structure, reflective of a 5% increase.

Please be advised that we are willing to lower our request from a 5% increase to a 4% increase on a one-time basis for this coming rate year (July 1st, 2010 thru June 30th, 2011), provided that it does not set precedent, or in anyway compromise our contractual rights for annual increases of 5% in the subsequent remaining years of the contract extension.

Upon written confirmation to this effect from the County, we will revise the attached rate structure to reflect a 4% increase for the '10-'11 rate year. The revised rate structure showing a 4% increase will then be mailed to the customer base in advance of the public meeting, once the meeting has been scheduled, and the time and location of the meeting has been communicated to us by your office. (We will provide copy of the notification to your office for approval before mailing).

As you know, until the recent rate increase effective July 1st of last year, we had lost money servicing the area, with rate payers in neighboring jurisdictions effectively subsidizing below market collection rates and the associated operating losses in the more costly to service El Dorado area. We arrived at the 4% as our best estimate of the current annual increase required to keep us servicing the El Dorado area while achieving and maintaining margin parity with the other areas that we service, given the higher costs incurred in this non-mandatory and relatively remote and low-density El Dorado area. Additionally, we considered the year-over-year price changes in the waste management specific indices. While the general CPI declined, the garbage



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and trash collection component of the overall CPI (Consumer Price Index - Garbage and Trash Collection) increased by 2.2%. Even more representative of our actual costs as a service provider, the Solid Waste Collection Producer Price Index yielded a 2.8% average annual increase in 2009 over 2008, and a 6.2% point-to-point increase from December 2008 to 2009.

We are providing this as general background information only, to provide insight into how we determined the 4%, relative to the 5% contractual rights. We are not committing to follow any particular methodology in the future, and we are not foregoing our rights to 5% annual increases in subsequent years. Having said that, we are committed to serving the community, and doing what we believe is most fair and reasonable.

In our opinion, the key to lowering individual rates remains in exploring the options for making service in the area mandatory, similar to the nearest areas that we serve in adjacent Placer County, Nevada County and the Town of Truckee, as well as the City of Colfax. The areas we service are overwhelmingly on mandatory service, and this model has proven to work well in rural mountain resort communities such as we serve.

We understand that gaining public approval to convert an area to mandatory service is not an insignificant proposition, involving a long lead time. We encourage you to begin the exploration process early, as accommodated for in the contract extension language. We would recommend that the County take the appropriate actions and make any recommendations to the Board necessary to explore the options for making service in the area mandatory now, well in advance of the term of the current contract.

Gerri,

Thank you for the continued opportunity to provide service to the residents of El Dorado County, and if you have any questions, please call any one of us here at the company directly.

Respectfully,

David Achiro  
Tahoe Truckee Disposal

cc:

Kerri Williams

Attachments/enclosures:

- 1) Company-generated El Dorado P&L
- 2) Rate Structure at 5% increase

|                              | Estimated Actual<br>07-08 | Estimated Actual<br>08-09 | Estimated Actual/Projected<br>08-09-10 | Projected<br>10-11 | Projected<br>11-12 |
|------------------------------|---------------------------|---------------------------|--|--------------------|--------------------|
| Base Rate                    | \$ 15.19                  | \$ 15.19                  | \$ 21.31                               | \$ 22.16           | \$ 23.27           |
| EI Dorado Franchise Fee - 5% | \$ 0.76                   | \$ 0.76                   | \$ 1.07                                | \$ 1.11            | \$ 1.16            |
|                              | <u>15.95</u>              | <u>15.95</u>              | <u>22.38</u>                           | <u>23.27</u>       | <u>24.44</u>       |
| TTSD Collected Revenue       | \$ 254,760                | \$ 257,869                | \$ 346,133                             | \$ 359,979         | \$ 377,978         |
|                              |                           |                           | 34.2%                                  | 4.0%               | 5.0%               |

**COSTS:**

|                         | Estimated Actual<br>07-08 | Estimated Actual<br>08-09 | Estimated Actual/Projected<br>08-09-10 | Projected<br>10-11 | Projected<br>11-12 |
|-------------------------|---------------------------|---------------------------|--|--------------------|--------------------|
| EI Dorado Franchise Fee | \$ 12,131                 | \$ 12,279                 | \$ 16,483                              | \$ 17,142          | \$ 17,989          |
| Less: Disposal Costs:   |                           |                           |  |                    |                    |
| Tonnage                 | 1,549                     | 1,504                     | 1,595                                  | 1,625              | 1,650              |
| Tipping Fees            | 75.50                     | 77.50                     | 77.50                                  | 77.50              | 80.00              |
| Total Tipping Fees      | \$ 116,950                | \$ 116,579                | \$ 123,613                             | \$ 125,938         | \$ 132,000         |
|                         |                           |                           | 4.0%                                   | 4.0%               | 5.0%               |

|  | Estimated Actual<br>07-08 | Estimated Actual<br>08-09 | Estimated Actual/Projected<br>08-09-10 | Projected<br>10-11 | Projected<br>11-12 |
|--|---------------------------|---------------------------|--|--------------------|--------------------|
| Labor Costs                                  | \$ 66,150                 | \$ 67,500                 | \$ 70,175                              | \$ 71,930          | \$ 74,087          |
| Direct Labor - Drivers and Refuse Collection | \$ 17,544                 | \$ 17,811                 | \$ 17,989                              | \$ 18,439          | \$ 18,992          |
| Indirect Operational Labor *                 | \$ 18,846                 | \$ 19,133                 | \$ 19,324                              | \$ 19,807          | \$ 20,401          |
| Indirect Administrative Labor **             | \$ 102,540                | \$ 104,444                | \$ 107,488                             | \$ 110,175         | \$ 113,481         |
|  |                           |                           | 5.3%                                   | 5.5%               | 5.7%               |

|   | Estimated Actual<br>07-08 | Estimated Actual<br>08-09 | Estimated Actual/Projected<br>08-09-10 | Projected<br>10-11 | Projected<br>11-12 |
|---|---------------------------|---------------------------|--|--------------------|--------------------|
| Equipment Usage - Frontloaders & Pick-ups | \$ 72,077                 | \$ 54,960                 | \$ 53,612                              | \$ 55,489          | \$ 57,154          |
|   |                           |                           | (6.4%)                                 | (6.4%)             | (6.4%)             |
| Safety Equipment & Uniforms               | \$ 1,865                  | \$ 1,923                  | \$ 1,981                               | \$ 2,040           | \$ 2,101           |
| Postage                                   | \$ 1,940                  | \$ 2,000                  | \$ 2,060                               | \$ 2,122           | \$ 2,185           |
| Contract Administration                   | \$ 2,000                  | \$ 5,000                  | \$ 10,000                              | \$ 1,000           | \$ 1,000           |
| Supplies/Administration                   | \$ 5,805                  | \$ 8,923                  | \$ 14,041                              | \$ 5,162           | \$ 5,287           |
|   |                           |                           | (14.0%)                                | (5.1%)             | (5.2%)             |

Amortization of EI Dorado-related CARB costs - taken over 5 years, no interest

Recapture of Lost Revenue - assumes approx. 11% increase effective per contract date of 7-1-08, taken over 5 years, no interest

|                   | Estimated Actual<br>07-08 | Estimated Actual<br>08-09 | Estimated Actual/Projected<br>08-09-10 | Projected<br>10-11 | Projected<br>11-12 |
|-------------------|---------------------------|---------------------------|--|--------------------|--------------------|
| Total Costs       | \$ (309,503)              | \$ (297,185)              | \$ (327,401)                           | \$ (326,070)       | \$ (338,085)       |
| Net Profit/(Loss) | \$ (54,743)               | \$ (38,316)               | \$ 18,732                              | \$ 33,908          | \$ 39,893          |
| Profit Margin %   | -21.49%                   | -15.25%                   | 5.41%                                  | 9.42%              | 10.55%             |

\* Includes Dispatch, Safety & Mechanic Supervision  
 \*\* Includes Customer Service, Billing, IT & HR (no executive management)

| Description          | Current Monthly Rate |                | Proposed Monthly Rate |                |
|----------------------|----------------------|----------------|-----------------------|----------------|
|                      | RESIDENTIAL          | RESIDENTIAL    | 5% RESIDENTIAL        | RESIDENTIAL    |
| One 32 gal cart/week |                      | \$ 22.38       |                       | \$ 23.50       |
| Two 32 gal cart/week |                      | \$ 29.57       |                       | \$ 31.05       |
| Senior Citizen       |                      | \$ 18.27       |                       | \$ 19.18       |
|                      | COMMERCIAL SERVICE   | CARDBOARD RATE | COMMERCIAL SERVICE    | CARDBOARD RATE |
| 3 yd. 1 x week       | \$ 281.05            | \$ 151.50      | \$ 295.10             | \$ 159.08      |
| 3 yd. 2 x week       | \$ 502.01            | \$ 244.36      | \$ 527.11             | \$ 256.57      |
| 3 yd. 3 x week       | \$ 723.07            | n/a            | \$ 759.22             | n/a            |
| 4 yd. 1 x week       | \$ 351.31            | \$ 179.14      | \$ 368.88             | \$ 188.10      |
| 4 yd. 2 x week       | \$ 615.66            | \$ 273.43      | \$ 646.44             | \$ 287.10      |
| 4 yd. 3 x week       | \$ 944.05            | n/a            | \$ 991.25             | n/a            |
| 6 yd. 1 x week       | \$ 493.51            | \$ 236.06      | \$ 518.19             | \$ 247.86      |
| 6 yd. 2 x week       | \$ 935.54            | \$ 421.89      | \$ 982.32             | \$ 442.98      |
| 6 yd. 3 x week       | \$ 1,377.74          | n/a            | \$ 1,446.63           | n/a            |