



Crowe LLP
Independent Member Crowe International
575 Market Street, Suite 3300
San Francisco, California 94105-5829
Tel 415.576.1100
Fax 415.576.1110
www.crowe.com

October 20, 2023

Authority Staff
South Lake Tahoe Basin Waste Management Authority
1901 Airport Road
South Lake Tahoe, CA 96150

Subject: Draft Report – **Base Year 2024 Rate Analysis of South Tahoe Refuse Company**

Crowe LLP (Crowe) has completed its analysis of South Tahoe Refuse Company's (STR's) Base Year 2024 Rate Application (Application). The South Lake Tahoe Basin Waste Management Authority (JPA) 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, 2024. 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. *Base Year 2024 Rate Setting Analysis and Adjustments*
- F. *Senate Bill 1383 2025/26 Rate Setting Analysis and Adjustments*
- G. *Results of Base Year 2024 Analysis*
- H. *Results of Senate Bill 1383 2025/26 Analysis.*

There are four (4) attachments to this report.

- Attachment A – Proposed Residential Rate Structure
- Attachment B – 2024 Base Year Rate Application
- Attachment C – Crowe Base Year 2024 Rate Model with Adjustments
- Attachment D – Crowe Combined Base Year 2024 and SB 1383 Implementation Rate Model with Adjustments.

A. Purpose of Analysis

The purpose of the 2024 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 their establishing solid waste collection rates charged by South Tahoe Refuse Company Inc. (STR). The base year analysis was conducted in accordance with JPA's 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.

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 these services; evaluated the adequacy and results of the services performed; and accepted responsibility for the results of the services.

B. Summary

STR submitted an application for two rate changes:

- 1) Base Year 2024 Rate Request
- 2) Senate Bill 1383 2025/26 Rate Increase Request.

Crowe analyzed each of these two requests. The impact of each of them is summarized below:

1. Base Year 2024 Rate Request

The analysis of the 2024 rate application and supporting documentation indicates a rate increase of 11.05 percent for the City of South Lake Tahoe, 8.15 percent for Douglas County, and 8.33 percent for El Dorado County, effective January 1, 2024. This compares to STR's requested calendar year 2024 rate increase of 12.29 percent for the City of South Lake Tahoe and Douglas County and 10.09 percent for El Dorado County. Current and proposed residential and commercial rates are shown in **Tables 1 and 2** below. The complete recommended 2024 rate structure is provided in **Attachment A** of this report.

2. Senate Bill 1383 2025/26 Rate Increase Request

The analysis of the SB 1383 request and supporting documentation, as shown in **Attachment D**, results in an additional 10.16 percent rate increase, combined for the three jurisdictions. This compares to the 10.72 percent rate increase requested by STR. We view this as a maximum rate increase and recommend that the JPA work with STR on how to implement this rate change in advance of 2025. We recommend that the JPA and STR review updated and more refined estimated costs of this SB 1383 program as part of the next 2025 interim year rate change process. Under a two-year phased scenario, the 10.16 percent rate increase represents a 5.08 percent rate increase implemented January 1, 2025 and another 5.08 percent rate increase implemented January 1, 2026. These 2025 and 2026 rate increases do not consider the impacts of the interim year rate setting process for 2025 and 2026 as specified in the Rate Manual.

Table 1
South Tahoe Refuse
Residential Rates with 11.05 Percent Base Year Rate Increase for the City of South Lake Tahoe, 8.15 Percent Base Year Rate Increase for Douglas County and 8.33 Percent Rate Increase for El Dorado County (Base Year 2024)

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 ¹	\$37.15	\$41.26	\$4.11
Douglas County			
1, 32-gallon can	\$23.37	\$25.27	\$1.90
El Dorado County			
Unlimited service	\$40.77	\$44.17	\$3.40

Table 2
South Tahoe Refuse
Commercial Rates with 11.05 Percent Base Year Rate Increase for the City of South Lake Tahoe, 8.15 Percent Base Year Rate Increase for Douglas County and 8.33 Percent Rate Increase for El Dorado County (Base Year 2024)

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			
Per cubic yard	\$42.50	\$47.20	\$4.70
Douglas County			
Per cubic yard	\$34.30	\$37.10	\$2.80
El Dorado County			
Per cubic yard	\$48.88	\$52.95	\$4.07

¹ Excluding City surcharges for street sweeping (\$0.25) and nuisance abatement (\$0.25).

C. Background of Analysis

The joint powers authority (JPA) 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 2024. Our analysis was conducted in accordance with Steps 2, 3, 4, and 5 in Section 2 of the Manual.²

Rate setting has generally followed an approximately three-year cycle with the prior base year rate analysis conducted for rate year 2024. The JPA and STR followed the Base Year Rate Setting Process in Section 3 of the Manual for base rate year 2024. Recently approved rate changes granted to STR include:

- 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 and El Dorado County) and 6.81 percent rate increase (Douglas County) – 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 xx percent rate increase (Douglas County) – interim year.
- 2021 – 9.04 percent rate increase (City of South Lake Tahoe and El Dorado County) and 8.82 percent rate increase (Douglas County) – base year
- 2022 – 3.77 percent rate increase (City of South Lake Tahoe and El Dorado County) and 3.69 percent rate increase (Douglas County) – interim year.
- 2023 – 4.96 percent rate increase (City of South Lake Tahoe and El Dorado County) and 4.86 percent rate increase (Douglas County) – interim year.

In **Table 3**, we summarize residential rates since 2016.

² 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.

Table 3
South Tahoe Refuse
Selected Residential Rates (2016-2023)

Service Level	2016	2017	2018	2019	2020	2021	2022	2023
City of South Lake Tahoe								
Unlimited Service	\$26.13	\$26.55	\$28.89	\$29.79	\$30.66	\$33.43	\$35.89	\$37.65
Douglas County								
1, 32-gallon can	\$17.44	\$17.72	\$18.93	\$19.51	\$20.07	\$21.50	\$22.29	\$23.37
El Dorado County								
Unlimited Service	\$29.98	\$30.47	\$32.38	\$34.38	\$35.39	\$37.43	38.84	\$40.77

In June of 2023, STR submitted its base year rate application to the JPA for rate year 2024 (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 2024 is a base year.

STR's Application to the JPA projected a Base Year 2024 rate increase was needed to cover a combined \$2,734,573 estimated net shortfall, including franchise fees, for fiscal year 2024. STR requested an increase of 12.29 percent (\$2,283,489 projected total revenue shortfall) for the City of South Lake Tahoe and Douglas County and 10.09 percent (\$451,084 projected total revenue 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 2022. STR also provided internally prepared financial information and operational data for rate years 2023 (estimated) and 2024 (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 2024 Application and Senate Bill 1383 2025/26 Special Rate Request
2. Analyze the Base Year 2024 Application and Senate Bill 1383 2025/26 Special Rate Request and prepare responses
3. Request additional data and clarification from STR
4. Identify rate adjustments, by line item, and rate adjustment tables
5. Analyze proposed adjustments with JPA and STR representatives, and clarify outstanding issues
6. Determine the revenue requirement and associated rate adjustments
7. Prepare a draft report
8. Prepare a final report
9. 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 2022 audited financial statements
- Analyzed STR financial information, operational data, and projections for reasonableness
- Assessed supporting data, worksheets, and documentation
- Analyzed historical actual, estimated, and projected revenues and expenses
- Analyzed cost allocation methods for reasonableness
- Analyzed the assignment of revenues and expenses to each Member Agency
- Obtained and analyzed support for the assumptions used to project Rate Year 2024 and 2025 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
- Participate in JPA and Member Agency preparation and meeting(s).

The JPA entered into a contract with Crowe on August 15, 2023 to provide these services. We submitted a detailed data request to STR on July 24, 2023, another data request to STR on September 14, 2023, and a final data request on October 3, 2023. This is in addition to several more informal requests through the months of September and October.

E. Base Year 2024 Rate Setting Analysis and Adjustments

In this section, we identify adjustments to the STR Base Year 2024 rate application for calendar year 2024. Total adjustments result in a projected 2024 revenue shortfall of \$2,310,822 combined for the three JPA Member Agencies. The revenue shortfall includes a Base Year 2024 revenue shortfall of \$1,938,394 for the City of South Lake Tahoe and Douglas County combined; and a projected Base Year 2024 revenue shortfall of \$372,428 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)
 - RRF Principal and Interest Payments (El Dorado County)
 - Other Interest Expenses
- Operating Profit
- Pass-Through Costs
 - 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 \$406,000, or 4.00 percent, between 2023 and 2024. This increase reflects the 2023 year-to-date trend, and an expectation that residential revenues will increase in 2024 by a rate similar to that experienced from 2022 to 2023.

Impact(s):

- No change to Residential Collection Revenues in 2024.

Commercial Collection Revenues

STR estimated commercial collection revenues to increase by \$765,226 or 8.6 percent, between 2023 and 2024. STR based projections of 2024 commercial revenues for each of the member agencies on historical trends between 2022 and 2023. The resulting 2024 projected commercial revenue increases were 6, 24.0 and 11.0 percent respectively for the City of South Lake Tahoe, El Dorado County, and Douglas County.

Impact(s):

- No change to Commercial Collection Revenues in 2024.

Non-Collection Revenues Allocation

For 2024, 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

South Lake Tahoe and Douglas County, and (2) El Dorado County. Non-collection revenue totaled \$4,442,852.

Revenue allocation percentages were 81.0 percent and 19.0 percent, respectively, for the City of South Lake Tahoe and Douglas County combined, and El Dorado County. We verified this allocation calculation was supported and correct. 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

STR estimated transfer station and RRF revenues to increase by \$48,819 or 2.2 percent, between 2022 and 2023. For 2024, STR projected transfer station revenues to increase at the 2.7 percent increase. STR calculated an increase of \$61,671 in 2024, totaling \$2,340,793 in projected transfer station revenues.

Impact(s):

- No adjustment.

Forestry, Federal, and State Contracts

STR estimated forestry, federal, and State contract revenues to increase by approximately \$123,851, or 30.0 percent, between 2022 and 2023, largely from camping facilities opening that had previously been closed. STR projected a small 4.0 percent (\$19,847) change in forestry, federal, and State contract revenues for 2024 as the company does not foresee dramatic changes with operations associated with these contracts.

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 \$119,400, or 29.2 percent, between 2022 and 2023, largely driven by lower commodity prices. This estimated decrease is based on the year-to-date 2023 trend. STR projected MRF recycled material sales revenues to remain flat for 2024 (i.e., equal to the same as 2023).

STR estimated revenues associated with the curbside recycling sales to also remain flat for 2024 (at \$1,223,851) based on projected continued challenges with the recycling marketplace.

Impact(s):

- No adjustment.

Operating Expenses

Operating Expense Allocation

For 2024, STR allocated operating expenses between (1) the City of South Lake Tahoe and Douglas County, and (2) El Dorado County, based on Rate Year 2022 residential and commercial collection revenues. Revenue allocation percentages were 81 percent and 19 percent, respectively, for the City of South Lake Tahoe and Douglas County together, and El Dorado County.³ 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). For purposes of projecting inflationary costs, as shown in **Table 4**, we used a 6.26 percent CPI equal to the most recent change in the average annual index (i.e., the average from June 2022 to May 2023 divided by the average index from June 2021 to May 2022). We rounded the CPI increase to the nearest hundredth given its material effect on the projections and for consistency with prior assessments.

Table 4
Consumer Price Index (CPI)
Used for Rate Setting Purposes

Description	Index
Average Annual Index from June 2021 to May 2022	531.971
Average Annual Index from June 2022 to May 2023	565.269
Percent Change	6.26%

STR escalated certain general and administrative expenses for 2024, including advertising, utilities, and licenses and fees, using this escalation rate.

Impact(s):

- Used an escalation factor of 6.26 percent for selected inflationary costs. This contrast with the company's calculated escalation factor of 6.67 percent.

³ For comparison purposes, for the 2015 Base Year Rate analysis, STR allocated operating expenses between (1) the City of South Lake Tahoe and Douglas County, and (2) El Dorado County, based on Rate Year 2013 residential and commercial collection revenues. Revenue allocation percentages were 80.39 percent and 19.61 percent, respectively, for the City of South Lake Tahoe and Douglas County together, and El Dorado County.

Direct Labor

STR estimated wages and payroll to increase by approximately \$908,343, or 9.6 percent, from 2022 to 2023. STR projected total direct labor expenses to increase by \$456,730, or 4.4 percent increase from 2023 to 2024. This projected direct labor increase reflects various wage and benefit increases including:

- Actual labor increases equal to 10% which included a 4.00% COLA on 7/1/22 plus another COLA of 3.77% on 1/1/23. Pay scale adjustments accounted for the other 2.23%
- Another 4.00% COLA is anticipated for FY24
- Officer salary increases to equal 6 percent of net revenue estimations for 2023 and 2024
- Health insurance expense remaining relatively flat from 2022 to 2024
- Workers' compensation expense increase of 14.91 percent from 2023 to 2024
- 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):

- No adjustment.

Equipment Costs and Facility Costs

STR estimated equipment costs and facility costs to increase by approximately \$161,781, or 10.1 percent, between 2022 and 2023. STR projected equipment costs and facility costs to decrease by \$90,527 or 5.1 percent, between 2023 and 2024. Factors contributing to changes in these costs included the following:

- STR estimated depreciation costs to remain relatively flat over the 2022 to 2024 period, at \$1.3M. The current depreciation for 2024 accounts for retirement of certain assets and additions of two new Peterbilt front loader collection trucks, a used Caterpillar excavator, an end dump trailer, and a pickup truck.
- STR estimated 2023 rent costs based on the year-to-date 2023 trend and projected 2024 rent costs set equal to 2023 rent costs.
- STR estimated 2024 repairs and maintenance costs based on a three-year average of costs from 2021 to 2023.

Impact(s):

- No adjustment.

Landfill Disposal Costs

STR estimated landfill disposal costs to increase by approximately \$50,939, or 3.3 percent, between 2022 and 2023. STR projected landfill disposal costs of \$1,747,013 for 2024, representing a 11 percent increase from 2023. 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 5 and 6, below, provides a summary of the dump fees for Lockwood landfill and Carson City landfill, for FY 2022 and FY 2023. 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 5
FY 2022 Actual Landfill Disposal Costs and Tonnage

	Lockwood Landfill (7/1/21 - 6/30/22)			Carson City Landfill (7/1/21 - 6/30/22)			TOTAL (7/1/21 - 6/30/22)		
	Tons	Tip Fee \$	Rate per Ton	Tons	Tip Fee \$	Rate per Ton	Tons	Tip Fee \$	Rate per Ton
MSW	17,140.75	\$ 364,143.20	\$ 21.24	28,356.53	\$ 680,556.72	\$ 24.00	45,497.28	1,044,699.92	\$ 22.96
C&D	-	\$ -	-	7,970.28	\$ 191,286.72	\$ 24.00	7,970.28	\$ 191,286.72	\$ 24.00
C&D as ADC	751.49	\$ 16,946.09	\$ 22.55	-	\$ -	-	751.49	16,946.09	\$ 22.55
Green Waste	-	\$ -	-	-	\$ -	-	-	\$ -	-
ADC	-	\$ -	-	14,871.11	\$ -	-	14,871.11	\$ -	-
Total	17,892.24	\$ 381,089.29	\$ 21.30	51,197.92	\$ 871,843.44	\$ 17.03	69,090.16	\$ 1,252,932.73	\$ 18.13

Tonnage EXCLUDING no-charge ADC	33%	67%	Total tons excluding no-charge ADC	54,219.05	100%
---------------------------------	-----	-----	------------------------------------	-----------	------

^a STR disposes of MSW and C&D (as Alternative Daily Cover, or ADC) at Lockwood Landfill and MSW and C&D at Carson City landfill.

^b Per STR's contract with Lockwood landfill, the annual tipping fee increased by 4.71 percent to \$21.55 in April 2022.

Table 6
FY 2023 Estimated Landfill Disposal Costs and Tonnage

Twelve Months	18% ACTUAL			82% ACTUAL			100% ACTUAL		
	Lockwood Landfill (7/1/22 - 6/30/23)			Carson City Landfill (7/1/22 - 6/30/23)			TOTAL (7/1/22 - 6/30/23)		
	Tons	Tip Fee \$	Rate per Ton	Tons	Tip Fee \$	Rate per Ton	Tons	Tip Fee \$	Rate per Ton
MSW	7,844.11	\$ 170,866.13	\$ 21.78	35,376.23	\$ 896,029.22	\$ 25.33	43,220.34	1,066,895.35	\$ 24.69
C&D	-	\$ -	-	12,285.83	\$ 302,506.94	\$ 24.62	12,285.83	\$ 302,506.94	\$ 24.62
C&D as ADC	436.12	\$ 9,834.51	\$ 22.55	-	\$ -	-	436.12	9,834.51	\$ 22.55
Green Waste	-	\$ -	-	-	\$ -	-	-	\$ -	-
ADC	-	\$ -	-	15,375.16	\$ -	-	15,375.16	\$ -	-
Total	8,280.23	\$ 180,700.64	\$ 21.82	63,037.22	\$ 1,198,536.16	\$ 19.01	71,317.45	\$ 1,379,236.80	\$ 19.34

Tonnage EXCLUDING no-charge ADC	15%	85%	Total tons excluding no-charge ADC	55,942.29	100%
---------------------------------	-----	-----	------------------------------------	-----------	------

^a STR disposes of MSW and C&D (as Alternative Daily Cover, or ADC) at Lockwood Landfill and MSW and C&D at Carson City landfill.

^b Per STR's contract with Lockwood landfill, the annual tipping fee increased by 5.15 percent to \$22.66 in April 2023.

^c Per STR's contract with Carson City landfill, the annual tipping fee increased by 4.75 percent to \$25.14 in December 2022.

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 they used in their projections. STR continues to make the operational change 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).

Other disposal items (which represent primary drivers for the Landfill Disposal Cost increase) include:

- STR had paid Tahoe Asphalt (not a related party) a processing fee of \$3.50 per ton to recycle asphalt and concrete. Tahoe Asphalt raised their fee by \$4.50 per ton to \$8.00 per ton beginning December 2022. This accounted for \$107,762 of the 2023 to 2024 Disposal Cost increase.
- 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 Landfill disposal volumes as well as increases in tipping fee rates charged by third-parties (e.g., for composting and asphalt recycling).

Impact(s):

- No adjustment.

Office Salaries

STR estimated office salaries to increase by \$287,636, or 22.3 percent, between 2022 and 2023. STR projected office salary expenses of \$1,511,051 for 2024, representing a 5.2 percent decrease for 2024. This projected increase from 2022 to 2024 accounts for projected wage and benefit changes as follows:

- Wage increases for office staff of between \$4 and \$6 per hour
- Two additional headcount, including one HR manager and one office staff person
- Workers' compensation expense increase of 14.91 percent from 2023 to 2024
- 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):

- We reduced office salaries by the fully burdened cost of \$129,125.47 to account for one AP/GL accountant position that will be transitioned into the company but will replace activities currently performed by an officer (eliminating potential double counting of the benefit provided by the officer who is effectively paid to perform this function).
- Minor adjustment (\$62.80) to account for difference in CPI used to escalate some costs in this category (6.26 percent vs. 6.67 percent)

General and Administrative Costs

Cost of Goods Sold

STR estimated cost of goods sold to remain flat from 2023 to 2024 to align with stable expected recycling revenue.

Advertising, Postage, Utilities, Licenses and Fees

STR escalated advertising, postage, utilities, and licenses and fees using year-to-date 2023 trends. STR projected 2024 costs based on applying the CPI percent increase to estimated 2024 costs.

Contract Labor

STR estimated contract labor to increase by 8.6 percent, between 2023 and 2024, based on alignment with the growth in commercial revenues. This contract labor is largely paid to Tahoe Basin Containers, a related party to service compactors in the STR service area. We adjusted the projection of contract revenue for 2024 based on annualizing the three-year amount for 2021 through 2023 and adding the CPI. This adjustment reduced contract labor expenses by approximately \$209,086 in 2024.

General Insurance

STR estimated general insurance expenses to increase by \$124,786, or 26.0 percent, between 2023 and 2024. Total general insurance for 2024 equals \$604,734. STR provided general insurance documentation pertaining to the increased costs (premiums). In total, general insurance premiums are quoted to increase by 26 percent for STR and related parties. We did not make adjustments to STR's projection of 2024 general insurance costs.

Fuel

STR estimated a fuel increase of \$49,719, based on applying the CPI escalation, between 2023 and 2024. This increased fuel costs to \$844,036. We verified fuel costs by evaluating detailed fuel documentation for usage and prices paid.

Hazardous Materials

STR projected hazardous materials costs to increase by the 10 percent. We adjusted this to the CPI (6.26%) as described expense escalation subsection, above. This reduced the 2024 cost by \$6,006.

Impact(s):

- Decrease in general and administrative costs by \$221,684 in 2024.

MRF Principal and Interest Payments (El Dorado County)

STR projected El Dorado County's portion of MRF principal and interest payments of \$7,503 for 2024. The MRF debt financing is through a Bank of America 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 2023 collection revenue allocation percentage (19 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 2024 RRF principal and interest payments to equal \$168,048. 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 2023 total collection revenue allocation percentage (19 percent). We found this approach to determining the RRF 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 \$142,293 for 2024. STR then determined El Dorado County's portion of other interest expenses, based on the 2024 total collection revenue allocation percentage (19 percent). STR included other interest expenses of \$27,041 for El Dorado County's portion, under allowable operating 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 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 Waste Facility Diversion Summary Reports, 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 its diversion reports, STR's recovery rate was 65 percent for 2023 and 2024.

We calculated operating profit, based on our adjustments to the estimated 2023 and projected 2024 allowable operating costs. We decreased operating profits by \$50,720 in 2024.

Impact(s):

- Decrease in Operating Profits by \$50,720 in 2024.

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 \$21,064 for 2024. The MRF debt financing was through a Bank of America 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 Bank of America 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 2023 collection revenue allocation percentage (81 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 \$590,403 in 2024. 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 2023 total collection revenue allocation percentage (81 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 \$136,743 for 2024. 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 2023 collection revenue allocation percentage (81 percent).

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 new trucks. STR projected other interest expenses of \$115,252 for 2024. STR then determined the City of South Lake Tahoe and Douglas County's portion of other interest expenses, based on the 2023 total collection revenue allocation percentage (81 percent). STR included other interest expenses of \$115,252, for the City of South Lake Tahoe and Douglas County's portion, under pass-through costs.

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 2024, 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 \$499,686 for 2024. This calculation is based on: (total recycling revenues less cost of goods sold) x 0.50, or $(\$1,512,720 - \$513,348) \times 0.50$, or \$499,686. This \$499,686 share amount is included as a pass through cost in the rate model.

Impact(s):

- No change in Recycling Revenue Bonus.

Franchise Fees

STR calculated and allocated projected franchise fees, based on 2023 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 receives six (6) percent of gross revenues, El Dorado County receive five (5) percent of gross revenues and Douglas County receives three (3) percent of gross revenues. Below, we list the revenue sources used for Member Agency franchise fee calculations:

- City of South Lake Tahoe, increased from 5 to 6 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 franchise fees of \$1,201,220 for 2024, including franchise fees of \$983,246 for the City of South Lake Tahoe and Douglas County, and franchise fees of \$217,974 for El Dorado County.

We projected franchise fees of \$1,179,150 for 2024, including franchise fees of \$964,892 for the City of South Lake Tahoe and Douglas County, and franchise fees of \$214,258 for El Dorado County. The adjustments to the franchise fee number is the result of modifying the figures based on lower revenue requirement from the other adjustments noted in previous sections of the report.

Impact(s):

- Decrease in franchise fee costs by \$22,070 in 2024.

F. Results of Base Year 2024 Analysis

Crowe's Analysis of the Application, and as shown in Attachment C, results in a 11.05 percent rate increase for the City of South Lake Tahoe, a 8.15 percent rate increase for Douglas County; and a 8.33 percent rate increase for El Dorado County, assuming an implementation date of January 1, 2024. These rate increases will cover the following revenue shortfalls:

- \$1,615,910 revenue shortfall for the City of South Lake Tahoe, 11.05 percent rate increase for 2024 (difference from Douglas County is due to franchise fee differences (6% of gross revenues for SLT and 3% of gross revenues for Douglas County))
- \$322,484 revenue shortfall for Douglas County, or a 8.15 percent rate increase for 2024
- \$372,428 revenue shortfall for El Dorado County, or a 8.33 percent rate increase for 2024.

G. Senate Bill 1383 2025/26 Rate Setting Analysis and Adjustments

The company submitted a request for significant program changes intended to comply with California Senate Bill 1383 (SB 1383) requirements. This bill requires a reduction in organic waste disposal of 75 percent by 2025 and necessitates that all jurisdictions need to provide organic waste collection services to all residents and businesses.

STR has proposed the following primary operational changes in conjunction with this SB 1383 rate request, some of which are also intended to improve STR collection efficiencies, upgrade equipment, and move to a new three-cart system (e.g., including animal resistant carts):

- Increase in MSW routing (8 new semi-automated routes)
- Increase in single stream routes (7 new automated routes); service every other week
- Increase in green waste routes (7 new automated routes); service every other week
- Purchase/deploy 12,501 new animal resistant totes for MSW
- Purchase/deploy 21,225 new totes for single stream recycling
- Purchase/deploy 31,091 new totes from green waste recycling
- Purchase/finance 9 new trucks, including 4 new rear-loader trucks and 4 mini-side-loader trucks
- Additional labor to serve new routes
- Additional fuel, insurance, maintenance of new trucks
- Additional collection department manager and customer service representative
- Changes to materials mix (increasing greenwaste, decreasing MSW), resulting in changes in materials management costs.

In **Table 7** below, we summarize the requested incremental costs associated with this SB 1383 program change. In total, we project adjusted incremental new costs of the SB 1383 program of \$2,342,503. Our understanding is that the member agencies and STR have discussed spreading these costs using a phased implementation, with half of the costs included in rates to be set beginning January 1, 2025 and the other half of the costs for rates to be set January 1, 2026.

Table 7
Senate Bill 1383 Program Costs
Effective January 1, 2025

Description of Program Change	Requested Incremental Costs	Crowe Adjusted Incremental Costs
New carts – annual depreciation (\$6.7M purchase)	\$900,444	\$873,058
8 new trucks (\$3.34M purchase)	\$333,942	\$333,942
New driver costs	\$236,091	\$236,091
New fuel costs	\$47,980	\$43,339
Other new labor, consulting, and marketing	\$428,811	\$378,811
Change in materials mix (increased greenwaste, decreased MSW)	\$55,468	\$44,546
Other costs, profit	\$467,301	\$432,716
Total SB 1383 program costs	\$2,470,037	\$2,342,503
Crowe Adjustments		(\$127,534)

H. Results of Senate Bill 1383 2025/26 Analysis

Crowe's Analysis of the SB 1383 request, as shown in Attachment D, results in an additional 10.16 percent rate increase, combined for the three jurisdictions. This compares to the 10.72 percent rate increase requested by STR. We view this as a maximum rate increase to the member agencies and recommend that the JPA work with STR on how to implement this rate change in advance of 2025. We recommend that the JPA and STR review updated and more refined estimated costs of this SB 1383 program as part of the next interim year rate change process. Under a two-year phased scenario, the 10.16 percent rate increase represents a 5.08 percent rate increase beginning January 1, 2025 and another 5.08 percent rate increase beginning January 1, 2026. These 2025 and 2026 rate increases do not consider the impacts of the interim year process specified in the Rate Manual.

* * * * *

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: Proposed Residential Rate Structure

**Attachment A
Proposed Residential Rate Structure
(January 1, 2024)**

Base Year Rate Application

Summary

Rate Change		
1.	Percent Rate Change Requested (City of South Lake Tahoe)	11.05% excluding SB 1383
	Percent Rate Change Requested (Douglas County)	8.15% excluding SB 1383
	Percent Rate Change Requested (El Dorado County)	8.33% excluding SB 1383

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	\$ 37.15	\$ 4.11	\$ 41.26
2.2.	Mandated pickup per 32-gallon can/bag		7.78	0.86	8.64
2.3.	Mandated pickup per cubic yard		52.05	5.75	57.80
2.4.	Qualified senior rate	Note 1	22.90	2.53	25.43
2.5.	House service - 1 can	Note 1	42.44	4.69	47.13
2.6.	House service - 2 cans	Note 1	47.76	5.28	53.04
2.7.	House service - 3 cans	Note 1	53.04	5.86	58.90
2.8.	Residential - All other services		-	-	-
3.	Douglas County				
3.1.	1, 32-gallon can		\$ 23.37	\$ 1.90	\$ 25.27
3.2.	2, 32-gallon cans		44.98	3.67	48.65
3.3.	3, 32-gallon cans		68.59	5.59	74.18
3.4.	4, 32-gallon cans		90.22	7.35	97.57
3.5.	One extra 32-gallon can (also the seasonal service rate)		5.86	0.48	6.34
3.6.	On-call 32-gallon can billed monthly/arrears		n/a	n/a	-
3.7.	Per cubic yard		37.74	3.08	40.82
3.8.	1, 45-gallon can		28.33	2.31	30.64
3.9.	2, 45-gallon cans		54.47	4.44	58.91
3.10.	3, 45-gallon cans		83.01	6.77	89.78
3.11.	One extra 45-gallon can (also the seasonal service rate)		7.14	0.58	7.72
3.12.	On-call 45-gallon can billed monthly/arrears		n/a	n/a	-
3.13.	Residential - All other services		128.32	10.46	138.78
4.	El Dorado County				
4.1.	Unlimited service		\$ 40.77	\$ 3.40	\$ 44.17
4.2.	Mandated pickup per 32-gallon can/bag		8.54	0.71	9.25
4.3.	Mandated pickup per cubic yard		48.88	4.07	52.95
4.4.	Qualified senior rate		26.58	2.21	28.79
4.5.	House service per can		5.16	0.43	5.59
4.6.	Residential - All other services (Area B - formerly ARD)		22.42	1.87	24.29

Attachment B: 2024 Base Year Rate Application

Base Year Rate Application

Summary

Rate Change

1.	Percent Rate Change Requested (City of South Lake Tahoe and Douglas County)	12.29%	excluding SB 1383
	Percent Rate Change Requested (El Dorado County)	10.09%	excluding SB 1383

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	\$ 37.15	\$ 4.57	\$ 41.72
2.2.	Mandated pickup per 32-gallon can/bag		7.78	0.96	8.74
2.3.	Mandated pickup per cubic yard		52.05	6.40	58.45
2.4.	Qualified senior rate	Note 1	22.90	2.81	25.71
2.5.	House service - 1 can	Note 1	42.44	5.22	47.66
2.6.	House service - 2 cans	Note 1	47.76	5.87	53.63
2.7.	House service - 3 cans	Note 1	53.04	6.52	59.56
2.8.	Residential - All other services		-	-	-
3.	Douglas County				
3.1.	1, 32-gallon can		\$ 23.37	\$ 2.87	\$ 26.24
3.2.	2, 32-gallon cans		44.98	5.53	50.51
3.3.	3, 32-gallon cans		68.59	8.43	77.02
3.4.	4, 32-gallon cans		90.22	11.09	101.31
3.5.	One extra 32-gallon can (also the seasonal service rate)		5.86	0.72	6.58
3.6.	On-call 32-gallon can billed monthly/arrears		n/a	n/a	-
3.7.	Per cubic yard		37.74	4.64	42.38
3.8.	1, 45-gallon can		28.33	3.48	31.81
3.9.	2, 45-gallon cans		54.47	6.69	61.16
3.10.	3, 45-gallon cans		83.01	10.20	93.21
3.11.	One extra 45-gallon can (also the seasonal service rate)		7.14	0.88	8.02
3.12.	On-call 45-gallon can billed monthly/arrears		n/a	n/a	-
3.13.	Residential - All other services		128.32	15.77	144.09
4.	El Dorado County				
4.1.	Unlimited service		\$ 40.77	\$ 4.11	\$ 44.88
4.2.	Mandated pickup per 32-gallon can/bag		8.54	0.86	9.40
4.3.	Mandated pickup per cubic yard		48.88	4.93	53.81
4.4.	Qualified senior rate		26.58	2.68	29.26
4.5.	House service per can		5.16	0.52	5.68
4.6.	Residential - All other services (Area B - formerly ARD)		22.42	2.26	24.68

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: May 31, 2023

Note 1: Rate does not include City surcharges: street sweeping (\$0.25) and nuisance abatement (\$0.25)

Base Year and SB 1383 Rate Application

Financial Information for All Three Jurisdictions

	Actual Audited Prior Year All Three Jurisdictions 6/30/2022	Forecast Current Year All Three Jurisdictions 6/30/2023	Forecast Base Year City of SLT and Douglas County 6/30/2024		Forecast Base Yr + SB 1383 All Three Jurisdictions 6/30/2024
Section I—Allowable Operating Costs					
5. Direct Labor	\$ 9,436,038	\$ 10,344,408	\$ 8,748,645	\$ 2,052,654	\$ 11,037,291
6. Equipment Costs and Facility Costs	1,801,621	1,763,402	1,354,963	317,912	2,934,650
7. Landfill Disposal Costs	1,526,102	1,577,041	1,415,012	332,001	1,802,481
8. Office Salaries	1,289,939	1,577,583	1,328,529	311,710	1,890,050
9. General and Administrative Costs	4,939,609	5,316,386	4,494,977	1,054,648	5,784,781
10. MRF Principal and Interest Payments (El Dorado County)	5,291	8,113	0	7,503	7,503
11. RRF Principal and Interest Payments (El Dorado County)	161,907	169,505	0	168,048	51,408
Other Interest Expenses (El Dorado County)	18,801	18,811	0	27,041	146,794
12. Total Allowable Operating Costs	\$ 19,967,907	\$ 20,775,249	\$ 17,342,028	\$ 4,271,617	\$ 23,854,959
Section II—Allowable Operating Profit					
13. Operating Ratio	87.00%	87.00%	87.00%	89.00%	87.00%
14. Allowable Operating Profit	\$ 2,834,195	\$ 3,104,349	\$ 2,591,337	\$ 627,940	\$ 3,534,648
Section III—Pass Through Costs without Franchise Fees					
15. MRF Principal Payments (City and Douglas)	\$ 21,064	\$ 21,064	\$ 21,064	\$ 0	\$ 21,064
16. RRF Principal Payments (City and Douglas)	690,403	690,403	690,403	0	96,289
17. MRF and RRF Interest Expenses (City and Douglas)	59,519	145,554	136,743	0	133,715
Other Interest Expenses (City & Douglas)	71,605	80,173	115,252	0	625,647
18. RRF Fund Credit	0	0	0	0	0
19. Recycling Revenue Bonus	636,050	499,686	404,726	94,960	499,686
20. Total Pass Through Costs	\$ 1,276,641	\$ 1,336,880	\$ 1,268,188	\$ 94,960	\$ 1,376,402
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)	\$ 23,078,144	\$ 25,216,477	\$ 21,201,551	\$ 4,894,418	\$ 28,566,005
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	\$ 37.15	12	14,383	\$ 6,411,941	\$ 6,411,941
23. Mandated pickup per 32-gallon can/bag	7.78	12	-	-	-
24. Mandated pickup per cubic yard	52.05	12	-	-	-
25. Qualified senior rate	22.90	12	141	38,747	38,747
26. House service - 1 can	42.44	12	4	2,037	2,037
27. House service - 2 cans	47.76	12	1	573	573
28. House service - 3 cans	53.04	12	-	-	-
29. Residential - All other services	-	12	-	-	-
Douglas County					
30. 1.32-gallon can	\$ 23.37	12	1,440	\$ 403,834	\$ 403,834
31. 2.32-gallon cans	44.98	12	337	181,899	181,899
32. 3.32-gallon cans	68.59	12	42	34,568	34,568
33. 4.32-gallon cans	90.22	12	4	4,331	4,331
34. One extra 32-gallon can (also the seasonal service rate)	5.86	12	0	-	-
35. On-call 32-gallon can billed monthly/reaars	n/a	12	0	-	-
36. Per cubic yard	37.74	12	0	-	-
37. 1.45-gallon can	28.33	12	319	108,447	108,447
38. 2.45-gallon cans	54.47	12	47	30,721	30,721
39. 3.45-gallon cans	83.01	12	6	5,977	5,977
40. One extra 45-gallon can (also the seasonal service rate)	7.14	12	0	-	-
41. On-call 45-gallon can billed monthly/reaars	n/a	12	0	-	-
42. Residential - All other services	128.32	12	3	4,620	4,620
El Dorado County					
43. Unlimited service	\$ 40.77	12	6,464	\$ 3,162,447	\$ 3,162,447
44. Mandated pickup per 32-gallon can/bag	8.54	12	0	-	-
45. Mandated pickup per cubic yard	48.88	12	0	-	-
46. Qualified senior rate	26.58	12	108	34,448	34,448
47. House service per can	5.16	12	1	62	62
48. Residential - All other services (Area B - formerly ARD)	22.42	12	161	43,315	43,315
49. Residential Revenues Subtotal				\$ 7,227,686	\$ 3,240,272
50. Less: Allowance for Uncollectible Residential Accounts				-	-
51. Total Residential Revenues (without Rate Change in Base Year)	\$ 9,620,846	\$ 10,061,969		\$ 7,227,686	\$ 3,240,272
52. Commercial Revenues				\$ 8,977,425	\$ 674,372
53. Less: Allowance for Uncollectible Commercial Accounts				-	-
54. Total Commercial Revenues (without Rate Change in Base Year)	\$ 8,197,519	\$ 8,886,570		\$ 8,977,425	\$ 674,372
55. Transfer Station and RRF Revenues (AND FORESTRY, FED., STATE CONTRACTS)	2,882,248	2,848,612		2,373,290	555,840
56. Recycled Material Sales	1,582,293	1,512,721		1,322,897	189,824
57. Total Revenues (Lines 51 + 54 + 55 + 56)	\$ 22,083,008	\$ 23,339,871		\$ 19,901,307	\$ 4,661,308
Section VI—Net Shortfall (Surplus)					
58. Net Shortfall (Surplus) without Franchise Fees (Line 21 - Line 57)	\$ 995,138	\$ 1,906,606	\$ 1,300,243	\$ 233,109	\$ 4,003,390
59. Residential and Commercial Franchise Fees	\$ 946,068	\$ 996,629	\$ 983,246	\$ 217,974	\$ 1,201,220
60. Net Shortfall (Surplus) with Franchise Fees (Lines 58 + 59)	\$ 1,941,206	\$ 2,905,235	\$ 2,283,489	\$ 451,084	\$ 5,204,609
Section VII—Percent Change in Rates					
61. Total Residential, Commercial, Transfer Station, and RRF Revenues Prior to Rate Change (Line 51 + 54 + 55)	\$ 21,797,150	\$ 19,578,411	\$ 4,471,484	\$ 23,849,895	
62. Percent Change in Existing Residential/Commercial/Transfer Station/RRF Rates (Line 60 - Line 61)	13.33%	12.29%	10.09%	22.58%	
PROJECTED SB 1383 Incremental Rate Increase					10.72%

Base Year Rate Application

Operating Information

	Prior Year	Current Year	Percent Change	Base Year Projected Information		Percent Change
	Audited Information All Three Jurisdictions	Estimated Information All Three Jurisdictions		City of SLT and Douglas County	El Dorado County	
Section VIII—Operating Data						
(1)						
63. Residential Accounts	19,597	19,726	0.66%	13,149	6,708	0.66%
64. Multi-family Accounts	3,593	3,599	0.17%	3,579	26	0.17%
65. Commercial Accounts	1,030	1,068	3.69%	966	140	3.56%
66. Total Accounts	24,220	24,393	0.71%	17,694	6,874	0.72%
67. Residential Refuse Tons	23,303	25,263	8.41%	17,000	5,703	-10.13%
68. Residential Recycling Tons	32,092	38,247	19.18%	25,738	8,634	-10.13%
69. Residential Yard Waste Tons	7,010	4,989	-28.83%	4,208	981	4.01%
70. Commercial Refuse Tons	26,454	26,495	0.15%	24,976	4,079	9.66%
71. Commercial Recycling Tons	36,432	40,112	10.10%	37,812	6,176	9.66%
Commercial Yard Waste Tons	7,958	5,232	-34.25%	5,129	838	14.05%
72. "Free" Drop Boxes Provided (Monthly)	16	17	6.25%	17	1	5.88%
73. "Free" Bins Provided	26	27	3.85%	27	1	3.70%
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	40.49	42.50	4.96%	48.03	0.00	13.02%
Douglas - per cubic yard	32.71	34.30	4.86%	38.77	0.00	13.02%
El Dorado - per cubic yard	46.57	48.88	4.96%	0.00	54.42	11.34%
City - compacted per cubic yard	56.82	59.64	4.96%	67.41	0.00	13.02%
Douglas - compacted per cubic yard	42.28	44.33	4.85%	50.10	0.00	13.02%
El Dorado - compacted per cubic yard	62.36	65.45	4.96%	0.00	72.87	11.34%
City - per 32 gal can/bag	5.57	5.85	5.03%	6.61	0.00	13.02%
Douglas - per 32 gal can/bag	5.13	5.38	4.87%	6.08	0.00	13.02%
El Dorado - per 32 gal can/bag	8.14	8.54	4.91%	0.00	9.51	11.34%

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

Attachment C: Crowe Base Year 2024 Rate Model with Adjustments

Base Year Rate Application

Financial Information for All Three Jurisdictions

	Forecast (without SB 1383)								
	City of SLT and Douglas County			El Dorado County			All Three Jurisdictions		
	Crowe			Crowe			Crowe		
	Requested 6/30/2024	Adjustments 6/30/2024	Projected 6/30/2024	Requested 6/30/2024	Adjustments 6/30/2024	Projected 6/30/2024	Requested 6/30/2024	Adjustments 6/30/2024	Projected 6/30/2024
Section I--Allowable Operating Costs									
5. Direct Labor	\$ 8,748,545	\$ (72)	\$ 8,748,474	\$ 2,052,654	\$ (17)	\$ 2,052,637	\$ 10,801,199	\$ (88)	\$ 10,801,111
6. Equipment Costs and Facility Costs	1,354,963	-	1,354,963	317,912	-	317,912	1,672,875	-	1,672,875
7. Landfill Disposal Costs	1,415,012	-	1,415,012	332,001	-	332,001	1,747,013	-	1,747,013
8. Office Salaries	1,328,529	(104,637)	1,223,892	311,710	(24,551)	287,159	1,640,239	(129,188)	1,511,051
9. General and Administrative Costs	4,494,977	(179,555)	4,315,422	1,054,648	(42,129)	1,012,519	5,549,625	(221,684)	5,327,940
10. MRF Principal and Interest Payments (El Dorado County)	-	-	-	7,503	-	7,503	7,503	-	7,503
11. RRF Principal and Interest Payments (El Dorado County)	-	-	-	168,048	-	168,048	168,048	-	168,048
Other Interest Expenses (El Dorado County)	-	-	-	27,041	-	27,041	27,041	-	27,041
12. Total Allowable Operating Costs	\$17,342,026	\$ (284,264)	\$ 17,057,761	\$ 4,271,517	\$ (66,696)	\$ 4,204,821	\$ 21,613,543	\$ (350,961)	\$ 21,262,582
Section II--Allowable Operating Profit									
13. Operating Ratio	87.00%	87.00%	87.00%	89.00%	89.00%	89.00%	89.00%	89.00%	89.00%
14. Allowable Operating Profit	\$2,591,337	\$ (42,476.30)	\$2,548,861	\$527,940	\$ (8,243)	\$519,697	\$3,119,278	\$ (50,720)	\$3,068,558
Section III--Pass Through Costs without Franchise Fees									
15. MRF Principal Payments (City and Douglas)	21,064	-	21,064	\$0	-	\$0	\$21,064	-	\$21,064
16. RRF Principal Payments (City and Douglas)	590,403	-	590,403	0	-	0	590,403	-	590,403
17. MRF and RRF Interest Expenses (City and Douglas)	136,743	-	136,743	0	-	0	136,743	-	136,743
Other Interest Expenses (City & Douglas)	115,252	-	115,252	0	-	0	115,252	-	115,252
18. RRF Fund Credit	0	-	0	0	-	0	0	-	0
19. Recycling Revenue Bonus	404,726	-	404,726	94,960	-	94,960	499,686	-	499,686
20. Total Pass Through Costs	\$1,268,188	\$0	\$1,268,188	\$94,960	\$0	\$94,960	\$1,363,148	\$0	\$1,363,148
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)	\$21,201,551	\$ (326,741)	\$20,874,810	\$4,894,418	\$ (74,940)	\$4,819,478	\$26,095,969	\$ (401,681)	\$25,694,288
Section V--Revenues without Rate Change in Base Year									
	Current Rate/Month Months								
Residential Revenues									
City of South Lake Tahoe									
22. Unlimited service	\$ 37.15	12	\$ 6,411,941						
25. Qualified senior rate	22.90	12	38,747						
26. House service - 1 can	42.44	12	2,037						
27. House service - 2 cans	47.76	12	573						
28. House service - 3 cans	53.04	12	-						
Douglas County									
30. 1, 32-gallon can	\$ 23.37	12	\$ 403,834						
31. 2, 32-gallon cans	44.98	12	181,899						
32. 3, 32-gallon cans	68.59	12	34,569						
33. 4, 32-gallon cans	90.22	12	4,331						
37. 1, 45-gallon can	28.33	12	108,447						
38. 2, 45-gallon cans	54.47	12	30,721						
39. 3, 45-gallon cans	83.01	12	5,977						
42. Residential - All other services	128.32	12	4,620						
El Dorado County									
43. Unlimited service	\$ 40.77	12	-	\$ 3,162,447	-	\$ 3,162,447	\$ 3,162,447	-	\$ 3,162,447
44. Mandated pickup per 32-gallon can/bag	8.54	12	-	-	-	-	-	-	-
45. Mandated pickup per cubic yard	48.88	12	-	-	-	-	-	-	-
46. Qualified senior rate	26.58	12	-	34,448	-	34,448	34,448	-	34,448
47. House service per can	5.16	12	-	62	-	62	62	-	62
48. Residential - All other services (Area B - formerly ARD)	22.42	12	-	43,315	-	43,315	43,315	-	43,315
49. Residential Revenues Subtotal	\$ 7,227,696	-	\$ 7,227,696	\$ 3,240,272	-	\$ 3,240,272	\$ 10,467,968	-	\$ 10,467,968
50. Less: Allowance for Uncollectible Residential Accounts	-	-	-	-	-	-	-	-	-
51. Total Residential Revenues (without Rate Change in Base Year)	\$ 7,227,696	-	\$ 7,227,696	\$ 3,240,272	-	\$ 3,240,272	\$ 10,467,968	-	\$ 10,467,968
Commercial Revenues									
52. Commercial Revenues	\$ 8,977,425	-	\$ 8,977,425	\$ 674,372	-	\$ 674,372	\$ 9,651,796	-	\$ 9,651,796
53. Less: Allowance for Uncollectible Commercial Accounts	-	-	-	-	-	-	-	-	-
54. Total Commercial Revenues (without Rate Change in Base Year)	\$ 8,977,425	-	\$ 8,977,425	\$ 674,372	-	\$ 674,372	\$ 9,651,796	-	\$ 9,651,796
55. Transfer Station and RRF Revenues (AND FORESTRY, FED, STATE	2,373,290	-	2,373,290	556,840	-	556,840	2,930,131	-	2,930,131
56. Recycled Material Sales	1,322,897	-	1,322,897	189,824	-	189,824	1,512,721	-	1,512,721
57. Total Revenues (Lines 51 + 54 + 55 + 56)	\$19,901,307	-	\$ 19,901,307	\$ 4,661,308	-	\$ 4,661,308	\$ 24,562,616	-	\$ 24,562,616
Section VI--Net Shortfall (Surplus)									
58. Net Shortfall (Surplus) without Franchise Fees (Line 21 - Line 57)	\$ 1,300,243	(326,741)	\$ 973,503	\$ 233,109	(74,940)	\$ 158,170	\$ 1,533,353	(401,681)	\$ 1,131,672
59. Residential and Commercial Franchise Fees	\$ 983,246	(18,354)	\$ 964,892	\$ 217,974	(3,716)	\$ 214,258	\$ 1,201,220	(22,070)	\$ 1,179,150
60. Net Shortfall (Surplus) with Franchise Fees (Lines 58 + 59)	\$ 2,283,489	(345,095)	\$ 1,938,394	\$ 451,084	(78,656)	\$ 372,428	\$ 2,734,573	(423,751)	\$ 2,310,822
Section VII--Percent Change in Rates									
61. Total Residential, Commercial, Transfer Station, and RRF Revenues Prior to Rate Change (Line 51 + 54 + 55)	\$18,578,411	-	\$ 18,578,411	\$ 4,471,484	-	\$ 4,471,484	\$ 23,049,895	-	\$ 23,049,895
62. Percent Change in Existing Residential/Commercial/Transfer Station/RRF Rates (Line 60 ÷ Line 61)	12.29%	-1.86%	10.43%	10.09%	-1.76%	8.33%	11.86%	-1.84%	10.03%

**Attachment D: Crowe Combined Base Year 2024 and SB 1383 Implementation
Rate Model with Adjustments**

Base Year Rate Application

Financial Information for All Three Jurisdictions

		Forecast Base Yr + SB 1383		
		All Three Jurisdictions 6/30/2024	Crowe SB 1383 Adjustments 6/30/2024	Projected 6/30/2024
Section I--Allowable Operating Costs				
5.	Direct Labor	\$ 11,037,291	\$ (88)	\$ 11,037,202
6.	Equipment Costs and Facility Costs	2,934,650	(27,386)	2,907,264
7.	Landfill Disposal Costs	1,802,481	(10,922)	1,791,559
8.	Office Salaries	1,890,050	(129,188)	1,760,862
9.	General and Administrative Costs	5,784,781	(287,926)	5,496,855
10.	MRF Principal and Interest Payments (El Dorado County)	7,503	-	7,503
11.	RRF Principal and Interest Payments (El Dorado County)	51,405	-	51,405
	Other Interest Expenses (El Dorado County)	146,794	-	146,794
12.	Total Allowable Operating Costs	\$ 23,654,955	\$ (455,511)	\$ 23,199,445
Section II--Allowable Operating Profit				
13.	Operating Ratio	87.00%		
14.	Allowable Operating Profit	\$3,534,648	(65,829)	\$3,468,820
Section III--Pass Through Costs without Franchise Fees				
15.	MRF Principal Payments (City and Douglas)	\$21,064	\$0	\$21,064
16.	RRF Principal Payments (City and Douglas)	96,289	0	96,289
17.	RRF and RRF Interest Expenses (City and Douglas)	133,715	0	133,715
	Other Interest Expenses (City & Douglas)	625,647	0	625,647
18.	RRF Fund Credit	0	0	0
19.	Recycling Revenue Bonus	499,686	0	499,686
20.	Total Pass Through Costs	\$ 1,376,402	\$0	\$ 1,376,402
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)	\$28,566,005	(521,339)	\$28,044,666
Section V--Revenues without Rate Change in Base Year				
		Current		
		Rate/Month	Months	Total
Residential Revenues				
City of South Lake Tahoe				
22.	Unlimited service	\$ 37.15	12	\$ 6,411,941
25.	Qualified senior rate	22.90	12	38,747
26.	House service - 1 can	42.44	12	2,037
27.	House service - 2 cans	47.76	12	573
28.	House service - 3 cans	53.04	12	-
Douglas County				
30.	1, 32-gallon can	\$ 23.37	12	\$ 403,834
31.	2, 32-gallon cans	44.98	12	181,899
32.	3, 32-gallon cans	68.59	12	34,569
33.	4, 32-gallon cans	90.22	12	4,331
37.	1, 45-gallon can	28.33	12	108,447
38.	2, 45-gallon cans	54.47	12	30,721
39.	3, 45-gallon cans	83.01	12	5,977
42.	Residential - All other services	128.32	12	4,620
El Dorado County				
43.	Unlimited service	\$ 40.77	12	\$ 3,162,447
44.	Mandated pickup per 32-gallon can/bag	8.54	12	-
45.	Mandated pickup per cubic yard	48.88	12	-
46.	Qualified senior rate	26.58	12	34,448
47.	House service per can	5.16	12	62
48.	Residential - All other services (Area B - formerly ARD)	22.42	12	43,315
49.	Residential Revenues Subtotal	\$ 10,467,968	\$ -	\$ 10,467,968
50.	Less: Allowance for Uncollectible Residential Accounts	-	-	-
51.	Total Residential Revenues (w/without Rate Change in Base Year)	\$ 10,467,968	\$ -	\$ 10,467,968
52.	Commercial Revenues	\$ 9,651,796	\$ -	\$ 9,651,796
53.	Less: Allowance for Uncollectible Commercial Accounts	-	-	-
54.	Total Commercial Revenues (w/without Rate Change in Base Year)	\$ 9,651,796	\$ -	\$ 9,651,796
55.	Transfer Station and RRF Revenues (AND FORESTRY, FED, STATE)	2,930,131	0	2,930,131
56.	Recycled Material Sales	1,512,721	0	1,512,721
57.	Total Revenues (Lines 51 + 54 + 55 + 56)	\$ 24,562,616	\$ -	\$ 24,562,616
Section VI--Net Shortfall (Surplus)				
58.	Net Shortfall (Surplus) w/without Franchise Fees (Line 21 - Line 57)	\$ 4,003,390	\$ (523,575)	\$ 3,479,814
59.	Residential and Commercial Franchise Fees	\$ 1,201,220	\$ (27,709)	\$ 1,173,511
60.	Net Shortfall (Surplus) w/with Franchise Fees (Lines 58 + 59)	\$ 5,204,609	\$ (551,284)	\$ 4,653,325
Section VII--Percent Change in Rates				
61.	Total Residential, Commercial, Transfer Station, and RRF Revenues Prior to Rate Change (Line 51 + 54 + 55)	\$ 23,049,895	\$ -	\$ 23,049,895
62.	Percent Change in Existing Residential/Commercial/Transfer Station/RRF Rates (Line 60 + Line 61)	22.58%	-2.39%	20.19%
PROJECTED SB 1383 Incremental Rate Increase		10.72%		10.16%