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Analysis of El Dorado Disposal Service 2024 Base Year Rate Application

County of El Dorado

June 25, 2024



Agenda

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Background and Scope of Analysis

Background and Scope of Analysis

- On April 26, 2024, El Dorado Disposal Service (EDDS) submitted its updated base year rate application requesting:
 - An 8.21 percent increase to all residential and commercial refuse collection rates.
 - This increase would cover a projected \$1.71M net shortfall.
- EDDS included audited financial statements with its application.
- Crowe was engaged by the County as an independent third-party to review the rate application.
- We followed the County's rate setting process which is contained in the County's Solid Waste Rate Setting Policies and Procedures Manual. This Rate Manual is incorporated into the County's franchise agreement with EDDS.

Primary Rate Change Drivers

- Increases in labor wage rates for drivers and mechanics and a 3 FTE increase in headcount.
- Increases in truck and equipment costs for:
 - New collection vehicles (6 side loaders, 3 rear loaders, 5 roll-off trucks)
 - Building and property repair (asphalt, fencing, air conditioning, truck parking)
 - Fuel cost increases (7.75% increase)
- Increases in MSW disposal costs and organics processing costs.
- Normal escalation of costs. Note: the percentage change in the applicable Garbage and Trash Consumer Price Index (CPI) over the past year was higher than in recent years at 5.56 percent.

Prior Rate Changes

Since 2012, County rates have increased as follows:

- 2012 – 1.00 percent rate increase – base year
- 2013 – 1.00 percent rate increase – interim year
- 2014 – 0.00 percent rate increase – interim year
- 2015 – 1.96 percent rate increase – base year
- 2016 – 1.75 percent rate increase – interim year
- 2017 – 1.51 percent rate increase – interim year
- 2018 – 5.02 percent rate increase – base year
- 2019 – 2.86 percent rate increase – interim year
- 2020 – Residential (6.69 percent plus \$0.19 rate increase), Commercial (5.29 percent) – interim and extraordinary year
- 2021 – 5.52 percent rate increase – base year
- 2022 – 4.07 percent rate increase – interim year
- 2022 – \$3.07 rate increase (West Slope Area A) – special rate increase for organics collection
- 2023 – 5.21 percent rate increase – interim year

Approach

Background and Scope of Analysis *(cont.)*

- Assessed if the Application was mathematically accurate and logically consistent
- Verified the Application complied with Rate Manual terms and conditions
- Reconciled the Application to audited financial statements
- Analyzed financial and operational data 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 the County (vs other areas served by Waste Connections)
- Obtained and analyzed support for the assumptions used to project revenues and expenses
- Confirmed the use of the allowed operating ratio (the profit method)

Results of Analysis

Results of Analysis

Description	EDDS Request	Crowe Calculation
Total Revenue Shortfall	\$1,707,003	\$1,565,864
Total Current Estimated Rate Revenues	\$20,779,690	\$20,879,616
Total Percent Rate Increase (All Sectors)	8.21%	7.50%

Proposed Residential Rates

Service Level	Current Rate (Per Customer, Per Month)	Proposed Rate (Per Customer, Per Month)	Proposed Rate Increase (Per Customer, Per Month)
Area A: One 32-Gallon Can	\$36.21	\$38.93	\$2.72
Area B: One 32-Gallon Can	\$31.15	\$33.49	\$2.34
Area C: One 32-Gallon Can	\$31.39	\$33.74	\$2.35

Proposed Commercial Rates

Service Level	Current Rate (Per Customer, Per Month)	Proposed Rate (Per Customer, Per Month)	Proposed Rate Increase (Per Customer, Per Month)
Area A			
1 Yard Bin--Once per Week	\$132.24	\$142.16	\$9.92
2 Yard Bin--Once per Week	\$228.99	\$246.16	\$17.17
3 Yard Bin--Once per Week	\$342.00	\$367.65	\$25.65
4 Yard Bin--Once per Week	\$450.01	\$483.76	\$33.75
5 Yard Bin--Once per Week	\$562.48	\$604.66	\$42.18
6 Yard Bin--Once per Week	\$675.03	\$725.65	\$50.62
8 Yard Bin--Once per Week	\$861.32	\$925.91	\$64.59
Area B			
1 Yard Bin--Once per Week	\$132.24	\$142.16	\$9.92
2 Yard Bin--Once per Week	\$228.99	\$246.16	\$17.17
6 Yard Bin--Once per Week	\$675.04	\$725.66	\$50.62
Area C			
1 Yard Bin--Once per Week	\$148.78	\$159.94	\$11.16
2 Yard Bin--Once per Week	\$257.60	\$276.92	\$19.32
3 Yard Bin--Once per Week	\$396.05	\$425.75	\$29.70
4 Yard Bin--Once per Week	\$571.30	\$614.14	\$42.84
6 Yard Bin--Once per Week	\$858.00	\$922.35	\$64.35

Questions