



**Crowe LLP**  
Independent Member Crowe Global

400 Capitol Mall, Suite 1400  
Sacramento, California 95814-4434  
Tel 916.441.1000  
Fax 916.441.1110  
[www.crowe.com](http://www.crowe.com)

May 27, 2021

Greg Stanton, Director REHS  
County of El Dorado  
2850 Fairlane Court  
Placerville, CA 95667

**Subject: Base Year 2021 Rate Analysis of El Dorado Disposal Service**

Crowe LLP (Crowe) has completed its analysis of El Dorado Disposal Service's (EDDS) Base Year 2021 Rate Application (Application). The County of El Dorado (County) contracted with Crowe to conduct an analysis of the Application, and to provide potential refuse collection rate changes for the County to consider effective July 1, 2021. This letter report documents the results of our analysis, and is organized as follows:

1. Purpose of Analysis
2. Summary
3. Background of Analysis
4. Scope of Analysis
5. Rate Setting Adjustments
6. Results of Analysis.

## 1. Purpose of Analysis

The purpose of the 2021 Base Year Rate Analysis of El Dorado Disposal Service (Analysis) is to assist the County with establishing their solid waste collection rates charged by El Dorado Disposal Service EDDS. The analysis was conducted in accordance with the County's *Solid Waste Rate Setting Policies and Procedures Manual for Unincorporated Areas* (Manual). This Manual was developed and incorporated into the County's franchise agreement with EDDS in 2014.

The information in this Analysis is based on estimates, assumptions and other data developed by Crowe from information provided by EDDS, knowledge of and participation in other studies, data supplied by the County, 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 County. 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.

## 2. Summary

The Analysis indicates a proposed rate increase of 5.52 percent for El Dorado County, effective July 1, 2021. This compares to EDDS's requested rate increase of 7.19 percent. Current and proposed selected residential and commercial rates are shown in **Tables 1 and 2** below:

**Table 1**  
**El Dorado Disposal Service**  
**Selected Residential Rates with 5.52 Percent Rate Increase**  
**(Base Year 2021)**

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	\$28.54	\$30.12	\$1.58
Area B: One 32-Gallon Can	\$26.96	\$28.45	\$1.49
Area C: One 32-Gallon Can	\$27.17	\$28.67	\$1.50

**Table 2**  
**El Dorado Disposal Service**  
**Commercial Bin Rates, One Time per Week Collection, with 5.52 Percent Rate Increase**  
**(Base Year 2021)**

Service Level	Current Rate (Per Customer, Per Month)	Proposed Rate (Per Customer, Per Month)	Proposed Rate Increase (Per Customer, Per Month)
<b>Area A</b>			
1 Yard Bin--Once per Week	\$120.43	\$127.08	\$6.65
2 Yard Bin--Once per Week	\$208.53	\$220.04	\$11.51
3 Yard Bin--Once per Week	\$311.44	\$328.63	\$17.19
4 Yard Bin--Once per Week	\$409.79	\$432.41	\$22.62
6 Yard Bin--Once per Week	\$614.70	\$648.63	\$33.93
8 Yard Bin--Once per Week	\$784.34	\$827.64	\$43.30
<b>Area B</b>			
1 Yard Bin--Once per Week	\$120.43	\$127.08	\$6.65
2 Yard Bin--Once per Week	\$208.53	\$220.04	\$11.51
6 Yard Bin--Once per Week	\$614.70	\$648.63	\$33.93
<b>Area C</b>			
1 Yard Bin--Once per Week	\$130.22	\$137.41	\$7.19
2 Yard Bin--Once per Week	\$260.45	\$274.83	\$14.38
3 Yard Bin--Once per Week	\$390.65	\$412.21	\$21.56
4 Yard Bin--Once per Week	\$520.24	\$548.96	\$28.72
6 Yard Bin--Once per Week	\$781.33	\$824.46	\$43.13

### 3. Background of Analysis

The County is responsible for overseeing regional cooperation regarding solid waste, and coordinating solid waste program planning and reporting. The County has an exclusive franchise agreement with EDDS for collection and disposal of refuse. EDDS provides exclusive refuse collection, recycling, and transfer station operations to the County in accordance with terms specified in its franchise agreement.

County rate setting follows the County's *Solid Waste Rate Setting Policies and Procedures Manual for Unincorporated Areas* (Manual). The Manual allows EDDS to submit a base year rate application for the rate year 2021. Our analysis was conducted in accordance with Steps 2, 3, and 4 in Section 2 of the Manual.<sup>1</sup>

Rate setting has generally followed an approximately three-year cycle with the prior base year rate analysis conducted for rate year 2018. Recently approved rate changes are 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/extraordinary year.

In **Table 3**, we summarize selected residential rates since 2019.

**Table 3**  
**El Dorado Disposal Service**  
**Selected Residential Rates**  
**(2019 to 2020)**

Service Level	2019	2020
<b>El Dorado County</b>		
Area A: One 35-Gallon Can	\$26.57	\$28.54
Area B: One 35-Gallon Can	\$25.09	\$26.96
Area C: One 35-Gallon Can	\$25.29	\$27.17

On January 15, 2021, EDDS submitted its base year rate application to the County for rate year 2021. We enclose a copy of this Application in **Attachment A**. EDDS's Application to the County projected a rate increase was needed to cover a \$1,188,257 net shortfall for fiscal year 2021. This projected shortfall would represent a rate increase of 7.19 percent for El Dorado County.

We relied on EDDS audited financial statements, internally prepared financial information, and operational data for our analysis. EDDS provided audited financial statements for rate year 2019, prepared by Aldrich CPAs and Advisors LLP. EDDS also provided internally prepared financial

<sup>1</sup> The County 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 in rates.

information and operational data for rate years 2020 (estimated) and 2021 (projected), and additional information and data requested by Crowe.

## 4. Scope of Analysis

Our scope of services included the following tasks:

1. Verify the completeness of EDDS'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 the County and EDDS 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 at the County 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 EDDS's Rate Year 2019 audited financial statements
- Analyzed EDDS 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 the County
- Obtained and analyzed support for the assumptions used to project Rate Year 2021 revenues and expenses
- Confirmed the use of the allowed operating ratio
- Confirmed the franchise fee calculation
- Confirmed the accuracy of EDDS's calculated revenue requirement and associated rate adjustment
- Performed facility and operations site visit
- Prepare draft and final reports
- Participate in County preparation and meeting(s).

The County entered into a contract with Crowe to provide these services. We submitted a detailed data request to EDDS on April 12, 2021. We also performed virtual "fieldwork" interviews with EDDS staff in April and May 2021.

## 5. Rate Setting Adjustments

In this section, we identify adjustments to the EDDS rate application for fiscal year 2021. Total adjustments result in a projected 2021 revenue shortfall of \$912,598. **Attachment B** includes the rate model with Crowe's rate adjustments summarized.

Adjustments are organized to generally match the organization provided in EDDS's rate application. The EDDS 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 F-3 of the Manual. The remainder of this subsection is organized as follows:

#### Revenues

- Residential Collection Revenues
- Commercial Collection Revenues
- Recycled Material Sales

#### Operating Expenses

- Operating Expense Allocation
- Expense Escalation
- Direct Labor
- Equipment Costs and Facility Costs
- Landfill Disposal Costs
- Office Salaries
- General and Administrative Costs

#### Operating Profit

#### Pass-Through Costs

- Other Disposal Costs
- Franchise Fees

### **Revenues**

#### **Residential Collection Revenues**

EDDS estimated residential collection revenues to remain flat between 2020 and 2021 at \$10,084,175.

#### Impact(s):

- No adjustment to Residential Collection Revenues in 2021

#### **Commercial Collection Revenues**

EDDS estimated commercial collection revenues to remain flat between 2020 and 2021 at \$6,448,020.

#### Impact(s):

- No adjustment to Commercial Collection Revenues in 2021.

#### **Recycled Material Sales – Materials Recovery Facility (MRF) and Recycling Sales**

EDDS estimated revenues associated with the MRF sale of recyclables to remain flat at a loss of \$878,395. We made an adjustment to this revenue source to remove the impact of some prior year inefficiencies that EDDS had in terms of testing the use of alternative haulers/facilities.

#### Impact(s):

- Increase Recycled Material Sales in 2021 by \$48,572.

## Operating Expenses

### Operating Expense Allocation

For 2021, EDDS allocated personnel-related operating expenses across El Dorado County, El Dorado Hills, Cameron Park, Placerville, and non-franchised areas using a labor hour allocation by jurisdiction methodology. In 2020, EDDS determined that 54 percent of labor hours were incurred in El Dorado County, with remaining the balance of 47 percent inclusive of El Dorado Hills, Cameron Park, Placerville, and non-franchised areas. EDDS used this labor allocation factor to allocate labor costs to each jurisdiction, including the County. We verified that the allocation calculation was supportable and correctly applied.

#### Impact(s):

- Verified EDDS used the correct allocation percentage for operating expense allocations.

### Expense Escalation

Per the Rate Manual, the applicable Consumer Price Index used in this analysis should be based on the most current actual information for the U.S. City Average Garbage and Trash Collection Consumer Price Index (CPI). For purposes of projecting inflationary costs, as shown in **Table 4**, we used a 4.41 percent CPI equal to the percent change from the December 2019 to the December 2020 index. 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 by Crowe for Rate Setting Purposes**

Description	Index
December 2020	486.708
December 2021	508.190
<b>Percent Change</b>	<b>4.41%</b>

### Direct Labor

EDDS estimated wages and payroll to increase by approximately \$433,126, or 10.45 percent, from 2019 to 2020. EDDS projected total direct labor expenses of \$4,643,382 or a 1.46 percent increase between 2020 and 2021. This projected direct labor increase reflects various wage and benefit increases, including:

- Headcount additions of 1 driver in 2019 and 2 drivers in 2020 due to increased material volumes.
- Wages increase of 6.35 percent as a result of headcount addition and a larger 3.90 percent cost of living (COLA) adjustment in 2020 in order to retain/attract drivers and mechanics.
- Health insurance expense increase of 12.04 percent from 2020 to 2021 as a result of increases in premiums and additional headcount.
- Payroll tax increase of 5.43 percent as a result of the headcount addition.
- Vacation/sick pay increase of 10.91 percent as a result of the headcount addition.

We noted that EDDS had been operating at relatively large overtime levels between 2019 and 2020 before headcount additions occurred. EDDS applied overtime levels similar to 2020 for its 2021 projections. For 2021, EDDS projected approximately 23.97 percent of wages for overtime wages.

Reflective of recent steps the company undertook to increase headcount, and the fact that these additional laborers are included and allowed in the projection year 2021, we allowed an overtime level of 20 percent of wages which had the impact of reducing 2021 projected overtime wages from \$552,331 to \$460,820.

Additionally, rather than use a one year projection, we normalized an "other" labor category (inclusive of additional Covid-19 extraordinary expenses) over three years, which equaled \$14,874.32. This reduced this other labor category cost by \$17,615.72.

Impact(s):

- Decrease in Direct Labor expenses by \$109,127 in 2021.

### **Truck, Equipment and Facility Costs**

EDDS estimated equipment costs and facility costs to decrease by approximately \$96,499, or 3.24 percent, between 2019 and 2020. EDDS projected equipment costs and facility costs to increase by \$314,852 or 10.94 percent, between 2020 and 2021. This projected 2021 increase accounts for the following:

- EDDS estimated depreciation to increase by \$147,782, or 11.29 percent, in 2021 consistent with their addition of side loading trucks in response to increases in materials volume and market growth.
- EDDS estimated fuel expenses to increase by \$75,060, or 11.64 percent, in 2021 consistent with increases in fuel prices.
- EDDS estimated parts and materials expense to increase by \$26,811, or 8.55 percent in 2021 due to an increase in the number of trucks.
- EDDS estimated building and property repair costs to increase by \$29,040, or 66% in 2021. This increase accounts for routine maintenance that could not be performed in 2020 due to onsite restrictions as a result of the COVID-19 pandemic.
- EDDS estimated tires expense to increase by \$3,054, or 2.59 percent in 2021 due to an increase in the number of trucks.
- EDDS estimated oil and grease expense to increase by \$1,128.63, or 3.18 percent, in 2021 due to an increase in the number of trucks.
- EDDS estimated operating supplies expense to increase by \$3,856, or 3.76 percent, in 2021 for tools, batteries, locks and other miscellaneous supplies.
- EDDS estimated equipment maintenance and repair expense to decrease by \$8,063, or 14.81 percent, in 2021 due to an increase in the number of trucks.

We reduced equipment depreciation by \$39,363 to account for the Rate Manual allowed useful life for equipment of 8 years for a number of pieces of equipment and truck upgrades that EDDS depreciated using book value depreciation of less than 8 years.

Impact(s):

- Decrease in Truck, Equipment and Facilities expenses by \$39,363 in 2021.

### **Office Salaries**

EDDS estimated office salaries to increase by approximately \$67,736, or 8.17 percent, between 2019 and 2020. EDDS projected office salaries to increase by \$408, or 0.05 percent, between 2020 and 2021. This two year increase accounts for the following:

- \$2 per hour pay increase during the Covid-19 pandemic

- Safety bonuses paid to drivers.

We reduced office salaries by \$36,836 to account an error in the EDDS calculation. This was to reflect the correct calculation in 2021 of Salaries and Bonuses of \$1,461,947 less Divisional Allocations of \$347,492 which equaled \$1,104,455. This is \$36,836 less than the amount projected in the application of \$1,179,412.

Impact(s):

- Decrease in Office Salaries expenses by \$36,836 in 2021.

### **Disposal Costs**

EDDS estimated allowable landfill disposal costs to increase by approximately 5.67 percent, between 2019 and 2020. EDDS projected landfill disposal costs to increase by \$158,016, or 5.40 percent between 2020 and 2021. Drivers for these increases are additional yardwaste/organics materials.

Impact(s):

- No adjustment to Disposal Costs in 2021.

### **General and Administrative Costs**

EDDS estimated General and Administrative Costs to decrease by \$27,718, or 4.05 percent, between 2019 and 2020. EDDS estimated General and Administrative Costs to increase by \$44,429, or 6.76 percent, between 2020 and 2021.

Impact(s):

- No adjustment to General and Administrative Costs in 2021.

### **Operating Profit**

In accordance with the Manual, a profit is allowed, based on a targeted operating ratio ranging between 87 and 93 percent. In a base year, if rates change, EDDS applies a 90 percent operating ratio for the base year calculation. In the Application, EDDS used a 90 percent operating ratio for El Dorado County.

We calculated operating profit, based on our adjustments to the projected 2021 allowable operating costs. We decreased operating profits by \$20,592 in 2021.

Impact(s):

- Decrease in Operating Profits by \$20,592 in 2021.

### **Interest Expense**

In accordance with the Manual, interest is a pass through expense. In its application, EDDS projected interest expense of \$247,631 for 2021. This interest expense was based on a weighted average cost of capital (WACC) for the company of 5.20 percent applied to EDDS's net book value of trucks, containers, buildings/equipment, and office equipment.

Rather than allow the WACC, we allowed the company an average interest rate based on its outstanding debt of 3.25 percent. We decreased operating interest expense by \$92,874 in 2021 based on this interest rate reduction.



Impact(s):

- Decrease in Interest Expense by \$92,874 in 2021.

**Franchise Fees**

EDDS 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. El Dorado County receives five (5) percent of gross revenues, plus 2.46 percent of gross revenues added in 2020. Below, we list the revenue sources used for County franchise fee calculations:

El Dorado County, 7.46 percent of the following:

- County residential collection revenues
- County commercial collection revenues
- County recycled materials sales revenues (net cost in 2021)

We projected franchise fees of \$1,239,477 for 2021.

Impact(s):

- Increase in Franchise Fees of \$71,704 in 2021.

## 6. Results of Analysis

Crowe's Analysis of the Application, and as shown in Attachment B, results in a 5.52 percent rate increase to cover a \$912,598 revenue shortfall for El Dorado County, assuming an implementation date of July 1, 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 EDDS financial statements. Accordingly, we do not express such an opinion.

The consulting services did not contemplate obtaining the understanding of EDDS 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 County 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 County has the ultimate authority to recommend and 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.

\* \* \* \* \*



Mr. Greg Stanton  
May 27, 2021

Page 10

We appreciate the contribution of El Dorado County management and your input and direction on this project. We also thank EDDS 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 by email at [erik.nylund@crowe.com](mailto:erik.nylund@crowe.com).

Very truly yours,

Crowe LLP



Mr. Greg Stanton  
May 27, 2021

Page 11

## **Attachment A: 2021 Base Year Rate Application**



Mr. Greg Stanton  
May 27, 2021

Page 12



**WASTE CONNECTIONS INC.**  
*Connect with the Future®*

Waste Connections of California, Inc. d/b/a  
El Dorado Disposal Services (EDDS)  
P.O. Box 1270  
Diamond Springs, CA 95619  
(530) 626-4141

Mr. Greg Stanton  
Director, Environmental Services  
County of El Dorado  
2850 Fairlane Court, Bldg. C  
Placerville, CA 95667

Re: Base Year Rate Application

January 15, 2021

Dear Mr. Stanton,

Pursuant to Appendix D of the El Dorado Disposal Service Franchise Agreement, dated October 21<sup>st</sup>, 2014, we are requesting a base year rate adjustment to all services provided by El Dorado Disposal Services (EDDS) in Areas A, B and C. The calculated rate adjustment is based on the 2021 Base Year Rate Application. We are providing the information in the format as requested along with a copy of the 2019 audited financial statements (included in this email). We will also be providing supporting documentation regarding the changes from the 2019 financials to 2020 actuals and finally 2021 projections, as needed. The 2021 projections are based on our budget for 2021, which was completed earlier in November 2020.

Based on the calculations per the rate-making manual, EDDS is eligible for a 7.2% rate increase as of 7/1/2021. We've enclosed a proposed rate schedule showing the percentage changes and potential rates as of 7/1/2021, for County Areas A, B and C and the other jurisdictions served by EDDS as well. Rate changes for non-County serviced areas are based on CPI estimations for 2021. Please note that we've utilized the same allocation methodology for 2020 and 2021 that was used to prepare the audited 2019 financials.

We do want to acknowledge gratitude for the support provided EDDS in 2020 related to our pursuit of the extraordinary circumstance price increases for recycle and capital MRF investment that were ultimately approved by the BOS. These increases allowed EDDS to partially offset significant, specific, uncontrollable cost increases and we are greatly appreciative of this. While recognizing that Crowe LLP will do their due diligence related to this request, we are considering the 7.2% a conversation starting point, especially because of AB 1383 implementation in 2022 which will require significant service changes and associated costs increases.

Greg, as always, we value our partnership with the County very much and our goal is to agree on reasonable rates for our customers. We appreciate your consideration and look forward to hearing from you.

Sincerely,



Mr. Greg Stanton  
May 27, 2021

Page 13

Jeffrey L Stevens

Divisional Controller  
Waste Connections of California, Inc. d/b/a  
El Dorado Disposal Services

Cc: Sue VanDelinder  
Dan Schooler  
John Perkey

1 2 3 4 5 6 7 8 9

## Base Year Rate Application

### Financial Information for Unincorporated County Area

	2019 Actual Audited Prior Year	2020 Estimated Current Year	2021 Projected Base Year
<b>Section I--Allowable Costs</b>			
3 Direct Labor	\$4,143,257	\$4,576,383	\$4,643,382
4 Truck, Equipment, and Facility Costs	\$2,975,207	\$2,878,708	\$3,193,560
5 Disposal Costs (Profit Allowed = Transfer Station Less Landfill Disposal)	\$2,767,062	\$2,924,156	\$3,082,172
6 Office Salaries	\$828,973	\$896,710	\$897,117
7 General and Administrative Costs	\$685,043	\$657,325	\$701,754
<b>8 Total Allowable Operating Costs</b>	<b>\$11,399,542</b>	<b>\$11,933,282</b>	<b>\$12,517,986</b>
<b>Section II--Allowable Profit</b>			
9 Operating Ratio	90.00%	90.00%	90.00%
10 Allowable Operating Profit	\$1,266,615.77	\$1,325,920.19	\$1,390,887.28
<b>Section III--Pass Through Costs without Franchise Fees</b>			
11 Disposal Costs (Pass Through = Landfill Disposal)	\$1,105,280	\$1,445,072	\$1,517,780
11a Interest	\$247,631	\$247,631	\$247,631
<b>12 Total Pass Through Costs</b>	<b>\$1,352,911</b>	<b>\$1,692,703</b>	<b>\$1,765,411</b>
<b>Section IV--Revenue Requirement without Franchise Fees</b>			
13 Total Allowable Operating Costs (Line 8) plus Allowable Operating Profit (Line 10) plus Total Pass Through Costs (Line 12)	\$14,019,069	\$14,951,905	\$15,674,284
26 Residential Revenues Subtotal			
27 Less: Allowance for Uncollectible Residential Accounts			
<b>28 Total Residential Revenues (without Rate Change in Base Year)</b>	<b>\$8,759,890</b>	<b>\$9,524,381</b>	<b>\$10,084,175</b>
29 Commercial and Industrial Revenues			
30 Less: Allowance for Uncollectible Commercial and Industrial Accounts			
<b>31 Total Commercial and Industrial Revenues (without Rate Change in Base Year)</b>	<b>\$5,863,926</b>	<b>\$5,998,750</b>	<b>\$6,448,020</b>
32 Net Recycled Material Sales	(\$712,601)	(\$950,274)	(\$878,395)
<b>33 Total Revenues (Lines 28 + 31 + 32)</b>	<b>\$13,911,215</b>	<b>\$14,572,857</b>	<b>\$15,653,800</b>
<b>Section VI--Net Shortfall (Surplus)</b>			
34 Net Shortfall (Surplus) without Franchise Fees (Line 13 - Line 33)	\$107,854	\$379,048	\$20,484
35 Residential, Commercial, and Industrial Franchise Fees	\$724,194	\$911,160	\$1,167,773
<b>36 Net Shortfall (Surplus) with Franchise Fees (Lines 34 + 35)</b>	<b>\$832,047</b>	<b>\$1,290,209</b>	<b>\$1,188,257</b>
<b>Section VII--Percent Change in Rates</b>			
37 Total Residential, Commercial, and Industrial Revenues Prior to Rate Change (Line 28 + 31)	\$14,623,816	\$15,523,131	\$16,532,195
38 Percent Change in Existing Residential/Commercial/Industrial Rates (Line 36 ÷ Line 37)	5.7%	8.3%	7.2%

## **Attachment B: Crowe Rate Model with Adjustments**



Mr. Greg Stanton  
May 27, 2021

Page 16

## Attachment B Adjustments to Fiscal Year 2021 Rate Application

	FY2021 Base Year Projection	Crowe Recommended Adjustments	Adjusted Amount
<b>Allowable Operating Expenses</b>			
Direct Labor	\$ 4,643,382	(109,127) \$	4,534,256
Truck, Equipment, and Facility Costs	3,193,560	(39,363)	3,154,197
Disposal Costs (Profit Allowed = Transfer Station Less Landfill Disposal)	3,082,172	-	3,082,172
Office Salaries	897,117	(36,836)	860,281
General and Administrative Costs	701,754	-	701,754
<b>Total Allowable Operating Expenses</b>	<b>\$ 12,517,986</b>	<b>\$(185,325)</b>	<b>\$ 12,332,660</b>
<b>Allowable Profit</b>			
Operating Ratio	90%	90%	90%
<b>Total Allowable Operating Profit</b>	<b>\$ 1,390,887</b>	<b>\$(20,592)</b>	<b>\$ 1,370,296</b>
<b>Pass Through Costs without Franchise Fees</b>			
Disposal Costs (Pass Through = Landfill Disposal)	\$ 1,517,780	- \$	1,517,780
Interest	247,631	(92,874) \$	154,756
<b>Total Pass Through Costs</b>	<b>\$ 1,765,411</b>	<b>\$(92,874)</b>	<b>\$ 1,672,537</b>
<b>Revenue Requirement Without Franchise Fees</b>	<b>\$ 15,674,284</b>	<b>\$(298,792)</b>	<b>\$ 15,375,492</b>
<b>Revenues</b>			
Total Residential Revenues (without Rate Change in Base Year)	\$ 10,084,175	- \$	10,084,175
Total Commercial and Industrial Revenues	6,448,020	-	6,448,020
Total Recycled Material Sales	(878,395)	48,572	(829,823)
<b>Total Revenues</b>	<b>\$ 15,653,800</b>	<b>\$ 48,572</b>	<b>\$ 15,702,371</b>
<b>Net Shortfall (Surplus) without Franchise Fees</b>	<b>\$ 20,484</b>	<b>\$(347,363)</b>	<b>\$(326,879)</b>
<b>Residential, Commercial, and Industrial Franchise Fees</b>	<b>\$ 1,167,773</b>	<b>\$ 71,704</b>	<b>\$ 1,239,477</b>
<b>Net Shortfall (Surplus) with Franchise Fees</b>	<b>\$ 1,188,257</b>	<b>\$(275,660)</b>	<b>\$ 912,598</b>
<b>Total Residential, Commercial, and Industrial Revenues Prior to Rate Change</b>	<b>\$ 16,532,195</b>	<b>\$ -</b>	<b>\$ 16,532,195</b>
<b>Percent Change in Existing Residential/Commercial/Industrial Rates</b>	<b>7.19%</b>		<b>5.52%</b>