



May 27, 2014

Nancy McDermid, Chair  
Norma Santiago, Board Member  
JoAnn Conner, Board Member  
South Lake Tahoe Basin Waste Management Authority  
1901 Airport Road  
South Lake Tahoe CA 96150

VIA EMAIL (Hard Copy to Be Mailed)

Dear Board Members:

Enclosed is our management representation letter and 2015 base year rate application.

We have calculated our rate adjustment based on the Solid Waste Rate Setting Policies and Procedures Manual effective March 30, 2012. We have calculated a rate increase effective January 1, 2015 of 3.71% for the City of South Lake Tahoe and Douglas County and a 3.48% increase for El Dorado County. The variance in these rates is primarily attributable to profit calculations.

We have forecasted revenues to increase slightly at approximately 1.95% compared to FY2014 and 2.66% compared to FY2013. This is caused by increased transfer station and commercial revenues slightly offset by recycling revenue decrease. We have continued our efforts to reduce costs while increasing diversion. Specifically, we have reduced our dump fees by approximately 6% primarily due to our enhanced greenwaste recycling efforts facilitated by the new RRF facility. Furthermore, we have reduced our repairs and maintenance costs by 21% due to the newer transfer fleet. Workers compensation has also decreased significantly at approximately 21% based on our continued safety efforts resulting in a reduced experience modification factor.

In regards to cost allocations and methodologies on page 1-14 of the rate guide, we have made the following assumptions. While we have done a different profit calculation for El Dorado County as dictated under the rate guide, for purposes of allocating the different JPA jurisdictions, we have followed the historical methodology of allocating costs based total collection revenue percentages for all categories. This generally allows the rate increase for each jurisdiction to be roughly the same percentage increase. No attempt has

been made to allocate actual costs to either a specific franchise area or different service types within a franchise area. Such allocations typically cause greater rate increases in rural versus urban franchise areas as well as a greater increase in residential versus commercial customer types.

Additionally, we have prepared an alternative to the rate application which could mitigate exposure to floating rates and gain predictability in debt service costs through the use of an interest rate swap. Attached is a presentation from Bank of America outlining their interest rate risk management proposal. This would reduce the current rate request by approximately 1.60% to 1.85%. We look forward to exploring this option with you.

Management reviews and accepts responsibility of the rate application. The application is based upon management's judgment of the most likely set of conditions and course of action. All significant relevant information has been made available. Assumptions are reasonable and accurate.

Sincerely yours,

  
\_\_\_\_\_  
Jeffrey R. Tillman

This signature provides a certification of the franchise hauler that the application is complete, accurate, and consistent with the instructions provided in the rate manual.

Enclosures:

- 2015 Base Year Rate Application, pages 1-3
- Proposed rate schedule for residential and commercial accounts excluding city surcharges and infrequent services (included on pages 1 and 3 of the 2015 Base Year Rate Application)
- June 30, 2013 Audited Financial Statements
- Support documentation (Due to the volume of calculations we have provided an electronic copy only since hard copy would not be practical)
- Reconciliation of the rate application to the audited financial statements (included within the support documentation above)
- Bank of America Interest Rate Risk Management Proposal

# Base Year Rate Application

## Summary

### Rate Change

1.	Percent Rate Change Requested (City of South Lake Tahoe and Douglas County)	3.71%
	Percent Rate Change Requested (El Dorado County)	3.48%

### Residential Rate Schedule

	Rate Schedule (per customer, per month)	Current Rate	Rate Adjustment	New Rate
2.	City of South Lake Tahoe	(1)		(1)
	2.1. Unlimited service	\$ 25.40	\$ 0.94	\$ 26.34
	2.2. Mandated pickup per 32-gallon can/bag	5.42	0.20	5.62
	2.3. Mandated pickup per cubic yard	36.30	1.35	37.65
	2.4. Qualified senior rate	21.58	0.80	22.38
	2.5. House service - 1 can	29.09	1.08	30.17
	2.6. House service - 2 cans	32.78	1.22	34.00
	2.7. House service - 3 cans	36.47	1.35	37.82
	2.8. Residential - All other services	-	-	-
3.	Douglas County			
	3.1. 1, 32-gallon can	\$ 16.95	\$ 0.63	\$ 17.58
	3.2. 2, 32-gallon cans	32.64	1.21	33.85
	3.3. 3, 32-gallon cans	49.78	1.85	51.63
	3.4. 4, 32-gallon cans	65.46	2.43	67.89
	3.5. One extra 32-gallon can	4.26	0.16	4.42
	3.6. On-call 32-gallon can billed monthly/arrears	-	-	-
	3.7. Per cubic yard	27.39	1.02	28.41
	3.8. 1, 45-gallon can	20.56	0.76	21.32
	3.9. 2, 45-gallon cans	39.52	1.47	40.99
	3.10. 3, 45-gallon cans	60.23	2.23	62.46
	3.11. One extra 45-gallon can	5.18	0.19	5.37
	3.12. On-call 45-gallon can billed monthly/arrears	-	-	-
	3.13. Residential - All other services	78.21	2.90	81.11
4.	El Dorado County			
	4.1. Unlimited service	\$ 29.20	\$ 1.02	\$ 30.22
	4.2. Mandated pickup per 32-gallon can/bag	6.12	0.21	6.33
	4.3. Mandated pickup per cubic yard	35.02	1.22	36.24
	4.4. Qualified senior rate	25.89	0.90	26.79
	4.5. House service per can	3.70	0.13	3.83
	4.6. Residential - All other services	-	-	-

### 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:

5/27/14

(1) Rate does not include the street sweeping (\$0.25), the nuisance abatement (\$0.25), or the clean community surcharges (\$0.40)



# Base Year Rate Application

## Financial Information for All Three Jurisdictions

		Actual Audited Prior Year All Three Jurisdictions 6/30/2013	Estimated Current Year All Three Jurisdictions 6/30/2014	Projected Base Year City of SLT and Douglas County 6/30/2015	Projected Base Year El Dorado County 6/30/2015
<b>Section I--Allowable Operating Costs</b>					
5	Direct Labor	\$ 5,235,760	\$ 5,525,553	\$ 4,585,475	\$ 1,118,774
6	Equipment Costs and Facility Costs	1,224,309	1,173,355	923,845	225,402
7	Landfill Disposal Costs	1,154,816	1,042,302	870,595	212,410
8	Office Salaries	978,717	995,424	823,109	200,824
9	General and Administrative Costs	3,825,707	3,568,647	2,998,326	734,392
10	MRF Principal and Interest Payments (El Dorado County)	18,084	17,594	0	17,984
11	RRF Principal and Interest Payments (El Dorado County)	219,344	237,623	0	249,539
	Other Interest Expenses	9,976	9,716	0	10,992
12	<b>Total Allowable Operating Costs</b>	<b>\$ 12,666,733</b>	<b>\$ 12,570,214</b>	<b>\$ 10,201,350</b>	<b>\$ 2,789,417</b>
<b>Section II--Allowable Operating Profit</b>					
13	Operating Ratio	87.00%	87.00%	87.00%	89.00%
14	Allowable Operating Profit	\$ 1,892,730	\$ 1,878,308	\$ 1,624,340	\$ 342,267
<b>Section III--Pass Through Costs without Franchise Fees</b>					
15	MRF Principal Payments (City and Douglas)	\$61,619	\$61,619	\$61,619	\$0
16	RRF Principal Payments (City and Douglas)	723,510	723,510	763,705	0
17	MRF and RRF Interest Expenses (City and Douglas)	188,193	261,116	271,367	0
	Other Interest Expenses	40,895	39,832	41,363	0
18	RRF Fund Credit	0	0	-632,707	-154,340
19	Recycling Revenue Bonus	404,720	351,217	284,160	60,230
20	<b>Total Pass Through Costs</b>	<b>\$1,418,937</b>	<b>\$1,437,293</b>	<b>\$780,506</b>	<b>-\$94,110</b>
<b>Section IV--Revenue Requirement without Franchise Fees</b>					
21	Total Allowable Operating Costs (Line 12) plus Allowable Operating Profit (Line 14) plus Total Pass Through Costs (Line 20)	\$ 15,978,400	\$ 15,885,815	\$ 12,515,196	\$ 3,017,504
<b>Section V--Revenues without Rate Change in Base Year</b>					
		Current Rate/Month	Months	Projected Accounts	Total
<b>Residential Revenues</b>					
City of South Lake Tahoe					
22	Unlimited service	\$ 25.40	12	13,549	\$ 4,129,735
23	Mandated pickup per 32-gallon can/bag	5.42	12	0	0
24	Mandated pickup per cubic yard	36.30	12	0	0
25	Qualified senior rate	21.58	12	67	17,350
26	House service - 1 can	29.09	12	5	1,745
27	House service - 2 cans	32.78	12	1	393
28	House service - 3 cans	36.47	12	0	0
29	Residential - All other services	-	12	0	0
<b>Douglas County</b>					
30	1, 32-gallon can	\$ 16.95	12	1,247	\$ 253,640
31	2, 32-gallon cans	32.64	12	259	101,445
32	3, 32-gallon cans	49.78	12	15	8,960
33	4, 32-gallon cans	65.46	12	4	3,142
34	One extra 32-gallon can	4.26	12	0	0
35	On-call 32-gallon can billed monthly/arrears	-	12	0	0
36	Per cubic yard	27.39	12	0	0
37	1, 45-gallon can	20.56	12	328	80,924
38	2, 45-gallon cans	39.52	12	53	25,135
39	3, 45-gallon cans	60.23	12	1	723
40	One extra 45-gallon can	5.18	12	0	0
41	On-call 45-gallon can billed monthly/arrears	-	12	0	0
42	Residential - All other services	78.21	12	1	939
<b>El Dorado County</b>					
43	Unlimited service	\$ 29.20	12	6,074	\$ 2,128,330
44	Mandated pickup per 32-gallon can/bag	6.12	12	0	0
45	Mandated pickup per cubic yard	35.02	12	0	0
46	Qualified senior rate	25.89	12	27	8,388
47	House service per can	3.70	12	5	222
48	Residential - All other services	-	12	0	0
49	Residential Revenues Subtotal			\$ 4,624,132	\$ 2,136,940
50	Less: Allowance for Uncollectible Residential Accounts			(6,510)	(3,871)
51	Total Residential Revenues (without Rate Change in Base Year)			\$ 6,697,744	\$ 6,738,400
52	Commercial Revenues			\$ 5,024,923	\$ 199,479
53	Less: Allowance for Uncollectible Commercial Accounts			(1,627)	(968)
54	Total Commercial Revenues (without Rate Change in Base Year)			\$ 5,005,089	\$ 5,112,145
55	Transfer Station and RRF Revenues (AND FORESTRY, FED. STATE CONTRACTS)			1,590,625	1,736,487
56	Recycled Material Sales			1,962,572	1,774,118
57	<b>Total Revenues (Lines 51 + 54 + 55 + 56)</b>			<b>\$ 15,256,030</b>	<b>\$ 15,361,160</b>
<b>Section VI--Net Shortfall (Surplus)</b>					
58	Net Shortfall (Surplus) without Franchise Fees (Line 21 - Line 57)	\$ 722,370	\$ 524,665	\$ (105,267)	\$ (22,701)
59	Residential and Commercial Franchise Fees	\$ 620,503	\$ 621,869	\$ 519,484	\$ 116,823
60	Net Shortfall (Surplus) with Franchise Fees (Lines 58 + 59)	\$ 1,342,873	\$ 1,146,534	\$ 414,217	\$ 94,122
<b>Section VII--Percent Change in Rates</b>					
61	Total Residential, Commercial, Transfer Station, and RRF Revenues Prior to Rate Change (Line 51 + 54 + 55)			\$ 11,179,640	\$ 2,707,001
62	Percent Change in Existing Residential/Commercial/Transfer Station/RRF Rates (Line 60 - Line 61)			3.71%	3.48%

# Base Year Rate Application

## Operating Information

Prior Year Audited Information All Three Jurisdictions	Current Year Estimated Information All Three Jurisdictions	Percent Change	Base Year Projected Information		Percent Change
			City of SLT and Douglas County	El Dorado County	

### Section VIII--Operating Data

63.	Residential Accounts	18,252	18,251	-0.01%	12,033	6,080	-0.76%
64.	Multi-family Accounts	3,459	3,491	0.93%	3,497	26	0.92%
65.	Commercial Accounts	870	881	1.26%	826	55	0.00%
66.	<b>Total Accounts</b>	<b>22,581</b>	<b>22,623</b>	<b>0.19%</b>	<b>16,356</b>	<b>6,161</b>	<b>-0.47%</b>
67.	Residential Refuse Tons	25,379.8	21,045.6	-17.08%	18,963.0	2,959.5	4.17%
68.	Residential Recycling Tons	40,189.2	33,326.0	-17.08%	29,059.5	4,535.3	0.81%
69.	Residential Yard Waste Tons	3,025.0	2,508.4	-17.08%	3,228.8	503.9	48.81%
70.	Commercial Refuse Tons	29,318.0	23,354.4	-20.34%	21,043.3	3,284.2	4.17%
71.	Commercial Recycling Tons	46,425.5	36,982.0	-20.34%	32,247.5	5,032.8	0.81%
	Commercial Yard Waste Tons	3,494.4	2,783.6	-20.34%	3,583.0	559.2	48.81%
72.	"Free" Drop Boxes Provided (Monthly)	5	3	%	3	0	0.00%
73.	"Free" Bins Provided	38	38	%	38	0	0.00%

### Section IX--Change in Commercial Rates

74.	2 Yard Bin--Once per Week			%			%
75.	3 Yard Bin--Once per Week			%			%
76.	4 Yard Bin--Once per Week			%			%
77.	5 Yard Bin--Once per Week			%			%
78.	6 Yard Bin--Once per Week			%			%
	City - per cubic yard	28.55	29.35	2.80%	30.44	0.00	3.71%
	Douglas - per cubic yard	24.23	24.89	2.72%	25.81	0.00	3.70%
	El Dorado - per cubic yard	34.07	35.02	2.79%	0.00	36.24	3.48%
	City - compacted per cubic yard	40.07	41.18	2.77%	42.71	0.00	3.72%
	Douglas - compacted per cubic yard	31.31	32.16	2.71%	33.35	0.00	3.70%
	El Dorado - compacted per cubic yard	45.61	46.88	2.78%	0.00	48.51	3.48%
	City - per 32 gal can/bag	3.93	4.04	2.80%	4.19	0.00	3.71%
	Douglas - per 32 gal can/bag	3.81	3.91	2.62%	4.06	0.00	3.84%
	El Dorado - per 32 gal can/bag	5.95	6.12	2.86%	0.00	6.33	3.43%