



ENVIRONMENTAL MANAGEMENT DEPARTMENT

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REPORT DETAILING REVIEW of TAHOE TRUCKEE DISPOSAL SERVICE 2019 RATE APPLICATION

This Report has been prepared for the Board of Supervisors pursuant to the requirements of the Rate Setting Policies and Procedures Manual, incorporated into the Tahoe Truckee Sierra Disposal Service Franchise Agreement, approved by the Board of Supervisors on September 29, 2015.

Executive Summary

On February 28, 2019, Tahoe Truckee Sierra Disposal Service (TTSD) submitted an interim year rate increase application (Attachment 1) to the Environmental Management Department (EMD) requesting to increase collection rates by 6%, effective July 1, 2019. EMD has reviewed TTSD’s interim year rate application and calculated rate increase of 6% and found the application and requested rate increase to be consistent with the requirements set forth in the approved Rate Setting Policies and Procedures Manual (Rate Manual). The chart below provides a sample of current rates and proposed rates based upon a 6% increase. Attachment two at the end of this report provides the full revised rate schedules.

RESIDENTIAL RATES	Current Monthly Rate	New Monthly Rate
One 32 gal can per week	\$27.10	\$28.73
Two 32 gal cans per week	\$35.76	\$37.91
Senior citizen	\$22.11	\$23.44
Extra 32 gal can per week	\$4.67	\$4.95

COMMERCIAL RATES	Current Monthly Rate		New Monthly Rate	
	Commercial Service	Cardboard	Commercial Service	Cardboard
3 yd. 1 x week	\$340.06	\$183.33	\$360.46	\$194.33
4 yd. 1 x week	\$425.09	\$216.76	\$450.60	\$229.77
6 yd. 1 x week	\$597.15	\$285.64	\$632.98	\$302.78

Background

The franchise agreement between the County of El Dorado (County) and TTSD, approved by the Board of Supervisors (Board) on September 29, 2015, includes a Rate Manual. The Rate Manual is a step-by-step guide for the County and TTSD to prepare and approve changes to solid waste collection rates. The Rate Manual establishes rate change policies, provides application forms, specifies reporting formats, identifies required supporting documentation, and describes the procedure for requesting, reviewing, and adopting rate changes.

The Rate Manual stipulates that the franchise hauler submit a *Base Year Rate Application* once every three (3) years to the County for evaluation of any needed adjustments to collection rates. This is known as a Base Year Rate Review. With the Base Year Rate Application, the franchise hauler provides detailed financial and operating information, for business done under the franchise agreement, which is carefully reviewed and analyzed, typically by the County's outside consultant due to the complexity of the financial review. TTSD's last Base Year Rate Review and rate adjustment occurred in 2018. The next Base Year Rate Review will occur in 2021.

If the franchise hauler chooses to request a rate adjustment in an "interim year" between "base" years, the County requires that the franchise hauler submit an *Interim Year Rate Application* for an Interim Year Rate Review. Interim year rate adjustments are based upon a simple formula. Utilizing the most recent twelve (12) month U.S. City Average – Garbage and Trash Collection Consumer Price Index (CPI) data, the franchise hauler calculates the percentage change multiplied by 85%. Interim year rate adjustments are subject to a "floor" and a "cap." During interim years, rate adjustments shall not be greater than 6% nor less than 1%, regardless of the rate adjustment calculated using the interim year formula.

Rate adjustments for the prior three years include:

- 2016 – 1.75% Interim Year
- 2017 – 1.51% Interim Year
- 2018 – 1.92% Base Year

The Board has the ultimate authority to approve any and all rate change recommendations for each franchise service area.

Analysis and Discussion of Issues

EMD has reviewed the Interim Year Rate Application submitted by TTSD, verified that the appropriate CPI data has been used, and verified the accuracy of the calculations used to determine the change in CPI. EMD concurs that the CPI change is 7.13%. In accordance with the Rate Manual, the actual allowable rate increase is 85% of the change in CPI, which equals 6.06%; however, as stated above the Rate Manual caps the maximum allowable increase at 6%.

There are no issues warranting discussion regarding TTSD's interim year rate request or calculations.

Recommendation

EMD has evaluated TTSD's Interim Year Rate Application and rate increase request and has determined that the requested rate increase of 6% is appropriate and consistent with the terms of the interim year rate setting procedures contained within the Rate Manual.

Attachments

1. TTSD Rate Application
2. TTSD Revised Rate Schedules