



# ENVIRONMENTAL MANAGEMENT DEPARTMENT

<http://www.edcgov.us/EMD/>

## PLACERVILLE OFFICE:

2850 Fairlane Court  
Placerville, CA 95667  
(530) 621-5300  
(530) 642-1531 Fax

## LAKE TAHOE OFFICE:

924 B Emerald Bay Road  
South Lake Tahoe, CA 96150  
(530) 573-3450  
(530) 542-3364 Fax

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## REPORT DETAILING REVIEW of EL DORADO 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 El Dorado Disposal Service Franchise Agreement, approved by the Board of Supervisors on October 21, 2014.

### Executive Summary

On March 1, 2019, Waste Connections, Inc., d/b/a El Dorado Disposal Service (EDDS), submitted an interim year rate increase application (Attachment 1) to the Environmental Management Department (EMD) requesting to increase collection and Material Recovery Facility (MRF) rates by 6%, effective July 1, 2019. EMD has reviewed EDDS' 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.

FRANCHISEE	RESIDENTIAL								
	Current Rate	6% CPI Increase eff. 7/1/19	8.86% Combined Increase eff. 7/1/19 (6% CPI + 2.86% UC)	Current Rate	6% CPI Increase eff. 7/1/19	8.86% Combined Increase eff. 7/1/19 (6% CPI + 2.86% UC)	Current Rate	6% CPI Increase eff. 7/1/19	8.86% Combined Increase eff. 7/1/19 (6% CPI + 2.86% UC)
	35 Gal Cart			64 Gal Cart			96 Gal Cart		
El Dorado Disposal Area A	\$ 24.41	\$ 25.87	\$ 26.57	\$ 31.46	\$ 33.35	\$ 34.25	\$ 36.88	\$ 39.09	\$ 40.15
El Dorado Disposal Area B	\$ 23.05	\$ 24.43	\$ 25.09	\$ 31.46	\$ 33.35	\$ 34.25	\$ 37.96	\$ 40.24	\$ 41.32
El Dorado Disposal Area C	\$ 23.23	\$ 24.62	\$ 25.29	\$ 33.19	\$ 35.18	\$ 36.13	\$ 37.70	\$ 39.96	\$ 41.04

FRANCHISEE	COMMERCIAL								
	Current Rate	6% CPI Increase eff. 7/1/19	8.86% Combined Increase eff. 7/1/19 (6% CPI + 2.86% UC)	Current Rate	6% CPI Increase eff. 7/1/19	8.86% Combined Increase eff. 7/1/19 (6% CPI + 2.86% UC)	Current Rate	6% CPI Increase eff. 7/1/19	8.86% Combined Increase eff. 7/1/19 (6% CPI + 2.86% UC)
	1 yd/1 x wk			4 yd/1 x wk			8 yd/1 x wk		
El Dorado Disposal Area A	\$ 102.16	\$ 108.29	\$ 111.21	\$ 347.64	\$ 368.50	\$ 378.44	\$ 665.38	\$ 705.30	\$ 724.33
El Dorado Disposal Area B	\$ 102.16	\$ 108.29	\$ 111.21	\$ 347.64	\$ 368.50	\$ 378.44	\$ 665.38	\$ 705.30	\$ 724.33
	6 yd Drop Box			10 yd Drop Box			20 yd Drop Box		
El Dorado Disposal Area C	\$ 279.56	\$ 296.33	\$ 304.33	\$ 362.77	\$ 384.54	\$ 394.91	\$ 539.83	\$ 572.22	\$ 587.66

Material Recovery Facility (MRF)	Current Rate	6% CPI Increase eff. 7/1/19	8.86% Combined Increase eff. 7/1/19 (6% CPI + 2.86% UC)	Current Rate	6% CPI Increase eff. 7/1/19	8.86% Combined Increase eff. 7/1/19 (6% CPI + 2.86% UC)	Current Rate	6% CPI Increase eff. 7/1/19	8.86% Combined Increase eff. 7/1/19 (6% CPI + 2.86% UC)
	Yard Waste Per Yd			Mixed Loose Waste Per Yd			Minimum Load Charge		
	\$ 8.97	\$ 9.51	\$ 9.76	\$ 12.09	\$ 12.82	\$ 13.16	\$ 7.04	\$ 7.46	\$ 7.66
	Mixed Solid Waste Per Ton			Construction & Demolition Per Ton			Clean Concrete Per Ton		
\$85.84	\$ 90.99	\$93.45	\$ 82.69	\$ 87.65	\$ 90.02	\$ 23.38	\$ 24.78	\$ 25.45	

## **Background**

The franchise agreement between the County of El Dorado (County) and EDDS, approved by the Board of Supervisors (Board) on October 21, 2014, includes a Rate Manual. The Rate Manual is a step-by-step guide for the County and EDDS to prepare and approve changes to solid waste collection and MRF 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 (MRF rates are not a part of the Base Year Rate Review, and are adjusted utilizing the Interim Year Rate Review process detailed below during base years). 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. EDDS'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, Collections and MRF
- 2017 – 1.51% Interim Year, Collections and MRF
- 2018 – 5.02% Base Year, Collections; 1.69% MRF

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 EDDS, 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 EDDS's interim year rate request or calculations.

**Recommendation**

EMD has evaluated EDDS'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. EDDS Rate Application
2. EDDS Revised Rate Schedules