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Title: Environmental Management Department recommending the Board receive an update on the proposed new Franchise Agreement negotiations with South Tahoe Refuse Co., Inc.,(STR) including an overview of the Solid Waste Rate Setting Policies and Procedures Manual, and recommending the Board provide direction regarding an amendment to the existing Collection Franchise Agreement between El Dorado County and STR incorporating the Rate Setting Policies and Procedures Manual into the existing Franchise Agreement while the department continues to negotiate a proposed new Franchise Agreement. (Est. Time: 30 Min.)

Sponsors:

Indexes:

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Attachments: 1. A - SLT-SWRS_Manual-12-08-10.pdf, 2. B - SLT Rate Manual Presentation.pdf

Date	Ver.	Action By	Action	Result
5/24/2011	1	Board of Supervisors	Approved	Pass

Environmental Management Department recommending the Board receive an update on the proposed new Franchise Agreement negotiations with South Tahoe Refuse Co., Inc.,(STR) including an overview of the Solid Waste Rate Setting Policies and Procedures Manual, and recommending the Board provide direction regarding an amendment to the existing Collection Franchise Agreement between El Dorado County and STR incorporating the Rate Setting Policies and Procedures Manual into the existing Franchise Agreement while the department continues to negotiate a proposed new Franchise Agreement. (Est. Time: 30 Min.)

Background:

On May 14, 2009, the Environmental Management Department received a letter from STR requesting to exercise the renewal option regarding a five (5) year extension of the current franchise agreement which would establish an agreement expiration date of December 31, 2014. On June 30, 2009, the Board approved the matter on the consent calendar. (Legistar item 09-0847)

Then on December 30, 2009, the Environmental Management Department received another letter from STR, requesting a franchise extension as part of a new Solid Waste Services Agreement between El Dorado County and STR. At the April 6, 2010 Board of Supervisors meeting the Board directed staff to negotiate an extension to the Franchise Agreement incorporating the new rate setting methodology (Legistar item 10-0287)

Since that time, the EMD staff has been meeting regularly with STR to negotiate a proposed new franchise agreement. In addition, staff has been working through the South Lake Tahoe Basin Waste Management Authority (JPA), who contracted with NewPoint Group Management Consultants, to update the Solid Waste Rate Setting Policies and Procedures Manual (Manual). The goal is to incorporate the updated Manual into the Franchise Agreements for the JPA jurisdictions; City of

South Lake Tahoe, Douglas County, NV, and the County of El Dorado.

The goals of the Solid Waste Rate Setting Policies and Procedures Manual include the development of:

- A strong and committed partnership with JPA jurisdiction and the franchised hauler,
- Justifiable and supportable rates,
- Reasonable cost of service and rates,
- A simple application process,
- A mechanism for ongoing rate review and rate stability, and
- To maximize opportunities for improving performance and service quality.

The policies outlined in the Manual include the implementation of the operating ratio method for determining profit. They also take into account related party transactions and prior Resource Recovery Facility (RRF) funding. In addition, they do not allow retroactive rate increases, balancing accounts, and fuel surcharges, and they establish increased diversion goals with regard to facility performance.

The Manual also defines a rate application process that identifies base years every three years, and interim years between the base years. The rates in the interim years are based on a simple formula of 85% of the Garbage and Trash Price Index (CPI).

On April 29, 2011, JPA staff along with NewPoint Group presented to the JPA the Manual for review and approval. The JPA unanimously approved the manual with the intent of each individual jurisdiction presenting the manual to their respective Boards for consideration and adoption.

Item for Consideration:

The EMD has been negotiating with STR with respect to a new proposed Franchise Agreement. While the negotiations of the new Franchise Agreement are not yet complete, the Manual has been completed. The EMD and STR request to utilize the Manual along with the other JPA jurisdictions for the upcoming rate setting cycle.

The EMD is recommending the Board approve the rate setting Manual and provide direction to the department regarding an amendment to the current Franchise Agreement incorporating the Manual as the procedures used for future rate setting. The requested Franchise Agreement amendment is an interim step in the negotiation process. Staff will return upon completion of a new proposed Franchise Agreement into which the Manual will be incorporated.

Action to be taken following Board approval: If so directed by the Board, the Environmental Management Department will return with an amendment to the current Franchise Agreement with South Tahoe Refuse, Co. incorporating the Solid Waste Rate Setting Policies and Procedures Manual.

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