



Legislation Details (With Text)

File #: 14-1186 **Version:** 1

Type: Agenda Item **Status:** Approved

File created: 8/20/2014 **In control:** Board of Supervisors

On agenda: 9/16/2014 **Final action:** 9/16/2014

Title: Community Development Agency, Environmental Management Division, recommending the Board consider the request from American River Disposal Service to consolidate the American River Disposal Service Franchise Agreement and the existing South Tahoe Refuse Franchise Agreement into a single franchise agreement.

Sponsors:

Indexes:

Code sections:

Attachments: 1. A - Franchise Area Map 9-16-14, 2. B - ARDS Letter 9-16-14, 3. C - ARDS Letter 9-16-14, 4. D - Rate Comparison 9-16-14, 5. E - PowerPoint Presentation 9-16-14

| Date | Ver. | Action By | Action | Result |
|-----------|------|----------------------|----------|--------|
| 9/16/2014 | 1 | Board of Supervisors | Approved | Pass |

Community Development Agency, Environmental Management Division, recommending the Board consider the request from American River Disposal Service to consolidate the American River Disposal Service Franchise Agreement and the existing South Tahoe Refuse Franchise Agreement into a single franchise agreement.

Background

On April 6, 2010 the Board of Supervisors (Board) directed staff to negotiate an extension to the South Tahoe Refuse (STR) Franchise Agreement incorporating a new, yet to be developed, rate setting methodology (Legistar item 10-0287). On May 24, 2011, the Environmental Management Department (EMD) provided an update on the proposed new Agreement negotiations, and recommended the Board provide direction regarding the incorporation of the new draft Solid Waste Rate Setting Policies and Procedures Manual (Rate Manual). The goal was to incorporate the updated Manual into the new Agreement. The Board approved the item (Legistar item 11-0544). On May 1, 2012, the Board approved the new Solid Waste Services Agreement with STR that incorporated the Rate Manual (Legistar item 12-0494).

On May 8, 2012, the Board considered whether the County should enter into the competitive bid process for collection and disposal of municipal solid waste and recyclable materials generated by residential, commercial and industrial customers within all Franchise Areas in the County, with the exception of South Lake Tahoe, or enter into negotiations with the current Franchisees (El Dorado Disposal, Sierra Disposal, Tahoe Truckee Sierra Disposal, Amador Disposal, and American River Disposal Service). The Board provided direction to staff to engage in good faith negotiations for the purpose of entering into new Franchise Agreements with the existing Franchisees (Legistar item 12-0508).

South Tahoe Refuse Companies

The County has three (3) solid waste franchise agreements with South Tahoe Refuse companies: (1)

American River Disposal Service (ARDS), (2) Sierra Disposal Services (SDS), and (3) STR. Each company has its own separate and distinct franchise agreement with the County. The ARDS franchise generally encompasses the American River Canyon from Echo Summit west to Pacific House. The SDS franchise generally encompasses the northern portion of the County on the west slope, including the communities of Coloma, Cool and Georgetown. The STR franchise includes the unincorporated areas within the South Lake Tahoe basin. Franchise Area Map attached (Attachment A).

American River Disposal Service

Residential and commercial refuse collected on the west slope of the County is typically transported to the Material Recovery Facility (MRF) located in Diamond Springs. Residential and commercial refuse collected by ARDS, however, is transported over the summit to the STR MRF in South Lake Tahoe, which is the nearest processing facility. The franchise area presently assigned to ARDS is relatively small in terms of the customer base. There are roughly two hundred-fifty (250) residential and sixty (60) commercial customers, many of whom are seasonal, who are serviced by STR trucks and personnel.

The last rate increase approved by the Board for ARDS was approximately eight (8) years ago in July 2006. ARDS rates are well below the other County franchise areas and ARDS has indicated that it has been operating at a loss based upon the current cost of providing collection services. In addition, while rates have remained unchanged, ARDS has continued to respond to new customer requests and has increased service levels within the franchise area (e.g., by adding recycling services at no additional charge to the rate payer). Staff recognizes that a rate adjustment will be needed in the ARDS franchise area to bring revenue in line with the current cost of providing collection services.

Reason for Recommendation

During the process of negotiating a new franchise agreement, the ARDS staff suggested that the County consider consolidation of the ARDS Franchise with the STR Franchise. The County requested that ARDS provide a written proposal to the County for evaluation and Board consideration. On February 12, 2014, the Community Development Agency, Environmental Management Division (CDA/EMD) received the attached letter from ARDS proposing franchise agreement consolidation with STR (Attachment B). Following negotiation discussions, ARDS submitted a second proposal letter to the County on May 21, 2014 (Attachment C).

As stated above, the Board approved a new franchise agreement with STR on May 1, 2012, and CDA/EMD is currently in the process of negotiating a new agreement with ARDS. Both the existing STR franchise agreement and the proposed ARDS agreement will have similar general terms and conditions, (e.g., rate setting policies and procedures), will incorporate the strategies of the El Dorado County Solid Waste Management Plan as adopted by the Board on January 31, 2012 (Legistar item 12-0139), and have County franchise fees of five percent (5%).

Negotiations

In the February 12, 2014 letter to the CDA/EMD referenced above (Attachment B, Page 4), ARDS requested a 43.2% rate increase. ARDS indicated:

- That they used the County's proposed rate setting policies and procedures to calculate this figure.
- The cumulative increase for STR since 2006 was just under 46%, which included rate increases to fund construction of the Resource Recovery Facility (RRF).

- ARDS customers did not incur rate increases to fund the RRF, and yet materials collected within the ARDS franchise area are processed at this facility.
- This proposed large rate increase also reflects the costs of administering a separate agreement which must be spread over the very small customer base.

After negotiating with CDA/EMD staff, ARDS submitted a second proposal letter to the County on May 21, 2014 (Attachment C) wherein ARDS proposed a 12% rate increase (as opposed to the 43.2% increase identified above), which would be spread out equally over a three (3) year period (4% per year) beginning January 1, 2015. Even with a 12% rate increase over a three (3) year period, ARDS rates will remain well below the rates of other franchise areas in the County. For example, should the Board approve a 12% rate increase spread over a three year period the rate for a 32-gallon residential can serviced weekly will be \$15.14 in 2017. This rate is well below the current 32-gallon residential can rate for South Tahoe Refuse (\$28.41), Tahoe Truckee Sierra Disposal (\$25.35), Sierra Disposal Service (\$21.42), El Dorado Disposal Service (\$20.59) and Amador Disposal Service (\$19.20) (Attachment D). Under the proposed franchise consolidation, reduced operational and administrative costs for ARDS will directly affect rates charged to ARDS customers in a positive manner.

Benefits of Consolidation

Benefits of the proposed franchise consolidation include:

- Increased economies of scale for operations and for administration (e.g., consolidation of accounting and annual reporting, and elimination of an ARDS specific financial audit).
- As part of the STR Franchise Agreement, ARDS customers also will have guaranteed access to, and benefit from the evolving service and programs associated with the STR MRF, RRF, and any future expansion of these facility services and programs.
- The County also will benefit from a single consolidated agreement and will realize efficiencies through a streamlined process (e.g., single rate application, Board preparation and presentation) as opposed to two separate agreements.

Staff has not identified any negative impacts regarding the proposed franchise consolidation.

Recommendation

Staff recommends the Board conceptually approve franchise consolidation. Should the Board conceptually approve consolidation, the STR contract will be amended to incorporate the ARDS franchise area and the item will be brought back to the Board for approval. The STR service area will become Area A and the ARDS service area will become Area B of the franchise agreement. Area B will maintain non-mandatory “per-can” service for its residential and commercial customers and there will be a separate rate structure for service area A and B.

In order to provide consistency with the newly proposed Franchise Agreements on the West Slope, the amendment will include an exception to exclusivity as it relates to Forest Biomass generated in forested land for purposes of disposing same at an authorized Biomass Conversion Facility. In addition, the amendment will reserve the County’s future right to redirect the waste stream to another facility approved by the County to comply with long-term waste management needs and divert any waste from landfills. There will otherwise be no change to the existing STR Franchise Agreement terms and conditions.

Action to be taken by the Board

- 1) Conceptually approve the consolidation of the ARDS Franchise Agreement into the STR Franchise Agreement, and direct staff to return to the Board with the proposed STR contract amendment and rate structure for ARDS; or
- 2) Direct staff to maintain a separate and distinct Franchise Agreement for ARDS and return to the Board with the new ARDS Franchise Agreement and rate structure.

Clerk of the Board Follow Up Actions

None

Contact

Gerri Silva, M.S., REHS, Environmental Management Division Director

Concurrences

None