



Legislation Details (With Text)

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Title: Per the request of Waste Connections Inc. and as required by the Franchise Agreement, conduct a public hearing to consider adoption of Resolution adjusting the solid waste collection and Material Recovery Facility (MRF) rate for Waste Connections, Inc., dba El Dorado Disposal Service by the annual Consumer Price Index of 3.4% and adjusting the fuel surcharge from 3.75% to 2.97%, effective July 1, 2009. (Cont'd 6/16/09, Item 20)
Resolution 143-2009

Sponsors:

Indexes:

Code sections:

Attachments: 1. Attachment A, 2. Attachment B, 3. Attachment C, 4. Attachment D, 5. Attachment E, 6. Resolution (Attachment F), 7. G - Letter from Waste Connections, 8. H - Handout at Meeting, 9. I - Handouts from Supervisors, 10. Letter from RIPP, Inc..pdf, 11. EDDS Reso #2 - Base.pdf, 12. EDDS Reso #3 - CPI 3.4.pdf, 13. Revised Resolution 143-2009 received 9-14-09.pdf, 14. letter from Geri Silva submitted by Carrie

Date	Ver.	Action By	Action	Result
6/23/2009	2	Board Of Supervisors	Adopted As Amended	Pass
6/16/2009	1	Board Of Supervisors	Continued	Pass

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Resolution 143-2009

Fiscal Impact/Change to Net County Cost: There is no change in Net County Cost. The attached Resolutions indicate proposed solid waste rate levels.

Background:

In accordance with the Solid Waste Services Agreement between El Dorado County and Waste Connections of California, Inc., Section 22 - Compensation, the Board of Supervisors shall set the rates to be charged by the contractor annually at the beginning of each operating year (commencing with July 1st). In addition, the Contractor's rates for services shall be adjusted, upward or downward, annually, effective July 1st of each year commencing on July 1, 2005, based on the increase or decrease in the Consumer Price Index - All Items - for the State of California, published by the U. S. Bureau of Labor Statistics ("CPI") during the most recent twelve month period ending no later than December 30 of the calendar year preceding the upcoming Operating Year".

In addition, per the Solid Waste Services Agreement, Section 22 (D)(ii) - Adjustments for

Extraordinary Circumstances, the Contractor may request an adjustment to Contractor's rates for services, in the event that unforeseen circumstances arise which materially affect Contractor's costs or revenue under this agreement, including but not limited to material increase or decrease in the cost of fuel. The Board may grant Contractor's requested rate adjustment or, based upon the information claiming extraordinary circumstance, may increase or decrease Contractor's rates in amounts differing from the Contractor's request.

On March 26, 2009, the Environmental Management Department received a letter from Waste Connections Inc. formally requesting a CPI adjustment of 3.4% and an adjustment of the fuel surcharge from 3.75% to 2.97% for the hauling and transfer station gate rates for the upcoming Operating Year commencing July 1, 2009 (see attachment A).

CPI Increase: It has been verified that Waste Connection Inc. utilized the appropriate index of the U.S. Bureau of Labor Statistics ("CPI") in accordance with the published increase for the twelve month period ending December 31, 2008 (see attachment B).

Fuel Surcharge : On May 15, 2006, the Environmental Management Department received a request from Waste Connections to grant consent to transfer the solid waste contracts held by USA Waste of California to Waste Connections Inc., and the initiation of a fuel surcharge of 3.78% while citing a 35.5% increase in diesel fuel costs over the past three years (Attachment C 2 letters)

Effective June 6, 2006, the Franchise Agreement for the collection and disposal of municipal solid waste generated by residential, commercial and industrial customers in a delineated franchise area in the western portion of the County (including the operation of the Material Recovery Facility) was transferred from Waste Management Inc. to Waste Connections Inc.

R3 Consulting assisted and provided the tools to analyze the fuel surcharge request. At the recommendation of R3, it was determined that an appropriate method to establish the initial fuel surcharge rate was to review the Producers Price Index for Diesel Fuel #2 average for the past three years and develop a baseline measurement. The baseline measurement was proportionally applied to the company's expenses to compensate for the increase cost of fuel. On August 8, 2006, at the request of Waste Connections, the Board granted the fuel surcharge of 3.78%.

Following the development of baseline fuel surcharge, the subsequent fuel surcharge adjustment requests from Waste Connections were calculated based on the January 2006 diesel fuel index of 197.1.

On July 3, 2007, at the request of Waste Connections the fuel surcharge was addressed by the Board and adjusted from 3.78% to 3.75%; reflecting a relative decrease in the price of fuel. The January 2007 diesel fuel index was 180.9.

On June 3, 2008, at the request of Waste Connections the fuel surcharge was addressed by the Board wherein Waste Connections had requested a fuel surcharge increase from 3.75% to 5.38%, citing extraordinary circumstance related to a rising cost in fuel. The Board declined this fuel surcharge increase and retained the rate at 3.75%. The January 2008 diesel fuel index was 272.2.

The 2009 diesel fuel index of 164.1 demonstrates a 17% decrease from the baseline PPI for diesel fuel in January 2006. The January 2009 diesel fuel index is comparable with the diesel fuel index in 2005 which ranged from 141.1-198.5. A review of the solid waste franchise rate hearings for 2005 did

not indicate the need to compensate fuel expenses as an extraordinary circumstance. Therefore, it appears that diesel fuel was compensated for via the general CPI rate increase in 2005.

Attachment D indicates the historical Consumer Price Index and Fuel Surcharge rate increases for El Dorado Disposal from 2006-2009. Producers Price Index (accounts for the price of diesel fuel) data is also indicated from 2003 to 2005 in this same attachment.

“Extraordinary Circumstances” is generally defined as those issues and instances that are outside the normal or routine expectations. Extraordinary circumstances are considered temporary in nature and not intended as a consistent or ongoing subsidy. Based on the evaluation of the 2009 diesel fuel index it appears that there is no longer an extraordinary cost of fuel that would warrant a fuel surcharge.

The Environmental Management has approved Waste Connection Inc. written notification to each ratepayer as described in Section 22(B) of the Solid Waste Franchise Agreement (see attachment E). The hearing to adopt the proposed collection rate adjustments has been duly noticed in accordance with Section 66016 of the California Government Code.

Reason for Recommendation:

CPI Increase: The requested CPI increase is in accordance with the Solid Waste Services Agreement, Section 22 Compensation and Subsection C Inflation/Deflation Adjustments, of the franchise agreement.

Please note the basic residential and commercial rates below. The all inclusive fee schedule is included in the attached resolution.

Residential

Current Rate	
1 32g Can	\$18.12
1 64g Cart	\$27.16
1 96g Cart	\$27.81

Commercial

Residential

Rate w/ 3.4 % CPI Increase	
1 32g	\$18.74
1 64g	\$28.08
1 96g	\$28.76

Commercial

Current Rate	
1 Yard	\$17.66
2 Yard	\$15.30

Rate w/ 3.4 % CPI Increase	
1 Yard	\$18.26
2 Yard	\$15.82

Fuel Surcharge: In accordance with the Solid Waste Service Agreement, the Board shall review and consider the adjustment request in its discretion. The Board has the following options regarding the fuel surcharge rate adjustment:

- 1) Grant Waste Connections Inc. the fuel surcharge rate request decrease of .78% which would create a new fuel surcharge rate of 2.97%.

Option 1 - Residential

Rate w/ 2.97% Fuel Surcharge	
1 32g Can	\$19.30
1 64g Cart	\$28.91
1 96g Cart	\$29.61

**Option 1
-
Commercial**

Rate w/ 2.9 7% Fuel Sur charge	
1 Yard	\$18.80
2 Yard	\$16.29

- 2) Deny Waste Connection Inc. fuel surcharge rate request in its entirety.

Action to be taken following Board approval: Forward executed resolution to Environmental Management Department for implementation.

Contact: Gerri Silva, MS, REHS, Environmental Management Director