



Legislation Text

File #: 21-0904, **Version:** 1

HEARING - Environmental Management Department recommending the Board:

- 1) Based on the analysis completed by Crowe LLP, find that a 5.52% increase to the existing solid waste collection rates for Waste Connections of California, Inc., doing business as El Dorado Disposal Service, is in accordance with the base year rate setting process as outlined in the Solid Waste Rate Setting Policies and Procedures Manual;
- 2) Adopt and authorize the Chair to sign Resolution **066-2021** (Attachment C), adjusting the residential and commercial solid waste collection rates for El Dorado Disposal Service, Areas A, B, and C by 5.52% for the 2021 base year, to become effective July 1, 2021; and
- 3) Adopt and authorize the Chair to sign Resolution **067-2021** (Attachment B), adjusting the Material Recovery Facility rates by 3.75%, to become effective July 1, 2021.

FUNDING: User Fees/Franchise Fees. (No Federal Funding)

DISCUSSION / BACKGROUND

On October 21, 2014 (Item 32, File No. 14-1047), the Board adopted Resolution No. 187-2014 authorizing a new Solid Waste Services Agreement (Franchise Agreement) between the County and Waste Connections of California, Inc., doing business as El Dorado Disposal Service (El Dorado Disposal), for the collection of solid waste throughout the franchise area and operation of the Material Recovery Facility (MRF). In addition to significant changes from the previous agreement, this Franchise Agreement also incorporated a new Solid Waste Rate Setting Policies and Procedure Manual (Rate Manual) developed by Crowe LLP.

On August 18, 2015 (Item No. 13, File No. 15-0905), the El Dorado Disposal Service Agreement was amended (First Amendment) to consolidate the services provided by Amador Disposal Service under the Amador Disposal Service Franchise Agreement into the El Dorado Disposal Service Agreement (Area B) and terminate the Amador Disposal Service Franchise Agreement. Also on August 18, 2015 (Item No. 14, File No. 15-0632), the Sierra Disposal Service Franchise Agreement was assigned to El Dorado Disposal and the El Dorado Disposal Service Agreement was amended (Second Amendment) to consolidate the services provided by Sierra Disposal Service into the El Dorado Disposal Service Agreement (Area C).

The Rate Manual provides specific requirements for the setting of collection rates during "Base" years (every third year of the Franchise Agreement) and "Interim" years (years falling between base years). Base year rate adjustments require an in-depth financial analysis to determine if rates require adjustment, the amount of the adjustment, and whether or not an increase or decrease to rates is warranted. Interim year rate adjustments are calculated based upon 85% of the change in the U.S. City Average - Garbage and Trash Collection Consumer Price Index (CPI) of the previous 12 months (December to December). The franchise hauler is not obligated to request an increase in interim years. The MRF rates are adjusted annually by CPI and are not subject to the base year rate setting process.

Recently approved increases to the solid waste collection rates are as follows:

2015 - base year - 1.96% rate increase (File No. 14-1047)
2016 - interim year - 1.75% rate increase (File No. 14-1047)
2017 - interim year - 1.51% rate increase (File No. 14-1047)
2018 - base year - 5.02% rate increase (File No. 18-0825)
2019 - interim year - 8.86% rate increase (File No. 19-0920)
2020 - interim year - 6.69% + \$0.19 rate increase (residential); 8.28% (commercial) (File No. 20-0919)

Recently approved increases to the MRF rates are as follows:

2015 -1.96%
2016 -1.75%
2017 - 1.51%
2018 - 1.69%
2019 - 8.86%
2020 - 3.46%

The rate increases in 2019 and 2020 reflected additional adjustments due to unforeseen circumstances resulting from increasingly restrictive changes in recycling laws and further declines in the recycling commodity market, and capital costs associated with the construction of the new Transfer Station/MRF due to unforeseen circumstances. The Rate Manual provides for rate setting outside of the normal annual process under Section 1, C for unforeseen circumstances. In addition, the Fourth Amendment to the EDDS Franchise Agreement, approved by the Board on November 13, 2018 (Item 21, File No. 18-1693), under Section 11A allows the franchised hauler to request the Board to consider an increase to the MRF rates if the estimated project cost significantly exceeds the original maximum project estimate.

On March 28, 2021 El Dorado Disposal submitted a Base Year Rate Application (Rate Application) to the Environmental Management Department (Environmental Management) for collection services for rate year 2021 (Attachment D) requesting a 3.75% rate increase to the MRF as well as residential and commercial collection rates. Environmental Management is responsible for overseeing the franchise agreements for Solid Waste Management and rate setting is guided by the Rate Manual.

In March of 2021, Environmental Management requested that Crowe LLP, the County's solid waste consultant, perform a review of El Dorado Disposal's Rate Application and supporting information. The Rate Application included audited financial statements for the year ending December 31, 2019, and internally prepared estimated financial information and operational data for years 2020 (estimated) and 2021 (projected).

The review and evaluation of El Dorado Disposal's Rate Application included, but was not limited to:

- 1) Affirming that the Rate Application is mathematically accurate and true;
- 2) Affirming that the Rate Application complied with the terms and conditions of the Rate Manual;
- 3) Affirming that the Rate Application reconciled to El Dorado Disposal's financial statements;
- 4) Reviewing El Dorado Disposal's financial information, operational data, and projections for reasonableness;
- 5) Assessing supporting data, worksheets, and documentation;

- 6) Reviewing historical actual, estimated, and projected revenues and expenses;
- 7) Reviewing cost allocations; and
- 8) Confirming the use of the allowed operating ratio, franchise fee calculation, revenue requirement, and rate adjustment.

Crowe LLP completed the analysis of El Dorado Disposal's Rate Application and provided the final Base Year 2021 Rate Analysis (Rate Analysis) to Environmental Management (Attachment E). Based upon the analysis conducted, Crowe LLP is recommending the approval of a 3.75% rate increase for the MRF rates and a 5.52% rate increase for residential and commercial solid waste collection rates for El Dorado Disposal's franchised areas in the unincorporated portion of the County (Franchise Areas A, B, and C).

In accordance with County Ordinance 8.42.170, notice of the time, date, place, and purpose of the public hearing to adopt the proposed solid waste collection rate adjustments has been duly noticed to affected ratepayers. At the request of Environmental Management, a public hearing notice for the franchise area was published in the Mountain Democrat newspaper on June 11, 2021 and June 18, 2021 (Attachment F). In addition, El Dorado Disposal Service provided notice to customers by including said notice on billing statements for customers in Franchise Area A and by postcard for Franchise Areas B and C, and posted a notice at the entrance to the MRF.

ALTERNATIVES

Denial of the requested Base Year rate increases (3.75% for MRF rates and 5.52% for residential and commercial solid waste collection rates) would not be in compliance with the contractual terms of the Board approved Franchise Agreement and Rate Manual incorporated therein.

PRIOR BOARD ACTION

See Discussion/Background above.

OTHER DEPARTMENT / AGENCY INVOLVEMENT

County Counsel has approved the proposed Resolutions (Attachment A).

CAO RECOMMENDATION

Approve as recommended.

FINANCIAL IMPACT

The increase in rates proposed by El Dorado Disposal are directly related to the cost to provide this service to customers. The County's Franchise Fee will remain at 5%; however, as rates are incrementally increased, the County will see a slight increase in Franchise Fee revenue.

CLERK OF THE BOARD FOLLOW UP ACTIONS

- 1) Clerk of the Board will obtain the Chair's signature on one (1) original copy of each adopted Resolution.
- 2) Clerk of the Board will forward one (1) copy of each executed Resolution to Environmental Management for further processing.

STRATEGIC PLAN COMPONENT

Healthy Communities, Good Governance

CONTACT

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