



Legislation Text

File #: 24-1037, **Version:** 1

HEARING - Environmental Management Department recommending the Board consider the following regarding Material Recovery Facility and solid waste collection rates for Waste Connections of California, Inc., doing business as El Dorado Disposal Service, Franchise Areas A, B, and C:

- 1) Find that a 5.56 % Interim Year rate increase for the Material Recovery Facility rate schedule and a 7.5% Base Year rate increase for solid waste collection rates, both residential and commercial, in Franchise Areas A, B, and C, to be in accordance with the rate-setting process as outlined in the Solid Waste Rate Setting Policies and Procedures Manual;
- 2) Adopt and authorize the Chair to sign Resolution **117-2024** (Attachment C), adjusting the Material Recovery Facility rates by 5.56% for the 2024 Interim Year to become effective July 1, 2024; and
- 3) Adopt and authorize the Chair to sign Resolution **118-2024** (Attachment B), adjusting the residential and commercial solid waste collection rates for El Dorado Disposal Service, Areas A, B, and C by 7.5%, for the 2024 Base Year to become effective July 1, 2024.

FUNDING: User Fees, Franchise Fees. (No Federal Funds)

DISCUSSION / BACKGROUND

On October 21, 2014 (Legistar File 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 New Point Group (now Crowe LLP).

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 an increase or decrease to rates is warranted. Interim year rate adjustments are calculated based on 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). Interim year rate adjustments are subject to a minimum increase of 1% and a maximum increase of 6%. The franchise hauler is not obligated to request an increase in interim years.

On August 18, 2015 (Legistar File 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 (Legistar File 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). On December 12, 2017 (Legistar File 14-1047), The El Dorado Disposal

Agreement was amended (Third Amendment) to provide seasonal curbside green waste cart service in the Area B community of Grizzly Flats.

Interim and base year rate increases for El Dorado Disposal, Areas A, B, and C, were previously approved by the Board on the following dates:

- June 7, 2016 (Legistar 14-1047, 1.75%),
- May 23, 2017 (Legistar 14-1047, 1.51%),
- June 12, 2018 (Legistar 18-0825, a base year increase, 5.02% to El Dorado Disposal residential and commercial customer rates, Areas A, B and C, and a 1.69% CPI increase for MRF rates. The MRF rates are adjusted annually by CPI and are not subject to the base-year rate-setting process).
- June 25, 2019 (Legistar 19-0920, 8.86%),
- August 25, 2020 (Legistar 20-0919, 3.46% to MRF and 6.69% to Franchise areas).
- June 21, 2022 (Legistar 22-0984, 4.07%)
- June 27, 2023 (Legistar 23-0855, 5.21%)

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. 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.

A special rate increase hearing based on Unforeseen Circumstances was held on 12/6/2022 (Legistar 22-2186, \$3.07 a month). The Board approved the increases as requested to specific services relating to Organics which were impacted by the implementation of SB 1383. Those rate increases were incorporated in the 2023 Resolution.

In November 2023, El Dorado Disposal submitted a Base Year Rate Application to the Environmental Management Department for collection services for rate year 2024 and requested a 7.9% rate increase to residential and commercial collection rates in Franchise Areas A, B, and C. In April 2024, EDD subsequently revised the application to include the completed 2023 data collected, resulting in an increase request of 8.21%.

In February 2024, El Dorado Disposal submitted an Interim Year Rate Application for a Consumer Price Index (CPI) rate increase of 6.0% to the MRF rate schedule.

In May 2024, Environmental Management requested that Crowe LLP, the County's solid waste contracted consultant, perform a review of the rate requests and Crowe determined that a 7.50% increase for the Franchise Areas A, B, and C, along with a 5.56% increase to the MRF Gate Rates was in accordance with the rate-setting process as outlined in the Solid Waste Rate Setting Policies and Procedures Manual and has recommended these proposed increases.

ALTERNATIVES

There are no feasible alternatives at this time. Denial of the requested 7.5% 2024 Base Year rate increase and 5.56% Interim MRF rate increase would not be consistent with the terms of the Board approved Franchise Agreement and Rate Manual incorporated therein, which expires on November 7, 2026.

PRIOR BOARD ACTION

See Discussion/Background above.

OTHER DEPARTMENT / AGENCY INVOLVEMENT

County Counsel has approved the proposed Resolutions.

CAO RECOMMENDATION / COMMENTS

Approve as recommended. It should be noted that although the Board has no discretion in approving the rate increase at this time due to the terms in the current Franchise Agreement, both the County and the Franchisee have the option of negotiating an amendment to the terms of the Franchise Agreement, including the Rate Setting Manual, at any time, to apply to future rate increase applications.

FINANCIAL IMPACT

The increase in rates proposed by El Dorado Disposal are directly related to the cost to provide these services 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. Additionally, in 2020 the Board approved 20-0918, increasing the per tonnage surcharge from \$2.70/ton to \$10.80/ton resulting in an estimated increase of \$250,000 to \$750,000 in funding.

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

N/A

CONTACT

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