



## Legislation Text

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**File #:** 21-0905, **Version:** 1

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HEARING - Environmental Management Department recommending the Board:

- 1) Based on the analysis completed by Crowe, LLP, find that a 7.43% increase to the existing solid waste collection rates for Tahoe Truckee Sierra Disposal Co., doing business as Tahoe Truckee Sierra Disposal is in accordance with the base year rate setting process as outlined in the Solid Waste Rate Setting Policies and Procedures Manual; and
- 2) Adopt and authorize the Chair to sign Resolution **068-2021** (Attachment B), adjusting the solid waste collection rates for the Tahoe Truckee Sierra Disposal Co. area by 7.43% for the 2021 base year to become effective July 1, 2021.

**FUNDING:** User Fees/Franchise Fees.

### **DISCUSSION / BACKGROUND**

On October 27, 2015 (Item No. 26, File No. 15-0903), the Board adopted Resolution No. 161-2015 authorizing a new Solid Waste Services Agreement (Franchise Agreement) with Tahoe Truckee Sierra Disposal Co. (Tahoe Truckee Sierra Disposal) for the collection of solid waste throughout the franchise area. The new Franchise Agreement incorporated a Solid Waste Rate Setting Policies and Procedures Manual (Rate Manual) developed by 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 the base years). Base year rate adjustments require an in-depth financial analysis to determine if rates require 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 new Franchise Agreement incorporated the residential and commercial solid waste collection rates, as base years, adopted by the Board on June 23, 2015 (Item No. 49, File No. 13-0572), Resolution No. 098-2015, and became effective July 1, 2015. Interim year rate increases were previously approved by the Board on June 7, 2016 (Item No. 37, File No. 15-0903, 1.75%) and on May 23, 2017 (Item No. 25, File No. 15-0903, 1.51%). On June 12, 2018 (Item No. 29, File No 18-0824), the Board approved a base year rate increase of 1.92%. An interim year rate increase of 6.0% was approved by the Board on June 25, 2019 (Item No. 41, File No. 19-0918). The last interim year rate increase of 1% was approved by the Board on June 23, 2020 (Item No. 44, File No. 20-0706).

On December 15, 2020, Tahoe Truckee Sierra Disposal submitted a Base Year Rate Application (Rate Application) to the Environmental Management Department (Environmental Management) for collection services for rate year 2021 requesting a 6.94% rate increase for residential and commercial solid waste collection rates (Attachment C). 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 Tahoe Truckee Sierra 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 Tahoe Truckee Sierra 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 Tahoe Truckee Sierra Disposal's financial statements;
- 4) Reviewing Tahoe Truckee Sierra 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.

During Crowe's review, Tahoe Truckee Sierra Disposal increased their request to 9.95% and submitted a revised Rate Application (Attachment A of 2022 Crowe Rate Review). Crowe LLP completed the analysis of Tahoe Truckee Sierra Disposal's Rate Application and provided the final Base Year 2021 Rate Analysis (Rate Analysis) to Environmental Management (Attachment D). Based upon the analysis conducted, Crowe LLP is recommending the approval of a 7.43% rate increase for solid waste collection rates for Tahoe Truckee Sierra Disposal's franchised area.

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 Tahoe Daily Tribune newspaper on June 11, 2021 and June 18, 2021 (Attachment E). In addition, Tahoe Truckee Sierra Disposal has provided notice to customers by postcard.

### **ALTERNATIVES**

Denial of the requested 7.43% 2021 base year rate increase would not be consistent with the 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 Resolution.

### **CAO RECOMMENDATION / COMMENTS**

Approve as recommended.

### **FINANCIAL IMPACT**

The 2021 Base year rate increase proposed by Tahoe Truckee Sierra Disposal is directly related to the cost to provide solid waste collection services to its 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 the adopted Resolution; and
- 2) Clerk of the Board will forward one (1) copy of the executed Resolution to Environmental Management for further processing.

### **STRATEGIC PLAN COMPONENT**

Healthy Communities, Good Governance

### **CONTACT**

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