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Title: HEARING - Community Development Services, Environmental Management Department, recommending the Board consider the following regarding the solid waste collection rates for the South Tahoe Refuse Co., Inc., Areas A and B:
Find, based on the analysis completed by Crowe Horwath, Inc., that a 9.34% increase to the existing rates to be in accordance with the Base year rate setting process as outlined in the Solid Waste Rate Setting Policies and Procedures Manual; and either:
1) Adopt and authorize the Chair to sign Resolution 189-2017 authorizing an increase to the solid waste collection rates of 9.34%, to be effective January 1, 2018, with the full increase to be applied to the 2018 Base year; or
2) Adopt and authorize the Chair to sign Resolution 190-2017 authorizing an increase to the solid waste collection rates of 9.34%, with 6.26% of the increase applied to the 2018 Base year, to be effective January 1, 2018, and the remaining 3.08% of the increase to be deferred to the 2019 Interim year, to be effective January 1, 2019, in addition to any approved Interim year rate adjustments. (Est. Time: 15 Min.)

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

Sponsors:

Indexes:

Code sections:

Attachments: 1. 5A - Approved Contract Routing Sheet 12-12-17, 2. 5B - Resolution Authorizing Areas A and B Rate Increase 12-12-17, 3. 5C - Resolution Authorizing Areas A and B Deferred Rate Increase 12-12-17, 4. 5D - South Tahoe Refuse 2018 Base Year Rate Application 12-12-17, 5. 5E - Base Year 2018 Rate Analysis of South Tahoe Refuse 12-12-17, 6. 5F - EMD Public Notices for Areas A and B 12-12-17, 7. 5G - South Tahoe Refuse Public Notices for Areas A and B 12-12-17, 8. Executed Resolution 189-2017, 9. Executed Resolution 190-2017, 10. 4A - Approved CRS 12-13-16, 11. 4B - Resolution 12-13-16, 12. 4C - Interim Rate App. 12-13-16, 13. 4D - Crowe Horwath Rate Review 12-13-16, 14. 4E - Public Notice 12-13-16, 15. Executed Resolution 204-2016, 16. 3A - Base Year Application 12-2-14, 17. 3B - Rate Review 12-2-14, 18. 3C - Resolution 12-2-14, 19. 3D - Rate Schedule 12-2-14, 20. 3E - Public Notice 12-2-14, 21. Executed Resolution 209-2014, 22. 2A - Resolution 12-10-13, 23. 2B - STR Interim Year Rate App. 12-10-13, 24. 2C - Interim Year Worksheet 12-10-13, 25. 2D - STR Letter 12-10-13, 26. 2E - Legal Notice 12-10-13, 27. Executed Resolution 187-2013, 28. A - STR Resolution 1.58% 12-4-12, 29. B - STR Public Notice 12-4-12, 30. C - Interim Year Rate Application, 31. Executed Reso 170-2012

Date	Ver.	Action By	Action	Result
12/12/2017	5	Board of Supervisors	Approved	Pass
12/13/2016	4	Board of Supervisors	Approved	Pass
12/2/2014	3	Board of Supervisors	Approved	Pass
12/10/2013	2	Board of Supervisors	Approved	Pass
12/4/2012	1	Board of Supervisors	Approved	Pass

HEARING - Community Development Services, Environmental Management Department, recommending the Board consider the following regarding the solid waste collection rates for the

South Tahoe Refuse Co., Inc., Areas A and B:

Find, based on the analysis completed by Crowe Horwath, Inc., that a 9.34% increase to the existing rates to be in accordance with the Base year rate setting process as outlined in the Solid Waste Rate Setting Policies and Procedures Manual; and either:

- 1) Adopt and authorize the Chair to sign Resolution **189-2017** authorizing an increase to the solid waste collection rates of 9.34%, to be effective January 1, 2018, with the full increase to be applied to the 2018 Base year; or
- 2) Adopt and authorize the Chair to sign Resolution **190-2017** authorizing an increase to the solid waste collection rates of 9.34%, with 6.26% of the increase applied to the 2018 Base year, to be effective January 1, 2018, and the remaining 3.08% of the increase to be deferred to the 2019 Interim year, to be effective January 1, 2019, in addition to any approved Interim year rate adjustments. (Est. Time: 15 Min.)

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

DEPARTMENT RECOMMENDATION

Community Development Services (CDS), Environmental Management Department (Environmental Management), recommending the Board consider the following regarding the solid waste collection rates for the South Tahoe Refuse Co., Inc., Areas A and B:

- 1) Find, based on the analysis completed by Crowe Horwath, Inc., that a 9.34% increase to the existing rates to be in accordance with the Base year rate setting process as outlined in the Solid Waste Rate Setting Policies and Procedures Manual; and either:
 - a) Adopt and authorize the Chair to sign Resolution **189-2017** authorizing an increase to the solid waste collection rates of 9.34%, to be effective January 1, 2018, with the full increase to be applied to the 2018 Base year; or
 - b) Adopt and authorize the Chair to sign Resolution **190-2017** authorizing an increase to the solid waste collection rates of 9.34%, with 6.26% of the increase applied to the 2018 Base year, to be effective January 1, 2018, and the remaining 3.08% of the increase to be deferred to the 2019 Interim year, to be effective January 1, 2019, in addition to any approved Interim year rate adjustments.

DISCUSSION / BACKGROUND

On May 31, 2017, South Tahoe Refuse Co., Inc. (South Tahoe Refuse) submitted a Base Year Rate Application to the South Lake Tahoe Basin Waste Management Authority, a Joint Powers Authority (JPA), for rate year 2018 (Attachment 5D). This JPA is comprised of the City of South Lake Tahoe, El Dorado County, and Douglas County in Nevada, as Member Agencies, and is responsible for overseeing regional cooperation regarding solid waste and coordinating solid waste program planning and reporting to the Member Agencies. South Tahoe Refuse is the franchise hauler for the three Member Agency jurisdictions. Rate setting is guided by the JPA's March 2012 Solid Waste Rate Setting Policies and Procedures Manual (Rate Manual). This Rate Manual was developed for the JPA by NewPoint Group (now Crowe Horwath), with the intent of establishing a consistent process and application for all Member Agencies to use in their respective solid waste franchise agreements.

On May 1, 2012 (Item 11), the Board adopted Resolution 043-2012 authorizing a new Solid Waste Services Agreement (Franchise Agreement) with South Tahoe Refuse. The new Franchise Agreement incorporated the JPA approved March 2012 Rate Manual. 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 Garbage and Trash Collection Consumer Price Index for the past 12 months (June to June) and compensation for any increase in landfill disposal costs. The franchise hauler is not obligated to request an increase in interim years. The year 2015 was the last Base year rate increase for South Tahoe Refuse rate setting, and years 2016 and 2017 were Interim rate setting years. Previously approved rate changes include a 2.88% increase in 2015, no rate increase for 2016, and a 1.62% increase in 2017.

On December 2, 2014 (Item 29), the Board adopted Resolution 227-2014 which authorized the Chair to sign the First Amendment (First Amendment) to the South Tahoe Refuse Franchise Agreement consolidating American River Disposal into the Franchise Agreement; and adopted Resolution 228-2014 which authorized a rate increase of 4% for the American River Disposal service area, now referred to as Area B of the Franchise Agreement, to become effective January 1, 2015.

Upon execution, the First Amendment to the Franchise Agreement also authorized a series of two additional 4% increases in Area B, to become effective January 1, 2016, and January 1, 2017, after which, Area B rate adjustments would be governed by the South Tahoe Refuse Rate Manual. The Board authorized the two additional 4% rate increases on December 15, 2015 (Item 33), Resolution 209-2015, and December 13, 2016 (Item 28), Resolution 203-2016, respectively.

The South Tahoe Refuse Area B is a non-mandatory garbage service area located along the Highway 50 corridor east of Pacific House to Echo Summit and includes approximately 400 residential accounts and 33 commercial accounts, the vast majority of which are seasonal.

On August 4, 2017, the JPA approved Environmental Management's request to have Crowe Horwath evaluate the South Tahoe Refuse Base Year Rate Application (Rate Application) and rate increase request. Along with the Rate Application, South Tahoe Refuse provided audited financial statements for the year ending June 30, 2016, and internally prepared estimated financial information and operational data for years 2017 (estimated) and 2018 (projected). The review and evaluation of the Rate Application included, but was not limited to:

- 1) Affirming that the Application is mathematically accurate and true;
- 2) Affirming that the Application complied with the terms and conditions of the Rate Manual;
- 3) Affirming that the Rate Application reconciled with the audited financial statements provided;
- 4) Reviewing the 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 allocation; and
- 8) Confirming the use of the allowed operating ratio, franchise fee calculation, revenue requirement, and rate adjustment.

A significant contributor to the requested rate increase is the removal of the South Tahoe Refuse Resource Recovery Facility (Facility) fund credit. On March 12, 2012, the JPA approved a Facility fund credit of \$4,722,285 to account for the over collection of revenue needed to fund the construction of this Facility. The Facility fund credit has been applied to JPA rate payers over the past 6 years, applied in the 2012 and 2015 Base year rate calculations. With the application of this Facility fund credit, Base year rate adjustments resulted in lower percentage increases than what would have otherwise been requested. Removal of the Facility fund credit from the rate base represents approximately 50% of the requested rate increase. The Facility fund credit will be exhausted effective December 31, 2017.

On November 12, 2017, Crowe Horwath completed the analysis of the Rate Application and provided the final Base Year 2018 Rate Analysis (Rate Analysis) to the Member Agencies (Attachment 5E). Based upon the analysis conducted, Crowe Horwath is recommending the approval of a 9.34% rate increase for the South Tahoe Refuse franchised area located in the unincorporated portion of the County, Areas A and B. South Tahoe Refuse has elected to not increase the residential collection rate for qualified seniors in Area A and is instead requesting to decrease this rate back to the 2016 rate previously approved by the Board. Area B does not have a qualified senior rate.

Crowe Horwath's Rate Analysis included an alternative option to the recommended 9.34% increase, whereby Member Agencies could elect to spread the increase over two years:

- 1) Effective January 1, 2018, 6.26% rate increase; and
- 2) Effective January 1, 2019, 3.08% rate increase.

Spreading the increase over two years will reduce the immediate impact to rate payers; however, there is also the potential for an Interim year rate change effective January 1, 2019, that would be in addition to the deferred 3.08% rate increase.

The JPA met on November 27, 2017, to consider Crowe Horwath's recommendation for rate increases in all Member Agency jurisdictions. The JPA approved Crowe Horwath's Rate Analysis with the understanding that the recommended single year increase or the alternative two-year increase needs to be considered by each separate jurisdictional board for approval.

In accordance with County Ordinance 8.42.170 and Government Code section 66016, notice of the time, date, place, and purpose of the public hearing to adopt the proposed collection rate adjustments has been duly noticed to affected ratepayers. At the request of Environmental Management, a public hearing notice for Area A was published in the Tahoe Tribune on November 22 and November 29, 2017, and the public hearing notice for Area B was published in the Mountain Democrat on November 22 and November 29, 2017 (Attachment 5F). In addition, South Tahoe Refuse noticed every affected customer by postcard (Attachment 5G).

ALTERNATIVES

Denial of the requested rate increase would violate the contractual terms of the Board approved Franchise Agreement and Rate Manual incorporated therein.

OTHER DEPARTMENT / AGENCY INVOLVEMENT

South Lake Tahoe Basin Waste Management Authority

CAO RECOMMENDATION

It is recommended that the Board follow an option that is in line with the contractual terms of the Board approved Franchise Agreement and Rate Manual.

FISCAL IMPACT

The increase in rates charged by South Tahoe Refuse is 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 ACTION

- 1) Clerk of the Board will obtain the Chair's signature on the one (1) original copy of the adopted solid waste collection rate Resolution.

2) Clerk of the Board will forward one (1) copy of the signed adopted Resolution to CDS Environmental Management, attention of Tom Meyer, for distribution.

STRATEGIC PLAN COMPONENT

Healthy Communities

CONTACT

Greg Stanton, Director

Community Development Services, Environmental Management Department