



Legislation Text

File #: 12-0481, **Version:** 1

Hearing to consider adoption of **Resolution 049-2012** adjusting the solid waste collection rates for South Tahoe Refuse Co., Inc. by 4.48 percent to be effective May 1, 2012.

Fiscal Impact/Change to Net County Cost: There is no change to Net County Cost.

Background: At the April 6, 2010 Board of Supervisors meeting, the Board directed staff to negotiate an extension to the South Tahoe Refuse Co., Inc. Franchise Agreement incorporating the new rate setting methodology (Legistar item 10-0287). On May 24, 2011, the Environmental Management Department provided an update on the proposed new Solid Waste Services Agreement (Agreement) negotiations and recommended the Board provide direction regarding the incorporation of the new Solid Waste Rate Setting Policies and Procedures Manual (Manual). The goal was to incorporate the updated Manual into the new Agreement. The Board approved the item (Legistar item 11-0544).

The South Lake Tahoe Basin Waste Management Authority (JPA) staff, NewPoint Group, and South Tahoe Refuse Co., Inc. (STR) staff have been working diligently to collectively finalize the Manual. The JPA Board took action at its April 6, 2012, meeting to adopt the final Manual with the intent of the participating jurisdictions incorporating the approved Manual into their Solid Waste Service Agreements. An agenda item for approval of the new STR Solid Waste Services Agreement which incorporates the new manual is scheduled to be heard by the Board of Supervisors on May 1, 2012.

During the finalization of the Manual process, on May 31, 2011, STR submitted its Base Year Rate Adjustment Application to the JPA for Base Year 2012. STR requested a rate increase of 10.58 percent for the City of South Lake Tahoe and Douglas County, and 9.81 percent for the County of El Dorado to become effective January 1, 2012. (Attachment B). Based on the significant requested rate adjustment, the JPA staff recommended conducting a comprehensive STR Base Year 2012 Application analysis.

Rate Review and Evaluation: On March 2, 2012, the NewPoint Group was selected by the JPA to review and evaluate the current STR Base Year 2012 Application and bring the information back for discussion.

The scope and methodology of the NewPoint Group rate review included assessing the application to ensure that it was mathematically accurate and logically consistent, verifying that the application complied with the terms and conditions of the Manual, reconciling the application to STR's rate year 2010 audited financial statements, reviewing STR's financial information, operational data, and projections for reasonableness, assessing supporting data, worksheets and documentation, reviewing actual data, estimated, and projected revenue and expenses, reviewing cost allocation methods for reasonableness, reviewing the assignment of revenues and expenses to each member agency, confirming the use of the allowed operating ratio, confirming the franchise fee calculation, and confirming the calculation of the revenue requirement. (Attachment C)

The comprehensive rate review yielded adjustments in the following categories: recycling revenue,

transfer station revenue, expense escalation, equipment and facility costs, landfill disposal costs, office salaries, general and administrative costs, Resource Recovery Facility credit, fuel, and the recycling revenue bonus. The results of the rate review did not support a 9.81 percent rate increase. The review demonstrated a 4.48 percent rate increase and this rate adjustment is recommended by the NewPoint Group to be effective May 1, 2012.

The overall consensus by the JPA jurisdictions and STR is that the NewPoint Group's detailed rate review and evaluation for the Base Year 2012 Application was a balanced and accurate financial assessment of STR. At the April 6, 2012, JPA meeting, the Board moved the acceptance of the base year rate recommendation submitted by STR as presented by the NewPoint Group. In addition, the Board discussed and recommended that the three jurisdictions implement the rate adjustments effective May 1, 2012.

The hearing to adopt the proposed collection rate adjustments has been duly noticed in accordance with Section 66016 of the California Government Code.

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

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