



Legislation Text

File #: 18-0825, **Version:** 1

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

- 1) Find, based on the analysis completed by Crowe Horwath, Inc., that a 5.02% increase to the existing residential and commercial collection rates be 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 **118-2018** authorizing an increase to the solid waste collection rates for El Dorado Disposal Service, Areas A, B, and C, of 5.02% to be effective July 1, 2018; and
- 3) Find that a 1.69% increase to the existing rates for the Material Recovery Facility be in accordance with the Solid Waste Rate Setting Policies and Procedures Manual; and
- 4) Adopt and authorize the Chair to sign Resolution **119-2018** authorizing an increase to the Material Recovery Facility rates for El Dorado Disposal Service of 1.69%, to be effective July 1, 2018. (Est. Time: 10 Min.)

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

DEPARTMENT RECOMMENDATION

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

- 1) Find, based on the analysis completed by Crowe Horwath, Inc. (Crowe Horwath), that a 5.02% increase to the existing residential and commercial collection rates be 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 **118-2018** authorizing an increase to the solid waste collection rates for El Dorado Disposal Service, Franchise Areas A, B, and C, of 5.02% to be effective July 1, 2018; and
- 3) Find that a 1.69% increase to the existing rates for the MRF be in accordance with the Rate Setting Policies and Procedures Manual; and
- 4) Adopt and authorize the Chair to sign Resolution **119-2018** authorizing an increase to the MRF rates for El Dorado Disposal Service of 1.69%, to be effective July 1, 2018.

DISCUSSION / BACKGROUND

On October 21, 2014 (Item 32), the Board adopted Resolution No. 187-2014 authorizing a new Solid Waste Services Agreement (Agreement) with El Dorado Disposal Service for the collection of solid waste throughout the franchise area and operation of the MRF. The new Agreement incorporated a new Solid Waste Rate Setting Policies and Procedure Manual (Rate Manual) developed by NewPoint Group (now Crowe Horwath).

The Rate Manual provides specific requirements for the setting of collection rates during "Base" years (every third year of the 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. Interim year rate increases were previously approved by the Board on June 7, 2016 (Item 38, 1.75%) and on May 23, 2017 (Item 26, 1.51%). The MRF rates are adjusted annually by CPI.

On August 18, 2015 (Item 13), 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 14), the Sierra Disposal Service Franchise Agreement was assigned to El Dorado Disposal Service 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 1, 2017, El Dorado Disposal Service submitted a Base Year Rate Application (Rate Application) to Environmental Management for collection services for rate year 2018 (Attachment D) requesting a 4.78% increase to residential and commercial collection rates. In addition, on May 2, 2018, El Dorado Disposal Service advised Environmental Management of changes to the third party hauling contracts that will impact rates as much as an additional 2%, resulting in a combined rate increase request of approximately 6.78%. Environmental Management is responsible for overseeing the franchise agreements for Solid Waste Management and rate setting is guided by the Rate Manual.

In February 2018, Environmental Management requested that Crowe Horwath, the County's solid waste consultant, perform a review of El Dorado Disposal Service's Rate Application and supporting information. The Rate Application included audited financial statements for the year ending December 31, 2016, and internally prepared estimated financial information and operational data for years 2017 (estimated) and 2018 (projected).

The review and evaluation of the 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 Application reconciled to El Dorado Disposal Service's financial statements;
- 4) Reviewing El Dorado Disposal Service'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 allocation; and
- 8) Confirming the use of the allowed operating ratio, franchise fee calculation, revenue requirement, and rate adjustment.

Crowe Horwath completed the analysis of the Rate Application and provided the final Base Year 2018 Rate Analysis (Rate Analysis) to Environmental Management (Attachment E). Based upon the

analysis conducted, Crowe Horwath is recommending the approval of a 5.02% residential and commercial rate increase for El Dorado Disposal Service's franchised area in the unincorporated portion of the County (Franchise Areas A, B, and C).

On March 30, 2018 El Dorado Disposal Service submitted a letter (Attachment F) requesting an annual increase of 1.69% (CPI), as allowed under the Agreement, for MRF rates pursuant to the terms of the Rate Manual. The increase of 1.69% was verified by Crowe Horwath to be accurate.

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 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 May 23, 2018 and May 30, 2018 (Attachment G). 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. A notice was also posted at the entrance of the MRF notifying customers of the proposed increase to MRF rates.

ALTERNATIVES

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

OTHER DEPARTMENT / AGENCY INVOLVEMENT

N/A

CAO RECOMMENDATION

It is recommended that the Board approve the recommendation from Crowe Horwath in accordance with the Solid Waste Rate Setting Policies and Procedures Manual.

FINANCIAL IMPACT

The increase in rates charged by El Dorado Disposal 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 ACTIONS

- 1) Clerk of the Board will obtain the Chair's signature on both adopted Resolutions.
- 2) Clerk of the Board will forward a copy of both executed Resolutions to Environmental Management.

STRATEGIC PLAN COMPONENT

Healthy Communities
Good Governance

CONTACT

Greg Stanton, REHS, Director
Community Development Services, Environmental Management Department