



County of El Dorado

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Legislation Text

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Hearing to consider adoption of Resolution **150-2008** adjusting the solid waste collection rate for Waste Connections, Inc., dba El Dorado Disposal Service by the annual CPI of 3.3% and adjusting the fuel surcharge from 3.75% to 5.38%, effective July 1, 2008.

BUDGET SUMMARY:		
Total Estimated Cost		\$
Funding		
Budgeted	\$	
New Funding	\$	
Savings	\$	
Other	\$	
Total Funding Available	\$	
Change To Net County Cost		\$

Fiscal Impact/Change to Net County Cost: There is no change in Net County Cost. The attached Resolutions indicates proposed solid waste rate levels.

Background: In accordance with the Solid Waste Services Agreement between El Dorado County and Waste Connections of California, Inc., Section 22 - Compensation, the Board of Supervisors shall set the rates to be charged by the contractor annually at the beginning of each operating year (commencing with July 1st). In addition, the contractors rates for services shall be adjusted, upward or downward, annually, effective July 1st of each year commencing on July 1, 2005, based on the increase or decrease in the Consumer Price Index - All Items - for the State of California, published by the U. S. Bureau of Labor Statistics ("CPI") during the most recent twelve month period ending no later than December 30 of the calendar year preceding the upcoming Operating Year".

On February 26, 2008, the Environmental Management Department received a letter from Waste Connections Inc. formally requesting a CPI adjustment of 3.3% for the hauling rates and transfer station gate rates for the upcoming Operating Year commencing July 1, 2008 (see attachment A). The Environmental Management Department has verified that Waste Connection Inc. utilized the appropriate index of the U.S. Bureau of Labor Statistics ("CPI") in accordance with the published increase for the twelve month period ending December 30, 2007 (see attachment B).

Per the Solid Waste Services Agreement, Section 22 (D) - Adjustments for Extraordinary Circumstances, the Contractor may request an adjustment to Contractor's rates for services, in the event that unforeseen circumstances arise which materially affect Contractor's costs or revenue under this agreement, including but not limited to material increase or decrease in the cost of fuel.

Waste Connections Inc. is formally requesting that the Board of Supervisors consider a fuel surcharge increase of 1.63% for the next operating year. This request would result in the current fuel surcharge increasing from 3.75% to 5.38% (see attachment D).

Reason for Recommendation:

CPI Increase: The Environmental Management has approved Waste Connection Inc. written notification to each ratepayer as described in Section 22(B) of the Solid Waste Franchise Agreement (see attachment C). The hearing to adopt the proposed collection rate adjustments has been duly noticed in accordance with Section 66016 of the California Government Code.

The Environmental Management recommends that the Board approve the CPI rate adjustment per Section 22 - Compensation of the Solid Waste Services Agreement.

Please note the basic residential and commercial rates below. The all inclusive fee schedule is included in the attached resolution.

Residential

Current Rate	
1 32g Can	\$17.54
1 64g Cart	\$26.29
1 96g Cart	\$26.92

Residential

Rate w/ 3.3 % CPI Increase	
1 32g	\$18.12
1 64g	\$27.16
1 96g	\$27.81

Commercial

Current Rate	
1 Yard	\$17.10
2 Yard	\$14.81

Commercial

Rate w/ 3.3 % CPI Increase	
1 Yard	\$17.66
2 Yard	\$15.30

Fuel Surcharge: The fuel surcharge is separate from the Consumer Price Index and is based upon the Producers Price Index (PPI) for diesel fuel. While both the CPI and PPI are similar in nature and both are published by the U.S. Bureau of Labor Statistics, the PPI for diesel fuel measures changes specific to the operation of refuse haulers.

The CPI is a consumer measurement looking at actual costs of living in broad, and rather general, categories and does not provide isolated fuel data. The CPI is commonly referred to as the “cost-of-living” index since it concentrates on the living expenses of the consumer. Diesel fuel prices are not specifically identified in the CPI; only a non-scientific inference can be made concerning fuel prices estimated upon the Transportation data. The U.S. Bureau of Labor Statistics states that in any given CPI measurement only 0.268% of that figure represents actual energy costs, which is comprised of diesel, gasoline, and other energy related commodities. For this reason, the Producers Price Index (PPI) is used to accurately reflect the change in fuel costs.

The PPI is the only available index that isolates fuel costs, measuring data from the point fuel is sold from a petroleum refinery. It’s important to note that the PPI measures change from the operational perspective and provides an objective evaluation of wholesale price levels in the economy. The increase in the PPI was calculated on an incremental scale that uses the index measure from the start of the surcharge (May 2006) to January 2008. This method ensures the rate is not compounded and the increase the customers would realize is equal to the net increase over this time period.

In accordance with the Solid Waste Service Agreement, the Board shall review and consider the adjustment request in its discretion. The Board has the following options regarding the fuel surcharge rate adjustment:

- 1) Grant Waste Connections Inc. the fuel surcharge rate request increase of 1.63% which would create a new fuel surcharge rate of 5.38%.

Option 1 - Residential

Rate w/ 5.38% Fuel Surcharge	
1 32g Can	\$19.09
1 64g Cart	\$28.62
1 96g Cart	\$29.30

Option 1 - Commercial

Rate w/ 5.38% Fuel Surcharge	
1 Yard	\$18.61
2 Yard	\$16.12

- 2) Deny Waste Connections Inc. new fuel surcharge request, but maintain the current fuel surcharge of 3.75%.

Option 2 - Residential

Rate w/ 3.75% Fuel Surcharge	
1 32g Can	\$18.80
1 64g Cart	\$28.18
1 96g Cart	\$28.85

Option 2

Commercial

Rate w/ 3.75% Fuel Surcharge	
1 Yard	\$18.32
2 Yard	\$15.87

- 3) Deny Waste Connections Inc. fuel surcharge rate request, but approve any portion of the requested fuel surcharge, i.e., a flat rate of 4%

Option 3 - Residential

Rate w/ 4.00% Fuel Surcharge	
1 32g Can	\$18.84
1 64g Cart	\$28.25
1 96g Cart	\$28.92

Option 3

Commercial

Rate w/ 4.00% Fuel Surcharge	
1 Yard	\$18.37
2 Yard	\$15.91

- 4) Deny Waste Connection Inc. fuel surcharge rate request in its entirety.
Rates would be set at the rate shown in the previous chart "Rate w/ 3.3% CPI".

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

Contact: Gerri Silva, MS, REHS, Environmental Management Director

Concurrences: