



## Legislation Text

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**File #:** 20-1556, **Version:** 1

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HEARING - Environmental Management Department recommending the Board consider the following regarding the solid waste collection rates for South Tahoe Refuse Co., Inc., Areas A and B:

- 1) Based on the analysis completed by Crowe LLP, find that a 5.77% increase to the existing 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 **190-2020** authorizing an increase to the solid waste collection rates for South Tahoe Refuse Co., Inc., Areas A and B, by 5.77% for the 2021 base year to be effective January 1, 2021.

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

### **DISCUSSION / BACKGROUND**

On July 10, 2020, South Tahoe Refuse Co., Inc., (South Tahoe Refuse) submitted a Base Year Rate Application (Application) (Attachment C) to the South Lake Tahoe Basin Waste Management Authority staff for rate year 2021. The South Lake Tahoe Basin Waste Management Authority a Joint Powers Authority (JPA), is comprised of the City of South Lake Tahoe, California; Douglas County, Nevada; and El Dorado County, California (Member Agencies). The JPA 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 these three jurisdictions. JPA rate setting is guided by the JPA's March 2012 Solid Waste Rate Setting Policies and Procedures Manual (Rate Manual). The Rate Manual was developed by NewPoint Group (now Crowe LLP) for the JPA, 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, File No. 12-0494), 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 the rates require an 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 previous 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 2018 was the last base year rate increase for South Tahoe Refuse rate setting.

On December 2, 2014 (Item 29, File No. 12-0494), the Board adopted Resolution 227-2014, which authorized the consolidation of the American River Disposal Franchise Agreement (now known as Franchise Area B) into the South Tahoe Refuse Franchise Agreement (now known as Area A), amending the Franchise Agreement. On December 2, 2014 (Item 29, File No. 120-0494), the Board also adopted Resolution 228-2014, which authorized a rate increase of 4% for Area B, that became effective January 1, 2015, and 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 incorporated in the Franchise Agreement. The Board authorized two additional 4% rate increases on December 15, 2015 (Item 33, File No. 12-0494, Resolution 209-2015, and December 13, 2016 (Item 28, File No. 12-0494), Resolution 203-2016, respectively.

Rate increases for South Tahoe Refuse, Area A, are subject to the South Tahoe Refuse Rate Manual. On December 2, 2014 (Item 30, File No. 12-1460), the Board adopted Resolution 209-2014, which authorized a rate increase for Area A of 2.66% that became effective on January 1, 2015. On December 13, 2016 (Item 29, File No. 12-1460), the Board adopted Resolution 204-2016, which authorized a rate increase for Area A of 1.62% that became effective January 1, 2017. South Tahoe Refuse did not request an interim year rate adjustment for 2016 for Area A.

Rates for 2018 were calculated for both Areas A and B using the South Tahoe Refuse Rate Manual and applying the base year rate setting process. On December 12, 2017 (Item 30, File No. 12-1460), the Board approved a rate increase of 9.34%; however, in order to reduce the impacts to rate payers, the Board adopted Resolution 190-2017, which applied 6.26% if the total rate increase to the 2018 base year and became effective January 1, 2018, with 3.08% of the base year rate increase to be deferred and applied to the 2019 interim year in addition to any applicable 2019 interim year rate adjustment.

On December 11, 2018 (Item 31, File No. 18-1850), the Board adopted Resolution 247-2018, which authorized a rate increase of 3.11% in addition to the remaining 3.08% deferred from the 2018 base year rate adjustment, for a total interim year rate increase of 6.19% for South Tahoe Refuse Areas A and B to become effective January 1, 2019.

On June 26, 2020, the JPA approved the Member Agency staff's request to have Crowe LLP evaluate South Tahoe Refuse's 2021 Base Year Application for Areas A and B. On October 24, 2020, Crowe LLP completed their review of the South Tahoe Refuse 2021 Base Year Application and provided the recommended final base year 2021 rate increase analysis (Attachment D) to the Member Agencies. Based upon their review, Crowe LLP is recommending the approval of a 5.77% rate increase for South Tahoe Refuse's franchised area in the unincorporated portion of the County (Areas A and B) for the base year 2021.

The JPA met on October 29, 2021 to consider Crowe LLP's recommendation for rate increases in all Member Agency jurisdictions. The JPA approved Crowe LLP's recommendation with the understanding that the recommended rate increase would need to be considered by each separate jurisdiction's governing body for approval.

In accordance with County Ordinance 8.42.170, 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 rate payers. The County's public notice for Area A is scheduled for publication in the Tahoe Daily Tribune on November 27, 2020 and December 4, 2020 (Attachment E). The County's public notice for Area B is scheduled for publication in the Mountain Democrat on November 27, 2020 and December 4, 2020 (Attachment F). In addition, South Tahoe Refuse noticed every affected customer by postcard prior to the public hearing (Attachment G).

## **ALTERNATIVES**

Denial of the requested interim year rate increase would violate the contractual 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 2021 Base Year Rate Increase Resolution. South Lake Tahoe Basin Waste Management Authority.

**CAO RECOMMENDATION / COMMENTS**

Approve as recommended.

**FINANCIAL IMPACT**

The increase in the rates proposed 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 ACTIONS**

- 1) Clerk of the Board will obtain the Chair's signature on the original copy of the adopted Resolution.
- 2) Clerk of the Board will forward a copy of the executed Resolution to Environmental Management for further processing.

**STRATEGIC PLAN COMPONENT**

Healthy Communities, Good Governance

**CONTACT**

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Environmental Management Department