



Legislation Text

File #: 23-2058, **Version:** 1

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 an 8.33% 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 **200-2023** authorizing an increase to the solid waste collection rates for South Tahoe Refuse Co., Inc., Franchise Areas A and B by 8.33% for the 2023 Base year to be effective January 1, 2024.

FUNDING: User Fees / Franchise Fees.

DISCUSSION / BACKGROUND

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. On December 2, 2014 (Item 29, File No. 120-0494), the Board adopted Resolution 227-2014 approving the First Amendment to the Franchise Agreement consolidating the American River Disposal Franchise (now known as Franchise Area B) into the South Tahoe Refuse Franchise. The Franchise Agreement is effective until December 31, 2023, with an option to extend for an additional five-year period.

The Franchise Agreement incorporated the Solid Waste Rate Setting Policies and Procedures Manual (Rate Manual). The Rate Manual was developed with the intent of establishing a consistent process and application for all Member Agencies of the South Lake Tahoe Basin Waste Management Authority (JPA) to use in their respective solid waste franchise agreements. The Member Agencies are the County of El Dorado, City of South Lake Tahoe, and Douglas County, Nevada. 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 franchised hauler for all the Member Agencies.

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.

Recently approved increases to the South Tahoe Refuse solid waste rate collection rates are as follows:

Area A & Area B

2018 Base Year	6.19%
2019 Interim Year	2.93%
2020 Interim Year	5.77%
2021 Base Year	3.77%
2022 Interim Year	3.77%
2023 Interim Year	4.96%

In June of 2023, South Tahoe Refuse Co., Inc., (South Tahoe Refuse) submitted a Base Year Rate Application (Application) (Attachment C) to the JPA for base rate year 2024.

On July 24, 2023, the JPA met to review South Tahoe Refuse's 2024 Base Year Application for Areas A and B and engaged an independent solid waste consultant, Crowe LLP, to perform Base Year rate analysis services. Crowe LLP completed its review and provided the recommended final Base year 2024 rate increase analysis (Attachment D) to the Member Agencies. Based upon its review and analysis, Crowe LLP recommended the approval of a 8.33% rate increase for South Tahoe Refuse's franchised area in the unincorporated portion of the County (Areas A and B) for the base year 2024. The JPA met on October 23, 2023, to review Crowe LLP's recommendation for rate increases in all Member Agency jurisdictions and approved the recommendation.

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 December 1, 2023, and December 8, 2023 (Attachment E). The County's public notice for Area B is scheduled for publication in the Mountain Democrat on December 1, 2023, and December 8, 2023 (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 base year rate increase would not be in compliance with the contractual terms of the Board approved Franchise Agreement and Rate Manual incorporated therein. Section 22 of the Franchise Agreement provides that rates are "established and adjusted" in accordance with the Rate Manual. The Manual provides that a Franchisee "shall be entitled to adjust its rates" during an interim year based upon a formula that includes the CPI. The Board could choose to not approve an interim year Application, should any "deficiencies" be identified in determining the rates, which would require the County to address the deficiencies and return to the Board with a resolution for Board adoption. Staff has reviewed the Application and find no deficiencies in the Application, supporting data, or the required notice.

PRIOR BOARD ACTION

See Discussion/ Background above.

OTHER DEPARTMENT / AGENCY INVOLVEMENT

County Counsel has approved the proposed 2023 Base Year Rate Increase Resolution. South Lake Tahoe Basin Waste Management Authority.

CAO RECOMMENDATION / COMMENTS

Approve as recommended. It should be noted that although the Board has no discretion in approving the rate increase at this time due to the terms in the current Franchise Agreement, both the County

and the Franchisee have the option of negotiating an amendment to the terms of the Franchise Agreement, including the Rate Setting Manual, at any time, to apply to future rate increase applications.

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

Jeffrey Warren, REHS, Director
Environmental Management Department