

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

800



FROM: Community Health Agency/
Environmental Health

SUBMITTAL DATE: May 13, 2003

SUBJECT: Annual Rate Adjustment to Waste Collection Agreements
for Riverside County

RECOMMENDED MOTION:

1. Introduce and set for Public Hearing (Clerk to advertise) and at the close of the public hearing approve the adjusted rate schedules as contained in Attachments 1.1 – 1.13.
2. Direct staff to conduct an extraordinary rate review related to increased fuel and insurance costs and submit recommendations to the Board.

BACKGROUND:

Waste Collection Franchise agreements covering all unincorporated portions of Riverside County were phased in for 1997, 1998 and January 1999 (see Table 1 – Franchise Area Descriptions). In each of those 13 Franchise Agreements there is a provision for an adjustment of the rates the customers are charged for regular services, to be implemented annually in July. The adjustment allows a “pass through” for any changes to landfill or transfer station fees, and a cost of living increase, based on CPI, for the balance of the rate.

FORM APPROVED
COUNTY COUNSEL

[Signature]

Gary Root, Director
Environmental Health Department

(Continued)

APR 30 2003

GR:DM

[Signature]
BY _____
ASSISTANT COUNTY COUNSEL

FINANCIAL DATA:

CURRENT YEAR COST: \$ 0
NET COUNTY COST: \$ 0

ANNUAL COST: \$ 0
IN CURRENT YEAR BUDGET: \$ 0
BUDGET ADJUSTMENT FY: 02/03 \$ 0

SOURCE OF FUNDS:

C.E.O. RECOMMENDATION:

APPROVE

County Executive Officer Signature

[Signature]

Prev. Agn. Ref. 3.22

5/22/2002

Dist. All

AGENDA NO.

3.12

FISCAL PROCEDURES APPROVED
 ROBERT E. BYRD, Auditor-Controller
 BY *[Signature]* Deputy
 4/28/03

Policy
 Policy

Consent
 Consent

Department Recommendation:
 Per Executive Office:

All non-disposal costs are adjusted by the Consumer Price Index for All Urban Consumers (CPI-U) for the Los Angeles/Anaheim/Riverside Metropolitan Area, as published by the United States Department of Labor, Bureau of Labor Statistics. The attached rate sheets implement the adjustment methodology using a CPI of 3.7% for the twelve (12) month period January through December 2002. There was no change to the \$30.00 per ton cost of landfill disposal this year. Each Franchisee was contacted and none indicated a desire to forego a rate increase this year.

RATES SUBMITTED. Attached to this Form 11 are:

1. Table 1: Franchise Area Descriptions.
2. Table 2: Summary of Basic Residential Rate Adjustments.
3. Table 3: Franchise Area 2 Roll-off Adjustment History.
4. Attachments 1.1 through 1.13, Revised Rates for all Franchise Areas.
5. Exhibit 1, which describes the methodology used for these adjustments.

ADJUSTMENT DETAILS

1. The rates submitted for Franchise Area 4 reflect additional services that will be provided in the area as a result of the acquisition of International Rubbish Service (IRS) by Waste Management Inc. (WMI). The rates for these services are consistent with those currently charged by WMI in its other franchise areas. In addition, the amount allocated for residential services disposal was revised (reduction) to be consistent with the majority of the other franchise areas, which results in a matching adjustment (increase) to the service portion.
2. The rates for Franchise Area 2 include increased disposal costs related to the use of the Robert A. Nelson Transfer Station (Rate increase from \$ 33.01/ton to \$34.10/ton). This rate represents an extraordinary rate increase above the CPI and is subject to approval by City of Riverside (As this is a projection at this time, should the disposal rate be approved at a different amount, these rates herein will be adjusted accordingly).
3. The franchisee for Area 2 is also requesting an additional adjustment to the service portion of the "low-boy" (10 cubic yard) construction roll-off rate to match the larger (40 cubic yard) container. Each of these services were approved for a total rate of \$348.00 when the franchise was adopted in 1998, with maximum weights (without an additional charge) set at 8 tons for the 10-yard bin, and 6 tons for the 40-yard bin. Since our adjustment process separates the disposal portion from the non-disposal ("Service") costs, these volumes were used to determine the disposal portions when the rates were adjusted in 1999 (See table 3 for detail), and adjusted in the subsequent years. When asked to review the rates for this year's adjustment, Burrtec responded "*The service component for the 10-yard "low boy" roll-off box is incorrect. We have requested this rate be reviewed for the past two years and are again requesting reconsideration of the service component for a 10-yard "low boy". The cost to service a 40-yard bin is no different then the cost to service a 10-yard bin, however, the rate components are dramatically different, \$187.35 and \$118.58 respectively. We therefore,*

respectfully request the service component be adjusted at this time. Staff has advised Burrtec that based on their initial proposed rate and the accepted adjustment mechanism the service component is correct, even though it does not match the larger container. Approval of the request would result in a \$71.31 increase in the service component, to a new total of \$194.28, for the 10-yard roll-off rate, which is comparable to the other franchises in the region (Area 1A; \$196.59, Area 3; \$184.13, Area 4A; \$218.76). Attachment 1.2, the rates for this franchise area, includes both the originally proposed adjustment and the adjustment as requested by the franchisee.

4. The rates for all other areas are adjusted only per CPI as noted above.

Extraordinary Rate Review

A number of the Franchisees have indicated that they have been greatly impacted by increased fuel and insurance costs that significantly exceed this and last years CPI adjustment. Exhibit F, Section 3 of the franchise agreements states "The Director or Franchisee may initiate a special rate review by the Department should an extraordinary event or circumstance arise which has a significant impact on the operation of the Franchisee..." Subsection A. identifies qualifying events, including, as example #8 "Other circumstances at the direction of the Director or the Board of Supervisors".

FISCAL

The approval of this change will result in no cost to the County; implementation expenses are borne by the franchisee.

Table 1 – Franchise Area Descriptions

Area	Hauler	Effective Date		Area Description
1	Waste Management Inc.	January 1, 1999	A	Corona, Norco, Coronita, El Cerrito
			B	Mead Valley
			C	Sun City, Lake Skinner, Hemet, Homeland, Romoland, Nuevo Winchester, Menifee, Vail Lake
2	Burrtec	January 1, 1999		Pedley, Glen Avon, Sunnyslope
3	Waste Management Inc.	January 1, 1999	A	Glen Ivy, Alberhill, Good Hope, Temescal Canyon
			B	Highgrove, Reche Canyon
			C	Sedco Hills, Wildomar
4	Waste Management Inc.	January 1, 1999	A	Mira Loma, Sky Valley
			B	Home Gardens, Woodcrest, portions of Mead Valley
5	CR&R (Perris Disposal)	January 1, 1999		Temecula, Lake Elsinore, Ortega Highway
6	CR&R (Perris Disposal) (Acquired from O.K. Assoc. Jan 2002)	January 1, 1999		Lakeview, Mystic Lake, San Jacinto
7	Cherry Valley Sanitation	November 1, 1997		Cherry Valley, San Timeteo Canyon
8	Waste Management Inc.	July 1, 1997		Idyllwild, Anza, Pinyon
9	Cabazon Disposal	November 1, 1997		Cabazon, Whitewater
10	Desert Valley Disposal (Palm Springs Disposal)	October 1, 1998		Painted Hills, North Palm Springs, Desert Haven
11	Waste Management Inc.	October 1, 1998		Sky Valley, Indio Hills, Areas north of I-10, Mecca, Northshore, Salton, Desert Beach
12	Waste Management Inc.	October 1, 1998	A	Thousand Palms
			B	Bermuda Dunes, La Quinta
13	Palo Verde Disposal	November 1, 1997		Palo Verde Valley, Desert Center

Table 2. Summary of Basic Adjusted Monthly Residential Rates

Area		2002 Approved Rate	2003 Proposed Rate	Comment
1	A	\$18.96	\$19.50	Includes Green waste
	B	\$17.05	\$17.53	
	C	\$17.05	\$17.53	
2		\$18.19	\$19.08	Includes Green waste
3	A	\$17.05	\$17.53	
	B	\$17.05	\$17.53	
	C	\$17.05	\$17.53	
4	A	\$17.95	\$18.27	Includes Green waste
	B	\$17.71	\$18.03	Includes Green waste
5		\$17.21	\$17.71	
6		\$16.09	\$16.54	
7		\$18.52	\$19.08	Includes Green waste
9		\$17.97	\$18.50	
10		\$16.93	\$17.42	
11		\$17.18	\$17.67	
12	A	\$12.90	\$13.23	
	B	\$15.23	\$15.64	
13		\$26.09	\$26.90	

Area 8 is not listed because there is no curbside residential collection in the area.

Table 3: Franchise Area 2 Roll-off Adjustment History

	Rate proposed and accepted in 1998		1999		2000	
	10 yd	40 yd	10 yd	40 yd	10 yd	40 yd
Service			\$92.96	\$156.72	\$94.26	\$158.91
Service Adjustment			\$1.30	\$2.19	\$2.17	\$3.66
Disposal			\$255.04	\$191.28	\$257.20	\$192.90
Disposal adjustment			\$2.16	\$1.62	\$1.76	\$1.32
Total	\$348.00	\$348.00	\$351.46	\$351.81	\$355.39	\$356.79