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



FROM: Community Health Agency/Department of Environmental Health

SUBMITTAL DATE:

May 14, 2004

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

RECOMMENDED MOTION:

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.A.

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 the 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.

(continued)

Departmental Concurrence

Gary Root
Gary Root, Director

FINANCIAL DATA

Current F.Y. Total Cost:	\$ N/A	In Current Year Budget:	N/A
Current F.Y. Net County Cost:	\$ N/A	Budget Adjustment:	N/A
Annual Net County Cost:	\$ N/A	For Fiscal Year:	

SOURCE OF FUNDS:

Positions To Be Deleted Per A-30	<input type="checkbox"/>
Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE

FORM APPROVED
COUNTY COUNSEL

MAY 17 2004

County Executive Office Signature

Don Marting

BY

Lee A. Johnson

- Dep't Recomm.:
- Per Exec. Ofc.:
- Consent
- Policy
- Consent
- Policy

RECEIVED RIVERSIDE COUNTY
MAY 16 7 16 AM '04

Prev. Agn. Ref. # 16-7-16/24/2003
ATTACHMENTS FILED WITH THE CLERK OF THE BOARD

Agenda Number:

3.5

FISCAL PROCEDURES APPROVED
ROBERT E. BYRD, Auditor-Controller
BY *[Signature]* 5/17/04
Deputy

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 1.8% for the twelve (12) month period January through December 2003. In addition, disposal rates are being adjusted for all areas per the detail included below. 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. Attachments 1.1 through 1.13.A Revised Rates for all Franchise Areas.
4. Exhibit 1, the methodology used for these adjustments.

ADJUSTMENT DETAILS

1. Disposal Fees have been adjusted for all collection areas:
 - a. Regular Rate: Per Ordinance No. 779.5, the disposal rate for routine refuse was revised from \$30.00 per ton to \$30.54. This is the rate used for all Franchise Areas except 2 and 8.
 - b. Franchise Area 2. The rate for disposal at the Robert A. Nelson Transfer Station has been revised from \$34.10 per ton to \$33.96. (This is a projection at this time. A final rate will be established prior to the public hearing on this item. If different from the projection, these rates herein will be adjusted accordingly.)
 - c. Franchise Area 8. Transfer Rates. Per Ordinance No. 779.5, the disposal rate for Franchise Area 8 Transfer Trucks was revised from \$23.50 per ton to \$23.92.
 - d. Edom Hill Transfer Rates. Upon the closure of the Edom Hill Landfill, the Franchisees in Areas 10, 11, and 12 will be directed to deliver waste to the new Edom Hill Transfer station, for which the disposal rate has been set at \$34.10. Attachments 1.10A, 1.11A and 1.12A reflect revised rates using that increased disposal cost to for implementation at the time of that directive.
2. The Board approved the transfer of the permits from Areas 7 (previously operated by Cherry Valley Disposal) and 9 (previously operated by Cabazon Disposal) to CR&R Inc. Both Cherry Valley Disposal and Cabazon Disposal used a "weight to volume" estimate that was unique to these areas (14.89 Cubic yards per ton, compared to all other areas at 16.00 Cubic yards per ton). The rate sheets for Franchise Areas 7 and 9 are adjusted to make this part of the calculation consistent with those used in the other franchise areas. This did not result in any increase to the rates. The deposit amount for roll-off containers was also increased to be consistent with CR&R's rates in areas 5 and 6 – as a deposit, this does not change the final amount paid by the customer.

3. The rates for all other areas are adjusted per the CPI and the revised landfill fees as noted above.

FISCAL

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

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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 Inc.	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	Home Gardens, Woodcrest, portions of Mead Valley
			B	Mira Loma, Sky Country
5	CR&R Inc.	January 1, 1999		Temecula, Lake Elsinore, Ortega Highway
6	CR&R Inc.	January 1, 1999		Lakeview, Mystic Lake, San Jacinto
7	CR&R Inc. (Acquired October 2003 from Cherry Valley Disposal)	November 1, 1997		Cherry Valley, San Timeteo Canyon
8	Waste Management Inc.	July 1, 1997		Idyllwild, Anza, Pinyon
9	CR&R Inc. (Acquired October 2003 from 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

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Table 2. Summary of Basic Adjusted Monthly Residential Rates

Area		2003 Approved Rate	2004 Proposed Rate	Comment
1	A	\$19.50	\$19.84	Includes Green waste
	B & C	\$17.53	\$17.85	
2		\$18.98	\$19.30	Includes Green waste
3		\$17.53	\$17.85	
4	A	\$18.03	\$18.34	Includes Green waste
	B	\$18.27	\$18.59	Includes Green waste
5		\$17.71	\$18.03	
6		\$16.54	\$16.84	
7		\$19.08	\$19.42	Includes Green waste
9		\$18.50	\$18.84	
10		\$17.42	\$17.73	
11		\$17.67	\$17.99	
12	A	\$13.23	\$13.46	
	B	\$15.64	\$15.92	
13		\$26.90	\$27.39	

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

**COUNTY OF RIVERSIDE COMMUNITY HEALTH AGENCY
DEPARTMENT OF ENVIRONMENTAL HEALTH**

REFUSE RATE ADJUSTMENT METHODOLOGY

FOR REFUSE COLLECTION IN THE UNINCORPORATED AREAS OF RIVERSIDE COUNTY AS APPROVED BY THE BOARD OF SUPERVISORS AND TO BE USED TO CALCULATE NEW RATES ASSOCIATED WITH FRANCHISES

SECTION 1. (FROM EXHIBIT F: RATE ADJUSTMENT MECHANISM FROM CONTRACTS)

All Rate adjustments must receive approval by the Board of Supervisors following public hearings.

1. ANNUAL RATE ADJUSTMENT

The Schedule of Approved Rates provided in **Exhibit E (of contract)** shall be adjusted annually following public hearings and according to the following methodology. The rate shall be adjusted annually each July 1st with the first such adjustment occurring July 1, 1999 (July 1, 1998 for Franchises awarded in 1997). Said adjustment shall be no greater than the change in the Consumer Price Index for All Urban Consumers (CPI-U) for the Los Angeles/Anaheim/Riverside Metropolitan Area, (1982 - 84 = 100), as published by the United States Department of Labor, Bureau of Labor Statistics. For those residential curbside accounts for which a reduce rate is provided pursuant to Exhibit E of this Franchise Agreement the above adjustment factor may be increased by an additional three percentage points until such time as those rates have equaled the regular curbside residential rates for each type of service. Said change shall be measured for the twelve (12) month period January through December [**note: this period is March through February for those contracts awarded in 1997**]. In calculating the rate changes, the change in the CPI shall not be applied to the portions of the rate attributable to pass through items, including but not limited to disposal fees, Green Waste diversion tip fees, Franchise Fees, Illegal Dumping Retrieval Fees, and other local, state, and federal fees. County direction of the Franchisee to use a different System Facility for more than seven (7) consecutive days but no more than thirty (30) consecutive days at a time that involves a change in round trip time or distance will also be considered at the time of the annual rate adjustments. Any adjustments made in this latter instance will only impact the rate for a one-year period in order to recover any additional costs incurred by Franchisee during the previous year. Pass through items shall be adjusted based upon the actual expenses or costs related to that item: revisions to the disposal fee portion of the rate shall be based on disposal costs and the appropriate tonnage amounts as determined through the disposal tonnage tracking requirements.

2. PERIODIC RATE ADJUSTMENT MECHANISM

The Department reserves the right to review the Franchisee's rates every three years from the effective date of this Agreement if the Franchisee's rates exceed the then average rates for comparable services in comparable jurisdictions, as determined by the Department in its reasonable discretion. In the event that the Department makes such a determination the Franchisee's rates may be adjusted to any level at or above the average rates in the comparable jurisdictions.

3. EXTRAORDINARY RATE REVIEW

A. 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 economic operation of the Franchisee or the rates charged to customer as follows:

1. An event or circumstance (including changes in law) occurs which is beyond the control of Franchisee or County.
2. Changes to operations mandated by the County or proposed by Franchisee and approved by the County.
3. Any change in disposal/Green Waste tip fees.
4. The County directs Franchisee to use a different System Facility for more than thirty (30) days that involves a change in round trip time or distance.
5. The County modifies the franchise fee.
6. Significant changes in the level of delinquent accounts in Comprehensive Collection Areas.
7. Significant increases in the number of customer accounts due to development or growth.
8. Other circumstances at the discretion of the Director or the Board of Supervisors.

B. Should Franchisee request a special rate review only those costs related to the circumstance(s) which warrant consideration of a special rate review, as specified above, will be reviewed and considered.

C. Franchisee must submit its request for a special review of service rates, and all appropriate cost and operational information at least three months prior to the proposed effective date of any rate adjustment.

SECTION 2. APPLICATION OF METHODOLOGY

IMPLEMENTATION

The Franchise Contracts awarded by Riverside County established rates in each franchise area for each service provided. The following process is conducted to derive the appropriate adjustment factors within adequate time to incorporate the revised rates into the rate schedules when an adjustment is required.

Each rate, both residential and commercial, is broken down into a LANDFILL GATE FEE COMPONENT and a SERVICE COMPONENT. The Landfill Gate Fee Component is a pass through cost for the amount the franchisee is assessed at the landfill for the refuse disposed, and varies in direct proportion to any adjustment to the landfill gate fees. The Service Component represents the balance of the published rate after the tipping is removed; this figure represents the amount of the rate charged which is available to pay for all other costs experienced by the franchisee (such as payroll, vehicle maintenance, fuel, insurance, overhead, etc.), plus profits.

THE LANDFILL GATE FEE COMPONENT

The Landfill Gate Fee Component is modified to reflect any changes in the county gate fees charged at the landfill sites. The Landfill Gate Fee Component is based on the annual tonnage for the type of service specified multiplied by the "per ton" cost at the landfill and divided by 12 to give a monthly amount. (For commercial services, tonnage is based on the size of the container and the frequency of collection. For residential services it is based on averages specific for each franchise area, as determined by previous rate studies.)

For the initial contract amounts, certain values used for rate regulation under the previously used permit system were applied. For **residential accounts**, the average annual waste generation per customer was based on the analysis conducted by Price Waterhouse in 1990, which ranged from a low of .95 tons per household per year to a high of 2.4 tons per household per year, depending on franchise area. For **commercial (bin) accounts**, a conversion of 16 cubic yards of uncompacted waste = 1 ton was used. Under the exclusivity of the franchise system now in place these assumptions will be refined to more accurately reflect the specific area, based on data from both the franchisee and the Department of Waste Management

THE SERVICE COMPONENT

The Service Component is adjusted by the Consumer Price Index for All Urban Consumers (CPI-U) for the Los Angeles/Anaheim/Riverside Metropolitan Area, (1982 - 84 = 100). Franchise contracts awarded in 1997 use the February value, while those contracts awarded in 1998 use the December value. For those rates reduced below the initial contract rate due to rate guarantees provided by the franchise, an additional 3% increase to the service portion will be applied until those rates match the initial contract rate.

NEW RATES

Once the above processes are completed, the adjusted Landfill Gate Fee Component, and Service Component are recombined to obtain the adjusted rate. Any additional fees authorized for inclusion in the rates would also be added at this point.

WASTE MANAGEMENT
LANDFILL FEE SCHEDULE