

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

513



SUBMITTAL DATE:
April 10, 2012

FROM: Waste Management Department

SUBJECT: Introduction and Approval of Requested Gate Fee Increase at Edom Hill Transfer Station

RECOMMENDED MOTION: That the Board of Supervisors:

1. Introduce the requested Gate Fee changes at Edom Hill Transfer Station (EHTS) as proposed by Burrtec Recovery and Transfer in accordance with the Master Lease Agreement (the Agreement) related to operations at the EHTS and entered into on November 5, 2002; and
2. Set a date of May 15, 2012 for public hearing regarding the gate fee rate increase for EHTS; and
3. Direct the Clerk of the Board to advertise the public hearing through public notice for a minimum of fourteen (14) days pursuant to Section 5(d)(1) of the Agreement; and
4. Approve the requested EHTS gate fee increases at the close of the May 15, 2012, public hearing to be effective July 1, 2012

BACKGROUND: On November 5, 2002, the County entered into an agreement with Waste Management of the Desert (WMOD) to develop, construct, and operate a transfer station at the Edom Hill Landfill site once the landfill closed. The Edom Hill Landfill closed in November 2004, and the transfer station began operation at that time. WMOD sold their rights in the agreement to Burrtec Recovery and Transfer (Burrtec) in 2006.

(Continued)

Hans W. Kernkamp, General Manager-Chief Engineer

FORM APPROVED COUNTY COUNSEL
BY:
NEAL R. KIPNIS
DATE: _____

Departmental Concurrence

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:	No
	Annual Net County Cost:	\$ N/A	For Fiscal Year:	12/13

SOURCE OF FUNDS: Not applicable	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE

BY:
Alex Gann

County Executive Office Signature

Consent Policy
 Consent Policy

Dept's Recomm.:
 Per Exec. Ofc.:

Prev. Agn. Ref.: 12.2 (11/5/02); 12.3 (5/23/06) **District:** 4/4 **Agenda Number:**

12.2

The Agreement between the County and Burrtec as Lessee, states that gate fee adjustments are to be approved by the County Board of Supervisors following a public hearing. On February 10, 2012, Burrtec contacted the Waste Management Department to communicate their intent to request a rate increase as outlined in the Agreement. Pursuant to Section 5(b) of the Agreement, the Waste Management Department, on behalf of Burrtec, is presenting the request to the Board of Supervisors for action.

The gate fee at the Edom Hill Transfer Station is made up of four component parts. The recapture of the capital investment (i.e. the Facility Element) and the City Mitigation Fee are fixed by contract. The Disposal Fee element is based on the long-term hauling contract that Burrtec has with the County and is scheduled to be increased effective July 1, 2012, by that contract's allowable Consumer Price Index (CPI) increase, pending Board approval. The Operating & Transport Element is the only component that Burrtec, Inc., can increase on an annual basis.

The maximum increase allowable in any one year is equal to 80% of the percent change in the CPI for all Urban Consumers for the Los Angeles/Anaheim/Riverside Metropolitan Area as published by the United States Department of Labor, Bureau of Labor Statistics for the twelve month period ended December 31 of the year prior to the July 1 effective date. For July 1, 2012, the percent increase in the Operating and Transport element of the gate fee, based on 80% of the change in CPI on December 31, 2011 is 1.74%.

In addition, Burrtec has requested an Extraordinary Rate Adjustment, as allowed for under the Master Lease Agreement, to the Operating & Transport Element due to the sharp increase in diesel fuel costs. Based on these increases since 2002 (the year competitively bid facility gate rates were negotiated), Burrtec requested an increase to the Operating and Transport Element of \$0.21 per ton and \$1.53 per ton, respectively. Staff reviewed the request and adjusted the requested amounts downward based on the change in fuel costs since 2006 (the year Burrtec assumed the facility lease) and a 20% reduction to be consistent with the intent of the lease regarding allowable increases (80% of the percent change in CPI). These changes result in a proposed extraordinary adjustment to the Operating and Transport Element of \$0.08 per ton and \$0.54 per ton, respectively. Burrtec agrees with the proposed revised adjustments which are summarized below:

Gate Fee Components	Gate Fee per Lease Agreement July 1, 2011	Increase based on allowable 2011 CPI *	Extraordinary Rate Adjustment	Total Proposed Gate Fee effective July 1, 2012
Facility Element	\$0.89	Not applicable		\$0.89
Operating Element	\$5.22	\$0.09	\$0.08	\$5.39
Transport Element	\$5.70	\$0.10	\$0.54	\$6.34
Disposal Fee **	\$26.35	\$0.57	Not applicable	\$26.92
City Mitigation Fee	\$ 1.00	Not applicable	Not applicable	\$ 1.00
Total:	\$39.16			\$40.54

* CPI increase for 2011=

$$(231.567 - 226.639) / 226.639 = 0.0271$$

$$\text{Percent change} = 2.17\% \quad \text{Maximum allowable (80\%)} = 1.74\%$$

** Recommended to the Board and will be considered after a public hearing scheduled on May 1, 2012. If approved, the Riverside County Waste Management Department will implement an increase in the landfill disposal fees equal to the LA/Orange/Riverside Metropolitan Area CPI annual change (Dec. 31, 2011) of 2.17% on July 1, 2012.

The requested Extraordinary Rate Adjustment is based on the 2011 diesel fuel cost. In the event that the per gallon cost drops significantly over the previous 12-month period, Burrtec has agreed that, as part of the annual rate setting process, the gate rate will be adjusted to reflect the decrease in cost. The reduction will be calculated by applying a similar methodology utilized to calculate the increase proposed herein.

Burrtec has also requested an increase to the minimum load charge at the facility (currently \$8.00 per 600-pound load). This rate has remained unchanged since the facility opened in 2004. The low rate is intended to encourage citizen use of the facility and deter illegal dumping; however, staff recommends a reasonable increase to \$10 per 600-pound load which will still retain that desired effect while setting the rate commensurate with the Robert A. Nelson Transfer Station and Material Recovery Facility in western Riverside County.

California Environmental Quality Act (CEQA) Findings

Pursuant to CEQA Guidelines Section 15273, the proposed changes to the fee structure at the EHTS are found to be statutorily exempt from CEQA, because the proposed changes for the purpose of:

- Meeting operating expense, including employee wage rates and fringe benefits,
- Purchasing or leasing supplies, equipment, or materials,
- Meeting financial reserve needs and requirements, and
- Obtaining funds for existing capital projects, necessary to maintain service within existing service areas.

A Notice of Exemption to this effect will be filed with the County Clerk upon Board of Supervisors approval of the rate change.