

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Auditor - Controller	(2) MEETING DATE 2/26/2013	(3) CONTACT/PHONE Brian Spaulding (805) 788-2963																	
(4) SUBJECT Request to approve a Base Year Solid Waste Rate Adjustment of 3.4% for the garbage hauling services provided by San Luis Garbage Company, Inc.																			
(5) RECOMMENDED ACTION It is recommended that the Board approve a rate increase for San Luis Garbage Company, to be effective April 1, 2013 as detailed on the following attachments:																			
<table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:10%;"><u>Exhibit</u></th> <th style="width:20%;"><u>Company Name</u></th> <th style="width:15%;"><u>Increase</u></th> <th style="width:15%;"><u>Type of Adjustment</u></th> <th style="width:40%;"><u>Areas Served</u></th> </tr> </thead> <tbody> <tr> <td align="center">A</td> <td>San Luis Garbage Company, Inc.</td> <td>3.4% - Base Year Rate Adjustment</td> <td>Rate increase by the City of SLO</td> <td>Airport, Rolling Hills, Country Club, Evans Road, Davenport Creek areas.</td> </tr> <tr> <td align="center">B</td> <td>San Luis Garbage Company, Inc.</td> <td>3.4% - Base Year Rate Adjustment</td> <td>Rate increase by the City of SLO</td> <td>Rural areas around the City of San Luis Obispo.</td> </tr> </tbody> </table>					<u>Exhibit</u>	<u>Company Name</u>	<u>Increase</u>	<u>Type of Adjustment</u>	<u>Areas Served</u>	A	San Luis Garbage Company, Inc.	3.4% - Base Year Rate Adjustment	Rate increase by the City of SLO	Airport, Rolling Hills, Country Club, Evans Road, Davenport Creek areas.	B	San Luis Garbage Company, Inc.	3.4% - Base Year Rate Adjustment	Rate increase by the City of SLO	Rural areas around the City of San Luis Obispo.
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(6) FUNDING SOURCE(S)	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? N/A																
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Board Business (Time Est. _____)																			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A																			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A																	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY  <input type="checkbox"/> N/A Date _____																	
(17) ADMINISTRATIVE OFFICE REVIEW  <i>Nikki J. Schmidt</i>																			
(18) SUPERVISOR DISTRICT(S) All Districts -																			

# County of San Luis Obispo



TO: Board of Supervisors

FROM: Auditor - Controller / James P. Erb

DATE: 2/26/2013

SUBJECT: Request to approve a Base Year Solid Waste Rate Adjustment of 3.4% for the garbage hauling services provided by San Luis Garbage Company, Inc.

## **RECOMMENDATION**

It is recommended that the Board approve a rate increase for San Luis Garbage Company, to be effective April 1, 2013 as detailed on the following attachments:

<u>Exhibit</u>	<u>Company Name</u>	<u>Increase</u>	<u>Type of Adjustment</u>	<u>Areas Served</u>
A	San Luis Garbage Company, Inc.	3.4% - Base Year Rate Adjustment	Rate increase by the City of SLO	Airport, Rolling Hills, Country Club, Evans Road, Davenport Creek areas.
B	San Luis Garbage Company, Inc.	3.4% - Base Year Rate Adjustment	Rate increase by the City of SLO	Rural areas around the City of San Luis Obispo.

## **DISCUSSION**

Historically, garbage rates in the unincorporated areas near Cities and Districts have been correlated to the rates approved by the neighboring Cities or Districts due to their similar service levels and proximity. Many of these jurisdictions have adopted a rate setting methodology whereby an in depth base year rate review is prepared every third year and a less detailed interim year rate adjustment is prepared in year two and three of the cycle. Currently, the City of San Luis Obispo adheres to this methodology.

San Luis Garbage Company provides garbage hauling services for the City of San Luis Obispo and County areas bordering the City. The City of San Luis Obispo represents over 90% of the customer base with the remaining 10% divided between the Airport/Rolling Hills/Country Club/Evans Road/Davenport Creek areas (6%) and other rural areas (4%).

On January 22, 2013, the San Luis Obispo City Council reviewed and adopted the Base Year Solid Waste Rate Adjustment Application of 3.4% for San Luis Garbage Company, effective on February 1, 2013, for the City of San Luis Obispo. This review included an analysis of present cost factors, green waste processes, surveys of other cities' rates and alternatives to the specific application requests.

It is further noted that the proposed increase to the City of San Luis Obispo is subject to Proposition-218 election. As such, there is a chance voters could decide to block this rate increase request. In this case, we would recommend that San Luis Garbage Company not increase their rates on the unincorporated areas in order to maintain consistency with the City of San Luis Obispo. Since service is not mandatory in the County regulated area, this recommended rate adjustment

is not subject to the Prop-218 provision. Therefore, barring the event that voters take such action, we are recommending the same 3.4% rate increase for the Airport/Rolling Hills/Country Club/Evans Road/Davenport Creek areas and rural areas near the City of San Luis Obispo to be effective April 1, 2013, due to the 30-day notice requirement by the County of San Luis Obispo. This is intended to allow for consistency among the City and County of San Luis Obispo rates, as well as timing of the rate increase.

#### **OTHER AGENCY INVOLVEMENT/IMPACT**

Auditor-Controller's staff has worked with the County's Public Works Solid Waste Coordinator in the preparation of this request.

#### **FINANCIAL CONSIDERATIONS**

The County will receive a slight increase in franchise fee revenues; overall there will be no significant financial impact to the County budget.

#### **RESULTS**

Annual rate increases enable the garbage companies to maintain established profit margins while continuing to provide solid waste services to the public at a reasonable rate. The final result would be greater compliance with your Board's desire for a healthier, more livable and well governed community.

#### **ATTACHMENTS**

1. Exhibit A - Airport, Rolling Hills, Country Club, Evans Road, and Davenport Creek areas
2. Exhibit B - Rural Areas near the City of San Luis Obispo