

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

(1) DEPARTMENT Auditor - Controller - Treasurer - Tax Collector	(2) MEETING DATE 1/26/2016	(3) CONTACT/PHONE Brian Spaulding 788-2963	
(4) SUBJECT Request to approve an interim CPI rate adjustment and tipping fee pass-thru costs for garbage hauling services provided by Paso Robles Country Disposal and San Miguel Garbage Company. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board approve Interim Year rate increases of 3.84% for Paso Robles Country Disposal and 2.43%-2.92% for San Miguel Garbage Company effective March 1, 2016.			
(6) FUNDING SOURCE(S) N/A	(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"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input checked="" 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: Honorable Board of Supervisors

FROM: James P. Erb, Auditor-Controller-Treasurer-Tax Collector

DATE: January 26, 2016

SUBJECT: Request to approve an interim CPI rate adjustment and tipping fee pass-thru costs for garbage hauling services provided by Paso Robles Country Disposal and San Miguel Garbage Company. All Districts.

RECOMMENDATION

It is recommended that the Board approve Interim Year rate increases of 3.84% for Paso Robles Country Disposal and 2.43%-2.92% for San Miguel Garbage Company effective March 1, 2016. The rate adjustments include 2.43% for CPI and, when applicable to services, 0.22%-1.41% for pass-through of landfill tipping fee increases. This is due to rate increases for Franchise-Compacted refuse implemented at Paso Robles Municipal and Chicago Grade Landfills. These pass-through costs are presented as corresponding percentage increases as detailed in the following table and attached rate schedules.

Interim Year increases are based on the annual increase (if any) in the Consumer Price Index (CPI) for Urban Consumers All U.S. City Average. Costs of compliance with AB 1826 mandating diversion of organics beginning in 2016 were considered by the haulers with this request, but neither hauler anticipates significant increased costs in order to meet the new standards at this time.

<u>Attachments</u>	<u>Hauler</u>	<u>Base Year Adjustment Components</u>	<u>Areas Served</u>
1	Paso Robles Country Disposal	2.43% CPI Increase 1.41% Tipping Fee Increases 3.43% Total Increase	The Unincorporated areas surrounding the City of Paso Robles
2	San Miguel Garbage Company	2.43% CPI Increase 0.22% Tipping Fee Increases-Residential 2.65% Total increase-Residential 2.43% CPI Increase 0.49% Tipping Fee Increases-Commercial 2.92% Total increase-Commercial	Shandon, Nacimiento Lake Road area, Monterey Road area, Whitley Gardens, Independence Ranch, Jardine, Oak Shores, Wellsona area, fringe areas of San Miguel, Running Deer, Bee Rock, and Chimney Rock

DISCUSSION

This rate adjustment request represents the CPI change calculated from September 2013 through September 2015 as permitted under the Franchise Agreements. CPI adjustments are intended to make garbage rate increases more predictable and less burdensome to the customers by reducing the need for larger increases in Base Year reviews. This approach is consistent with the current method utilized by neighboring Cities of Paso Robles and Atascadero, and the Templeton Community Services District, and provides for a more accurate pace of profitability forecasting for hauling companies.

In September 2013, the CPI Index for All Urban Consumers in the Los Angeles-Riverside-Orange County area, for All Items, was 239.611. The Index for September 2015 was recently reported at 245.431. The percentage increase between the two indices is 2.43% ($245.431 - 239.611 = 5.82$ and $5.82 / 239.611 = 0.0243$, or 2.43%).

There were also tipping fee increases at both Paso Robles Municipal Landfill and Chicago Grade Landfill which affected both garbage haulers. Paso Robles Municipal increased the rate for Franchise-Compacted Refuse by \$1.50 (from \$43.50 to \$45.00) on July 1, 2015. Chicago Grade increased the rate for Franchise-Compacted Refuse by \$1.00 (from \$43.00 to \$44.00) on January 1, 2016. These tipping fee increases were analyzed by the average tonnage (attributable to each landfill) for each hauler and further broken down into Residential and Commercial segments. These additional costs were then converted to an equitable percentage increase (for each segment, among each hauler) in order to incorporate the tipping fee increases with the CPI increases for a single combined percentage increase by service type.

In 2014, AB 1826 was enacted which requires local jurisdictions across the state to develop programs to divert commercial organic waste from landfills to authorized disposal facilities beginning in 2016. However, neither Paso Robles Country Disposal nor San Miguel Garbage have levels of commercial volume to expect significant costs to comply with the state mandates in the near term. North County haulers are currently working together to develop a plan for long term management of organic waste in order to comply with additional requirements in the years to come.

RATE REVIEW PROCESS

The County franchises with multiple solid waste haulers serving the unincorporated areas throughout the County. We generally follow a three-year cycle as do many jurisdictions in the County. Under this methodology, base year applications are prepared once every three years. Base year applications require a detailed submittal and review of past, current and future operating expenses. Less detailed interim year applications are required in years two and three of the cycle, and are intended to adjust only for the prior year's cost-of-living increase and changes to the landfill tipping fees. Based upon our internal review and comparisons with rates in neighboring jurisdictions, we believe the fee increases requested here are reasonable and recommend approval.

OTHER AGENCY INVOLVEMENT/IMPACT

Auditor-Controller-Treasurer-Tax Collector'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 adjustments enable garbage companies to maintain established profit margins while continuing to provide solid waste services to the public at reasonable prices. The final result would be greater compliance with the County's vision of a healthier, more livable and well governed community.

ATTACHMENTS

1. Paso Robles Country Disposal - Proposed Rate Schedule for The Unincorporated areas surrounding the City of Paso Robles
2. San Miguel Garbage Company – Proposed Rate Schedule for Shandon, Nacimiento Lake Road area, Monterey Road area, Whitley Gardens, Independence Ranch, Jardine, Oak Shores, Wellsona area, fringe areas of San Miguel, Running Deer, Bee Rock, and Chimney Rock