



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

(1) DEPARTMENT Public Works	(2) MEETING DATE 9/17/2019	(3) CONTACT/PHONE Wendy Marie C. Hall Support Services Division Manager (805) 781-5295	
(4) SUBJECT Request to approve a base year rate adjustment for garbage hauling services provided by South County Sanitary Service, Inc. and San Luis Obispo Garbage Company, County of San Luis Obispo. Districts 3 and 4.			
(5) RECOMMENDED ACTION It is recommended that the Board approve a base year rate increase of 10.06% for South County Sanitary Services, Inc. (SCSS) and 12.14% for San Luis Garbage Company (SLO Garbage), effective October 9, 2019.			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT N/A	(8) ANNUAL FINANCIAL IMPACT N/A	(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 11/24/15, #840	
(17) ADMINISTRATIVE OFFICE REVIEW Kristin Eriksson			
(18) SUPERVISOR DISTRICT(S) District 3 District 4			

Reference: 19.134



## COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

FROM: Public Works  
Wendy Marie C. Hall, Support Services Division Manager

VIA: John Diodati, Director of Public Works

DATE: 9/17/2019

SUBJECT: Request to approve a base year rate adjustment for garbage hauling services provided by South County Sanitary Service, Inc. and San Luis Obispo Garbage Company, County of San Luis Obispo. Districts 3 and 4.

### **RECOMMENDATION**

It is recommended that the Board approve a base year rate increase of 10.06% for South County Sanitary Services, Inc. (SCSS) and 12.14% for San Luis Garbage Company (SLO Garbage), effective October 9, 2019.

### **DISCUSSION**

As per the Solid Waste Collection Franchise Agreement, SCSS and SLO Garbage submitted a Base Year Rate Adjustment Application, as is necessary once every three years. This process requires detailed financial and operating information which is carefully reviewed and analyzed by the County of San Luis Obispo (County). At the time a Base Year Rate Adjustment Application is submitted, the franchise hauler also provides the County with a survey of rates and services provided by the seven cities within the County.

The rate review applications reflect increases due to higher fuel prices, the cost of compliance with Assembly Bill 1826 mandated diversion of organics, and increases in Tipping Fees. Tipping Fees are those fees, normally out of the control of the hauler, charged by the disposal/recycling facilities, and passed to the customers through billings. In this case, the Tipping Fee is passed from the parent company of Waste Connections to the subsidiaries, SCSS and SLO Garbage.

With the changes in environmental regulations in China, the largest importer of U.S. recyclable materials, the cost of recycling has increased and led to limited markets for the materials across the U.S. Additionally, standards for materials have increased and prices have decreased. The Chinese ban on mixed recyclable materials has forced the recyclable materials industry to slow down its sort lines and add labor to remove contamination that has crept into the mix over the past two decades.

The Tipping Fee increase is attributable to the cost of recycling. Waste Connections owns and operates Cold Canyon Materials Recovery Facility (MRF) where SCSS and SLO Garbage process the recyclables collected. Waste Connections also runs the SCSS and SLO Garbage companies. The MRF rate will increase from \$7.80 per ton to \$67.50 per ton, which is a significant increase of \$59.70. The new rate of \$67.50 is being charged to all haulers that use the MRF.

The base year rate adjustment is presented as detailed in the following table and corresponding attached rate schedule:

<b>Hauler</b>	<b>Base Year Rate Adjustment</b>	<b>Areas Served</b>
South County Sanitary Services	10.06% to go into effect October 9, 2019	Avila Beach, urbanized rural Arroyo Grande and Halcyon area, Nipomo Bluff area (non-Nipomo CSD), Nipomo Mesa area and other unincorporated areas of South San Luis Obispo County
San Luis Garbage Company	12.14% to go into effect October 9, 2019	Airport, Rolling Hills, Country Club, Evans Road, Davenport Creek areas and rural areas near the City of San Luis Obispo

The rate setting objective is to determine integrated solid waste management rates that are fair to County residents and provide adequate revenue to the hauler. With the County's review, the rates that SCSS and SLO Garbage have asked for have followed the guidelines of the Rate Setting Process.

SCSS and SLO Garbage are the third and fourth solid waste haulers with a completed rate increase review. The County has received a rate increase request from the last franchisee. This request is currently being reviewed and will be brought to the Board at a later date.

*Rate Review Process*

The County franchises with multiple solid waste haulers serving the unincorporated areas throughout the County. The County follows 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, supported by audited financial records. 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 the internal review and comparisons with rates in neighboring jurisdictions, staff has determined that the proposed fee increases are reasonable and recommends approval of the two rate increase requests.

**OTHER AGENCY INVOLVEMENT/IMPACT**

The Department of Public Works staff has worked with the Auditor-Controller-Treasurer-Tax Collector-Public Administrator's staff 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**

Base year rate adjustments enable garbage companies to maintain established profit margins per the franchise agreements 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 South County Sanitary Services Proposed Rate Increase Schedule
- 2 San Luis Garbage Company Proposed Rate Increase Schedule

File: CF 755.100.60.01B  
CF 755.100.40.01B

Reference: 19.134

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