

Northern California Office

1512 Eureka Road, Suite 220, Roseville, CA 95661
Tel: 916-782-7821 | Fax: 916-782-7824

San Francisco Bay Area Office

2600 Tenth Street, Suite 424, Berkeley, CA 94710
Tel: 510-647-9674

April 5, 2020

Mr. Robert Perreault
Director of Public Works
Plumas County
1824 East Main Street
Quincy, CA 95971-9795

Subject: 2020 Refuse Rate Index Adjustment - Intermountain Disposal

Dear Mr. Perreault:

R3 Consulting Group, Inc. (R3) was engaged by Plumas County (County) to assist with calculating the 2020 Refuse Rate Index (RRI) rate adjustment for Feather River Disposal Inc. (FRD) and Intermountain Disposal (IMD), collectively referred to as the "Contractors". This letter report presents the results of the RRI calculation for IMD. The results of our RRI calculation for FRD will be provided in a separate report.

Project Background

The County executed new franchise agreements (Agreements) with IMD and FRD effective April 1, 2017. Those Agreements terminate at midnight on March 31, 2027. Under the terms of the Agreements, beginning on July 1, 2018, and annually thereafter, the Contractors are to receive an annual adjustment to the rates through the Refuse Rate Index (RRI) process as set forth in Attachment E of the Agreements (**Attachment 1**). As stated in Section 12.04 of the Agreement, if the operating ratio (i.e., profit level) for the previous 12-month period falls within the range of values defined in Attachment A of the Agreements (i.e., an operating ratio of 88.00% to 92.00%) no RRI adjustment will be made.¹

As specified in Section 12.04.C of the Agreement, on or before March 15, 2020 and annually thereafter the Contractors are to deliver to the County audited financial information per Section 10.05 of the Agreement for the preceding calendar year. Such information is to be in the format as set forth in Attachment E and shall be allocated between curbside collection services and all other collection and disposal services, or as may be further revised by agreement of the County and the Contractors.

Project Objectives

To determine if:

- IMD is eligible for an RRI adjustment effective July 1, 2020; and if so
- The amount of the RRI adjustment.

¹ As the operating ratio percentage increases the associated profit level decreases. An operating ratio of 92% equates to a profit level of 8.70%, while an operating ratio of 88% equates to a profit level of 13.64%.

Findings

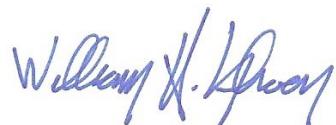
R3 calculated IMD's 2019 profit level at a 97.2% operating ratio. Profitable but lower than the 92% minimum operating ratio that would trigger an RRI adjustment.² As such, IMD is due a July 1, 2020 RRI rate adjustment. We calculated that RRI rate adjustment at **3.84% (Attachment 2)**.

* * * * *

We appreciate the opportunity to be of service to the County. Should you have any questions regarding this submittal, or need any additional information, please contact me by phone at (916) 782-7821 or by email at wschoen@r3cgi.com.

Sincerely,

R3 CONSULTING GROUP



William Schoen | Project Director

Attachments:

- 1 Franchise Agreement Attachment E - Refuse Rate Index
- 2 IMD 2020 RRI Calculation

R:\+Projects\Plumas County 2020 RRI -120016\IMD\Plumas County - IMD 2020 RRI Report - 040520.docx

² As the operating ratio increases, profit decreases.

ATTACHMENT E

REFUSE RATE INDEX

The Refuse Rate Index (RRI) adjustment shall be calculated in the following manner:

1. The expenses for the required franchised services for the designated fiscal period (January – December) shall be prepared in the format set forth in the “Operating Cost Statement” below.
2. The expenses for the required franchised services shall be broken down into the following six (6) cost categories: Labor; Diesel Fuel; Vehicle Replacement; Vehicle Maintenance, All Other, and Disposal. Each cost category is assigned a weighted percentage factor based on that cost category's proportionate share of the total of the costs shown for all cost categories.
3. The following five (5) indices published by the United States Department of Labor, Bureau of Labor Statistics (BLS), and the actual change in the disposal site tip fee are used to calculate the adjustment for each cost category. The change in each index and the tip fees is calculated on a twelve-month fiscal period in accordance with the terms of the agreement. In the event any index is discontinued, a successor index shall be selected by **County**. Successor indices shall be those indices that are most closely equivalent to the discontinued indices as recommended by the BLS.

<u>Cost Category</u>	<u>Index</u>
Labor	Series ID: ceu6056210008 Professional and business services – waste collection
Diesel Fuel	California No 2 Diesel Ultra Low Sulfur (0-15 ppm) http://tonto.eia.doe.gov/oog/info/wohdp/diesel.asp
Vehicle Maintenance	Vehicle Replacement Series ID: pcu336211336211 Motor vehicle body manufacturing
All Other	Series ID: cuusx400sa0 Consumer Price Index, All Urban Consumers, All Items; West – Size Class B/C
Disposal	The actual tip fee charged to Contractor by the disposal site.

The percentage weight for each cost category is multiplied by the change in each appropriate index to calculate a weighted percentage for each cost category. The weighted percentage changes for each of the six (6) cost categories are then added together to calculate the RRI.

Operating Cost Statement – Description

Labor: List all administrative, officer, operation and maintenance salary and benefit accounts.
 List payroll tax accounts directly related to the above salary accounts.
 List employee group medical and life accounts directly related to the above salary accounts.
 List employee retirement or profit sharing contributions accounts directly related to the above salary accounts.
 List Workers Compensation accounts directly related to the above salary accounts.
 List contract labor accounts directly related to the above salary accounts.
 List other employee costs (i.e. safety gear, boot allowance, etc.) directly related to the above salary accounts.

Diesel Fuel: List all diesel fuel accounts.

Vehicle Replacement:

List all collection and collection-related vehicle depreciation accounts.

List all vehicle lease or rental accounts related to collection or collection-related vehicles.

Vehicle Maintenance:

List all collection or collection-related vehicle parts accounts.

All Other: List all other expense accounts related to the services provided under this agreement. This category includes all insurance including general liability, fire, truck damage, and extended coverage; rent on property, truck licenses and permits; real and personal property taxes; telephone and other utilities; employee uniforms; safety equipment; general yard repairs and maintenance; non-diesel fuel; office supplies; postage; trade association dues and subscription; advertising; and miscellaneous other expenses.

Disposal: List all disposal costs related to the provision of collection services.

Note: *The enactment, or application, of the Refuse Rate Index does not require the “targeted profit amount” to be addressed.*

An Example RRI Calculation:

In this example, the Refuse Rate Index is +2.54% (i.e., rates would be increased by 2.54%)

Item #	Category	Data Source	Percent Change ⁽¹⁾	Category Weight ⁽²⁾	Weighted Percentage Change ⁽³⁾
1	Labor	Series ID: ceu6056210008 Professional and business services – waste collection	2.19%	39.05%	+0.85%
2	Diesel Fuel	California No 2 Diesel Ultra Low Sulfur (0-15 ppm) http://tonto.eia.doe.gov/oog/info/wohdp/diesel.asp	4.74%	13.15%	+0.62%
3	Vehicle Replacement	Series ID: pcu336211336211 Motor vehicle body manufacturing	6.79%	2.57%	+0.17%
4	Vehicle Maintenance	Series ID: pcu333924333924 Industrial truck, trailer and stacker mfg.	0.16%	13.46%	-0.02%
5	All Other	Series ID: cuusx400sa0 Consumer Price Index, All Urban Consumers, All Items; West – Size Class B/C	1.70%	18.75%	+0.32%
6	Disposal	Average of Change in Disposal Facility Tip Fees	4.60%	13.02%	+0.60%
Example RRI				100%	+2.54%

⁽¹⁾ The percentage change in the indices from year to year.

⁽²⁾ Each category's percentage of the **Contractor's** total operating costs.

⁽³⁾ The product of percentage change x category weight.

		Amount
Total Revenue		<u>\$1,792,248</u>
Operating Expenses		
Labor		
Payroll - route	\$263,773	
Payroll - office	\$93,813	
Payroll - company executive officer	\$88,374	
Payroll - transfer station	\$61,674	
Payroll - taxes	\$44,404	
Retirement plan contribution	\$83,949	
Worker's compensation insurance	\$30,126	
Employee benefits	\$18,495	
Total Labor	<u>\$684,608</u>	
Diesel Fuel		
Diesel Fuel	\$117,852	
Total Diesel Fuel	<u>\$117,852</u>	
Vehicle Replacement		
Depreciation - vehicles	\$112,832	
Equipment rent	\$27,691	
Total Vehicle Replacement	<u>\$140,523</u>	
Vehicle Maintenance		
Vehicle Maintenance	\$62,164	
Tires	\$23,838	
Total Vehicle Maintenance	<u>\$86,002</u>	
Disposal		
Dump fees	\$226,813	
Franchise fees	\$115,490	
Hazardous waste	\$11,683	
Transfer station rental	\$9,600	
Total Disposal	<u>\$363,586</u>	
All Other		
Building rent - related party	\$71,288	
Business taxes, licenses and fees	\$52,365	
Accounting	\$51,446	
Insurance	\$45,762	
Depreciation - equipment	\$26,171	
Operating and office supplies	\$24,867	
General maintenance	\$21,118	
Telephone and internet	\$15,713	
Utilities	\$12,919	
Equipment rental - related part	\$8,853	
Other rent	\$8,413	
Fuel, oil and lubricants	\$7,273	
Equipment maintenance	\$5,451	
Bad debts	\$2,524	
Depreciation - leasehold improvements	\$2,378	
Advertising and promotion	\$2,163	
Association dues	\$1,424	
Entertainment	\$1,218	
Charitable contributions	\$600	
Depreciation - office	\$497	
Legal	\$106	
Total All Other	<u>\$362,549</u>	
Total Operating Expenses		<u>\$1,755,120</u>
Operating Income		<u>\$37,128</u>
Operating Ratio		<u>97.2%</u>

	% of Total	Change in index	Weighted Average
Labor	\$684,608	39.01%	4.86%
Diesel Fuel	<u>\$117,852</u>	6.71%	1.26%
Vehicle Replacement	<u>\$140,523</u>	8.01%	4.49%
Vehicle Maintenance	<u>\$86,002</u>	4.90%	2.46%
All Other	<u>\$362,549</u>	20.66%	2.54%
Disposal	<u>\$363,586</u>	20.72%	4.12%
Total	<u>\$1,755,120</u>	<u>100.00%</u>	

RRI Adjustment = **3.84%**

Employment, Hours, and Earnings from the Current Employment Situation

Original Data Value

Series Id: CEU6056210008

Not Seasonally Adjusted

Series Title: Average hourly earnings of production and

Super Sector: Professional and business services

Industry: Waste collection

NAICS Code: 5621

Data Type: AVERAGE HOURLY EARNINGS OF PRODUCTION

Years: 2008 to 2020

[Back to Contents](#)**Data 1: California I**

Sourcekey	EMD_EPD2DXL0_PTE_ SCA_DPG California No 2 Diesel Ultra Low Sulfur (0-15 ppm)
Date	Retail Prices (Dollars per Gallon)
2007	
2008	3.925
2009	2.607
2010	3.157
2011	4.084
2012	4.230
2013	4.126
2014	4.004
2015	3.015
2016	2.654
2017	3.067
2018	3.874
2019	3.923

2019 vs. 2018 0.049
 1.26%

PPI Industry Data Original Data Value

Series Id:	PCU336211336211
Series Title:	PPI industry data for Motor vehicle body mfg, not
Industry:	Motor vehicle body mfg
Product:	Motor vehicle body mfg
Base Date:	198212
Years:	2008 to 2020

PPI Industry Data
Original Data Value

Series Id: PCU33924333924
Series Title: PPI industry data for Industrial truck, trailer, and
Industry: Industrial truck, trailer, and stacker mfg
Product: Industrial truck, trailer, and stacker mfg
Base Date: 197912
Years: 2008 to 2020

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2008	182.6	182.8	182.9	184.2	185.4	187.0	198.0	198.3	202.1	202.5	202.4	202.6
2009	203.0	203.0	203.0	205.9	205.8	205.8	207.0	207.3	207.3	207.4	207.4	207.8
2010	205.0	205.0	205.0	206.0	207.0	204.2	205.1	205.2	205.1	205.1	205.9	205.9
2011	206.3	206.7	206.9	209.5	209.4	209.9	210.6	210.6	210.8	210.9	210.8	210.9
2012	213.6	215.8	214.6	215.2	215.5	216.7	218.0	218.1	218.3	218.3	218.6	220.1
2013	222.8	221.3	221.7	221.8	221.8	222.0	221.6	221.8	221.8	222.4	222.4	222.8
2014	225.4	226.2	226.2	227.1	229.6	230.2	230.2	230.1	230.2	230.2	230.2	230.2
2015	231.3	232.8	234.0	234.9	235.1	235.0	235.0	235.0	235.0	235.4	235.4	235.7
2016	235.7	236.3	236.5	236.9	237.3	237.3	237.4	238.4	238.5	238.5	238.6	238.6
2017	240.0	241.0	241.1	241.4	242.7	243.2	243.2	243.2	243.2	243.2	243.2	244.6
2018	244.2	245.9	247.4	247.5	249.2	249.4	250.3	252.4	254.8	255.1	255.5	255.4
2019	256.1	256.5	256.6	256.6	256.6	257.0	256.7	257.4	257.3	256.6	256.9	256.9
2020	258.7	258.9										2.46%

3007.1

3081.2

CPI for All Urban Consumers (CPI-U)

Original Data Value

Series Id: CUURN400SA0

Not Seasonally Adjusted

Series Title: All items in West - Size Class B/C, all urban

Area: West - Size Class B/C

Item: All items

Base Period: DECEMBER 1996=100

Years: 2008 to 2020

2.54%

Intermountain Disposal

Disposal Site: Lockwood Landfill

Effective Date Range	Rate Per Ton
4/1/2017 thru 3/31/2018	\$21.13
4/1/2018 thru 3/31/2019	\$21.47
4/1/2019 thru 3/31/2020	\$22.53
4/1/2020 thru 3/31/2021	\$23.25

2018 Calendar Year Avg Rate	\$21.39
2019 Calendar Year Avg Rate	\$22.27

2019 vs. 2018 Calendar Year Average Rate Increase	\$0.88
2019 vs. 2018 Calendar Year Average Rate Percentage Change	4.12%