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MEMORANDUM

Date: May 2, 2022

To: Hilary Hobbs, Assistant to the Town Manager, Town of Truckee
Melanie Conti, Administrative Analyst I, Town of Truckee

From: Dave Hilton, HF&H Consultants, LLC

Copy to: Ray Labadie, Tahoe Truckee Sierra Disposal

Subject: Review of Tahoe Truckee Sierra Disposal Rate Adjustment Application for RP5 (FY 2022-2023) and Recommendations for RP6 (FY 2023-2024)

At your request, HF&H Consultants, LLC (HF&H) reviewed the application for July 1, 2022 Rate Adjustment (Application) submitted by Tahoe Truckee Sierra Disposal (TTSD) for the Town of Truckee (Town) rates to be effective for Rate Period (RP) 5, Fiscal Year 2022-2023. Based on our review of the Application, we recommend a 7.00% rate adjustment factor (including Town Fees) for residential services; and, a 0.00% rate adjustment factor (including Town Fees) for commercial services. The rate adjustment factors shall be applied to the residential and commercial rates to calculate rates effective July 1, 2022 through June 30, 2023. The majority of these adjustments are attributed to inflation and disposal and processing cost increases.

While TTSD and the Town had intended on utilizing a cost-based rate adjustment previously postponed in RP4, limiting time factors to determine RP5 rate adjustments necessitated departure from the cost-based rate adjustment methodology. The intent of this memorandum is to document the changes in RP5 methodology and agreed-upon revisions to RP6 rate setting methodology that will be used when calculating the rate adjustments for the Town for rates effective July 1, 2023.

RP4 Rate Adjustment

RP4 rates were determined using the index-based adjustment methodology described in Exhibit B1. In setting the rates for RP4, the Town and TTSD agreed to continue performing separate calculations for residential and commercial costs and to separately calculate residential and commercial rate adjustment factors. The results of the RP4 rate-setting process determined a 2.53% increase for the residential sector and a 3.91% decrease for the commercial sector. Residential rates were increased 2.53% as determined by the index rate methodology. As described in Exhibit B1 Section 1 of the Agreement, in the event that

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the index-based adjustment results in a negative rate adjustment factor, the Town reserves the right to “roll-under” the resulting rate reduction such that there is no rate adjustment in the rate period that experienced the decrease. The “roll-under” may be deferred to a following rate period, acting as a credit against a rate increase. The Town elected not to decrease the commercial rates in RP4, resulting in a “roll-under” amount of \$137,866.

RP5 Rate Adjustment and Methodology (2022-2023)

The RP5 rate-setting process was anticipated to be performed as prescribed in Section 11.2 and Exhibit B2 of the Agreement, following the cost-based adjustment methodology. Due to timing constraints and the complexity of the cost-based adjustment methodology, the Town and TTSD have agreed to postpone the cost-based adjustment. Rates for RP5, effective July 1, 2022, have been determined using the index-based methodology prescribed in Exhibit B1 of the Agreement.

TTSD requested a rate increase of 5.89% for the residential sector and 0.064% decrease for the commercial sector to reflect its compensation adjustment for RP5. HF&H reviewed TTSD's RP5 application for mathematical accuracy and correct calculation per Exhibit B1. During our review, we found TTSD's application did not include updated disposal and processing costs or the AB 939 fee. After the inclusion of such costs, we determined the need for a residential rate adjustment of 8.04% and a commercial rate adjustment of 3.27%. The resulting rate adjustments are due to the following components:

- 3.26% average inflationary increase in Labor-related Costs (per CBA)
- 3.68% inflationary increase in Vehicle-related Costs (excluding fuel)
- 63.98% inflationary increase in Fuel Costs
- 4.00% inflationary increase in All Other Costs
- Depreciation and Interest held flat
- 14.99% increase in residential Disposal and Processing Costs
- 5.02% decrease in commercial Disposal and Processing Costs

As prescribed in Agreement Exhibit B1 Section 1, in the event that the index-based adjustment results in an adjustment exceeding 7%, the Town has the discretion to approve the rate adjustment exceeding 7% or cap the rate adjustment at 7%. The Town has elected to cap the residential rate adjustment while we begin to perform the cost-based rate adjustment. This capping results in a 7% increase to residential rates. Once we apply the RP4 commercial rate adjustment “roll-under,” there will be no adjustment to commercial rates.

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RP6 Rate Adjustment Methodology (2023-2024)

As a result of postponing the cost-based rate adjustment for RP5, the Town and TTSD have agreed that RP6 rates (effective July 1, 2023) will be determined using the cost-based methodology. The results of the cost-based rate adjustment will be applied to the RP5 rates shown in Attachment A. In order to ensure that the cost-based rate adjustment has sufficient time to be performed, this work will begin immediately.

Conclusion

Based on the results of the work performed, the Town and TTSD agree to an overall increase of **7.00%** for the residential sector and **no change in rates** for the commercial sector for RP5. Rate Period 5 rates are provided in Attachment A to this memorandum.

This document should be used in reference to override the prescribed adjustment methodology for RP5 and RP6, where applicable.

ATTACHMENT

- A. Rate Period 5 (Fiscal Year 2022-2023) Rates