

Item 4.A.2

**Hiskey, Allen**

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**Sent:** Monday, March 11, 2024 4:19 PM  
**To:** Engel, Jeff; ceresolasuper1@yahoo.com; Goss, Kevin; McGowan, Tom; Hagwood, Greg; Public - Shared Mailbox; Mannle, John; Graham, Sean  
**Cc:** info@msi-tahoe.com; Plumas Sun  
**Subject:** BOS Meeting 3/12/2024 Agenda Item 4.A.2

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Dear Supervisors,

Public Works wants to change the formula that determines if a rate increase is warranted or not. Apparently this only applies to Intermountain Disposal as there was not a corresponding agenda item for Feather River Disposal. Why is this change only applicable to IMD?

The proposed formula is as follows:

$$\text{Expenses} / (\text{Expenses} + \text{Net Income})$$

The current formula is

$$\text{Net Income} / \text{Net Expenses}$$

What does the new formula even mean? What does it tell us? I personally have no clue what this represents. It is if Public Works just made up a new formula...

I did an Internet search on 'best formula to determine how well a business is doing' and I selected the Investopedia.com <<http://Investopedia.com>> web site. Financial analysis metrics aren't controversial nor are legitimate websites that provide this information.

Investopedia suggests there are 4 common areas: Liquidity, Solvency, Operating Efficiency, and Profitability.

What we should be interested in is Operating Efficiency and Profitability. Both choices are basically the same and provide the following:

$$(\text{Net Income} / \text{Revenue}) * 100$$

For example:

Revenue \$100  
- Expenses \$ 92

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$$\text{Net Income } \$8 \text{ } \$8 / \$100 = 8\%$$

This formula is easy to compute, easy to understand what it means, and is a common metric in finances to determine the health of a business.

So why is Public Works changing the formula? Public Works literally applied their 'new' formula to rate years 2021 thru 2023 and magically rate year 2022 now shows a rate increase is now warranted!

Apparently, Public Works is changing the rate to ensure IMD gets a rate increase and to hide the illegal rate increases due to the misapplication of 'Non-allowable' expenses.

Here is my suggestion: Vote 'No' on this contract change and have Public Works submit a new agenda item that makes a new contract change to use the (Net Income / Revenue) \* 100 and set the threshold to warrant a rate increase to 'less than 8%'. Supervisors, you have a choice: either use common sense and select the very valid net income/revenue or vote yes on this agenda item that implements an invalid 'operating ratio' that favors IMD to have rate increases. Your votes will be very telling...

Respectfully submitted by,

Mark Mihevc  
Graeagle

Link:

<https://www.investopedia.com/articles/investing/061916/what-best-measure-companys-financial-health.asp>

