
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

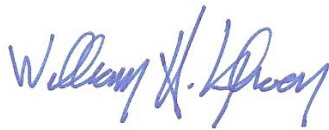
R3 calculated IMD's 2019 profit level at a 97.2% operating ratio. Profitable but lower than the 92% minimum operating ratio that would trigger an RRI adjustment.² As such, IMD is due a July 1, 2020 RRI rate adjustment. We calculated that RRI rate adjustment at **3.84% (Attachment 2)**.

* * * * *

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 Replacement Series ID: pcu336211336211 Motor vehicle body manufacturing
Vehicle Maintenance	Series ID: pcu333924333924 Industrial truck, trailer and stacker mfg.
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	\$1,792,248
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	\$684,608
Diesel Fuel	
Diesel Fuel	\$117,852
Total Diesel Fuel	\$117,852
Vehicle Replacement	
Depreciation - vehicles	\$112,832
Equipment rent	\$27,691
Total Vehicle Replacement	\$140,523
Vehicle Maintenance	
Vehicle Maintenance	\$62,164
Tires	\$23,838
Total Vehicle Maintenance	\$86,002
Disposal	
Dump fees	\$226,813
Franchise fees	\$115,490
Hazardous waste	\$11,683
Transfer station rental	\$9,600
Total Disposal	\$363,586
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	\$362,549
Total Operating Expenses	\$1,755,120
Operating Income	\$37,128
Operating Ratio	97.2%

		% of Total	Change in index	Weighted Average
Labor	\$684,608	39.01%	4.86%	1.89%
Diesel Fuel	\$117,852	6.71%	1.26%	0.08%
Vehicle Replacement	\$140,523	8.01%	4.49%	0.36%
Vehicle Maintenance	\$86,002	4.90%	2.46%	0.12%
All Other	\$362,549	20.66%	2.54%	0.52%
Disposal	\$363,586	20.72%	4.12%	0.85%
Total	\$1,755,120	100.00%		

RRI Adjustment = **3.84%**

Employment, Hours, and Earnings from the Current Employment 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

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2008	17.04	17.12	17.22	17.19	17.17	17.27	17.19	17.02	17.11	17.00	17.67	17.66
2009	17.73	17.86	17.72	17.32	17.32	17.09	17.21	17.27	17.69	17.37	17.22	17.38
2010	17.28	17.19	17.22	17.21	17.42	17.68	17.45	17.77	17.94	17.86	17.46	17.48
2011	17.31	17.38	17.22	17.44	17.37	17.68	17.49	17.28	17.41	17.15	17.33	17.10
2012	17.18	17.14	17.18	17.44	17.58	17.37	17.47	17.31	17.29	17.35	17.45	17.41
2013	17.49	17.38	17.58	17.57	17.80	17.77	17.77	17.75	17.90	18.01	17.95	17.90
2014	18.09	18.07	18.28	18.29	18.30	18.33	18.25	18.37	18.62	18.62	18.57	18.47
2015	18.48	18.35	18.48	18.78	18.73	18.63	18.57	18.74	18.88	19.02	19.10	19.21
2016	19.27	19.21	19.20	19.23	19.47	19.45	19.53	19.62	19.62	19.43	19.40	19.31
2017	19.46	19.43	19.31	19.29	19.33	19.43	19.42	19.23	19.56	19.31	19.60	19.50
2018	19.53	19.41	19.66	19.51	19.76	19.81	19.68	19.76	20.09	20.15	20.03	20.22
2019	20.40	20.34	20.68	20.55	20.90	20.76	21.12	20.52	20.76	20.61	21.16	21.35
2020	20.90											

237.61

249.15

4.86%

[Back to Contents](#)

Data 1: California I

Sourcekey EMD_EPD2DXL0_PTE_
 SCA_DPG
 California No 2
 Diesel Ultra Low
 Sulfur (0-15 ppm)
**Retail Prices (Dollars
 per Gallon)**

Date	
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

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2008	204.6	204.6	206.7	209.7	210.3	212.3	214.7	215.2	215.2	216.2	216.8	217.8
2009	217.5	217.2	216.8	216.0	216.2	216.3	216.9	216.5	216.5	215.7	215.7	215.7
2010	216.5	216.6	216.6	217.7	217.7	218.2	218.6	218.2	218.3	218.1	218.1	218.4
2011	218.4	218.7	219.5	220.4	220.9	221.0	221.1	221.2	221.5	221.3	223.0	223.7
2012	224.1	224.6	224.5	225.2	225.3	226.6	226.7	227.1	227.1	226.7	226.4	227.1
2013	227.1	227.2	227.4	227.6	227.2	227.4	227.5	227.7	228.0	228.3	228.3	228.3
2014	229.6	230.1	230.5	230.4	230.4	230.8	231.0	231.4	231.7	232.4	232.4	232.5
2015	233.2	235.3	235.3	235.3	235.7	235.7	235.7	235.8	235.8	235.8	235.9	235.9
2016	236.3	236.8	236.9	237.1	237.1	237.3	237.7	237.9	237.9	237.9	238.2	238.3
2017	238.4	238.4	238.7	239.0	239.3	239.5	240.2	240.4	240.6	240.6	240.7	241.0
2018	241.9	242.5	243.1	244.1	244.6	245.4	246.3	247.4	248.1	249.3	250.2	250.4
2019	253.5	254.5	255.5	255.4	255.5	257.6	258.3	258.4	259.0	259.3	259.4	259.5
2020	259.4	259.3										

2953.3

3085.9

4.49%

**PPI Industry Data
Original Data Value**

Series Id: PCU333924333924
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										

3007.1
 3081.2
2.46%

**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

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2008	131.328	131.538	132.896	133.694	134.023	135.283	136.021	135.207	134.834	133.795	131.440	129.725	133.315
2009	130.682	131.636	131.775	131.912	131.990	132.952	132.774	132.756	133.128	133.618	133.335	133.132	132.474
2010	133.366	133.513	133.863	134.133	133.889	133.635	133.685	133.704	133.544	133.745	133.930	134.328	133.778
2011	134.917	135.826	137.200	138.174	138.598	138.269	138.128	138.171	138.564	138.696	138.411	138.017	137.748
2012	138.465	138.997	140.235	140.619	140.834	140.375	139.645	139.971	140.600	140.847	140.287	139.768	140.054
2013	139.865	141.072	141.573	141.788	141.838	141.805	141.940	142.228	142.277	141.954	141.736	141.751	141.652
2014	141.998	142.120	142.813	143.077	144.253	144.522	144.435	144.317	144.506	144.214	143.398	142.669	143.527
2015	142.022	143.005	143.887	144.426	145.346	145.198	144.917	144.752	144.507	144.379	143.595	143.398	144.119
2016	143.932	144.128	144.264	145.128	145.942	145.866	145.850	145.829	146.130	146.328	146.004	145.918	145.443
2017	146.469	147.451	147.880	148.496	148.789	148.792	148.691	149.255	149.954	150.336	150.003	149.920	148.836
2018	150.564	151.200	151.702	152.350	153.201	153.546	153.464	153.797	154.158	154.729	154.625	154.228	153.130
2019	154.328	154.671	155.178	156.523	157.488	157.564	157.465	157.654	157.738	158.635	158.482	158.496	157.019
2020	158.599	159.183											

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%