



MEMORANDUM

To: Sean Graham, Solid Waste Manager – Plumas County

From: Rick Simonson, Vice President – HF&H Consultants

Dave Hilton, Senior Project Manager – HF&H Consultants

Date: April 25, 2025

Re: FY 2025-2026 Refuse Rate Index Adjustment Application for Feather River Disposal Inc.

EXECUTIVE SUMMARY

HF&H Consultants, LLC (HF&H) was engaged by the County of Plumas (County) to assist with calculating the Rate Year 2025-2026 Refuse Rate Index (RRI) rate adjustment for Feather River Disposal Inc. (FRD) according to the Franchise Agreement between the County of Plumas and USA Waste of California, INC., A Delaware Corporation DBA Feather River Disposal for Collection & Disposal Services of Solid Waste and Recyclable Materials (Agreement). This memorandum presents the background, scope of work, and our findings and recommendation of the RRI calculation for FRD. **Based on our calculation of the RRI, we recommend a 4.42% increase in FRD's rates.**

BACKGROUND

The County executed the Agreement with FRD effective April 1, 2017, which terminates at midnight on March 31, 2027. Under the terms of the Agreement, beginning on July 1, 2018, and annually thereafter, FRD is eligible to receive an annual adjustment to the rates through the RRI process if their operating ratio for the previous calendar year is higher than 92%. An operating ratio of 92% equates to a profit level of approximately 8.7%. As the operating ratio percentage increases, the associated profit level decreases. An operating ratio above 100% indicates a loss. If the operating ratio is 92% or less (i.e., FRD experiences a profit level greater than 8.7% in the proceeding calendar year), no RRI adjustment will be made.

As defined in Attachment A of the Agreement:

- “Operating Ratio” means the ratio, expressed as a percentage of the net operating costs actually incurred by the contractor, exclusive of Pass-Through Costs and Non-Allowable Costs, divided by the contractor’s net income.
- “Pass-Through Costs” means a cost to which no element of overhead, administrative expense, or profit is added, including, without limitation, tipping fees, assessments, and other charges at any designated transfer facility or disposal site; franchise fees; or other fees payable by the contractor to the County or any other governmental agency on services, including rent payment and property taxes paid for the use of County-owned facilities.
- “Non-Allowable Costs” means those contract-related costs deemed non-allowable in Section 10.05(A)(5) of the Agreement.



SCOPE OF WORK

We performed the following procedures as part of our review:

- Calculated FRD's operating ratio from 2024 operations, in accordance with the Agreement, to determine whether the operating ratio was above 92%, which would trigger an RRI adjustment
- Reviewed the 2024 audited financial and index information used in calculating the RRI adjustment for Rate Year 2025-2026
- Verified all appropriate indices were used and applied in accordance with the Agreement
- Followed the procedures for calculating the RRI adjustment as stated in Attachment E of the Agreement (included as Attachment 1 to this memorandum)

FINDINGS AND RECOMMENDATION

FRD reported a net loss of \$201,550 (as shown in **Attachment 2**) for the County's franchise operations for 2024. After adjusting for non-allowable expenses of \$68,329, the net loss is reduced to \$133,221. As shown in **Table 1**, HF&H calculated FRD's 2024 operating ratio at 104%, which is greater than 92% and indicates FRD did not exceed their allowable profit (i.e., an operating ratio lower than 92%). As such, FRD is due a July 1, 2025 RRI rate adjustment.

Table 1. Calculation of FRD's 2024 Operating Ratio

2024 Operations	
Revenue	\$3,443,449 a
<u>Operating Costs</u>	
Labor	\$1,563,453
Diesel Fuel	\$186,266
Vehicle Replacement	\$19,577
Vehicle Maintenance	\$60,417
All Other	\$1,542,894
Disposal	\$272,392
Total Operating Costs	\$3,644,999 b
Less: Non-Allowable Costs	\$68,329 c
Allowable Operating Costs	\$3,576,670 d = b - c
Net Income	<u>(\$133,221) e = a - d</u>
<u>Operating Ratio Calculation</u>	
Allowable Operating Costs	\$3,576,670 f = d
Less: Pass-Through Costs	\$272,392 g
Net Operating Costs (eligible for profit)	\$3,304,278 h = f - g
Operating Ratio	104.0% i = 1 - (e ÷ h)

Table 2 summarizes the calculation of the RRI adjustment of 4.42%, in accordance with Attachment E of the Agreement (see **Attachment 1**). The change in the applicable indices for each expense category is included in **Attachment 3**.



Table 2. Calculation of the 2025-2026 RRI Adjustment Percentage

Expenses	Amount	Non- Allowable	Total	Category Weight	Change in Index	Weighted % Change
Labor	\$1,563,453		\$1,563,453	43.71%	8.00%	3.50%
Diesel Fuel	186,266		186,266	5.21%	-7.97%	-0.42%
Vehicle Replacement	19,577		19,577	0.55%	4.10%	0.02%
Vehicle Maintenance	60,417		60,417	1.69%	1.18%	0.02%
All Other	1,542,894	\$68,329	1,474,565	41.23%	2.38%	0.98%
Disposal	272,392		272,392	7.62%	4.15% *	0.32%
Total	\$3,644,999	\$68,329	\$3,576,670	100.00%		4.42%

* Per direction from County staff, index CUUR0000SEHG02 was used in place of average of change in Disposal Facility Tip Fee.

ATTACHMENT 1 – ATTACHMENT E OF THE AGREEMENT

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.

ATTACHMENT 1 – ATTACHMENT E OF THE AGREEMENT

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.

ATTACHMENT 2 – FRD 2024 FINANCIAL STATEMENT

FEATHER RIVER DISPOSAL
(A Division of USA Waste of California, Inc., a Delaware Corporation)

DEPARTMENTAL STATEMENT OF OPERATIONS
For the Year Ended December 31, 2024

	Plumas County Contract	Quincy Community Services District	Chester Public Utility District	<u>Total</u>
Revenue:				
Residential	\$ 991,552	\$ 208,196	\$ 292,673	\$ 1,492,421
Commercial	1,571,888	508,105	429,197	2,509,190
Transfer site	797,532	-	-	797,532
Recycling and other	82,477	-	-	82,477
Total revenue	3,443,449	716,301	721,870	4,881,620
Costs and expenses:				
Payroll	1,158,577	197,758	199,567	1,555,902
Employee benefits	404,876	68,311	68,936	542,123
Accounting	(98)	68	68	38
Administrative fees	93,395	14,814	14,528	122,737
Advertising and promotion	3,169	657	663	4,489
Bad debt	8,905	1,404	2,144	12,453
Bank charges	21,799	3,133	3,161	28,093
Contributions	2,613	10,980	-	13,593
Corporate overhead	233,733	44,165	44,754	322,652
Depreciation	160,755	23,585	23,801	208,141
Equipment maintenance	60,417	15,214	9,272	84,903
Equipment rental	14,632	3,035	3,063	20,730
Gas and oil	186,266	36,299	36,631	259,196
Insurance	191,669	38,371	38,722	268,762
Miscellaneous	9,388	1,947	1,965	13,300
Office supplies	33,842	6,247	6,304	46,393
Property taxes	11,868	2,461	2,484	16,813
Recycling purchases	72,511	(780)	(787)	70,944
Solid waste disposal	272,392	73,756	65,985	412,133
Subcontractor costs	564,103	4,866	4,910	573,879
Tax and licenses	20,394	3,873	3,909	28,176
Tires	19,577	4,061	4,098	27,736
Travel	33,077	6,629	6,690	46,396
Uniforms	14,696	2,987	3,014	20,697
Utilities and telephone	52,443	10,876	10,976	74,295
Total costs and expenses	3,644,999	574,717	554,858	4,774,574
Income (loss) before provision for income taxes	\$ (201,550)	\$ 141,584	\$ 167,012	\$ 107,046

See independent auditor's report.

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NON-ALLOWABLE EXPENSES

Under the terms of the contract with Plumas County, certain agreement-related expenses are deemed as non-allowable and are designated as such. Expenses that may be deemed non-allowable include:

Promotional, business development and business-related travel	\$ 68,215
Contribution	<u>114</u>
Total non-allowable expenses	<u>\$ 68,329</u>

ATTACHMENT 3 – CALCULATION OF RRI INDICES

Table 3-1. Labor Index

Table 3-2. Fuel Index

Data 1: California No 2 Diesel Ultra Low Sulfur (0-15 ppm) Retail Prices (Dollars per Gallon)		
Sourcekey	EMD_EPD2DXL0_PTE_SCA_DPG	
Date	California No 2 Diesel Ultra Low Sulfur (0-15 ppm) Retail Prices (Dollars per Gallon)	
Jan-2023	5.467	
Feb-2023	5.423	
Mar-2023	5.263	
Apr-2023	4.99	
May-2023	4.842	
Jun-2023	4.76	
Jul-2023	4.907	
Aug-2023	5.518	
Sep-2023	6.043	
Oct-2023	6.094	
Nov-2023	5.684	
Dec-2023	5.32	64.311
Jan-2024	5.13	
Feb-2024	5.214	
Mar-2024	5.216	
Apr-2024	5.239	
May-2024	5.078	
Jun-2024	4.927	
Jul-2024	4.901	
Aug-2024	4.758	
Sep-2024	4.733	
Oct-2024	4.714	
Nov-2024	4.667	
Dec-2024	4.606	59.183
Jan-2025	4.734	
Feb-2025	4.825	
	Change	-5.128
	% Change	-7.97%

ATTACHMENT 3 – CALCULATION OF RRI INDICES

Table 3-3. Vehicle Maintenance Index

PPI Industry Data												
Original Data Value												
Series Id:	PCU333924333924											
Series Title:	PPI industry data for Industrial truck, trailer, and stacker mfg											
Industry:	Industrial truck, trailer, and stacker mfg											
Product:	Industrial truck, trailer, and stacker mfg											
Base Date:	197912											
Years:	2015 to 2025											
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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	257.0	257.0
2020	258.6	258.9	259.0	258.8	258.7	258.7	258.6	258.7	258.9	259.0	259.1	261.3
2021	265.6	265.9	266.9	268.1	272.3	278.2	280.045	281.815	284.076	287.682	292.524	294.699
2022	297.866	298.856	299.688	311.502	312.557	312.919	314.233	314.280	314.482	315.695	323.637	323.701
2023	326.490	329.201	329.427	329.351	331.092	332.873	333.283	333.304	332.922	332.952	333.929	333.929
2024	335.096	335.092	335.201	335.224	335.224	335.065	334.966	334.966	334.966	335.984	336.918	4025.64
2025	338.356	338.523										
											Change	46.89
											% Change	1.18%

Table 3-4. Vehicle Replacement Index

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:	2015 to 2025											
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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	259.3	259.4
2020	258.4	258.5	258.8	258.8	259.5	259.5	260.5	260.9	262.8	262.9	263.0	263.8
2021	264.6	266.8	267.2	267.9	269.1	272.3	276.456	279.191	280.593	283.344	283.591	284.410
2022	293.018	296.711	297.945	303.846	315.956	318.535	319.535	321.939	323.152	327.509	327.615	327.944
2023	330.878	333.213	334.756	336.373	336.718	337.026	338.428	338.579	338.878	342.109	342.164	344.215
2024	346.689	346.773	347.992	348.409	347.453	347.569	351.246	356.763	356.887	356.995	356.460	4219.70
2025	357.622	358.985									Change	166.36
											% Change	4.10%

ATTACHMENT 3 – CALCULATION OF RRI INDICES

Table 3-5. All Other Index

Consumer Price Index 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:	2015 to 2025														
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
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	143.981	144.258
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	144.877	146.010
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	147.980	149.693
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	152.094	154.167
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	155.959	158.078
2020	158.599	159.183	159.129	158.824	158.301	158.857	159.752	160.528	160.846	161.141	161.069	160.840	159.756	158.816	160.696
2021	161.199	162.042	163.257	165.088	166.813	168.425	169.267	169.477	169.977	171.226	172.214	172.722	167.642	164.471	170.814
2022	174.269	175.891	178.019	179.339	180.810	182.790	183.277	183.543	184.088	185.410	184.626	183.686	181.312	178.520	184.105
2023	184.717	185.968	187.301	188.008	188.833	189.295	189.737	190.368	191.238	191.321	190.409	190.095	188.941	187.354	190.528 ✓ 2276.13
2024	191.586	191.874	194.047	194.913	194.709	194.203	193.360	193.662	194.320	194.632	194.491	194.384	193.848	193.555	194.142 ✓ 2330.22
2025	195.274	196.261													
														Change	54.09
														% Change	2.38%

Table 3-6. Disposal Index

Consumer Price Index for All Urban Consumers (CPI-U)															
Original Data Value															
Series Id:	CUUR0000SEHG02														
Not Seasonally Adjusted															
Series Title:	Garbage and trash collection in U.S. city average, all														
Area:	U.S. city average														
Item:	Garbage and trash collection														
Base Period:	DECEMBER 1983=100														
Years:	2015 to 2025														
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
2015	427.734	429.248	429.235	429.807	431.234	430.813	431.229	432.967	433.843	434.829	436.428	436.996			
2016	437.205	438.296	437.699	437.676	438.317	437.858	438.607	439.358	439.707	440.311	443.343	444.745			
2017	446.266	447.699	446.987	447.129	447.272	448.046	448.328	448.717	449.008	452.196	453.820	453.596			
2018	453.354	454.915	455.230	458.722	462.887	465.041	465.579	470.457	471.026	472.535	486.650	485.935	458.358	475.364	
2019	475.687	477.474	478.569	479.449	480.865	480.984	482.138	483.987	484.346	486.133	486.485	486.708	478.838	484.966	
2020	491.003	494.429	495.288	494.432	494.946	496.679	498.564	500.882	501.756	503.315	504.970	508.190	494.463	502.946	
2021	512.722	517.270	518.505	518.579	516.440	517.202	521.185	524.408	529.934	530.114	529.053	532.538	516.786	527.872	
2022	533.078	538.313	540.719	542.564	544.546	547.554	548.187	548.706	558.254	561.090	563.816	565.185	541.129	557.540	
2023	570.412	575.697	576.773	580.124	587.431	589.812	596.167	597.347	596.997	597.569	601.631	602.164	580.042	598.646 ✓ 7104.70	
2024	606.773	610.551	610.015	611.073	609.538	611.946	614.089	615.880	619.640	621.632	627.127	627.807	609.983	621.029 ✓ 7399.76	
2025	629.803	641.938												Change	295.06
														% Change	4.15%