



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.
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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)</u>	e = a - d
<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	Total
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	<u>3,443,449</u>	<u>716,301</u>	<u>721,870</u>	<u>4,881,620</u>
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	<u>3,644,999</u>	<u>574,717</u>	<u>554,858</u>	<u>4,774,574</u>
Income (loss) before provision for income taxes	<u>\$ (201,550)</u>	<u>\$ 141,584</u>	<u>\$ 167,012</u>	<u>\$ 107,046</u>

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

[illegible]

Table 3-2. Fuel Index

Back to Contents		Data 1: California No 2 Diesel Ultra Low Sulfur (0-15 ppm) Retail Prices (Dollars per Gallon)								
Source	key	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

[illegible]

Table 3-4. Vehicle Replacement Index

[illegible]

ATTACHMENT 3 – CALCULATION OF RRI INDICES

Table 3-5. All Other Index

[illegible]

Table 3-6. Disposal Index

[illegible]