



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 Intermountain 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 Intermountain Disposal, Inc. (IMD) according to the Franchise Agreement between the County of Plumas and Intermountain Disposal, Inc. 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 IMD. **Based on our calculation of the RRI, we recommend a 4.56% increase in IMD's rates.**

BACKGROUND

The County executed the Agreement with IMD 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, IMD 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 ratios percentage increases, the associated profit level decreases. An operating ratio above 100% indicated a loss. If the operating ratio is 92% or less (i.e., IMD 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 calculations:

- Calculated IMD'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 rate 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

IMD reported a net loss of \$66,927 (as shown in **Attachment 2**) for the County's franchise operations for 2024. As shown in **Table 1**, HF&H calculated IMD's 2024 operating ratio at 103.16%, which is greater than 92% and indicates IMD did not exceed their allowable profit (i.e., an operating ratio lower than 92%). As such, IMD is due a July 1, 2025 RRI rate adjustment.

Table 1. Calculations of IMD's 2024 Operating Ratio

	2024 Operations	
Revenue	\$2,560,450	a
<u>Operating Costs</u>		
Labor	\$1,072,905	
Diesel Fuel	\$151,611	
Vehicle Replacement	\$281,452	
Vehicle Maintenance	\$106,974	
All Other	\$505,260	
Disposal	\$509,175	
Total Operating Costs	\$2,627,377	b
Less: Non-Allowable Costs	\$0	c
Allowable Operating Costs	\$2,627,377	d = b - c
Net Income	(\$66,927)	e = a - d
<u>Operating Ratio Calculation</u>		
Allowable Operating Costs	\$2,627,377	f = d
Less: Pass-Through Costs	\$509,175	g
Net Operating Costs (eligible for profit)	\$2,118,202	h = f - g
Operating Ratio	103.16%	i = 1 - (e ÷ h)



Table 2 summarizes the calculation of the RRI adjustment of 4.56%, 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	\$1,072,905		\$1,072,905	40.84%	8.00%	3.27%
Diesel Fuel	151,611		151,611	5.77%	-7.97%	-0.46%
Vehicle Replacement	281,452		281,452	10.71%	4.10%	0.44%
Vehicle Maintenance	106,974		106,974	4.07%	1.18%	0.05%
All Other	505,260		505,260	19.23%	2.38%	0.46%
Disposal	509,175		509,175	19.38%	4.15% *	0.80%
Total	\$2,627,377	\$0	\$2,627,377	100.00%		4.56%

* 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 – IMD 2024 FINANCIAL STATEMENT

Intermountain Disposal
Statements of Operations and Retained Earnings
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>		<u>2023</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenue				
Commercial	\$ 910,158	35.6	\$ 748,408	30.5
Residential	546,974	21.4	529,466	21.6
Transfer station	425,855	16.6	407,611	16.6
Roll-off containers	207,472	8.1	320,223	13.1
Tipping fees	178,364	7.0	167,285	6.8
Tipping fees - related party	156,746	6.1	164,501	6.7
Special service	44,908	1.8	60,985	2.5
Green waste program	44,978	1.8	25,682	1.1
Recycling	44,995	1.8	28,868	1.2
Total Revenue	2,560,450	100.0	2,453,029	100.0
Operating Expenses				
Labor				
Payroll - route	426,046	16.6	389,101	15.9
Payroll - office	110,257	4.3	109,167	4.5
Payroll - company executive officer	110,300	4.3	105,833	4.3
Payroll - transfer station	136,904	5.4	98,799	4.0
Payroll - taxes	64,712	2.5	56,626	2.3
Retirement plan contribution	121,303	4.7	154,794	6.3
Workers' compensation insurance	60,346	2.4	31,226	1.3
Employee benefits	43,037	1.7	33,740	1.4
Total Labor	1,072,905	41.9	979,286	39.9
Diesel Fuel				
Diesel fuel	151,611	5.9	197,752	8.1
Total Diesel Fuel	151,611	5.9	197,752	8.1
Vehicle Replacement				
Depreciation - vehicles	243,809	9.5	199,910	8.2
Equipment rent	37,643	1.5	33,268	1.4
Total Vehicle Replacement	281,452	11.0	233,178	9.5
Vehicle Maintenance				
Vehicle maintenance	66,176	2.6	73,044	3.0
Tires	40,798	1.6	34,803	1.4
Total Vehicle Maintenance	106,974	4.2	107,847	4.4
Disposal				
Dump fees	309,685	12.1	317,763	13.0
Franchise fees	172,288	6.7	170,336	6.9
Hazardous waste	17,602	0.7	33,183	1.4
Transfer station rental	9,600	0.4	9,600	0.4
Commingled material fees	-	-	2,040	0.1
Total Disposal	509,175	19.9	532,922	21.7

See accompanying notes to financial statements.

ATTACHMENT 2 – IMD 2024 FINANCIAL STATEMENT

Intermountain Disposal

Statements of Operations and Retained Earnings

For the Years Ended December 31, 2024 and 2023

	<u>2024</u>		<u>2023</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
All Other				
Building rent - related party	72,017	2.8	71,288	2.9
Accounting	79,259	3.1	114,668	4.7
Insurance	127,283	5.0	108,293	4.4
Business taxes, licenses and fees	34,745	1.4	44,188	1.8
Operating and office supplies	50,146	2.0	39,766	1.6
Depreciation - equipment	34,244	1.3	28,301	1.2
Telephone and internet	10,632	0.4	16,305	0.7
Utilities	17,111	0.7	13,385	0.6
Equipment maintenance	734	0.0	6,437	0.3
Equipment rental - related party	12,498	0.5	12,554	0.5
Computer support	13,909	0.5	13,550	0.6
Fuel, oil and lubricants	17,049	0.7	16,306	0.7
Depreciation - leasehold improvements	3,767	0.2	3,098	0.1
General maintenance	12,713	0.5	15,913	0.7
Association dues	3,546	0.1	1,717	0.1
Credit losses	2,708	0.1	4,230	0.2
Travel and entertainment	10,869	0.4	3,655	0.2
Advertising and promotion	432	0.0	173	0.0
Legal	998	0.0	1,357	0.1
Charitable contributions	600	0.0	1,260	0.1
	<u>505,260</u>	<u>19.8</u>	<u>516,444</u>	<u>21.0</u>
Total All Other				
Total Operating Expenses	<u>2,627,377</u>	<u>102.6</u>	<u>2,567,429</u>	<u>104.6</u>
Operating Loss	<u>(66,927)</u>	<u>(2.6)</u>	<u>(114,400)</u>	<u>(4.6)</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)						
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

[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]