

Amended Staff Report

TO: BOARD OF DIRECTORS
FROM: MARIO IGLESIAS
GENERAL MANAGER
DATE: May 6, 2022

AGENDA ITEM E-1 MAY 11, 2022

APPROVE FINAL DRAFT OF THE SOUTH COUNTY SANITARY SERVICES RATE STUDY REPORT AND DIRECT STAFF TO INITIATE A PROPOSITION 218 PROCESS, INCLUDING SETTING A PUBLIC HEARING DATE FOR JULY 13, 2022

ITEM

Approve final draft of the South County Sanitary Service rate study report and direct staff to initiate a Proposition 218 process and setting the public hearing date for July 13, 2022
[RECOMMEND APPROVE REPORT, DIRECT STAFF TO INITIATE PROP 218 PROCESS AND SET JULY 13, 2022 FOR PUBLIC HEARING]

BACKGROUND

South County Sanitary Services (SCSS) provides solid waste collection, recycling, and green waste services within the Nipomo Community Services District ("District") service area under a Franchise Agreement ("Agreement"). SCSS is seeking a rate increase to cover increased costs associated with the purchase and operation of collection vehicles, fuel costs, labor costs, and increased costs associated with the organics digester facility.

At your Boards April 27, 2022 Board Meeting, William Statler, Rate Consultant, presented his rate evaluation report. Mr. Statler reviewed SCSS's rate request and presented his findings at the reference Board Meeting. SCSS initially requested a rate increase of 23.23%. After Mr. Statler's review and through negotiations, SCSS lowered their Base-Year Rate Adjustment request to 21.27% for 2022. Table 1. below shows the monthly rate impact to single family residential customers in the Nipomo CSD service area with the 21.27% rate increase.

Table 1. Proposed Single Family Residential Monthly Rates

Container Size	Current Charges	Base-Year Rate	
		Proposed	Increase
32 Gallons	\$20.24	\$24.54	\$4.30
64 Gallons	\$29.00	\$35.17	\$6.17
96 Gallons	\$38.02	\$46.11	\$8.09

As explained by Mr. Statler, there are four key cost drivers, equaling 87% of the requested increases:

1. Depreciation of Equipment – 36%
 2. Greenwaste Management – 35%
 3. Insurance Costs – 11%
 4. Gas and Oil – 5%
- Total Impact – 87%

Under the Franchise Agreement, the District is required to administer annual lien process for the collection of delinquent solid waste payments and to administer Proposition 218 Rate proceedings

that are required to adopt solid waste rate adjustments. The District charges the solid waste fund 15% against franchise income for administering the solid waste franchise.

The District's solid waste fund reserve is approximately \$423,000, and collected \$15,000 per month in Franchise Fees for 2022. Current solid waste services paid from the reserve include:

- Providing collection and maintenance of public trash receptacles in Olde Towne
- Promote SCSS' bi-annual Clean Up Week
- Solid Waste Rate Holidays
- County Creek Clean-up Day
- District-wide Street Trash Reduction Programs (Nipomo Clean Streets)

In addition to supporting the above activities, from time to time the District uses these funds to buy-down rate increase requests from SCSS to reduce user rate spikes. The District has budgeted to pay the Delayed Rate costs SCSS is charging agencies during this rate review period. The Delayed Rate costs are due to the time and effort it takes to develop a rate and is outlined in time between when SCSS presented a complete rate application and the time rates go into effect. The District will be negotiating with SCSS to determine that period of time most appropriate and then pay, from the Solid Waste Fund, the negotiated cost. The current estimate is \$136,000.

Staff is recommending setting the date for a Public Hearing on July 13, 2022. Rates for solid waste collections are addressed in the District's Ordinance. The Public Hearing would be held concurrent with your Regular Board Meeting wherein staff would tally all protest votes received and determine whether a majority protest exists. If there is not a majority protest, the new rates could be implemented on September 1, 2022.

FISCAL IMPACT

Funding the time and materials needed for NCSD staff to compile and complete the information to provide staff reports associated with solid waste is included in the Solid Waste Fund #300 budget. The cost of the consultant's work is paid by SCSS. The fiscal impact on the District is accounted for.

STRATEGIC PLAN

Strategic Plan Goal 8.

A.1 SOLID WASTE. Seek to maximize solid waste services for community and build understanding of services like hazardous waste, recycling, etc. and District's role.

RECOMMENDATION

Staff recommends your Board approve the rate review report, direct staff to initiate the Proposition 218 process, and set July 13, 2022 as the Public Hearing date.

ATTACHMENT

- A. April 18, 2022 Solid Waste Rate Review Memorandum
- B. NCSD Solid Waste Rate Schedule