



Agenda Date: 6/27/2016

Agenda Placement: 6D

Upper Valley Waste Management Agency Board Agenda Letter

TO: Board of Directors

FROM: Steven Lederer - Manager
Upper Valley Waste Management Agency

REPORT BY: Steven Lederer, Director, Public Works - 259-8228

SUBJECT: Public Hearing: Upper Valley Disposal Service and Clover Flat Landfill Rates

RECOMMENDATION

PUBLIC HEARING: UPPER VALLEY DISPOSAL SERVICE AND CLOVER FLAT LANDFILL RATES

REQUESTED ACTION: Approval and authorization for the Chair to sign:

- | Agency Resolution #16-03 setting rates for solid waste handling and disposal services at the Clover Flat Landfill; and
- | Agency Resolution #16-02 setting rates for extra services by Upper Valley Disposal Service.

EXECUTIVE SUMMARY

Clover Flat Landfill: After a review of the proposed rates, a proposed increase in rates of 2.685% is recommended.

UVDS - Rate Package: After an extensive review, a decrease in rates of .86% could be implemented by the Board; however, to maintain rate stability the Board could elect to set aside the excess revenue for future capital projects through IOCR instead of enacting the rate decrease.

UVDS - Extra Service Rates: After a review of the proposed rates for Extra Services (defined as Opening and Closing of Gates, Demurrage on debris boxes, Wheels, In/Out, and Stop/Start Services), the process of establishing uniform rates amongst the jurisdictions is proposed to commence effective July 1, 2016 with the first adjustment.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

This item is specifically exempt from the voting requirements of Article XIIC of the California Constitution (Proposition 26) because the fees are imposed for a specific government service provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs for providing the services; and is exempt from Proposition 218 because service is not mandatory.

Clover Flat Landfill

Information: Clover Flat Landfill (CFL) submitted a rate package on Monday, May 2, 2016, in accordance with Agreement Number 95-06 (Agreement). With the exception of the Minimum (Refuse) Rate and the fee for Improperly Covered Loads, CFL requested that rates at the landfill be increased approximately by 2.685%. CFL requested that the Minimum (Refuse) Rate remain at \$31 and the Improperly Cover Load fee remain at \$7. (A historical review of the minimum rate and a comparison to that charged at the Devlin Road Transfer Station is included in Item 7.A for Board information).

The Minimum Rate, Per Yard Rate and Per Ton for Trucks & Trailers over 10 yards includes a surcharge of \$4.75 per ton of refuse in accordance with the Board action taken on May 21, 2012. Of the surcharge amount collected, \$1 per ton is designated for the Household Hazardous Waste Program. The remainder funds all administrative activities of the Agency.

In accordance with the Agreement, CFL is allowed to adjust rates annually by 89% of the Consumer Price Index (CPI) for San Francisco-Oakland-San Jose, CA (3.017% increase for February 2015) over the previous twelve (12) months from February. The Auditor-Controller's Office performed a review on the rate package submitted by CFL. No adjustments were required.

Recommendation: The Auditor-Controller's Office recommends the increase of rates at CFL by 2.685% as set forth in Attachment A.

Upper Valley Disposal Services

Information on Rate Package: Upper Valley Disposal Services (UVDS) submitted a rate package on Monday, May 2, 2016, in accordance with Agreement Number 95-09 proposing a .36% decrease of rates for each jurisdiction.

The Auditor-Controller's Office performed a review of the rate package. Specific attention was given

to the Major Allowable and Major Recoverable Expense Categories. The Major Allowable category encompasses Wages, Related Wage Benefits, Depreciation and similar expenses for the Construction and Demolition (C & D) Program. The Major Recoverable category encompasses Landfill fees, Interest Expense on Debt and similar expenses for the Construction and Demolition Program. Attachment C provides the a breakdown of the base costs for 2015 and the projections for 2016. The costs charged to UVDS for the C & D operations at CFL are based on 2015 actuals of \$723,421 with projected to cost the UVDS rate payers of \$825,329 in 2016. Major improvements requested and approved in the package include a new roof (to replace and existing worn out roof) for the materials handling area in the amount of \$66,800, and a new grinder to facilitate the composting program at Whitehall Lane for \$682,701. The blending barn structure is not yet approved through the use permit process and therefore is not included.

Adjustments were made primarily to projected costs for Wages and Benefits, Fixed Assets/Depreciation and Interest Expense. Detail explanations of all adjustments can be found in Attachment B.

Information on Extra Service Rates: In addition to the regular rate review, discussion occurred with UVDS to create uniform rates amongst the jurisdictions for extra services (as described more fully below) provided to commercial and residential customers. For indeterminate reasons in the past, fees for some services which should not be dependent on location have been different from jurisdiction to jurisdiction. For example, as discussed further below, opening a gate in Yountville does not cost the same as opening a gate in St. Helena. Changes to the rates are expected to be revenue neutral.

An average rate for each extra service provided to commercial customers for the Opening and Closing of Gates, Demurrage on debris boxes, Wheels, In/Out, and Stop/Start Services was determined. The rate changes required to have uniform rates varied amongst the jurisdictions and services offered. For example, The Opening and Closing Gate rates for St. Helena will need to be increased by approximately 14%; Yountville's rates for the same service will need to decrease approximately 16% and rates need to be set for Pope Valley to agree with the calculated average rate.

In order to prevent rate shock and to ensure the change is revenue neutral, it was determined that the rates would need to be adjusted over a span of two to three years for commercial customers. Similar problems appear to exist on the residential side of the rate tables. These will be analyzed during the next year's rate package.

Recommendations:

Rate Package - After an extensive review a .86% decrease could be implemented by the Board; however, to maintain rate stability the Board could elect to set aside additional revenue for future capital projects through IOCR instead of enacting the decrease.

The Board is reminded they retain full discretion as to what capital project to spend the money on, but the franchise agreement does require that IOCR be spent on capital projects. The agency manager recommends that IOCR continue to be collected and that discussions this coming year determine if the IOCR will be used for gate improvements at CFL, or some other capital purpose.

There is currently \$189,736 IOCR collect, and this year we estimate collection of about \$78,000.

Extra Service Rates - Commercial Customers - The Auditor-Controller's Office recommends the adoption of the rates listed on Attachment D-1.

Conclusion

The Agency Manager considers this proposal to be fair and balanced for both the companies and the rate payer and recommends adoption of the rates as shown in Attachments A and D-1, pending discussion of the paragraph below.

Additional Information for Future Discussion

Truck History - UVDS is proposing the purchase of six trucks in 2016, three trucks in 2017 and nine trucks in 2018. In the past five (5) years, UVDS purchased two vehicles, both in 2013, that were to be used solely for UVDS operations.

Intentionally Over Collected Revenue (IOCR) - In regards to the UVDS rates, the Agency Manager requests the Board consider the option of foregoing the rate decrease, except as established in Attachment D-1, to assist in stabilizing rates (by off-setting capital costs) and accumulating funds for future projects.

SUPPORTING DOCUMENTS

- A . Attachment A--CFL Rate Sheet
- B . Attachment B - Summary of Adjustments to UVDS Rate Model
- C . Attachment C - UVDS Rate Model
- D . Attachment D - Extra Services Rates
- E . CFL Rates Resolution #16-03
- F . UVDS Rates Resolution #16-02

Recommendation: Approve

Reviewed By: Alice Ramirez