



A Tradition of Stewardship
A Commitment to Service

AUDITOR-CONTROLLER INTER-OFFICE MEMO

Date: Steve Lederer, Agency Manager
Upper Valley Waste Management Agency

To: Karen Dotson-Querin *Karen*
Accountant-Auditor Manager, Auditor-Controller's Office

From: June 18, 2009

Subject: Review of 2009-2010 Clover Flat Rates and Upper Valley
Disposal Service Rate Package

Clover Flat Landfill (CFL) and Upper Valley Disposal Services (UVDS) submitted their request for a rate review on May 1, 2009. The Auditor-Controller's Office (ACO) performed a review of the CFL and UVDS rate requests on behalf of Upper Valley Waste Management Agency (Agency).

Clover Flat Landfill

Increases for CFL are generated by applying 89% of the Consumer Price Index to the rates set and approved by the Agency in the previous rate year.

Adjustment to CFL Rate Request

The ACO noted the following during the review process:

- "Clean Green Yard Debris (Minimum Rate)" should be increased by CPI at the previously approved rate of \$10.25 versus \$11.53 as proposed by CFL. This results in a new rate of \$10.36 versus the CFL proposed rate of \$11.65.
- During the prior rate year, FY 08/09, CFL charged \$11.50 versus the approved rate of \$10.25.

Unapproved Rates

In addition to the above adjustment, the ACO noted that CFL has been charging six (6) different rates that were not approved by the Agency's Board. Five (5) out of six (6) were rates in excess of the approved rates. Rate Payers have been charged in excess of the approved rates ranging from \$.01 to \$.03. It has been determined that the cause for this error was from CFL charging rates that were rounded up from the approved rates. In accordance with Exhibit B, Section III of the Second Amendment to Agency agreement 95-06 (Agreement), "The CONTRACTOR may at their option, choose to round down the Approved Landfill Tip Fee."

CFL also established a separate rate for Box Springs. The rate established is the same rate that was approved by the Board for "Mattresses with Springs". A "Box Spring" is the functional equivalent of a "Mattress with Springs"; however, it is recommended that the rate be ratified by the Board. The unauthorized fees as of June 30, 2009 (prior to July 1, 2008 increase) are:

<u>Description</u>	<u>Charged by CFL</u>	<u>Approved by Agency</u>
• Clean Green Yard Debris (Minimum Rate)	\$ 11.50	\$ 10.25
• Box Springs	12.00	0.00
• Tires, Large Truck (inside Diameter 16" – 22")	20.50	20.49
• Tires, Tractor (inside Diameter over 22")	102.50	102.47
• Clean Dirt	20.50	20.49
• Asbestos Non-Friable	30.75	30.74
• Offloading Assistance (non-hazardous)	41.00	40.99

Minimum Rate

On June 1, 2009 CFL proposed a change to the "Minimum Rate (Loose Refuse)" from \$11.53 per cubic yard to "Minimum Rate (Loose Refuse) less than 3 Cu. Yards" at \$30. CFL has provided the following reasons for the request:

"The minimum at the Napa transfer station is \$30.00 per cu. yd. Based on this rate we propose a \$30.00 minimum at Clover Flat for all loads up to 3 cu. yds. Thereafter, all loads of 3 cu yds or more would be charged at \$11.50 per cu. yd. Under this pricing structure no load would go through the gate for less than \$30.00.

The \$30.00 minimum rate also correlates with an assumed increase in the average weight per yard. When the current conversion factor of 160 lbs per yard is increased to 450 per lbs per yard (a factor of 2.8 times) the average 650 ton differential in monthly C&D input versus output is eliminated. The additional 290 pounds per cu yd multiplied by the 4,350 average monthly cu yds accepted by Clover Flat equates to an additional 631 tons coming in through the gate."

Minimum Rate (Continued)

In accordance with the Agreement, rates are to be set at CPI using the following formula:

$$\text{Adjusted Landfill Tip Fee} = (\text{previous year Approved Landfill Tip Fee}) \times [((\text{current year February CPI}/12\text{-month previous year February CPI}) - 1) \times 0.89 + 1]$$

No provision could be located in the Agreement that allows for a change in the base rates.

Recommendation: With County Counsel's concurrence, it is recommended that the separate fee for "Box Springs" be ratified at \$12 each and a revised "Minimum Rate (Loose Refuse) less than 3 Cu. Yards" be set at \$30. In addition, it is recommended that an increase of 1.035% be applied to the ratified rate, and the approved FY 08/09 rates; see *Attachment A* for a listing of the rates.

Upper Valley Disposal ServicesRate Review - Rates

Upon careful analysis and communication with UVDS, the ACO recommends an aggregate increase of projected expenses in the amount of \$10,410. In addition, the ACO is also recommending a correction in the calculation of Total Revenues resulting in an increase of \$297,051. Please refer to *Attachment B*, pages 1 and 2 for a complete analysis and explanation of the recommended changes to the proposed rate package submitted by UVDS.

The result of the changes noted above and on *Attachment B*, is a 2% increase in rates. This results in an increase of \$.43 for the Basic Residential 35 Gallon Toter in St. Helena. See *Attachment C* for the rate tables of all five (5) jurisdictions for a rate increase of 2%.

Recommendation: It is recommended the Agency Board increase the rates currently in place for all jurisdictions for the Operating Period of FY 09/10.

Rate Review – Other Information

During the rate review the following information was obtained from UVDS to clarify the 9% increase in wages in comparison to the approved increase of 3% in last year's rate package.

New hire – Customer Education*	\$ 38,939
New hire – Shop (partial year) *	12,882
New hire – accounting clerk*	30,886
Coverage for customer service representative on leave	11,789
2 - Additional sorters for recycling line	<u>36,890</u>
Total increase	\$ <u>131,386</u>

Rate Review – Other Information (Continued)

The two (2) additional sorters were approved in the FY 08/09 rate package. The coverage for the customer service representative is not a new position and does not require approval. The other three (3) positions are new and create additional costs for the rate payers.

Recommendation: It is recommended the Agency Board approve the three positions noted above with a red asterisk (*). The ACO has also made a recommendation to the Agency manager to have UVDS include requests for new positions with the reasons for the new positions in the annual rate package.

Three (3) Year Capital and Debt Budget

During the prior year rate package (FY 08/09); UVDS projected the purchase of five (5) additional assets over the course of the next three (3) years. During the current year rate package no purchases or debt are projected for the next three (3) years. The following is a summary of the prior and current year three (3) year Capital and Debt Budget.

- During calendar year 2008, UVDS proposed to purchase Computerized Shop Diagnostic Equipment and a new Conveyor/Hopper for the recycling program for estimated cost of \$101,355. The Computerized Shop Diagnostic Equipment was purchased at a cost of \$13,228 (projected at \$10,000). The Conveyor/Hopper was not purchased.
- During calendar year 2009, UVDS proposed to purchase a Front Loader and a Service Truck for an estimated cost of \$434,000. Within the current rate package UVDS is no longer projecting these purchases. However, a new service truck was purchased in 2008 for \$12,331.
- During the calendar year 2010, UVDS is proposing additional Computerized Shop Diagnostic Equipment for an estimated cost of \$20,000. Within the current rate package UVDS is no longer projecting these purchases.

Recommendation: It is recommended the Agency Board approve UVDS's Revised Three Year Capital and Debt Budget, see *Attachment D*.

Ratification of Capital Purchases

During the calendar year 2008, UVDS purchased additional parts and equipment for Truck #319 that had not been included in the Rate Package for FY 08/09 nor had the assets been listed in the Three (3) Year Capital and Debt Budget submitted with the FY 08/09 Rate Package. The total cost of the purchased assets was \$20,154 resulting in \$1,409 in depreciation expense for the calendar year 2008.

Recommendation: It is recommended the Agency Board approve the additional parts and equipment added to Truck #319.