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August 10, 2015

Mr. Steven Lederer
Director, Public Works
Upper Valley Waste Management Agency
1195 Third Street
Suite 101
Napa, CA 94559

Subject: Proposal for Consulting Support

Dear Mr. Lederer,

Following is our proposal to assist the Upper Valley Waste Management Agency (UVWMA) by performing certain strategic planning and evaluation services

Situation

The UVWMA is comprised of the County of Napa, the cities of Calistoga and St. Helena, and the Town of Yountville. The UVWMA contracts with Upper Valley Disposal Service and Clover Flat Landfill (UVDS and CFL and collectively UVDS) for solid waste handling services on behalf of the member jurisdictions.

The current agreements with UVDS commenced September 1995. Prior to 1995, UVDS was franchised by the County to provide collection and disposal services in the service area. The original term of the 1995 agreements was to expire in July of 2020. The third amendment extended the term to July 1, 2025 (30 years).

At its April 2015 meeting, the UVWMA Board received a presentation from UVDS of a proposed \$25 million master plan for both UVDS' Whitehall Lane and Clover Flat landfill facilities. The plan includes a biomass gasification plant, truck and fueling improvements, organics processing facility, landfill improvements, and an increase to the landfill closure account. Based on our discussion with UVDS' management, they are seeking conceptual approval of several of these projects in order to proceed with an amendment to their conditional use permit. Once they receive such conceptual approval, more detailed capital and operating cost estimates will be developed.

The presentation represented that many of these projects were related to legislative requirements including, but not limited to, AB 32, AB 341 and AB 1826. While there is a relationship between the projects and such legislation, except for the landfill closure costs and the retention pond upgrade, generally these projects are not required by the legislation but may represent one approach to fulfilling the legislative requirements.

UVDS requested that, in addition to a capital contribution from UVDS, ratepayer dollars be used for this

Mr. Steven Lederer
August 10, 2015
Page 2 of 6

purpose and that an extension of the agreement by 10 or 20 years (i.e., to 2035 or 2045) would reduce the impact on ratepayers and justify UVDS' investment. This request raises several issues.

1. Because no detailed capital and operating cost information was included in the presentation, an assessment of the reasonableness and competitiveness of the total costs and their impact on rates is not possible.
2. Because the UVWMA has not identified what future programs, facilities and services it will need to meet current and future requirements and local objectives, it is not clear whether the projects proposed by UVDS are the most appropriate.
3. Because many of these projects represent assets with less than ten year lives (only the site improvements and buildings may have longer depreciable lives), there is no clear relationship between these projects and the request for a 10 or 20 year franchise extension.
4. Because governmental contracting practices encourage competitive procurement processes, the exclusiveness of the agreement prohibits customers from selecting among competing companies for solid waste services, and the substantial value to UVDS of the additional extension; granting an exclusive right to UVDS on a sole source basis for up to a 50 year period needs to be clearly and demonstrably in the best interests of the ratepayers.

The UVWMA Board members were generally supportive in concept of some of the proposed projects but requested additional information, including a rate proposal that includes these projects assuming no extension of the current agreement and, alternatively, assuming a 20 year extension.

Objective

The Board needs to independently identify the UVWMA's current and future goals, objectives, programs, facilities and services in order to evaluate the necessity and appropriateness of the proposed projects to the UVWMA's needs.

The Board needs to evaluate the cost effectiveness of those projects it determines appropriate (including those selected from among those proposed by UVDS) relative to the benefits achieved (including reduction to greenhouse gasses, improvement in energy self-sufficiency, amount of organics diversion and level of customer convenience), the alternative means of achieving the proposed projects benefits and the increase in rates paid by customers.

The Board needs to determine the necessity for and benefits and public acceptance from extending the current agreement with UVDS against the lost opportunity resulting from not exercising its alternative of competitively selecting the next contractor (which may be UVDS).

Approach

Based on these objectives and our discussion with you and two of the Board members, we propose a

Mr. Steven Lederer
August 10, 2015
Page 3 of 6

two-step approach:

1. Develop a strategic plan for the UVWMA against which to evaluate how UVDS' proposed master plan projects, as well as extending the franchise, provide value to the UVWMA and its ratepayers and fit its vision for future cost-effective solid waste handling services.
2. Conduct a review of those UVDS Master Plan projects that fit the Board's vision

Work Plan

Strategic Planning

The development of the strategic plan requires four steps.

- The first step will involve documenting the status quo in a memorandum that will be shared with the participants prior to the strategic planning workshops.
- Three of these steps include facilitating and serving as a resource to the Board during three workshop sessions. Using a graphic meeting facilitation method developed by "The Grove", we will complete large scale graphic "maps" with the insights and decisions of the meeting participants. These large scale "maps" will be reduced into an 11" by 17" format and can be used to brief others regarding the study and to serve as a reference throughout the engagement.

Step One: Through a review of readily available information and discussions with management and staff of the UVWMA and UVDS, HF&H will examine and document in a memorandum the status quo including:

- a. Existing local policies and objectives ("Zero Waste" to "Compliance")
- b. Existing plans (Non-disposal Facility Element, Source Reduction and Recycling Element, CalRecycle Annual Reports)
- c. Existing and upcoming regulatory compliance (e.g., AB 939, SB 1016, AB 341, AB 1594 and AB 1826)
- d. Existing contractual arrangements and relationships (UVDS and CFL)
- e. Existing customer satisfaction (services, rates, etc.)
- f. Existing UVWMA and jurisdiction satisfaction (services, fees, etc.)
- g. Existing strengths and problems (contract management, compliance, etc.)

Step Two: In a public workshop including, but not limited to, UVWMA and UVDS representatives, HF&H will facilitate a discussion documenting the context in which the Board must make its decisions including:

Mr. Steven Lederer
August 10, 2015
Page 4 of 6

- a.. Customer needs (commercial recycling, compost programs, etc.)
- b. Regulatory trends (increasing diversion, GHG reduction, etc.)
- c. Legal developments (customer charges, fees, land use, etc.)
- d. Political factors ("NIMBY", other plans affecting customer charges, etc.)
- e. Environmental factors (sustainability, traffic, GHG, etc.)
- f. Market trends (short and long term factors affecting recycling markets)
- g. Technology factors (appropriateness of technology within UVWMA context)
- h. Economic factors (economies of scale)
- i. Alternative regional resources (companies and facilities)

Step Three: In a second public workshop including the UVWMA Board members and staff, HF&H will facilitate a discussion of the UVWMA's Mission, Vision, Values, Goals and Objectives:

- a. Mission (along a spectrum from "Zero Waste" to "Cost-effective Compliance")
- b. Vision (desired conditions and future programs, facilities, services etc.)
- c. Values (sustainability, transparency, competitiveness, cost effectiveness, compliance, convenience, etc.)
- d. Goals and objectives (primary, secondary and other)

Step Four: In a third public workshop including the UVWMA Board members and staff, HF&H will facilitate a discussion and prioritization of the action items the Board will commit itself to, including:

- a. Identifying and evaluating alternatives to meeting objectives (local vs. regional facilities)
- b. Identifying support and anticipated challenges to the objectives (competitiveness vs. UVDS' interests)
- c. Identifying priorities, stages and tasks for the objectives
- d. Committing resources and assigning responsibility

As an option, the Board may want to consider HF&H conducting "Market Research" through interviews with the community, regulators, and others in the solid waste industry, including:

- a. Feedback from selected customers regarding services, convenience and costs.
- b. Feedback from regulators regarding current compliance and future concerns.
- c. Feedback from others in the solid waste industry regarding current practices, future opportunities and the desirability of proposing services to the UVWMA service area.

Mr. Steven Lederer
August 10, 2015
Page 5 of 6

Project Review

The review of UVDS' Master Plan projects and perhaps additional projects that fit the Board's strategic plan would involve the detailed review of the benefits as well as capital and operating costs of the projects. We understand from our discussion with UVDS that several of the projects and their related cost estimates are conceptual and require further research and analysis to develop actual cost estimates for review. Further, some of these projects may be reviewed by UVWMA staff (e.g., truck replacements) while others may more appropriately be reviewed by HF&H staff. Therefore, the specific projects and work plans, schedules and budgets will be discussed with UVWMA and approved by the Board before proceeding.

Schedule

We will commence the engagement upon execution of a professional services agreement.

We anticipate the documentation of the status quo to be complete within 30 days, depending on the responsiveness of UVWMA and UVDS staff. If the Board directs us to interview regulators, customers and the industry, an additional two weeks may be required.

The three workshops described in steps 2, 3 and 4, require at least two (2) hours each and will be performed at times convenient for the Board. The first workshop can be scheduled within 2 weeks of the completion of step 1, including distribution of a memorandum describing the status quo. Workshops 2 and 3 could be performed on the same day.

Documentation of the workshops (comprised of PDF versions of the graphic discussion "maps") will be available two weeks after the final workshop.

The schedule for the analysis of particular projects will be scheduled upon selection for review by the Board.

Staffing

I will be the primary consultant to the UVWMA with regard to this assignment and will personally facilitate the workshops. I am the President of HF&H. I have over 35 years of public management experience in county and city government and special districts, the past 30 years as a consultant. I have been responsible for: policy studies; strategic planning studies; financial feasibility studies organizational/management studies; privatization studies; franchise bid processes and contract negotiation; cost of service studies; utility rate analysis; and, litigation consulting. I have provided expert solid waste advice to more than 160 agencies through nearly 800 projects.

I will be assisted by Lauren Barbieri, a Senior Associate, who brings several years of environmental business experience to her role in HF&H's Northern California office. She began working with HF&H as an Assistant Analyst in 2008 and returned as an Associate in 2011 after earning an MBA from the UCLA Anderson School of Management.

Mr. Steven Lederer
August 10, 2015
Page 6 of 6

Fees

We propose to perform the strategic planning process for a fixed fee of \$23,500. This fee would be paid as follows: The amount of \$8,500 would be paid upon execution of the agreement; \$5,000 would be paid on completion of each of the first two workshops and a final \$5,000 paid upon completion of the third workshop and delivery of the PDF of the graphic discussion guides. Should the Board direct us to perform the market research of customers, regulators, and the industry, we will be paid an additional \$5,000 on delivery of a memorandum describing our findings from the interviews.

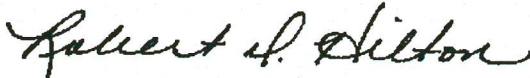
At the time of the identification of the specific projects for review, we will prepare a separate fee estimate for discussion, revision and approval by the Board.

* * * * *

I want to be sure that this approach and scope addresses the UVWMA's needs in a timely and cost effective manner. I would be happy to discuss it with you further at your convenience. I look forward to our meeting with the Board on August 17 at 1:30 pm.

Sincerely,

HF&H CONSULTANTS, LLC



Robert D. Hilton, CMC
President