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**DATE:** June 10, 2020

**TO:** Gary Bell, Agency Attorney

**FROM:** Doug Dove, Principal Consultant  
Erik Helgeson, Senior consultant

**SUBJECT:** Review of Upper Valley Disposal Service and Clover Flat Landfill Rate Increase Submittals

### Background

Upper Valley Waste Management Agency (Agency) has contracts with Upper Valley Disposal Service (UVDS) and the Clover Flat Landfill (CFL) to provide collection and disposal services. The contracts provide mechanisms to determine allowable annual rate increases. Bartle Wells Associates (BWA) was engaged to review the proposed rate increases submitted by Upper Valley Disposal Service and the Clover Flat Landfill to ensure the increases are in compliance with the contracts.

### Clover Flat Landfill Rate Increase

The Clover Flat Landfill submitted a request for a 2.59% increase to be effective 7/1/20. This increase is based on the rate increase mechanism described in the contract, 89% of the change between the February current year CPI index and the previous 12-month February CPI index. The CPI index used is the San Francisco-Oakland-San Jose All Urban Consumers. BWA reviewed the calculations and believes the calculations to be correct and compliant with the contract.

### Upper Valley Disposal Service Rate Increase

Upper Valley Disposal Service submitted a request for a 7.62% rate increase to be effective 7/1/20. After further review, UVDS identified a vehicle that was actually only going to be used to benefit the Agency 50% of the time instead of the originally identified 100%. This reduced the depreciation and interest expenses associated with the vehicle. When the reduced expenses are incorporated into the rate model the updated rate increase will be 7.33%.

## UVDS Rate Derivation

UVDS calculated the requested rate increase based on the methodology laid out in their contract with the Agency. The following table shows the components of the rate request.

Rate Components	Projected Allowable Amount*	% Change	% of Total Expense
Wages & Related Benefits	\$5,988,272	3.00%	43.74%
Depreciation	\$1,482,335	11.18%	10.86%
Other Allowable Non-Fuel Exp	\$1,942,800	10.99%	14.19%
Landfill Expense	\$2,946,690	10.25%	21.52%
Interest on Debt Service	\$112,149	18.43%	0.82%
Construction & Demolition Program (CDP)	\$664,627	2.04%	4.85%
Fuel	\$548,868	0.20%	4.01%
Total	\$13,689,787	4.97%	100.00%

\*Projected Allowable Amount Includes Operating Ratio

Projected 2020 Revenue at Current Rates	\$12,751,535
Rate Increase Necessary to Meet Allowable Amount	7.33%

### Wages & Related Benefits

UVDS stated the 3.0% increase is necessary to provide wage increases to employees and cover anticipated increases in workers compensation insurance and employee health insurance. BWA believes this is reasonable.

### Depreciation and Interest Expense

The increase in depreciation and interest expense is primarily due to the purchase of 5 front-line trucks in 2019. UVDS stated the purchases were necessary to ensure compliance with regulations issued by the California Air Resources Board (CARB). BWA believes these are reasonable expenses with the J.D. 644k loader split 50% to the Agency.

Asset Description	In Service Date	Life (Years)	Book Cost	Depr. Exp.	Comments
New aerator equipment for pond (50%)	04/10/19	10	\$28,565	\$2,856	50% to Agency
Bins	various	10	\$108,953	\$10,895	
Carts	various	10	\$151,501	\$15,150	
Kenworth T370 service truck (#405) 50%	01/23/19	5	\$88,672	\$17,734	16.67% to Agency
2019 Peterbilt Labrie Automizer (#407)	05/21/19	5	\$390,519	\$78,104	
2020 Peterbilt rolloff (#402)	08/01/19	5	\$210,845	\$42,169	
2018 Peterbilt Labrie (#412)	06/13/19	5	\$321,000	\$64,200	
2018 Peterbilt Labrie (#408)	06/13/19	5	\$325,000	\$65,000	
2019 Peterbilt Front Loader (#409)	06/13/19	5	\$245,000	\$49,000	
Tink bucket for JD 644 Loader (50%)	08/19/19	5	\$14,142	\$2,828	50% to Agency
J.D. 644K loader	12/31/19	5	\$311,300	\$31,130	50% to Agency

### Landfill Expense

The landfill expenses are driven by the Clover Flat Rate. The change in landfill expense is primarily driven by the approved rate increase that went into effect on 1/1/20. The requested increase for the CFL rate to be effective on 7/1/20 will be prorated to reflect the previous rate increase being adopted only six months prior.

### Conclusion

BWA reviewed the requested increases from CFL and UVDS. The CFL increase is entirely driven by inflation. The UVDS is driven by the addition of equipment, the previously approved CFL increase and a 3% increase to salaries and wages. BWA believes both rate increase requests are reasonable and conform to the contract.