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DATE: October 16, 2020
TO: Steven E. Lederer, Director, Upper Valley Waste Management Agency
FROM: Doug Dove, Principal Consultant
Erik Helgeson, Senior Consultant
SUBJECT: Franchise Fee Review

MEMORANDUM

The Upper Valley Waste Management Agency (the Agency) and the Upper Valley Disposal Service (Contractor) are entering into a new franchise agreement granting the Contractor an exclusive franchise to provide waste collection services in the Agency's service area. Customers in the service area consist of those where service is mandatory and voluntary. As the exclusive provider of waste collection in the service area, Contractor is allowed special use of the public rights-of-way. This special use includes the placement of waste receptacles, the use of waste collection vehicles and the necessary maneuvering of waste collection vehicles for waste collection. Upon completion of the phase-in period of the franchise agreement, Contractor is projected to have an annual profit margin of 10.1%. In exchange for the franchise, Contractor will pay the Agency the following franchise fees:

- A. 2.5 percent of Gross Receipts for Rate Year 2021-2022;
- B. 6.0 percent of Gross Receipts for Rate Year 2022 -2023; and
- C. 10.0 percent of Gross Receipts for Rate Year 2023-2024 and for each Rate Year thereafter during the Term of this Agreement.

Franchise fees are widely used throughout California and the United States to compensate for the value of using the public rights-of-way. California law allows the levy of franchise fees without a vote if they do not exceed any reasonable value of the franchise. Bartle Wells Associates reviewed the value of the franchise granted to Contractor and believes the franchise fees paid by Contractor have a reasonable relationship to the value of the franchise granted to Contractor.