NAPA COUNTY BOARD OF SUPERVISORS
Board Agenda Letter

TO: Board of Supervisors
FROM: Britt Ferguson for Nancy Watt - County Executive Officer
       County Executive Office
REPORT BY: Greg Pirie, Local Enforcement Agency Coord - 253-4144
SUBJECT: Public Hearing to consider adoption of a resolution increasing rates for collection of solid waste for Garbage Zone Two

RECOMMENDATION
County Executive Officer requests adoption of a resolution increasing rates by 5.00%, effective July 1, 2010, for the operational cost associated with the collection of solid waste applicable to Garbage Zone Two located generally in the unincorporated area of Lake Berryessa in conformance with the approved Rate Methodology under Agreement No. 7230.

EXECUTIVE SUMMARY
On April 14, 2010, the County Executive Office received an application for a rate increase for the operational cost associated with the collection of solid waste from Berryessa Garbage Service, Inc.(BGS), the current franchisee for Garbage Zone Two, located in the unincorporated area of Lake Berryessa.

Berryessa Garbage Service submitted a request to increase rates 21.76%. The Auditor-Controller’s Office completed their review pursuant to the approved Methodology and Guidelines for Adjusting Rates and made adjustments resulting in a potential increase of 15.76%. Staff also reviewed and took into consideration recent revenue from a contract for resort cleanup and debris removal between BGS and the Bureau of Reclamation, an increase in the landfill tipping fees at Portrero Hills Landfill, and an increase of the Consumer Price Index. In consideration of the factors mentioned above and an effort to stabilize rates, Staff and BGS are recommending a 5% rate increase.

See Attachment C for a comparison of the submitted rate application to the operational costs allowed in the rate review process. Utilizing the recommended 5% increase, residential rates would increase for the 20, 32, 45, and 90-gallon toters from $14.50, $25.10, $37.50, and $75.30 to $15.20, $26.40, $39.40, and $79.00, respectively. The proposed rates for both residential and commercial are set forth in the attached resolution, Attachment A.
PROCEDURAL REQUIREMENTS

1. Open Public Hearing.
2. Staff reports.
3. Public comment.
5. Motion, second, discussion and vote on the item.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

The approval of rate increases is exempt from the application of the California Environmental Quality Act. [Title 14, California Code of Regulations, Section 15273]

BACKGROUND AND DISCUSSION

On June 2, 2009, the Board of Supervisors approved Napa County Agreement No. 7230 (Agreement), a new franchise agreement for solid waste collection and disposal for Franchise Zone 2, between Napa County and Berryessa Garbage Service, Inc. (BGS). As part of the Agreement, rates and a rate methodology were established. The rates currently charged to the rate payers in Garbage Zone Two (Zone Two), located in the unincorporated area of Lake Berryessa, were set forth in the Agreement and subsequently changed by the Napa County Board resolution #09-158 and #10-14.

On June 23, 2009, the County Executive Office received an application for a rate increase of 21.76% from BGS for the operational cost associated with the collection of solid waste. The Auditor-Controller's Office conducted their initial review pursuant to the approved Methodology and Guidelines for Adjusting Rates and made adjustments resulting in a potential increase of 15.76%.

The approved rate-setting methodology calls for looking at the prior calendar year’s actual revenue and expenditures (in this case, 2009) and subsequent year’s expenditures but not revenue. However, the goal of Staff and BGS is to maintain a consistent and stabilized rate that would not fluctuate drastically from year to year. In an attempt to do that, staff further reviewed and took into consideration the following which resulted in the recommended rate increase of 5% today:

- 2010 projected revenue and associated costs that BGS is generating from a contract for resort cleanup and debris removal for the Bureau of Reclamation (BOR).
- Impact of the substantial increase in the landfill tipping fees at Portrero Hills Landfill on the 2011-12 cost.
- Future increases of the Consumer Price Index.

The cleanup and debris removal contract with the BOR started in January 2010 with expected completion of the contract this summer. The revenue from the cleanup and debris removal is a one-time revenue source and it is currently unknown if the BOR contract with BGS will be extended. If the projected 2010 BOR revenue was not
considered in the rate setting, the effect could potentially result in a major rate increase (15.76%) this year, and a major rate reduction (estimated to be from 7% to 12%) in next year's rate package.

Staff has been in consultation with BGS for the past few years following the difficult transition the Lake Berryessa area is experiencing with a decrease in Resort and Concessionaire revenue due to resort closures, a decrease in the commercial customer base, and fluctuations in business due to debris hauling and cleanup. With such uncertainty, it has been extremely difficult to plan for the long term. There are also future plans for development of new resorts and infrastructures at Lake Berryessa with the new agreement between the BOR and the Pensus Group. Thus far, the summer of 2010 has seen an increase in service, although limited, for camping in at least one resort property at Lake Berryessa. BGS has been proactive in supplying and delivering garbage and recycling bins and providing service for the Pensus Group. There is still a very large variability from quarter to quarter in revenue/expenses due to onetime cleanup revenue from resort debris removal, reduced revenue from commercial customer business, and implementation of new resort programs. BGS has made a sincere effort at reducing costs and striving to maintain the solvency of the company, including reduced salaries and benefits, which is currently 27% below the allowable costs. Given this uncertainty, staff has focused on the two year period - 2009 and 2010.

After considering all the factors mentioned above and an effort to have consistent and stabilize rates, Staff and BGS are recommending a 5% rate increase. Below is a summary of rate comparisons for areas within Napa County for monthly rates of a 32 or 35 gallon can:

- $26.40 - BERRYESSA GARBAGE SERVICE (Napa County Zone 2 - proposed)
- $22.43 - City of Calistoga
- $29.86 - Napa County Unincorporated (UpValley)
- $16.41 - Napa County Unincorporated (South County)
- $41.02 - Pope Valley
- $22.97 - St. Helena
- $23.76 - Yountville
- $23.47 - City of Napa (effective 7/1/10)

Staff will review BGS’s quarterly trend analysis' for the months of July, August, and September, take into consideration any new information about potential future contracts for service from Pensus and, if necessary, return to the Board with further rate adjustment recommendations.

The result of the Auditor-Controller’s Office review have been set forth in the following documents:

Attachment A - Napa County Board Resolution includes the historical, current and the proposed rates, effective July 1, 2010, for both Residential and Commercial Customers.

Attachment B - Statement of Income in accordance with the methodology for setting rates and incorporating the adjustments derived from the Auditor-Controller's Office review.

Attachment C - Comparison of Statement of Income provides a comparison of the Total Expected between the amounts presented by BGS and the amounts resulting from the Auditor-Controller's Office review.

**SUPPORTING DOCUMENTS**
A. Attachment A - Napa County Board Resolution
B. Attachment B - Statement of Income
C. Attachment C - Comparison of Statement of Income

CEO Recommendation: Approve
Reviewed By: Maiko Klieman