



**NAPA-VALLEJO WASTE
MANAGEMENT AUTHORITY**

Agenda Date: 10/6/2011

Agenda Placement: 8B

Napa-Vallejo Waste Management Authority Board Agenda Letter

TO: Board of Directors

FROM: Richard Luthy - Executive Director
Napa-Vallejo Waste Management Authority

REPORT BY: Richard Luthy, Executive Director, Napa-Vallejo Waste Management - 707-299-1314

SUBJECT: Keller Canyon Contract Renewal

RECOMMENDATION

AMEND AGREEMENT 07-04

REQUESTED ACTION: Approval and authorization for the Chair to sign Amendment No. 1 to Agreement No. 07-04 with Keller Canyon Landfill Company reducing fees effective January 1, 2012, and extending the term for five (5) years, effective July 1, 2012 through June 30, 2017, subject to the terms and conditions of this Amendment, with all other provisions of the original Agreement remaining the same, for Long Term Landfill Residue Disposal and ADC Services.

EXECUTIVE SUMMARY

The disposal contract with Keller Canyon Landfill has been in effect since July 1, 2007, and the initial 5-year term ends on June 30, 2012. Under the terms of the contract, the Authority has the option to renew for up to three additional 5-year terms, provided it notifies Keller Canyon of its intent one year before the current term expires.

In view of major changes in the waste disposal market since 2007, Keller Canyon agreed to waive the one year notification requirement and open discussions on possible changes to the contract. Potential contract modifications to more accurately reflect current market conditions have been under discussion for the past few months, resulting in a proposed agreement on new terms.

Staff is recommending approval of a 5-year contract extension with amendments that would significantly improve the contract. Price concessions by Keller Canyon would produce in excess of \$600,000 in annual savings for the Authority, and the contract would include protections against excessive increases in bridge tolls and local fees over the life of the extension.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	Yes
Where is it budgeted?	Napa-Vallejo Waste Management Authority, Transfer Station Disposal.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	Potential savings in the current fiscal year of up to \$300,000. Additional contract protections on rate increases, bridge toll increases and local fee increases.
Is the general fund affected?	No
Future fiscal impact:	Continued savings through the five year term of the contract extension.
Consequences if not approved:	Savings of up to \$600,000 per year will not be realized.
Additional Information:	

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

The proposed contract modifications include the following:

Term - *The contract would be extended from July 1, 2012 until June 30, 2017. The existing ability to renew the contract in five years would be retained.*

Rates - *Effective January 1, 2012, disposal rates would be reduced from \$29.72 to \$26.00 per ton for MSW (Municipal Solid Waste) and from \$16.64 to \$14.00 per ton for ADC (Alternative Daily Cover). This represents a 12.5% decrease in MSW rates and a 15.9 % decrease in ADC rates.*

ADC - *The current daily limit on ADC disposal would be eliminated in exchange for granting Keller Canyon the exclusive right to all ADC from the transfer station.*

CPI Increases - *The current fixed annual rate increase of three percent would be replaced by an annual rate adjustment based on a published federal index related to landfill operating costs. The annual adjustment would be no less than zero and capped at three percent.*

Bridge Toll Protection - *The Authority would be protected against financial loss due to bridge toll increases greater than \$0.50 per ton over the life of the extension.*

Local Fee Protection - *The Authority would be protected against financial loss from increases in local fees greater than \$1.00 per ton over the life of the extension.*

Guaranteed Capacity - Keller Canyon will guarantee reserved capacity for all MSW and ADC from the transfer station, with no upper limit on tonnage.

The proposed changes represent a significant improvement in the existing contract, and the Authority will realize in excess of \$600,000 in annual savings compared to the terms of the current contract. Keller Canyon continues to have a long-term operating permit and sufficient capacity to meet the Authority's needs for many years. At this time, alternative disposal sites do not appear to have sufficient capacity to provide a guaranteed long-term solution for disposal of the Authority's waste stream. If the contract extension is approved, the Authority will retain the option to reassess market conditions before entering into another renewal term. At that time, if alternative disposal sites appear to offer long-term advantages, the Authority can re-evaluate its options.

SUPPORTING DOCUMENTS

- A . Clean Version 07-04 First Amendment
- B . Redline Version 07-04 Original Agreement

Executive Director: Approve

Reviewed By: Martha Burdick