



**NAPA-VALLEJO WASTE  
MANAGEMENT AUTHORITY**

Agenda Date: 11/3/2011

Agenda Placement: 8A

## Napa-Vallejo Waste Management Authority Board Agenda Letter

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**TO:** Board of Directors

**FROM:** Luthy, Richard - 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

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### **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 eighteen (18) months, effective July 1, 2012 through December 31, 2013, 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.

At the October 6, 2011 Board meeting, staff recommended approval of a 5-year contract extension with Keller Canyon that would have provided reduced fees as well as protections against excessive increases in bridge tolls and local fees. After discussion, the Board voted to direct staff to issue a request for proposals to allow open competition for the disposal contract.

Subsequent to the Board meeting, staff received a proposal from Keller Canyon to extend the existing contract for 18 months, with no change to the terms and conditions negotiated for the 5-year extension that was offered at the October meeting. Staff has prepared a revised contract agreement reflecting these terms for the Board's consideration.

### **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 term of the contract extension.
Consequences if not approved:	Savings of up to \$600,000 will not be realized in FY 2012/13.
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 December 31, 2013. 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.

### **Discussion**

The proposed short-term extension is an interim solution that could provide the following **advantages**:

- 1) Additional time to prepare and distribute the RFP and make an informed selection, as well as additional time to process any challenges to the selection process that might occur.
- 2) Savings of up to \$300,000 will be realized in the current fiscal year, in addition to up to \$600,000 savings in the next fiscal year.
- 3) Additional time to allow the courts to issue a final ruling on the validity and enforceability of Solano County's Measure E, which limits importation of out-of-county solid waste. (Both landfills that have supported using the RFP process are located in Solano County.)
- 4) Additional time for the state legislature to act on AB 1178 which would prohibit local jurisdictions from restricting importation of solid waste. (Invalidating Measure E)
- 5) Additional time for due diligence to ascertain if long-term permits and sufficient disposal capacity are available at all sites.

**Disadvantages** to approving the short term extension include:

- 1) Potential savings in 2012-13 could be greater as a result of the RFP process.

### **SUPPORTING DOCUMENTS**

A . Amendment No. 1 to Agreement No. 07-04

Executive Director: Approve  
Reviewed By: Martha Burdick