



**NAPA-VALLEJO WASTE
MANAGEMENT AUTHORITY**

Agenda Date: 3/19/2010

Agenda Placement: 6A

Napa-Vallejo Waste Management Authority Board Agenda Letter

TO: Board of Directors
FROM: Cave, Trent - Manager
Napa-Vallejo Waste Management Authority
REPORT BY: Trent Cave, Manager - 7072534274
SUBJECT: 4:00 PM Set Matter: First Amendment to Agreement 07-03

RECOMMENDATION

4:00 P.M. SET MATTER AGREEMENT AMENDMENT

REQUESTED ACTION: Approval of and authorization for the Chair to sign Amendment No. 1 to Agreement No. 07-03 with Northern Recycling Operations and Waste Services LLC amending sections related to scale operations, alternative daily cover, diversion guarantees and fees, transportation fees, materials flow control, and other technical changes. Changes the compensation/sharing formula for net revenues from diversion sales.

EXECUTIVE SUMMARY

The Authority entered into a contract with Northern Recycling Operations and Waste Services on July 1, 2007 for municipal solid waste diversion, transfer and transport services at the Authority's Devlin Road Transfer Station. Since the execution of this contract, intervening events related to the national and worldwide economy such as the reduction of incoming tonnage to the facility, increasing fuel prices and changes in recycling markets cause the Authority and Northern to review the existing contract. The Authority form an ad hoc committee to meet with Northern to review and make recommendations on possible changes to make the contract more reflective of current conditions. These meetings resulted in proposed changes to the existing contract including;

- | Reducing the Diversion Guarantee from 25% to 14%
- | Eliminating the 10% cap on Alternative Daily Cover (ADC)
- | Reducing the incentive fee on ADC by 50%
- | Changing the compensation/sharing formula for net revenues from diversion sales
- | Changing the failure to meet the Diversion Guarantee from a liquidate damages to a penalty fee equal to the diversion incentive fee and applied at the same frequency as the incentive fee

- | Changing the annual adjustment for the Transportation Fee Component to a two part fee. The Base Haul Rate which continues to adjust based on 70% of CPI and the Fuel Surcharge that adjusts based on recognized fuel indices
- | An option for the Authority to assume the scale house operations upon the Authority's request.
- | The ability for the Authority provide flow to conversion technologies that in the future maybe available to the Authority

In addition the Authority Vence Consulting to evaluate the review and evaluate the fiscal effects of the proposed changes to the Authority Agreement with Northern.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	Yes
Where is it budgeted?	Napa-Vallejo Waste Management Authority
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	Amending the existing Agreement will provide
Is the general fund affected?	No
Future fiscal impact:	Unknown
Consequences if not approved:	
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 Authority entered into Agreement 07-03 (Agreement) with Northern Recycling Operations and Waste Services on July 1, 2007 for Municipal Solid Waste (MSW) diversion, transfer, and transport services at the Authority's Devlin Road Transfer Station (DRTS). Since the execution of this Agreement, intervening events related to the national and worldwide economy such as the reduction of incoming tonnage to the facility, increasing fuel prices, and changes in recycling markets, caused the Authority and Northern to review the existing contract. The Authority formed an ad hoc committee to meet with Northern to review and make recommendations on possible changes to make the Agreement more reflective of current conditions. These meetings resulted in proposed changes to the

existing contract including:

- | Reducing the Diversion Guarantee from 25% to 14%
- | Eliminating the 10% cap on Alternative Daily Cover (ADC)
- | Reducing the incentive fee on ADC by 50%
- | Changing the compensation/sharing formula for net revenues from diversion sales
- | Changing the failure to meet the Diversion Guarantee from liquidated damages to a penalty fee equal to the diversion incentive fee and applied at the same frequency as the incentive fee
- | Changing the annual adjustment for the Transportation Fee Component to a two part fee; the Base Haul Rate which continues to adjust based on 70% of CPI and the Fuel Surcharge that will adjust based on recognized fuel indices
- | An option for the Authority to assume the scale house operations upon the Authority's request.
- | The ability for the Authority to provide material flow for conversion technologies that in the future may be available to the Authority

In addition the Authority hired Tom Vence of Vence Consulting to evaluate the results of the Agreement review and to evaluate the fiscal effects of the proposed changes. Based on his evaluation, the fiscal impact to the Authority is estimated at \$226,068 based on 170,000 tons per year, or \$1.44 per ton. However, if diversion is greater than the assumptions used in the evaluation, fiscal benefits to the Authority could increase significantly.

SUPPORTING DOCUMENTS

- A . Tom Vence Memo
- B . Redline 07-03 Amendment

Manager: Approve
Reviewed By: Martha Burdick