



Upper Valley Waste Management Agency Board Agenda Letter

TO: Board of Directors
FROM: Lederer, Steven - Manager
Upper Valley Waste Management Agency
REPORT BY: Steven Lederer, Director of Environmental Management - 253-4471
SUBJECT: Board Study Session on Franchise Issues

RECOMMENDATION

STUDY SESSION ON FRANCHISE ISSUES

DISCUSSION ITEM: The Agency Manager requests the Board continue its Study Session on the following items:

A. Methods of funding additional services through increasing fees:

1. Franchise Fees
2. Build into rates costs of various city/town sponsored events (such as the Yountville clean up event)
3. One time (annual) residential surcharge to fund a particular event (such as an HHW event)

B. Methods of reducing rate payer costs:

1. Whether it is time to do a "ground up" review of service costs (note that this will not reduce total costs but may move various fees around)
2. Whether certain services could be cut to reduce costs
3. Whether an efficiency study of UVDS operations should be conducted

This item to remain on the agenda to accommodate ongoing Board comments as the Board sees fit.

EXECUTIVE SUMMARY

During the June, 2011 Board meeting several policy questions were discussed in the context of setting 2011-2012 rates. In subsequent meetings the Board has identified their top issues, which are addressed in this agenda item.

FISCAL IMPACT

Is there a Fiscal Impact? No

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

At previous Board meetings, Board direction has narrowed the focus to the following items. A brief discussion of each of the issues is provided below.

A. Methods of funding additional services through increasing fees:

1. Franchise Fees
2. Build into rates costs of various city/town sponsored events (such as the Yountville clean up event)
3. One time (annual) residential surcharge to fund a particular event (such as an HHW event)

B. Methods of reducing rate payer costs:

1. Whether it is time to do a "ground up" review of service costs (note that this will not reduce total costs but may move various fees around)
2. Whether certain services could be cut to reduce costs
3. Whether an efficiency study of UVDS operations should be conducted

A.1 Franchise Fees

Background: Currently only one member (Calistoga) charges a Franchise Fee (6%). This fee is added on to a customer's bill, is collected by UVDS, and is then passed on in whole to the City.

Jurisdiction: Decision to implement a Franchise Fee is at the discretion of each member, not UVA. County Counsel has prepared a memo on this topic, which is attached. It is the manager's understanding that in order to implement a Franchise Fee the jurisdiction would need to produce a study establishing a nexus for the proposed fee, and then would enact the fee at a public meeting of their city/town council. Upon notification that the process was complete, UVA/UVDS would commence implementation of fee collection.

Impact on fees: Customer fees in that member jurisdiction would increase by the amount of the franchise fee. In order to accommodate the UVDS accounting system, and provide for full disclosure to the public, the Franchise Fee should appear as a separate line item on the bill. Though not required, it would likely make sense to include a brief description of the use of the fee.

A.2 Build into rates costs of various city/town sponsored events (such as the Yountville clean up event)

Background: The original Franchise agreement provided each jurisdiction with a certain amount of "free" services to be used at the jurisdiction's discretion. Most members have largely exhausted this funding. This item would provide a means for each member to have an ongoing source of revenue to cover services they desire to obtain from the company. Options include:

- Franchise Fee (see A.1 above)
- An annual surcharge on each account (for example, each account would be charged \$X on their first bill of

the year, and this money would be held in an account by the jurisdiction (or by the company) to pay for future services requested by the member). In order to comply with Prop 26, the funding would need to be used to directly benefit the persons paying the fee.

- A Franchise amendment to include additional free services into our agreement with the Company, with the allowance for the company to recover these funds as part of the rate setting process. The jurisdiction using the funds would need to ensure the services are provided to rate payers only in order to comply with Prop 26.

Jurisdiction: It appears this decision could be made by the UVA Board (following direction from the member agencies).

Impact on Fees: This would increase fees to the rate payer, though the amount would be a function of how much money the jurisdiction wished to raise.

A.3 One time (annual) residential surcharge to fund a particular event (such as an HHW event)

Background: Members have indicated they desire to develop a funding source to enable regular HHW collection events. Since \$30,000/year is the approximate funding needed, a \$6 annual surcharge on each of our 5000 residential accounts would accomplish this goal. In order to comply with Prop 26 the HHW events would only be open to residential customers of UVA, or allow non-rate payers to participate in the event by paying a fee to cover their costs.

Jurisdiction: It appears this decision could be made by the UVA Board (following direction from the member agencies).

Impact on Fees: This would increase fees to the residential rate payer by \$6/year. It would be included as a line item separated from basic service charges and identified as such on the customer's bill.

B.1 Whether it is time to do a "ground up" review of service costs

Background: While revenues and expenses are analyzed in depth on an annual basis, accuracy of each individual fee has not been studied in many years. As such it is possible that some services are being somewhat overcharged for while others are being undercharged. While these types of reviews are often done when a Franchise expires, the current Franchise does not expire until 2025.

Jurisdiction: It appears this decision could be made by the UVA Board (following direction from the member agencies).

Impact on Fees: There would be no net change in company revenue, but some rate payers will inevitably pay more and others will pay less as fees are adjusted on various services. The cost of the study to UVA would likely be in the \$30,000 range, which would use up all of our current undesignated reserves.

B.2&3 Whether certain services could be cut to reduce costs or whether an efficiency study of UVDS operations should be conducted.

Background: The Board voiced concerns about steadily rising collection costs (and of course many of the items listed above would also increase costs). One method of reducing costs is to reduce services. Though we believe that UVDS's services are fairly priced and efficiently delivered, the Board could discuss if there are any services they would consider discontinuing. Examples include the food waste program (which is perhaps 2% of the current rates) or the C&D program (which is perhaps 7%). The company would still be entitled to recover depreciation on their investments in these programs so full savings would not occur immediately. Another option is to conduct an efficiency study to determine if costs can be reduced from operational improvements.

Jurisdiction: UVA Board

Impact on Fees: Depends on the types of services that are reduced or modified.

SUPPORTING DOCUMENTS

A . Franchise Fee Memorandum

Recommendation: Approve

Reviewed By: Steven Lederer