



## Upper Valley Waste Management Agency Board Agenda Letter

---

**TO:** Board of Directors  
**FROM:** Steven Lederer - Manager  
Upper Valley Waste Management Agency  
**REPORT BY:** Steven Lederer, Director of Environmental Management - 253-4471  
**SUBJECT:** Public Hearing: C&D Study/Fourth Amendment to UVDS Franchise

---

### **RECOMMENDATION**

#### **PUBLIC HEARING: C&D STUDY/FOURTH AMENDMENT TO UVDS FRANCHISE AGREEMENT**

Staff recommends Board grant approval and authorization for the Chair to sign the Fourth Amendment to Agency Agreement #95-09 (Upper Valley Disposal Service) to implement the Construction and Demolition Debris Program (CDP).

### **EXECUTIVE SUMMARY**

The Board, in June, 2007, authorized a delay in the UVDS rate setting process to allow UVDS to prepare a study of a "New Program", a Mixed C&D recycling operation (now known as CDP) which would capture significant additional materials for diversion from UVDS debris boxes and CFL self-haul loads. The study was completed and provided to the Board, and was reviewed and evaluated at the September meeting.

Subsequent to reviewing the study, the Board requested additional time to evaluate the proposal, and for staff to conduct a survey of rate payers to determine their level of interest in the new program. Information on the new program, and a stamped postcard reply mailer was included in the October billing mailout. The survey results were 1491 "yes" and 325 "no" (out of approximately 6000 postcards mailed).

With this additional information the Board chose to adopt the study at its November 2007 meeting and directed staff to develop an agreement with UVDS to implement the program. A final proposed agreement is now attached for Board review and approval.

### **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. (CEQA review will occur when the company submits the project for permitting to the Local Enforcement Agency. It is expected that a Categorical Exemption will be proposed, but that is speculative at this time).

**BACKGROUND AND DISCUSSION**

Implementation requirements for the CDP program are as stated in the attached Amendment #4 to the UVDS Franchise Agreement.

**Major aspects of agreement:**

1. The CDP facilities (Phase 1) will be constructed at a temporary (5 year) location at CFL;
2. Capital funding is provided by UVDS's offer of \$964,285 of revenue (minus taxes) from calendar year 2006 and intentionally overcollected revenue (IOCR) (minus taxes) from calendar year 2007 and the first two quarters of 2008. Funding for Operations will be provided through the rate setting process. UVDS shall be responsible for 75% of the expenses, and CFL shall be responsible for the other 25%.
3. Should the Board approve this amendment, various prerequisites are required to be met prior to actual implementation of the program, including permitting action through the LEA.
4. The Board retains the right to discontinue the program, under certain conditions, should it choose to do so in the future. Yearly the Board will also determine the amount of future IOCR to be collected in order to support a future Phase 2.
5. Financially, CDP accounting will be maintained separately from UVDS and CFL so that costs and expenses can be accounted for and analyzed individually.
6. The landfill surcharge fee (\$3.75/ton) shall be charged on the volume of waste entering the CDP, thus there will be no financial change to the funding of the Agency. Similarly, the company's 5% allowance for bringing in out of county waste is based on the volume of waste entering the facility, so that this allowance is not eroded as a result of this program.
7. Phase 2, a permanent facility to be located near the entrance gate, is contemplated based on future IOCR approved by the Board.
8. The rate methodology has been modified to include the CDP program in the rate model. CDP operating costs will be included in the rate model based on a proposed budget for the first year, and then based on actual expenses once the facility is up and running.

**Cost Implications:****Capital Costs:**

The original proposal presented to the Board included \$2,012,067 of capital expenses, of which \$1,509,507 would be UVDS' 75% share. After a more detailed study, the capital costs have increased somewhat, to \$2,260,247, of which \$1,695,185 would be UVDS's share. This is not considered by the Agency Manager to be a particularly large change, and the sum includes a larger contingency portion than previously approved, in order to protect against future increases. The capital funds collected, which include the \$964,285 (approximately \$829K after taxes) from 2006, and the approximately \$1.2 million in IOCR (after taxes) collected from 2007 and the first two quarters of 2008 are sufficient to cover the capital costs with approximately \$300K left over to support Phase 2.

**Operating Costs:**

The original proposal presented to the Board included an estimate of about \$1 million of operating expenses (\$750K UVDS share). The current proposal has raised the UVDS share to about \$820K, though this number is likely to decrease once depreciation allowed in the Amendment is fully calculated.

Relating these costs to customer rates, the Board is reminded that the current base monthly rate (before IOCR) was to be \$18.26. (The actual adopted rate was maintained at \$20.14 and the difference between these two rates was collected to fund capital costs of Phase 1). Staff originally calculated the incremental rate impact of operating costs in the future would be approximately \$1.48, and the public was asked to consider this impact up to \$2.00. Rerunning the rate model using the current numbers indicates the incremental rate increase is still approximately \$1.50. When the Board considers rates during their June meeting (UVDS is required to submit a rate package by May 1), the Board will likely need to consider the base rate of \$18.26 (which may increase or decrease based on the new rate proposal for the coming year), the increment for CDP as discussed above, and any IOCR the Board may chose to collect to fund Phase 2.

**Summary:**

After careful study and review, cost and operating analysis of the original CDP proposal remain within expected reasonable parameters and no "fatal flaws" have been discovered. Consistent with previous Board direction, staff has developed a franchise amendment which protects the rights of the agency and its rate payers, as well as the Company, to move this program forward. While the expenses are significant, the potential environmental benefits are significant as well. Staff requests a final Board decision on adoption of the proposed franchise agreement.

**SUPPORTING DOCUMENTS**

- A . UVDS Fourth Amendment (Tracking)
- B . UVDS Fourth Amendment (Clean)

Recommendation: Approve  
Reviewed By: Steven Lederer