



## Upper Valley Waste Management Agency Board Agenda Letter

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**TO:** Board of Directors  
**FROM:** Jill Pahl - Manager  
Upper Valley Waste Management Agency  
**REPORT BY:** Jill Pahl, Acting Director , 253-4410  
**SUBJECT:** Request for Proposals

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### **RECOMMENDATION**

#### **REQUEST FOR PROPOSALS (Continued from 4/17/2006 regular meeting)**

**REQUESTED ACTION:** Approval to release a request for proposals for development of alternative rate methodologies for Upper Valley Disposal Service and Clover Flat Landfill, Including an evaluation of the UVDS rate methodology proposal.

### **EXECUTIVE SUMMARY**

In December the franchisee agreed to develop alternative rate methodologies by July 1. Almost 2 years was spent to agree on the rates that were set in December. One of the main purposes of the existing rate methodologies was to make the rate reviews simpler. This has not been the case. The changing nature of the services provided as well as disagreement on the interpretation of the rate methodology, contributed to the prolonged rate review process.

In late March staff received a proposal from the franchisee on how to revise UVDS's rate methodology. Simply put the proposal looks at five allowable expenses, on which the franchisee receives an operating ratio, and four recoverable expenses, for which no operating ratio is received, these items will be treated the same as the current methodology. Everything else falls into a category of fees that will simply have a percentage of consumer's price index applied to it.

At the April meeting the Board directed staff to proceed with the development of an request for proposals (RFP) to develop new rate methodologies and to evaluate the proposal from UVDS. Staff was given the authority to continue discussions with UVDS on their proposal. The RFP is attached.

### **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**

The goals of the existing rate methodology are:

- | To provide a fair and reasonable return to the Contractor.
- | To minimize the regulation and calculations for the Rate Setting Agency.
- | To provide incentives for the Contractor to reduce its expenses.
- | To allow the customers to benefit from reductions in expenses.

Currently expenses are categorized as Allowable, Recoverable or Nonrecoverable. An operating ratio 'band' is used over a three year period. The base year rate is set with only intermediary cost of living changes averaged over the three year band. Issues have risen over the following areas:

- | Wages and benefits for Officers.
- | Financial account categories set up and use.
- | Leased equipment and property between franchisee related companies.
- | Depreciation/appreciation of property, including land.
- | Entertainment and promotional expenses.
- | Nonbusiness related travel.
- | Consulting expenses limits and escalations.
- | Workers compensation insurance, insurance and benefits for stockholders.
- | Interest expense allowance.
- | Net revenue definition.
- | Rate package submittal and review deadlines.
- | Different financial formats needed for different uses.
- | Different interpretations on the revenue surplus/deficiency account and how its used.
- | Adjustments to the operating ratio bands.
- | Timeliness of financial reviews.
- | The percentage of consumer price index allowed.
- | Intercompany allocations.
- | Buffer lands.

If the Agency decides to accept the proposed rate methodology for UVDS, many of these items will no longer be an issue. However, the remaining items that will still be considered for an annual review will need to be tightened up so that we have a clear resolution about how rate reviews will be conducted in the future.

The request for proposals includes an evaluation of the UVDS proposal as well as a consideration of alternative rate methodologies.

**SUPPORTING DOCUMENTS**

A . RFP

B . UVDS Proposal

Recommendation: Approve

Reviewed By: Jill Pahl