Agenda Date: 9/19/2011
Agenda Placement: 7C

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:	Board Study Session on Franchise Issues

RECOMMENDATION

STUDY SESSION ON FRANCHISE ISSUES
DISCUSSION ITEM: The Agency Manager requests the Board hold a Study Session, and provide guidance as to which items might be investigated further, to include:

1. Franchise Fees
2. Mandatory Service (and how we would change rate methodology to address Prop 218)
3. Biweekly service for recycling or green waste
4. Build in cleanup costs of the Yountville event into Yountville rates
5. One time (annual) residential surcharge to fund HHW event
6. Whether it is time to do a "ground up" review of service costs
7. Comparison of rates for multiple toters versus bins for larger commercial recycling customers
8. How distance charges are applied to those with multiple toters
9. Services for people who are not physically capable of moving their toters
10. Whether certain services could be cut to reduce costs

This item to remain on the agenda to accommodate ongoing Board comments but no staff report or detailed discussion is planned for this meeting.

EXECUTIVE SUMMARY

During the June, 2011 Board meeting several policy questions were discussed in the context of setting 2011-2012 rates. The Board requested that these policy issues return for a broader discussion.

The Agency Manager requests that each of these items be discussed, at least to determine which ones merit further study. If time does not allow a complete discussion of all the items, the remaining ones will be carried over to a subsequent meeting.

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

This item to remain on the agenda to accommodate ongoing Board comments but no staff report or detailed discussion is planned for this meeting.

A brief discussion of each of the issues is provided below. Should the Board choose to pursue any of these items further additional analysis will be required.

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. 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 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, with a brief description of the use of the fee. The surcharge fees discussed in items 4 and 5 below (if implemented) should also be incorporated into this billing line item.

2. Mandatory Service (and how we would change rate methodology to address Prop 218)
Background: Currently no member requires mandatory service. Calistoga removed mandatory service requirements at the request of the agency in 2006, which allowed adoption of the current rate methodology. The cost of adoption of the rate methodology was approximately $30,000 in 2006. The methodology provides for annual rate reviews, which are completed in approximately a 50 day period (May 1 through the last Monday in June) each year, without the need for a Proposition 218 vote. See attached legal counsel memorandum for a further discussion on Proposition 218 requirements. Should any member implement mandatory service. the current rate methodology would need to change to incorporate timing for a Proposition 218 vote.
Jurisdiction: Decision to implement mandatory service is at the discretion of each member, however, implementation would impact UVA because of the rate methodology and require changes to the UVA franchise agreement, and therefore would need to be closely coordinated. Each member desiring to do so would adopt an ordinance at a public hearing of their Council and would have to address the political impacts (if any) of the change. It is reasonable to assume that those who don't have service now (either because they are sharing a can, self haul, or are part time residents) would object to this change.
Impact on Fees: In theory, mandatory service could decrease fees. As an example, it appears that some 15% of

Yountville properties do not currently have service (based on an analysis conducted by the Town), which could result in approximately $50,000 in new revenue. The new revenue would be offset by costs (purchase of cans for new customers; tipping fees for additional trash, and possibly trucking costs if additional waste resulted in additional truck trips to the landfill).

It is difficult to determine the UVA cost of revamping the rate methodology or future Proposition 218 compliance costs.

Non UVA (i.e. individual member) costs could be considerable. Costs would include code enforcement costs in each member jurisdiction for enforcing compliance and member liability for covering costs should a proposed fee increase be defeated in a Prop 218 election. In the event that customers were forced to take service, and then failed to pay their bills, the costs of these unpaid bills and the costs of the containers provided to these nonpaying customers would need to be covered in some way.
Since the rate methodology does not break out revenue individually by member, it would appear that all the members would need to implement mandatory service, something that would be particularly difficult in the county where no single utility provider (such as a water company) exists. It is difficult to determine if the extra revenue generated would offset the extra costs to have any significant impact on collection rates.

3. Biweekly service for recycling or green waste
Background: In theory, reducing the number of truck trips would reduce costs and rates. Several agencies in other counties have attempted to move to biweekly pickups, with varying results. Trash must be picked up on a weekly basis due to both State Law and basic health reasons. Recycling pickups could be reduced to biweekly legally, but anecdotal experience indicates that recycling cans in a majority of households are the most used, and that biweekly pickup would not work for them unless they were provided additional cans. These additional cans would be a cost, and it is unknown whether citizens would be comfortable holding on to their waste and dealing with the additional cans (storage, aesthetics, etc.). Also, it is not clear that truck trips would be reduced, since the extra waste may just lead to having to do a double run on the second week. While green waste cans are probably most amenable to the biweekly pickup, we are slowly moving towards allowing citizens to dispose of food waste in their green cans (for composting), which would then require a weekly pickup by state law and for health reasons. While this idea seems to hold some promise, it is not clear that it is practical.
Jurisdiction: It appears this decision could be made by the UVA Board (following direction from the member agencies).
Impact on Fees: If the details could be worked out such that certain routes could be canceled each week (e.g. the recycling truck that would have gone to Yountville in a given week simply does not leave the yard, and the resulting waste does not require a double trip the following week), then rate reductions could occur. It is difficult to determine the exact amount of those reductions (if any) at this time.

4. Build in cleanup costs of the Yountville event into Yountville rates
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. The request then is to 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 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 Franchisee has verbally offered to discuss providing additional free services, in return for an extension

of the Franchise Agreement beyond 2025.

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 (except for the 4th bullet above), though the amount would be a function of how much money the jurisdiction wished to raise.

5. One time (annual) residential surcharge to fund 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.
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.

6. 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 likely use up all of our current undesignated reserves.

7. Comparison of rates for multiple toters versus bins for larger commercial recycling customers
Background: Because of some quirks in the fee schedules, certain large commercial customers benefit financially from using large numbers of rolling carts as opposed to using the large bins for recycling services. This results in those customers choosing to have 15-25 carts on site, adding to congestion and noise at pick up time.
Jurisdiction: UVA Board
Impact on Fees: Minor. It would appear as part of the next rate review we should be able to adjust the fee schedule to correct this price driven anomaly.

8. How distance charges are applied to those with multiple toters
Background: This is primarily a County issue, since distance charges only occur on long driveways. The Agency Manager will explain this issue during the meeting and seek Board guidance.
Jurisdiction: UVA Board
Impact on Fees: Minor. It would appear as part of the next rate review we should be able to adjust the fee schedule if needed, however it is important to note that the existing fee schedule is designed to recoup the larger inefficiencies inherent in servicing properties set back for the road and revenue reduced in one place must be made up somewhere else. .

9. Services for people who are not physically capable of moving their toters.
Background: Board members asked if any accommodation can be made for those people who are not physically able (or find it difficult) to move their cans to the street for pickup.
Jurisdiction: UVA Board
Impact on Fees: Minor. The company will verbally discuss with the Board options (as available) to these types of situations.

10. Whether certain services could be cut to reduce costs

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

SUPPORTING DOCUMENTS

None

Recommendation: Approve

Reviewed By: Steven Lederer