



A Tradition of Stewardship
A Commitment to Service

AUDITOR-CONTROLLER INTER-OFFICE MEMO

Date: Steve Lederer, Agency Manager
Upper Valley Waste Management Agency

To: Karen Dotson-Querin *Kare*
Accountant-Auditor Manager, Auditor-Controller's Office

From: June 11, 2010

Subject: Review of 2010-2011 Clover Flat Rates and Upper Valley
Disposal Service Rate Package

Clover Flat Landfill (CFL) and Upper Valley Disposal Services (UVDS) submitted their request for a rate review on May 3, 2010. The Auditor-Controller's Office (ACO) performed a review of the CFL and UVDS rate requests on behalf of Upper Valley Waste Management Agency (Agency).

Clover Flat Landfill

Increases for CFL are generated by applying 89% of the Consumer Price Index to the rates set and approved by the Agency in the previous rate year.

Adjustment to CFL Rate Request

The ACO reviewed the CFL Rate Request. The Rates presented in the Fee schedule were prepared in accordance with the rate methodology.

CFL has requested a language change on the fee schedule for Loose Refuse. The changes requested have been tracked below:

| *Per Yard Rate (Loose Refuse) ~~more than 3 Cu. Yards~~ to 9.5 Cu. Yards*

Unapproved Rates

All rates presented as “Effective 1/1/2010” in Attachment A and noted on the UVDS Website as current rates were approved by the UVA Board on June 29, 2009.

Additional \$1 Surcharge for UVA programs

During the rate review process, UVA’s Manager requested ACO and CFL to determine how an additional \$1.00 per ton surcharge would be prorated to fees charged on items or materials weighing less than one (1) ton upon entering the CFL facility. The information for the additional surcharge has been presented in conjunction with the rates without the surcharge on *Attachment A*.

The additional \$1 per ton surcharge results in a potential increase of .14% to UVDS customers.

Recommendation: It is recommended the Agency Board increase the rates currently in place for CFL for the Operating Period of FY 10/11 in accordance with the rate methodology and accepted the requested language change requested by CFL.

It is at the discretion of the Board on whether the increase will include an additional \$1 per ton surcharge to assist in providing recycling events for the UVA constituents.

Upper Valley Disposal Services

Rate Review - Rates

Upon careful analysis and communication with UVDS, the ACO recommends an aggregate decrease of projected expenses in the amount of \$355,551. In addition, the ACO is also recommending a correction in the calculation of Total Revenues resulting in an increase of revenue of \$9,543. Please refer to *Attachment B*, pages 1 and 2 for a complete analysis and explanation of the recommended changes to the proposed rate package submitted by UVDS.

The result of the changes noted above and on *Attachment B*, is a 5.76% increase in rates. This results in an increase of \$1.25 for the Basic Residential 35 Gallon Toter in St. Helena. See *Attachment C* for the rate tables of all five (5) jurisdictions for a rate increase of 5.76%.

Should the UVA Board elect to adopt an additional \$1 surcharge at CFL to assist in UVA recycling programs, then additional potential cost of approximately \$13,100 could be incurred in landfill expenses. The resulting potential costs would result in an additional increase of .14% to UVDS customers or a total increase of 5.90%.

Rate Review – Rates (continued)

The \$1 surcharge would change the increase of \$1.25 for the Basic Residential 35 Gallon Toter in St. Helena to an increase of \$1.28. See *Attachment D* for the rate tables of all five (5) jurisdictions for a rate increase of 5.90%.

Recommendation: It is recommended the Agency Board increase the rates currently in place for all jurisdictions for the Operating Period of FY 10/11 in accordance with the rate methodology.

It is at the discretion of the Board on whether the increase will include an additional \$1 per ton surcharge or .14% increase to assist in providing recycling events for the UVA constituents.

Three (3) Year Capital and Debt Budget

Purchases and Debt Projected for the next three (3) years – UVDS's package submittal included a requested asset purchase of an Air Conditioning Unit for the Accounting Department (\$7,560) due to the additional heat being generated from the new server. The amount of ½ of the first year of depreciation (\$540) has been included in the current rate package for FY 10/11. After subsequent discussions the following future purchases were identified by UVDS:

- Web-Pak server – needed to address the “red flags” identified in the on-line bill pay system for Softpak. Estimated cost \$9,070. Expect purchase to occur in 2010. The amount of ½ of the first year of depreciation (\$1,512) has been included in the current rate package for FY 10/11.
- Dell Server – needed to address the growing needs of computerized systems and internet usage. Estimated cost \$26,748. Expect purchase to occur in 2010. The amount of ½ of the first year of depreciation (\$4,458) has been included in the current rate package for FY 10/11.
- Front Loader – needed to replace aging equipment. Estimated cost \$250,000. Expect purchase to occur in 2011. No costs or estimated depreciation has been included in the rate package for FY 10/11.

Recommendation: It is recommended the Agency Board approve UVDS's Revised Three Year Capital and Debt Budget has noted above.

Ratification of Capital Purchases

Purchases During 2009 - During the prior year rate package (FY 09/10); UVDS did not project any additional/new purchases or debt for the next three (3) years. During the rate process the following large purchases in excess of \$5,000 were incurred:

- Mobile Office/Trailer – used for breaks and lunch by UVDS and UVR employees. Trailer was placed into service October 2009 at the cost of \$15,301 which was allocated as discussed in *Attachment B* between UVDS and UVR.
- IBM server – The new server was purchased in October 2009 at a cost of \$18,945. The server has been identified by UVDS as a necessity to run the upgrade for the Softpak system.
- Food Processing Line – was discussed by UVDS as being required for the Food Processing Research Project during the FY 09/10 rate package; however, the cost of \$9,524 was unknown at the time of the rate package review and not included in the 3 year projection. The asset is physically located at CFL.

The total cost of the purchased assets was \$43,770 resulting in \$1,530 in depreciation expense for the calendar year 2009 and \$5,957 in depreciation expense for the calendar year 2010.

Recommendation: It is recommended the Agency Board approve the assets purchased during 2009.