

TOWN OF APPLE VALLEY TOWN COUNCIL STAFF REPORT

То:	Honorable Mayor and Town Council	Date: May 10,	2016
From:	Joseph Moon Environmental & Transit Services Ma Environmental & Transit Services De	0	
Subject:	AMENDMENT NO. 6 TO THE WA BETWEEN THE TOWN OF APPLE V SAN BERNARDINO		
T.M. Appro	oval:	Budgeted Item:	s 🗌 No 🖂 N/A

RECOMMENDED ACTION:

That the Town Council approve the sixth amendment to the Waste Disposal Agreement (WDA) between the Town of Apple Valley and the County of San Bernardino as modified and extend the term of the agreement until June 30, 2021.

SUMMARY:

The Town Council approved a fifth amendment to Waste Disposal Agreement (WDA) with the County of San Bernardino at the October 23, 2012, Town Council meeting. The Agreement retained all of the previous components of the WDA and extended the term of the Agreement until June 30, 2016. The proposed sixth amendment to the WDA provides additional terms as stated in the attachment, reduces the Town's current disposal fee from \$39.38 per ton to \$ 37.00 per ton and extends the term of the WDA until June 30, 2021. All fifteen (15) cities/towns listed in Exhibit "A" of the Agreement are required to adopt the Agreement in order for it to become effective.

BACKGROUND:

The Town entered into a Waste Disposal Agreement (WDA) with the County of San Bernardino in 1988 allowing trash generated within the Town to be taken to county landfills in return for receiving the lowest tipping fee in use at the landfills.

In 2002, the WDA was amended to allow Burrtec Waste Industries, Inc. to bring additional waste to the landfill system at a cost of \$20.50 per ton; lower than the \$29.42 per ton that was being paid by other WDA cities. The amendment established a mechanism that allowed the County to share fifty percent (50%) of the net profit generated by the additional tonnage with the WDA cities.

A second amendment was approved in 2003 authorizing Burrtec to increase by 75,000 tons the amount of waste brought into the system with the County again agreeing to share the net profit generated by the additional tonnage.

In 2005, after an upgrade to the Material Recovery Facility (MRF), the Town started diverting approximately 4,000 tons of waste from the Victorville landfill. That amount increased to over 7,000 tons in 2006. In August 2007, a third amendment was approved which established a fee to fund landfill-based recycling programs at all landfills and transfer stations in the county.

A fourth amendment to the WDA was approved in November 2007 to change the twelve (12)-month time period of the annual price adjustment calculation from February to September. The change was requested to allow sufficient time for the county's Solid Waste Management Department to calculate the new tipping rate, obtain Board of Supervisors' approval and provide the new rate to the cities in time to hold public hearing prior to finalizing city budgets in May or June.

On October 23, 2012, Town Council approved the fifth amendment to the Waste Disposal Agreement (WDA) between the Town of Apple Valley and the County of San Bernardino. The WDA previously covered fourteen (14) municipalities with multiple agreement expiration dates. The fifth amendment extended the terms of the WDA until June 30, 2016 and adjusted the WDA to have each City/Town on the same termination date.

CONCLUSION:

As previously stated, the WDA for the Town expires on June 30, 2016. The proposed sixth amendment to the WDA provides additional terms as stated in the attachment, reduces the Town's current disposal fee from \$39.38 per ton to \$37.00 per ton and extends the term of the WDA until June 30, 2021. The agreement will not take effect unless and until all of the WDA cities/towns have each separately agreed to the terms. If one city/town fails or refuses to sign the agreement, it becomes null and void with or without Council approval.

FISCAL IMPACT:

The extension to the WDA improves the fee structure resulting in a positive fiscal impact.

ATTACHMENT:

Amendment No. 6 to the WDA

WASTE DISPOSAL AGREEMENT

BETWEEN

THE COUNTY OF SAN BERNARDINO, CALIFORNIA

AND

THE TOWN OF APPLE VALLEY

DATED: JANUARY 27, 1998

County Authorization Date:

Town Authorization Date:

County Notice Address:

Solid Waste Management Division 222 Hospitality Lane, 2nd Floor San Bernardino, CA 92415-0017

Emergency Contact:

Emergency Contact:

Town Notice Address:

Arthur L. Rivera Deputy Director (909) 386-8703

Council Meeting Date: 05/10/2016

AMENDMENT NO. 6 TO THE WASTE DISPOSAL AGREEMENT

On January 27, 1998, the Town of Apple Valley ("Town") and the County of San Bernardino ("County") entered into a Waste Disposal Agreement ("WDA"). The parties hereby amend the WDA, on the Effective Date as provided herein, by their respective execution of this agreement (hereinafter "Amendment").

Recitals

- A. The parties have previously entered into the following amendments to the WDA. Amendment No. 1 to the WDA was to implement the "Article 19 Solid Waste" component of the County's waste management system and define the Town's share of that revenue. Amendment No. 2 was to increase the annual maximum limits of "Article 19 Solid Waste" in the County landfill system. Amendment No. 3 allowed the County to charge the fee of \$10.00 per ton (prorated) for identified controllable waste of the Town (e.g., roll off container trucks and other County/City/Town vehicles such as pickups and dump trucks) and have such waste subject to being processed in the recycling program. Amendment No. 4 allowed the County to calculate the annual cost of living adjustment earlier in the calendar year. Amendment No. 5 extended the end date of the WDA to June 30, 2016.
- B. In connection with the ongoing administration of the WDA, the parties have determined it is now in their best interests to change the termination date to June 30, 2021.
- C. This change in the termination date will assist both the Town and the County in planning for future fiscal years' budgeting of solid waste disposal services and costs.
- D. The parties have determined it is in their best interests to apply an annual fixed WDA renewal discount adjustment of \$0.82 per ton for the term of the WDA.
- E. In March 2002, an amendment to the WDA was approved to acknowledge the right of the County to accept in-County waste from Burrtec Waste Industries, Inc. (Burrtec), known as Article 19 Solid Waste, at a rate lower than the WDA Contract Rate in exchange for the County sharing the net revenue generated from the Article 19 Solid Waste with the WDA cities based on a formula outlined in the amendment.
- F. On June 30, 2013, the County's Operations Contract with Burrtec expired and the Article 19 Solid Waste ceased to be disposed in the County's Disposal System, thereby ending the revenue sharing of Article 19 Solid Waste with the WDA cities.
- G. The parties agree that there will be benefits to the Disposal System and accordingly to the County, as the owner/operator of the Disposal System, and to the Town, as a user of the Disposal System, of accepting in-County waste from other non-WDA users of the Disposal System at a rate lower than the WDA Contract Rate in exchange for the County sharing the net revenue of in-County waste generated with the WDA cities based on the revenue sharing formula from the previous Article 19 Solid Waste.

NOW THEREFORE, in consideration of the forgoing recitals and the following covenants and promises the Parties agree as follows:

1. <u>Amended Section 4.2. CONTRACT RATE. (A) Generally. This section is amended in its</u> <u>entirety to read:</u>

SECTION 4.2. <u>CONTRACT RATE</u>. (A) <u>Generally</u>. Effective January 1, 1998, the Contract Rate payable by each Franchise Hauler shall be \$28.50 per ton, subject to potential adjustment necessary to reflect the circumstances set forth below:

- (i) increased costs incurred by the County (in excess of available insurance proceeds) due to the occurrence of one or more Uncontrollable Circumstances, including Changes in Law; and
- escalation during the Term of this Agreement calculated in accordance with Section 4.2(B).

Prior to adjusting the Contract Rate as a result of any of the circumstances described in Section 4.2(A)(i), the County shall utilize the following remedy: reduce the costs of operating the Disposal System to the extent practicable.

Any adjustments to the Contract Rate permitted by Section 4.2(A)(i) shall be calculated by the County to reflect the actual costs or expenses of addressing the circumstance or circumstances pursuant to which the adjustment is authorized, and shall also reflect, where applicable, the then remaining capacity in the Disposal System. Such adjustment may not reflect circumstances other than the circumstances described in Section 4.2(A)(i).

2. <u>Amended Section 4.2. CONTRACT RATE. (B) Calculation of Escalation. This section is</u> <u>amended in its entirety to read:</u>

SECTION 4.2. <u>CONTRACT RATE</u>. (B) <u>Calculation of Escalation</u>. For purposes of Section 4.2(A)(ii), the Contract Rate shall be adjusted in accordance with the formula described in this Section each July 1 during the term hereof, commencing July 1, 1999. The adjustment shall be calculated in accordance with the following formula:

Contract Rate =	Fixed Portion + [Escalating Portion x Index]
Where,	
Fixed Portion =	\$10.87
Escalating Portion =	\$17.63
Index = Price	Index, which shall be determined in accordance

- Index = Price Index, which shall be determined in accordance with the following formula:
 - $I = .7[PPI_1/PPI_2] + .3[EI_1/EI_2]$
- PPI₁ = The Producer Price Index, Industrial Commodities, as published by the United States Department of Labor Statistics in the publication <u>Producer</u> <u>Price Indices</u>, Table 6, for the month of February in the year the

adjustment is being made (e.g., the first adjustment will use the February, 1999 value)

- PPI₂ = Producer Price Index, Industrial Commodities for the month of February, 1998
- EI₁ = Employment Cost Index, Compensation, Private Industry Workers, as published by the United States Department of Labor Statistics in the publication <u>Monthly Labor Review</u>, Table 22, for the last quarter of the year preceding the year the adjustment is being made (e.g., the first adjustment will use the last quarter, 1998 value)
- El₂ = Employment Cost Index, Compensation, Private Industry Workers established for the last quarter of 1997

The adjustment effective on July 1, 2011, and all subsequent adjustments, will be calculated as provided above, except that the parameters of the Index (i.e., I) shall be defined as follows:

- PPI₁ = The Producer Price Index, Industrial Commodities Commodity Data, as published at the United States Department of Labor, Bureau of Labor Statistics web site, Series ID WPU03 thru 15 for the month of September in the year prior to the year for which the adjustment is being made (e.g., the adjustment effective July 1, 2011 will use the September 2010 value)
- PPI₂ = Producer Price Index, Industrial Commodities Commodity Data for the month of September, 1997
- EI₁ = Employment Cost Index, Total Compensation, Private Industry All Workers, as published at the United States Department of Labor, Bureau of Labor Statistics web site, Series ID: CIU20100000000001 for the last quarter of the year preceding the year for which the adjustment is being made (e.g., the adjustment effective July 1, 2011 will use the third quarter, 2010 value)
- El₂ = Employment Cost Index, Compensation, Private Industry All Workers, as published at the United States Department of Labor, Bureau of Labor Statistics web site, Table 3, established for the third quarter of 1997

Effective July 1, 2016, and each July 1 thereafter during the term of the Agreement, the Contract Rate adjustment will be calculated as provided above, except that an annual fixed WDA renewal discount adjustment of \$0.82 per ton will be applied after the annual Cost of Living Adjustment (COLA) adjustment. The Calculation of Escalation for July 1, 2016 through June 30, 2017 results in a \$37.82 per ton rate. After including the WDA renewal discount adjustment of \$0.82 per ton, the Contract Rate will be \$37.00 per ton, effective July 1, 2016 through June 30, 2017.

If at any time either the Employment Cost Index or the Producer Price Index is no longer published, or are otherwise unavailable, then the COLA shall be determined by using standard official statistics measuring changes to, respectively, labor costs and cost of materials, as the parties shall mutually agree.

3. Add Section 4.6 to the WDA to read:

SECTION 4.6. <u>COUNTY DISPOSAL SYSTEM REPORT OF ANNUAL FINANCIAL</u> <u>STATEMENTS</u>. Beginning July 1, 2016, the County will conduct an annual meeting, inviting all WDA Cities/Towns to participate, within 45 days of receipt of the San Bernardino County Department of Public Works - Solid Waste Management Division Annual Financial Statements from the County's Auditor-Controller/Treasurer/Tax Collector's Office (typically submitted to the Solid Waste Management Division no later than 45 days after the first of each calendar year) to provide annual revenue and expense statements, fund balance and net asset values, from the prior fiscal year, related to the County's Disposal System. The first meeting is anticipated to be held in February 2017, to review the Fiscal Year 2015-2016 Financial Statements.

4. <u>Amended Section 6.1 EFFECTIVE DATE AND TERM. (A) Term. This section is</u> <u>amended in its entirety to read</u>:

SECTION 6.1. EFFECTIVE DATE AND TERM. (A) <u>Term.</u> This Agreement shall become effective, shall be in full force and effect and shall be legally binding upon the Town and the County from the Contract Date and shall continue in full force and effect until June 30, 2021, unless earlier terminated in accordance with its terms.

5. Add Section 8 to the WDA to read:

SECTION 8. IN-COUNTY NON-WDA SOLID WASTE.

SECTION 8.1. <u>Definition of In-County Non-WDA Solid Waste</u>. "In-County Non-WDA Solid Waste" is defined as the solid waste which may be delivered to the Disposal System by other Non-WDA users ("In-County Users") of the Disposal System, including, but not limited to, other Non-WDA cities in the County, sanitary districts, Transfer Stations or Independent Haulers, that is:

- allowed to be disposed of in the Disposal System pursuant to federal, state and local laws and regulations;
- (ii) not being delivered to the Disposal System as of June 30, 2016; and
- (iii) delivered to the Disposal System in transfer trailers.

SECTION 8.2. <u>Limited Waiver of Town's Rights Under Waste Delivery</u> <u>Agreement and Right of County to Accept In-County Non-WDA Solid Waste.</u> The parties agree that, for the term of any contract with In-County Users (including any extensions of term) the County may accept In-County Non-WDA Solid Waste from In-County Users for disposal in the Disposal System in the amount determined by the County. Upon payment of the In-County City Fee (the WDA cities' portion of the In-County Non-WDA Disposal Fee charged to the In-County Users) and satisfaction of the other requirements of this Section 8, the County will not be required to offer Town a Contract Rate equal to the In-County Non-WDA Disposal Fee (defined as the disposal fee paid by the Non-WDA In-County Users with disposal agreements with the County) in accordance with Section 3.5(A) of the WDA, *provided that* such acceptance of In-County Non-WDA Solid

Waste will not impair the rights of the WDA Cities under the provisions of Section 3.5(B) of the WDA.

SECTION 8.3. Limited Waiver of County's Rights Under Waste Delivery Agreement and Right of County to Accept In-County Non-WDA Solid Waste. The parties agree that, for the term of any contract with In-County Users (including any extensions of term) the County agrees to accept In-County Non-WDA Solid Waste from In-County Users for disposal in the Disposal System only upon payment of the In-County City Fee and satisfaction of the other requirements of this Section 8 of the WDA.

SECTION 8.4. <u>Calculation of Net Per Ton In-County Non-WDA Disposal Fee.</u> For purposes of this Section, the Net Per Ton In-County Non-WDA Disposal Fee shall consist of the In-County Non-WDA Disposal Fee, then in effect, under the terms of any contract with In-County Users, less the following payments:

- (i) the amount of the required payment to the County's Operations Contractor for disposing of such In-County Non-WDA Solid Waste then in effect under the terms of the County's Waste Disposal System Operations Contract (if the County's Operations Contractor exceeds the Annual Baseline Tonnage of 1,260,236 tons for disposal, then the Operations Contractor's disposal rate of \$6.40 per ton as of July 1, 2016, and adjusted annually thereafter, will be included in the calculation of the Net Per Ton In-County Non-WDA Disposal Fee);
- the other specified payments to governmental agencies in the amounts then required (including any newly required payment or any payment made in substitution of an identified payment); and
- (iii) the amounts representing the allocation of costs for closure and postclosure maintenance and expansion costs (in the amounts set forth on Exhibit B, such amounts to be adjusted for Cost of Living increases in the same percentage amount as the actual change made to the per ton disposal fee charged by the County to the Cities which have a WDA with the County pursuant to the "Calculation for Escalation" contained in Section 4.2(B) of the WDA).

Formula: In-County Non-WDA Disposal Fee

Less

Payment under the Waste Disposal System Operations Contract to the Operations Contractor (If the County's Operations Contractor exceeds the Annual Baseline Tonnage of 1,260,236 tons for disposal, then the Operations Contractor's disposal rate of \$6.40 per ton as of July 1, 2016, and adjusted annually thereafter, will be included in the calculation of the Net Per Ton In-County Non-WDA Disposal Fee). Payment to CalRecycle Payment to the Local Enforcement Agency Host Fee Payment to the City of Fontana Host Fee Payment to the City of Rialto Any other payment required to be made to local, State or Federal Agencies relative to the disposal of solid waste or fees collected

relative to such disposal

Allocation of costs for Closure and Postclosure Allocation of costs for expansion (construction of additional capacity)

Equals Net Per Ton In-County Non-WDA Disposal Fee

Exhibit B attached hereto is a draft example of the distribution of the WDA Cities' share of the Net Per Ton In-County Non-WDA Disposal Fee County revenue generated from Non-WDA In-County Users based on an example of a \$27.00 per ton In-County Non-WDA Disposal Fee. Exhibit B also outlines the current adjustments used to calculate the Net Per Ton In-County Non-WDA Disposal Fee. These adjustment amounts are subject to annual COLA adjustments effective July 1, 2016 and each July 1st thereafter during the term of this Agreement.

SECTION 8.5. <u>Allocation of In-County City Fee.</u> In consideration of the agreements of the Town hereunder, the County will pay to the WDA Cities, in the aggregate, 50% of the Net Per Ton In-County Non-WDA Disposal Fee for each ton of In-County Non-WDA Solid Waste accepted for disposal at the Disposal System. Such fee is referred to herein as the "In-County City Fee". The remaining 50% of the Net Per Ton In-County Non-WDA Disposal Fee is being retained by the County. The In-County City Fee may be used by each city/town as it shall deem appropriate, in its sole discretion.

The In-County City Fee shall be further allocated among each of the WDA Cities on the basis of two separate criteria:

- 50% of the In-County City Fee shall be divided equally among the WDA Cities, without regard for any other criteria; and
- (ii) 50% of the In-County City Fee shall be divided among the WDA Cities based on population, on a per capita basis, as published by the California Department of Finance, as of each May 1, each year during the term of the WDA.

The Town's share of the In-County City Fee shall be paid to Town in quarterly payments, within forty-five (45) days after the end of the calendar quarter (i.e., March, June, September, and December).

This Section 8 refers only to those waste disposal agreements with In-County Users that have a Contract Rate less than the WDA Contract Rate.

This Section 8 shall be in effect beginning July 1, 2016.

6. <u>Effective Date.</u> This Amendment shall be effective if and only when all fifteen cities/towns listed on Exhibit A have each adopted and executed a counterpart of this Amendment No. 6 (the amendment number may differ for each city/town listed on Exhibit A) and such amendment has been adopted and executed by the County on or before June 30, 2016. In all events, the conditions in the forgoing sentence shall occur otherwise this Amendment No. 6 shall be null and void and without any effect whatsoever.

7. <u>No other amendments.</u> Except as modified in this Amendment (or in any prior Amendment(s)) all other terms and conditions of the WDA, including without limit those contained in any prior Amendment, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers or representatives as of the day and year first above written.

COUNTY OF SAN BERNARDINO James Ramos, Chairman, Board of Dated:		By(Auth	e of corporation, company, contractor, etc.) orized signature - sign in blue ink) or type name of person signing contract)
SIGNED AND CERTIFIED THAT A C DOCUMENT HAS BEEN DELIVERE CHAIRMAN OF THE BOARD Laura H. Welch Clerk of the Boarc of the County of S	D TO THE	Title	(Print or Type)
By Deputy			
Approved as to Legal Form	Reviewed by Cont	ract Compliance	Presented to BOS for Signature
► Julie Surber, Deputy County Counsel			
Julie Surber, Deputy County Counsel	David Doublet, Ch	nief Engineer	Gerry Newcombe, Department Head
Date	Date		Date

EXHIBIT A

CITIES/TOWNS WITH A WASTE DELIVERY AGREEMENT WITH THE COUNTY OF SAN BERNARDINO OFFERED THIS AMENDMENT MARCH 2016 FOR AN AGREEMENT END DATE OF JUNE 30, 2021

- 1. ADELANTO
- 2. APPLE VALLEY
- 3. BARSTOW
- 4. BIG BEAR LAKE
- 5. COLTON
- 6. FONTANA
- 7. GRAND TERRACE
- 8. HESPERIA
- 9. HIGHLAND
- 10. LOMA LINDA
- 11. RIALTO
- 12. TWENTYNINE PALMS
- 13. VICTORVILLE
- 14. YUCAIPA
- 15. YUCCA VALLEY

EXHIBIT B IN-COUNTY NON-WDA DISPOSAL FEE ANALYSIS DRAFT EXAMPLE

Proposed Annual Burrtec In-County Non-WDA Waste	County No	on-WDA Waste			1st Half		01/01/15				MVSL Host	MVSL Host MVSL Total
(City of SB @ 50% volume)	0% volume	(a			of City		Calif. DoF	Per	2nd half of		City Fee	Host Fee +
				GFA	Fee	Flat City Fee	Population	Capita %	City Fee	Total	PerTon	A19 Share
Disnosal Fee		¢37 m	F	Contract	/01.3 2	¢E3 100 67	CHE POL	1002 00			53.10	
Ons Contract	¢n nn1	and the	• •	Victorial	2000	10.0ET (CCC	104,912	42.1070	00.01/ TOTC	75.006,4674	00/'688¢	\$1,124,669
ops contract	nnine		v	VICTORVIIIE	0.0/%	19.061,564	121,168	13.51%	\$107,804.52	\$160,995.18		
Calrecycle Fee	\$1.40		m	Rialto	6.67%	\$53,190.67	102,092	11.38%	\$90,832.39	\$144,023.05	\$889,700	\$1,033,723
LEA Fee	\$0.47		4	Hesperia	6.67%	\$53,190.67	92,177	10.28%	\$82,010.90	\$135,201.57		
Fontana Host Fee	\$3.10		ŝ	Apple Valley	6.67%	\$53,190.67	71,396	7.96%	\$63,521.81	\$116,712.48		
Rialto Host Fee	\$3.10		9	Colton	6.67%	\$53,190.67	53,384	5.95%	\$47,496.34	\$100,687.00		
Other State, Local fees	\$0.00		~	Highland	6.67%	\$53,190.67	54,332	6.06%	\$48,339.78	\$101,530.45		
Closure and Post-Closure	\$3.28		∞	Yucaipa	6.67%	\$53,190.67	52,942	5.90%	\$47,103.09	\$100,293.75		
Expansion Costs	\$4.53		6	Adelanto	6.67%	\$53,190.67	33,084	3.69%	\$29,435.20	\$82,625.87		
Total Adjustments		(\$15.88)	9	29 Palms	6.67%	\$53,190.67	25,846	2.88%	\$22,995.47	\$76,186.14		
			11	Barstow	6.67%	\$53,190.67	23,407	2.61%	\$20,825.47	\$74,016.13		
Net In-County Non-WDA Disposal Fee	osal Fee	\$11.12	11	Loma Linda	6.67%	\$53,190.67	23,751	2.65%	\$21,131.53	\$74,322.20		
			13	Yucca Valley	6.67%	\$53,190.67	21,355	2.38%	\$18,999.78	\$72,190.45		
In-County City Fee (50%)		\$5.56	14	Grand Terrace	6.67%	\$53,190.67	12,352	1.38%	\$10,989.71	\$64,180.38		
			15	Big Bear Lake	6.67%	\$53,190.67	5,165	0.58%	\$4,595.36	\$57,786.02		
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Disposal Fee.