

**EL DORADO
COUNTY**



**ENVIRONMENTAL
MANAGEMENT
DEPARTMENT**

Gerri Silva
M.S., REHS
Director

*Environmental
Health*

*Air Quality
Management
District*

*Solid Waste &
Hazardous
Materials*

*Water Quality
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*Tahoe Office/
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September 10, 2009

Ron Briggs, Chairman
Board of Supervisors
County of El Dorado
330 Fairlane
Placerville, CA 95667

Re: Tahoe Truckee Sierra Disposal Contract Extension Negotiations

Honorable Board Members,

Environmental Management and Tahoe Truckee Sierra Disposal have held several negotiation sessions wherein contract negotiation issues have been addressed. The Environmental Management Department is updating the Board with the current negotiations status and seeking direction and/or conceptual approval regarding the following items.

Term

The current Franchise Agreement will be extended for an additional five (5) year term with two (2) additional two (2) year extension options, to be agreed upon by both parties.

Base Rate

Per the Board of Supervisors Rate Hearing on June 30, 2009 the base rate for a 32 gallon can picked up weekly is \$22.38.

Rate Setting

Annual rate adjustments equal to 5% starting July 1, 2010. Should the parties agree to exercise the first (2) two year extension option, TTSD agrees to work in good faith with the County to implement within the extension a go-forward rate-setting methodology, the methodology is unknown at this time, but is expected to be available in an adequate amount of time prior to the termination of this five-year extension for inclusion in the negotiations for the first 2-year extension. The expectations are that negotiations for the first extension will begin at least one-year prior to the termination of this five-year period (no later than January 1st, 2014), and that the recommendations of the rate-setting methodology will be available by that point in time for inclusion in the negotiations. This Agreement may only be further extended by an agreement in writing signed by both parties hereto, and nothing in this paragraph shall obligate either party to agree on any specific terms and conditions or on any renewal of this Franchise Agreement.

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BOARD OF SUPERVISORS
EL DORADO COUNTY

Mandatory Collection

TTSD and County will work together to offer the residents the opportunity to take the area mandatory. TTSD and the County agree to work together to determine the appropriate steps in the public process for making mandatory service in the area available as an option for public consideration. Additionally, both parties agree to make best and reasonable respective efforts to pursue the process of presenting mandatory service for public consideration, when the appropriate public process is determined. Should the area be designated mandatory collection within the contract extension term the rate structure will be potentially reduced by a minimum of 10%.

Company Financial Reporting Requirements

In lieu of the current Franchise Agreement requirement to provide an annual audited financial statement for work done under the agreement, the County agrees to accept the Company prepared annual Profit and Loss statement specific to the El Dorado County area as identified above. In addition, the County is requesting a copy of the Company's revenue report produced by their bookkeeping computer software and will certify that the reports accurately reflect the true revenue for franchised residential and commercial service in the area, and if there are any unforeseen out-of-the-ordinary adjustments in any given period, will note and detail them on the certification letter. The company will provide the expenses related to the areas served by way of direct area expenses and allocation methodology for indirect expenses.

The County reserves the right to audit financial statements, at the County's expense. The outcome of an audit with regard to the validity of the overall P&L as well as any modified overall P&L resulting from the audit will be made available for review by the Board of Supervisors in a public format, however the underlying company financial details will not be released for public disclosure other than as set forth in the audit findings.

Minimum Revenue Base

The County contends that this condition does not apply to a Franchise Agreement extension since the County is supporting an annual 5% rate adjustment. However, it is TTSD's position that this language be included in the proposed franchise agreement extension. Please note the proposed language below.

If the annualized Revenue in any rolling 4-Quarter period, as defined by the Revenue reported on the four most recently submitted Quarterly Franchise Fee reports, falls below \$300K, TTSD will no longer be obligated to serve the area on a non-mandatory basis. TTSD will provide a 180-day written notice to the County and the current TTSD customers of their intention to discontinue collection service in the area. The \$300K threshold will remain in place for the current 5-year term without adjustment for the time-value of money, however should TTSD and the County agree to the first two-year extension and the area not be mandatory at that point, the \$300K threshold will be reviewed during the designated good-faith negotiations to reflect the time-adjusted value of money at that point in time.

Three-Year Rolling Average Profitability Review

Three- Year Rolling Average Profitability Review does not pertain to a five (5) year extension. However, TTSD and the County will begin to track annual profitability, in preparation for the referenced good faith negotiations between TTSD and the County to incorporate the recommended methodology into the terms of the first 2 year extension.

The items identified herein will be the only items adjusted from the language in the current Franchise Agreement dated April 4, 1995. All other sections of the current agreement with TTSD will remain in effect. I remain available to answer any questions related to this item.

Regards,

A handwritten signature in black ink, appearing to read "Gerri Silva". The signature is fluid and cursive, with a long horizontal stroke at the end.

Gerri Silva, M.S., REHS
Director of Environmental Management