

County's Solid Waste Collection Agreements

Resource Recovery & Waste
Management Division

April 6, 2010



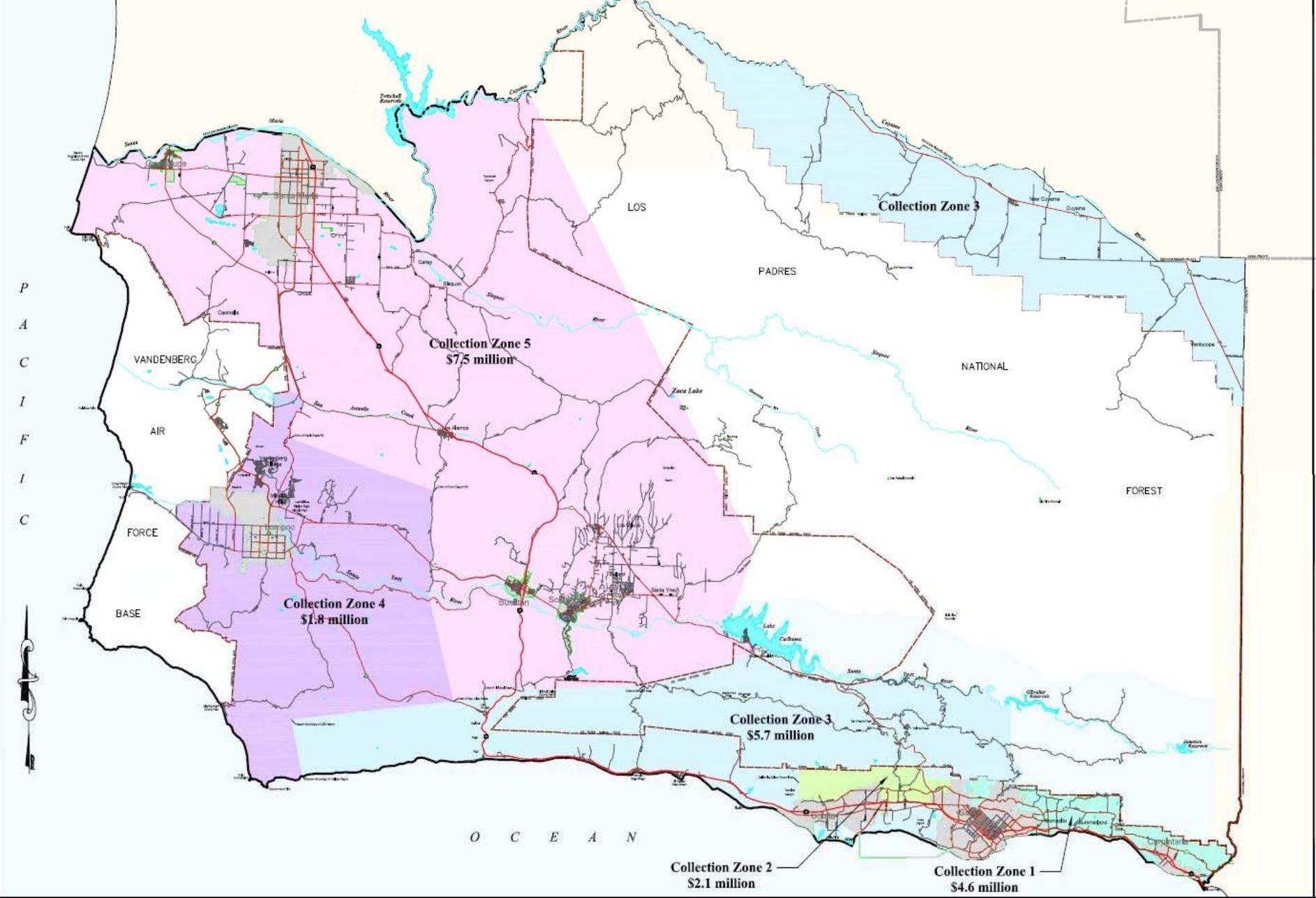
Solid Waste Collection Background

➤ Services include

- Collection of residential and business
 - trash,
 - greenwaste, and
 - recyclables
- Residential bulky item collection
- Communication with customers
 - Billing for services
 - Newsletters, etc.

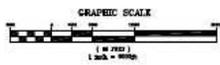
Solid Waste Collection Background

- December 1996, BOS
 - Designated 5 collection zones in unincorporated County
 - Awarded 5 exclusive franchise agreements for collection of solid waste from residents and businesses
- Currently, there are 5 collection zones served by 3 service providers
 - Zones 1 & 3: MarBorg Industries
 - Zone 2: Allied/Republic
 - Zones 4 & 5: Waste Management
- Total annual revenue of \$21.7 million



Santa Barbara County
Solid Waste Collection Zones

Compiled by the Office of the County Surveyor in September 2002.
 This is a graphic representation of the Santa Barbara County Collection of Solid Waste Solid Waste Collection Zones as defined by the Santa Barbara County Board of Supervisors in Resolution No. 2002-004 (November 12, 2002).
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Solid Waste Collection Background

- Agreements in zones 2, 4 & 5 expire June 30, 2011
- Agreements in zones 1 & 3 have potential to expire as late as June 30, 2019



Franchise Process

- Audits of all franchisees
- Completed 3rd customer satisfaction survey
- Franchisees notified of upcoming process and invited to submit information

Franchise Process

- Received proposals from each franchisee
 - MarBorg requested merging Allied's current service area (Zone 2) with MarBorg's service area (Zone 3)
 - Allied proposed either
 - Automating Zone 2 and reducing rates 12.5%, or
 - Maintaining rates and adding weekly recycling collection
 - Waste Management requested an extension of their contract

Past Performance Audits

- Conducted 2007-2009 for all 3 companies
- Beneficial process
- Issues resolved quickly
- All service providers are currently in compliance

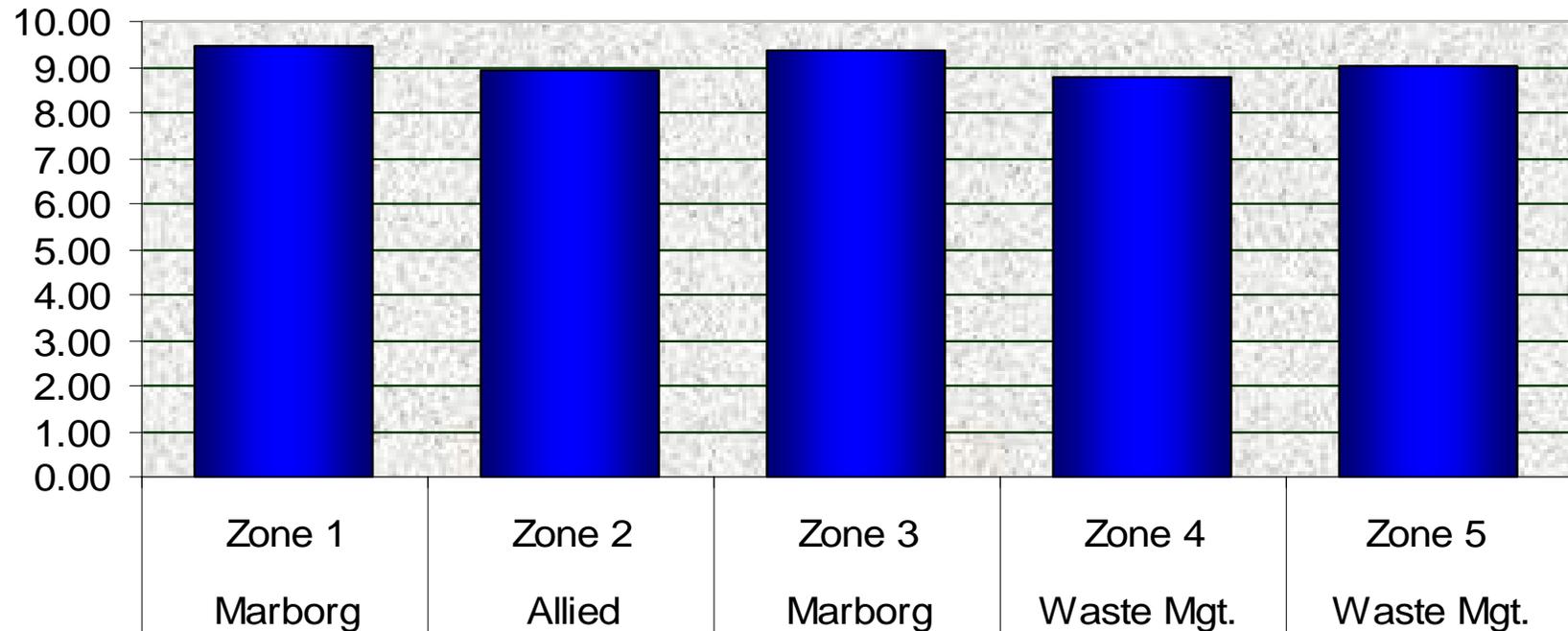
Past Performance Customer Satisfaction Surveys

- Surveys conducted for residential and commercial customers in 1999, 2004, and 2009
- Each company received high level of satisfaction from customers



Past Performance Customer Satisfaction Survey

Customer Satisfaction by Franchise Zone



Aggregate Results - 1999, 2004 & 2009 Surveys

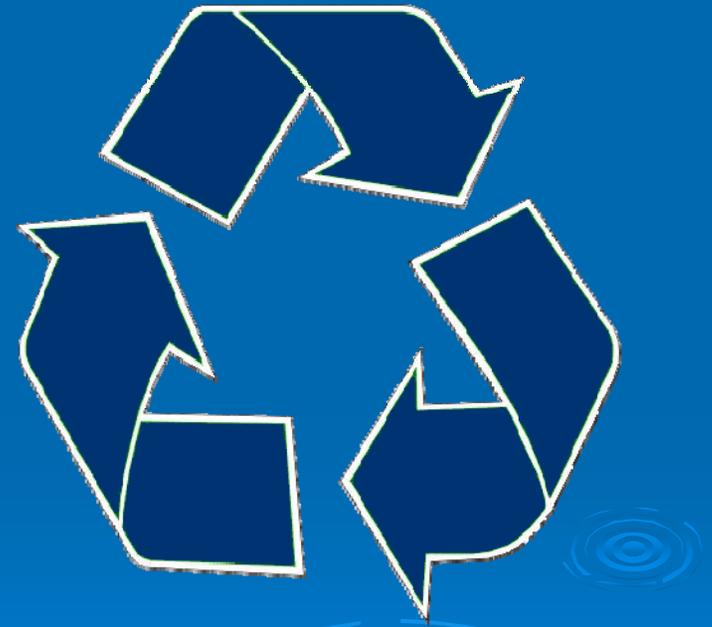
Past Performance Services Provided

- Companies are meeting service specifications in their contract
- Attachment G of Board Letter lists specific programs offered by company
- MarBorg and Waste Management provide the most extra services



Board Direction

- July 2009, your Board
 - Received results of audits of three companies
 - Directed staff to form a Project Team
 - Created a Subcommittee to oversee the Project Team



Purpose of Project Team

- Evaluate options available to the BOS for the procurement of collection services
 - Zone 2
 - Zone 4
 - Zone 5



Purpose of Subcommittee

- **Oversee work of Project Team**
- **Provide recommendation to BOS**
- **Maintain transparent process**
- **Meetings subject to Brown Act**

Franchise Project Participants

Subcommittee

Salud Carbajal
Doreen Farr (Chair)

County Supervisor
County Supervisor

Project Team

Terri Maus-Nisich
Mark Schleich
Theo Fallati
Marie La Sala
Leslie Wells
Thomas Chiarodit
Constance Hornig

Deputy County Executive
Public Works
Auditor-Controllers
County Counsel
Public Works
Public Works
Solid Waste Consultant

Franchise Process

➤ Comprehensive Process

- 9 Project Team meetings since August '09
- 3 Subcommittee meetings

➤ Transparent Process

- Subcommittee meetings publically noticed
- All materials discussed are posted on the County's website

Customer Service Goals

- High quality collection services
- Competitive cost to ratepayers
- Program accountability



Procurement Process

Subcommittee Key Policy Decisions:

- Public vs. private service providers: directed to pursue contractual services with private sector
- Franchise agreement options (unregulated to regulated): directed to continue regulated exclusive agreements

Procurement Process

Subcommittee Key Policy Decisions:

- Staff directed to evaluate zone configurations
- Staff directed to meet with City of Goleta

Procurement Process

- Two part process
 - Configuration of service zones
 - Specific procurement options
- Identified 2 critical terms that will enhance County's ability to reach its customer service goals

Term and Condition Recommendations

- Subcommittee recommends the following:
 - 8 year contract terms
 - Minimum of 2 service providers
(will require amendment to County Code)

Term and Condition Recommendations

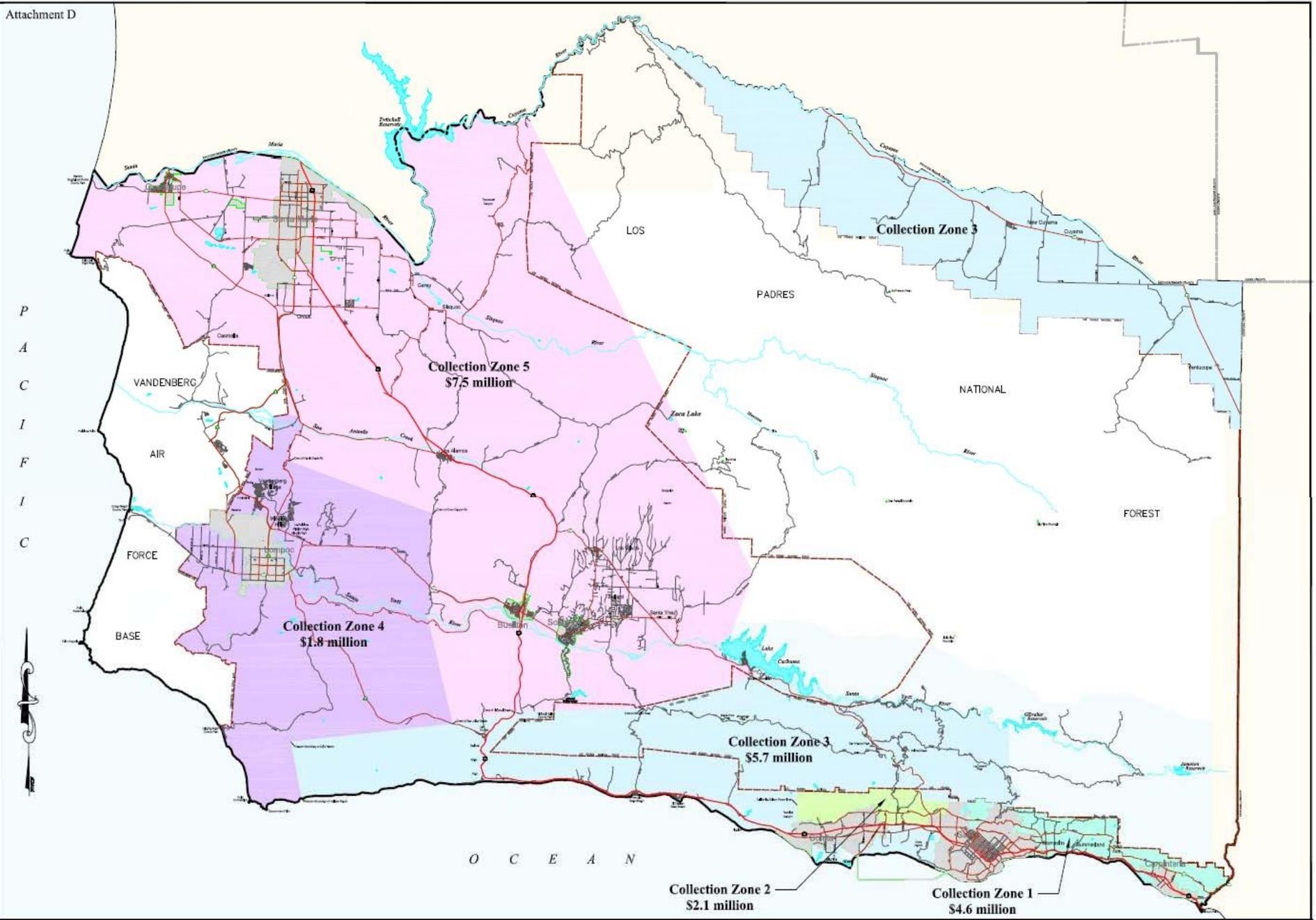
8 Year Contract Terms

- Benefit of synchronizing all franchise agreement terms in 2019
 - Enhances competition
 - Motivates responsiveness
- 

Term and Condition Recommendations

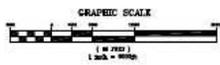
Minimum of 2 Service Providers Countywide

- Encourages competitive and innovative services
 - Enhances rate competitiveness
 - Motivates responsiveness
- 



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Configuration of Service Zones

- Project Team developed criteria and weighted them
- Assigned scoring system of 1 – 5
- Identified potential zone configurations

** Important to note restrictions on South Coast because majority of area potentially does not expire until June 30, 2019

Configuration of Service Zones

Criteria

- Quality Service: tapping into marketplace forces that foster great service, innovation, and a proactive approach to meeting and exceeding all contract goals (35%)
- Competitive rates: a sufficient customer & revenue base to attract investments in infrastructure, personnel & the community (30%)

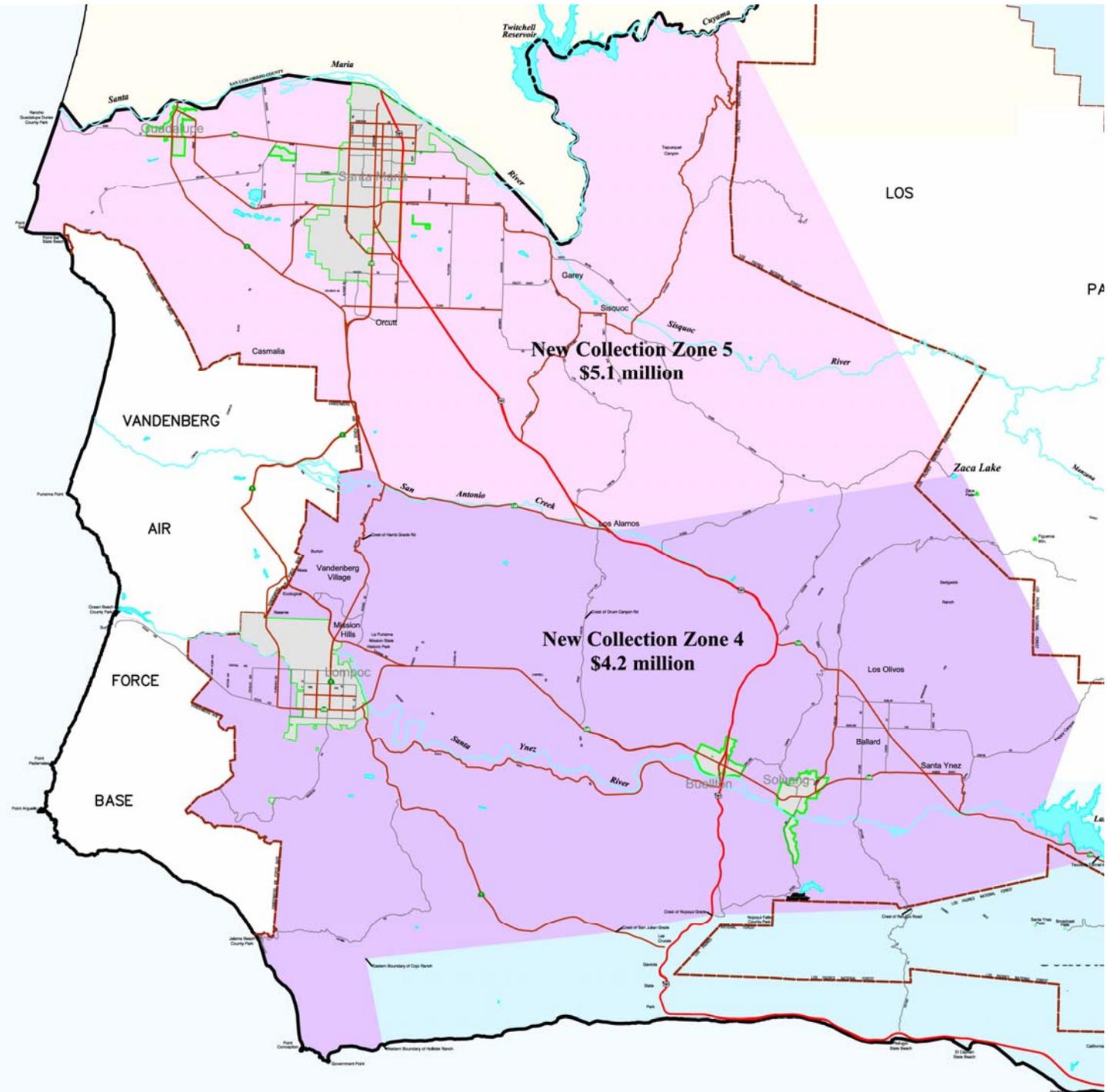
Configuration of Service Zones Criteria

- Efficiency: Service areas should be proximate to service yards and solid waste facilities to the extent possible, and the zones should be designed to maximize routing efficiency. (20%)
- Ease of Implementation: Consideration of potential administrative, legal and/or logistical realities that could impact the procurement process. (15%)

Configuration of Service Zones North County

- Five options presented
- Subcommittee preferences:
 - Continue to evaluate the following 2 options
 - Combine Zones 4 & 5
 - 2 New More Balanced Zones

North County Reconfiguration



Configuration of Service Zones South Coast

- * Became clear that benefits the County to wait to reconfigure zones in 2019 (increased competition, flexibility, types of services)

Configuration of Service Zones South Coast

- 7 options presented
- Subcommittee preferences:
 - Continue to evaluate the following
 - Maintain Zone 2 boundaries as is
 - Maintain Zone 2 boundaries as is and work with Goleta
 - Merge Zone 2 with Zone 3 now
 - Merge all South Coast zones now



Procurement Policies

- Section 40059 of Public Resource Code states County has maximum flexibility
- County Contracting Policy & Procedure Manual
 - Recommends competitive bidding
 - Highlights local vendor preference

Procurement Options

- Exclusive franchise agreements worth \$90 million with 8-year term
- Wide range of options
- Could choose different procurement path for each zone
- Could use a back up path if do not achieve desired results

Procurement Options

- Sole-source negotiation
- Open market competition
- Competition limited to existing service providers

Sole-Source Negotiation

- Typically to negotiate with an existing service provider. Involves good faith negotiations re: services and rates. PRC would allow negotiation with any service provider.
- Suggest 90-day negotiation period after which at sole discretion of County can continue or cease and release RFP for open market competition.

Sole-Source Negotiation

- Staff prepares package containing
 - specifications for services desired, and
 - contract terms

- Staff and contractor negotiates
 - rate for services
 - contract terms

Sole-Source Negotiation

Pros:

- Smooth transition
- Known high quality service provider
- Consistent with County local vendor preference policy

Cons:

- Limited leverage in negotiations

Open Market Competition

- Widely distribute RFP
- Responses include proposed services and rates
- Can include alternatives to the base levels
- Intended to attract as many providers as possible
- Multiple criteria used to evaluate proposals

Open Market Competition

Pros:

- Best market price due to market competition
- Consistent with County contracting policy

Cons:

- Unpredictable transition
- Quality of service less known

Open Market Competition

Pros:

- Best market price due to market competition
- Consistent with County contracting policy

Cons:

- Unpredictable transition
- Quality of service less known

Competition Limited to Existing Service Providers

- RFP distributed to Allied, MarBorg and Waste Management only
- Responses include proposed services and rates
- Can include alternatives to the base levels
- Intended to attract proposals from all 3 providers

Competition Limited to Existing Service Providers

- Multiple criteria used to evaluate proposals
- If not satisfied with results, at sole discretion of County, can open up procurement to all interested companies

Competition Limited to Existing Service Providers

Pros:

- Smoother transition than open procurement
- Known high quality service provider
- Better market price due to competition
- Consistent with County contracting policy
- Consistent with County local vendor preference policy

Cons:

- Not best market price potentially found with open competition

Customer Service Goals

- High quality collection services
- Competitive cost to ratepayers
- Program accountability



Franchise Procurement & Zone Options

Project Team Recommendations

Procurement Options

Regulated Franchise Agreements

| | Sole-Source Negotiation | Competitive Procurement (Open Bid) | Competitive Procurement (limited to existing providers) |
|--|-------------------------|------------------------------------|---|
|--|-------------------------|------------------------------------|---|

NORTH COUNTY

| | | | |
|------------------------|------------------|-----------------------|---------------------------------------|
| N2 - Combine 4 & 5 | Waste Management | Open to all companies | Allied Marborg Waste Management |
| N3 - Reconfigure 4 & 5 | Waste Management | Open to all companies | Allied Marborg Waste Management |

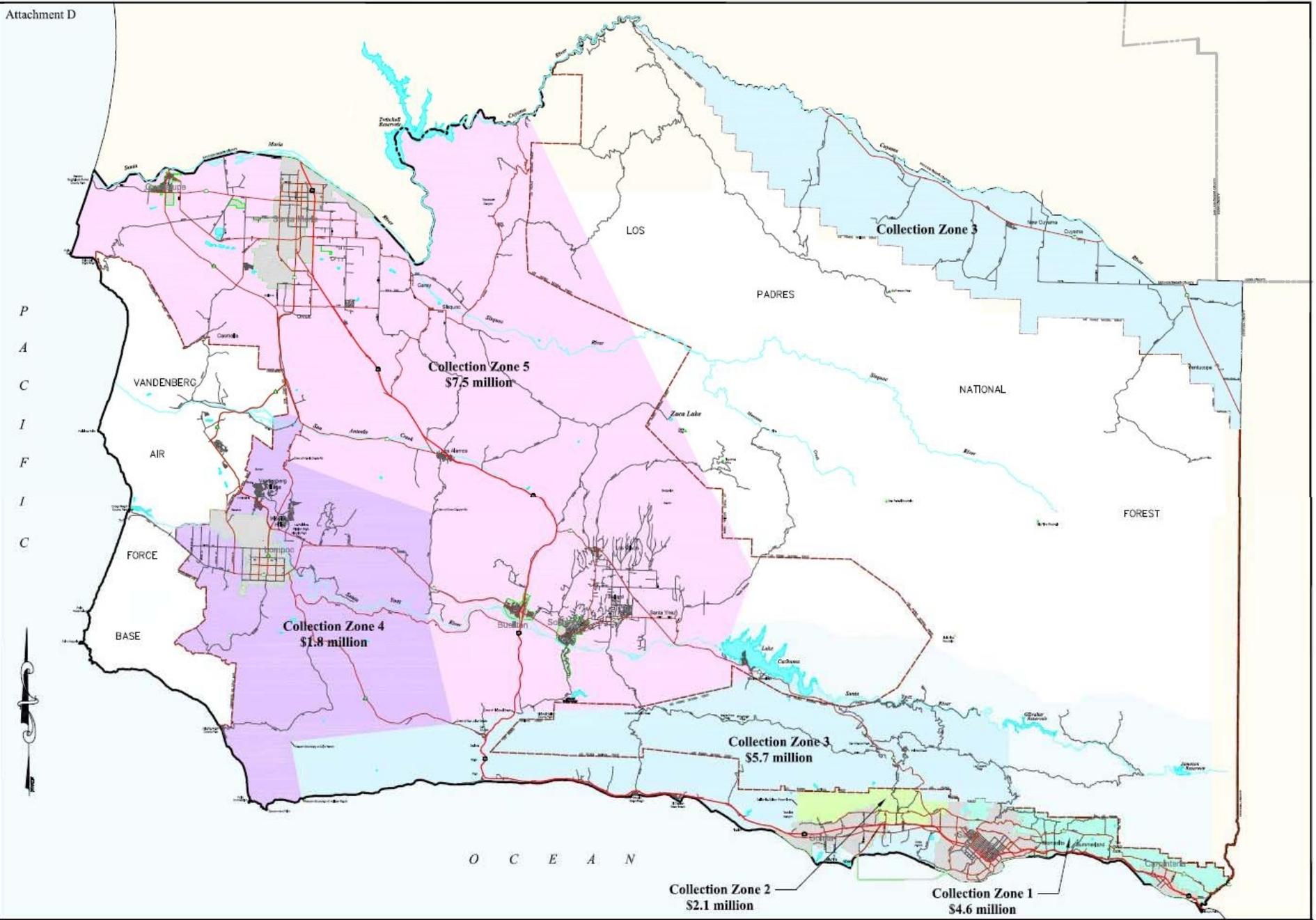
SOUTH COAST

| | | | |
|---------------------------|---------|-----------------------|---------------------------------------|
| S2 - Zone 2 | Allied | Open to all companies | Allied Marborg Waste Management |
| S3 - Zone 2 with Goleta | Allied | Open to all companies | Allied Marborg Waste Management |
| S4 - Merge Zone 2 w/Zone3 | MarBorg | N/A | N/A |
| S6 - Merge All Zones | MarBorg | N/A | N/A |

Zone Options

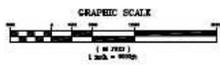
Subcommittee Recommendations North County

- Reconfigure zones 4 & 5 into two new more balanced zones (based on revenue and wasteshed)
- Use competitive procurement limited to the existing service providers
(Allied, MarBorg, Waste Management)



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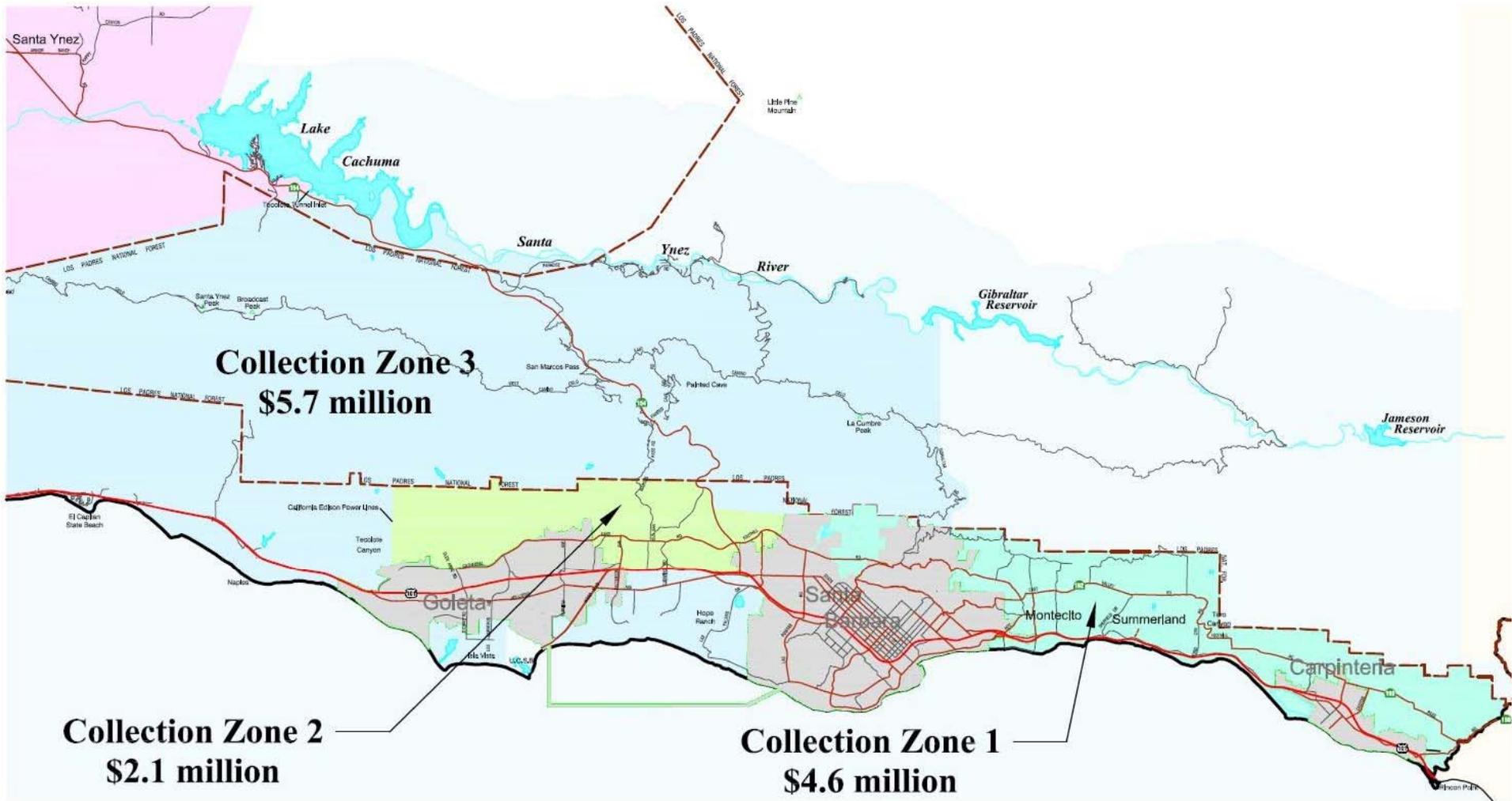
Subcommittee Recommendations North County

Reasons for recommendation:

- Potential to attract more interested parties due to more balanced zones
- Enhances competition by maintaining 2 service zones (affects services and rates)
- Allows participation of quality local service providers

Subcommittee Recommendations South County

- Maintain the existing zone 2 boundaries and work with Goleta to the extent possible
- Use competitive procurement limited to the existing service providers
(Allied, MarBorg, Waste Management)



Subcommittee Recommendations South County

Reasons for recommendation:

- Allows flexibility in 2019 to optimally reconfigure zones
- Potential for more competitive procurement of services and rates than sole-source negotiation
- Allows participation of quality local service providers

Regional Update

- Buellton: open market competition
- Solvang: one-year contract extension
- Goleta: sole-source negotiation with MarBorg
- Current trend: good market for rate reductions and more services

Staff Next Steps

- Staff will
 - Evaluate potential service changes
 - Evaluate new or modified contract provisions
 - Prepare package of desired service specifications and contract terms
 - If competitive process is chosen, prepare evaluation criteria
- Recommendations brought to BOS for approval before implementation of procurement process
- Necessary Code revisions for BOS approval

Approve Recommendations

- a. Approve franchise agreement term limits of 8 years for agreements under consideration
- b. Approve requiring a minimum of 2 service providers in the County unincorporated area
- c. Approve reconfiguring zones 4 & 5
- d. Approve maintaining zone 2 and cooperating with Goleta where possible
- e. Approve competitive procurements limited to 3 existing service providers

Solid Waste Collection Agreements

Thank you

