

County's Exclusive Franchise Agreements for Solid Waste Collection

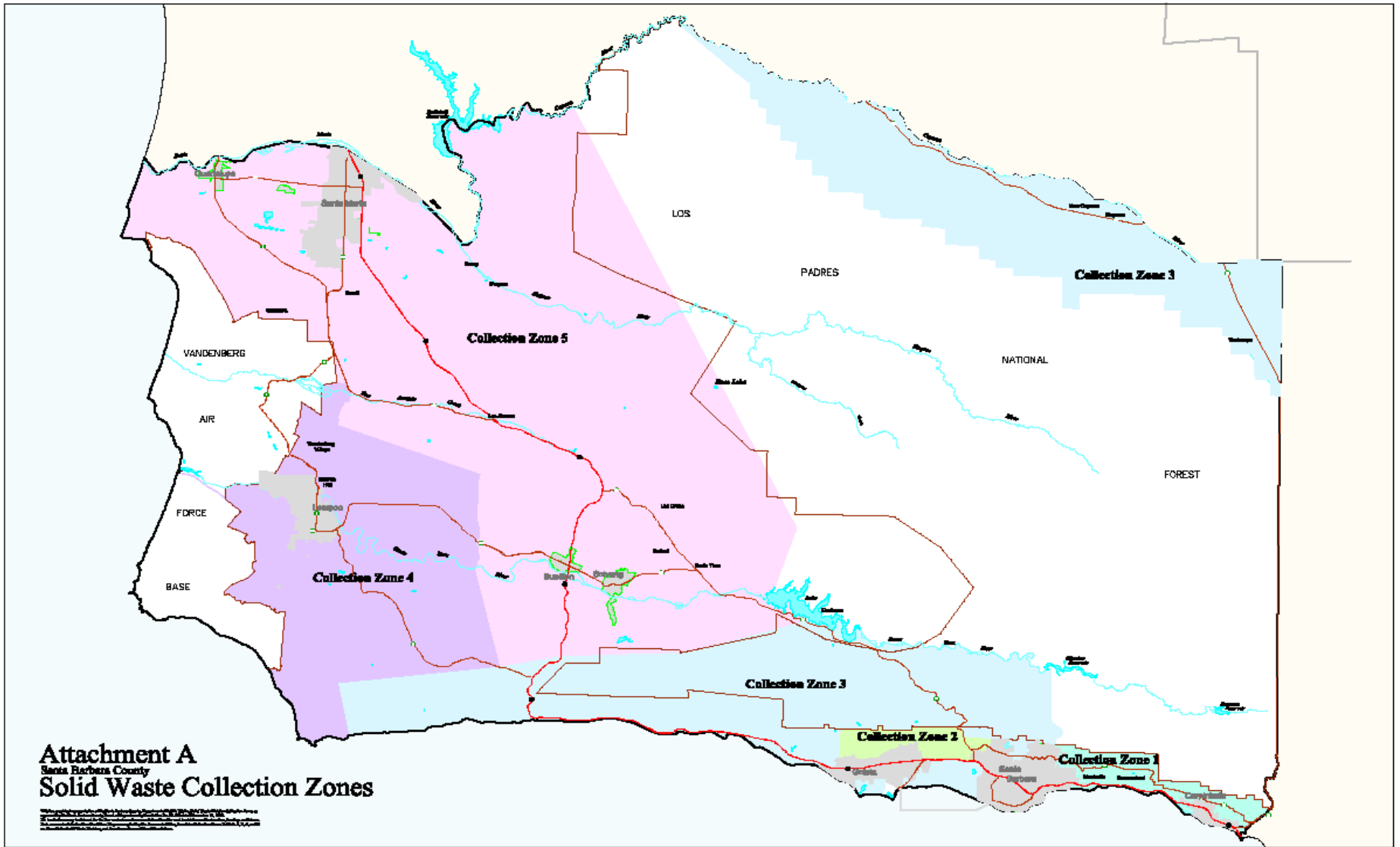
Resource Recovery & Waste
Management Division

July 2009



Background

- December 1996, BOS approved 5 exclusive franchise agreements for collection of solid waste from residents and businesses
- Currently, there are 5 collection zones served by 3 haulers
 - Zones 1 & 3: MarBorg Industries
 - Zone 2: BFI/Allied
 - Zones 4 & 5: Waste Management



Attachment A
Santa Barbara County
Solid Waste Collection Zones

Map prepared by Santa Barbara County Solid Waste Division, 2010-2011. All rights reserved. 2010-2011. 10/10/10

Background

- Franchise agreements major departure from past practice
 - 3 stream collection
 - Commingled recyclables
 - Performance specifications
 - Reporting requirements

Oversight of Agreements

- Performance specifications
- Monthly and annual reporting requirements
- Annual rate setting by your Board
- Customer satisfaction surveys
 - 1999
 - 2004
 - One in process

Oversight of Agreements

- Staff determined need to conduct audit
- Conferred with Auditor-Controller's office
- Hired Hilton, Farnkopf, and Hobson
- Sequentially conducted audits of 3 companies (April 2007 – February 2009)

Audit Results: Zone 4 & 5

Waste Management

- Need to increase bond by \$234,000
- Underpaid franchise fees by \$19,479
- Overstated tonnage disposed by 1,381 – fairly small discrepancy
- Over 20 eligible businesses did not have recycling service
- Condition of some commercial containers considered substandard, labeling needs improvement
- Encouraged to speed up provision of different colored containers for different waste types

Audit Results: Zone 4 & 5

Waste Management

- Inaccurate billing of some commercial rates
 - 1) Charging of non-approved rate for 350 gallon recycling carts
(\$72,471.50 reimbursed to 65 customers)
 - 2) Overcharging of 350 gallon refuse carts
(\$104,638.83 reimbursed to 18 customers)

Audit Results: Zone 2

BFI/Allied

- Variances in residential billing
(17% underbilled)
- Residential customers charged non-approved rate
(staff determined rate charged was fair and no reimbursements required)
- Condition of containers is good but has not provided different colored containers by waste type

Audit Results: Zones 1 & 3

MarBorg Industries

- Need to increase bond by \$400,000
- Some commercial customers charged non-approved rate (staff determined rate charged was fair – no reimbursements made)
- Inaccurate billing of some residential rates
 - \$27,356.50 reimbursed to 514 customers (customers charged for extra trash can when received extra green waste can)

Audit Results

- Issues resolved in timely manner
- Considered beneficial process
- Recommend conducting audits every 5 years in the future – potentially conducting billing audit more frequently

Status of Existing Agreements



Status by Zone

Zone 1

- Serviced by MarBorg Industries
- Original term: July 1, 1997 – June 30, 2007 with potential 4-year extension to 2011
- In 2000, BOS approved 2 additional potential extensions to 2015 and 2019 if performance specs met and rate review conducted
- In 2004 granted first 4-year extension to 2011
- Need to determine eligibility for second 4-year extension to 2015 and conduct rate review

Status by Zone

Zone 2

- Serviced by BFI/Allied
- Original term: July 1, 1997 – June 30, 2007 with potential 4-year extension to 2011
- Parent company of BFI purchased by Allied in 2000
- In 2004 granted extension and current expiration date is June 30, 2011
- In 2005, Goleta adopted own franchise agreements reducing size of County service zone
- In 2009 Allied merged with Republic

Status by Zone

Zone 3

- Serviced by MarBorg Industries
- Original term: July 1, 1997 – June 30, 2007 with potential 4-year extension to 2011
- In 2000, BOS approved 2 additional potential extensions to 2015 and 2019 if performance specs met and rate review conducted
- In 2004 granted first 4-year extension to 2011
- In 2005 Goleta adopted own franchise agreements reducing size of County service zone
- Need to determine eligibility for second 4-year extension to 2015 and conduct rate review

Status by Zone

Zone 4

- Serviced by Waste Management
- Original term: July 1, 1997-June 30, 2007
- In 1999 Pacific Waste purchased by Waste Management
- In 2004 granted extension and current expiration date is June 30, 2011

Status by Zone

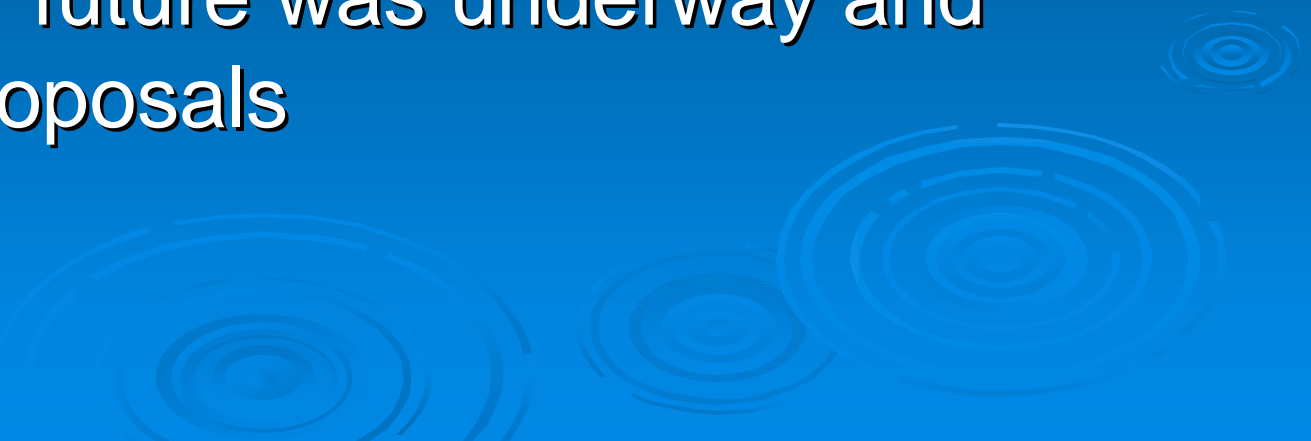
Zone 5

- Serviced by Waste Management
- Original term: July 1, 1997-June 30, 2007
- In 1999 Health Sanitation Services purchased by Waste Management
- In 2004 granted extension and current expiration date is June 30, 2011

Summary of Agreement Status

Zone 1	MarBorg Ind.	Determine eligibility for ext to 2015, rate review
Zone 2	BFI/Allied	Agreement expires 6/30/2011
Zone 3	MarBorg Ind.	Determine eligibility for ext to 2015, rate review
Zone 4	BFI/Allied	Agreement expires 6/30/2011
Zone 5	Waste Management	Agreement expires 6/30/2011

Work Completed

- Audits completed
 - 3rd customer satisfaction survey underway
 - Sent letter to franchisees indicating process for future was underway and solicited proposals
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Next Steps – Zones 1 and 3

- Staff to determine if MarBorg has met performance specifications to make them eligible for second extension
- Staff will come to Board in Fall with findings
- If eligible for extension, staff to conduct rate review

Next Steps – Zones 2, 4, and 5

- Staff to return to Board with solid waste management overview in September
- Recommend formation of Project Team
 - Public Works
 - County Counsel
 - Auditor-Controller
 - CEO's Office
- Evaluate options for provision of services after June 30, 2011 in zones 2, 4, 5

Next Steps – Zones 2, 4 and 5

- Project Team to return to Board in Fall with options available for consideration
- After receive direction on preferred course will be able to address potential changes in service level

Next Steps

- Multi-step process
- Will return to your Board after each milestone
- Goal of completing the process with approved contracts by January 2011

Recommendations

- Receive results of audits
- Direct staff to initiate evaluation of options for zones 2, 4, and 5
- Approve recommendation to form a Project Team to assist with evaluation of options