



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Public Works
Department No.: 054
For Agenda Of: 06/23/09
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Scott D. McGolpin, Director of Public Works, 568-3010
Director(s)
Contact Info: Mark Schleich, Deputy Director of Public Works, 882-3603

SUBJECT: County's Exclusive Franchise Agreements for Solid Waste Collection

County Counsel Concurrence

As to form: N/A

Other Concurrence: N/A

Auditor-Controller Concurrence

As to form: N/A

Recommended Actions:

That the Board of Supervisors:

- a) Receive and file the results of audits conducted to evaluate the compliance of the County's current solid waste collection franchisees with their existing agreements. The audits were conducted by the consulting firm Hilton, Farnkopf, and Hobson with field observations conducted by County staff. Copies of the audits are posted on the Clerk of the Board's site for the June 23, 2009 hearing.
- b) Direct staff to initiate the evaluation of options available to your Board for the provision of services following the expiration of franchise agreements on June 30, 2011 and return to your Board in Fall 2009 for further discussion on the options.
- c) Approve recommendation to form a Project Team to assist with the evaluation of options.

Summary Text:

In December 1996, the Board approved five franchise agreements for the exclusive collection of solid waste materials, including trash, commingled recyclables, and greenwaste from residents and businesses in five zones established by the County. Over the years, adjustments have been made to the agreements including change in ownership, changes in scope of services, and the incorporation of extension opportunities. The purpose of this Board Letter is to share the results of audits recently completed that evaluate each company's compliance with their existing franchise agreements, make your Board aware of the upcoming expiration of certain franchise agreements, and for your approval to form a Project Team to assist with the evaluation of options available to your Board for the procurement of future

franchise agreements. If your Board is interested in receiving a departmental presentation on this item, staff will schedule a Board hearing date to accomplish that.

Background:

As mentioned above, in December 1996, the Board approved five franchise agreements for the exclusive collection of solid waste materials, including trash, commingled recyclables, and greenwaste from residents and businesses in five zones established by the County (Attachment A is a map delineating the boundaries of Zones 1-5). Prior to the approval of these agreements, solid waste collection services were provided by companies who had obtained a single-page permit to operate in specific portions of the County unincorporated area. The agreements that went into effect July 1, 1997 were a significant change to a more formalized structure with specific contract provisions, detailed scopes of services, and specific rates for each type of service. Over the years, adjustments have been made to the agreements including change in ownership, changes in scope of services, and the incorporation of extension opportunities.

Originally included in each of the franchise agreements was a provision that if each company met certain performance specifications they were eligible for an agreement extension from June 30, 2007 to June 30, 2011. In summer 2004, staff conducted an evaluation of each company's performance related to the specifications and found that each company was in compliance and therefore eligible for an extension. In addition to the review of specific areas of performance, staff conducted a customer satisfaction survey which determined that the overall performance of each company was a 9 on a scale of 1-10. There was specific service areas for Waste Management and BFI that were identified as needing improvement and steps were taken to increase customer satisfaction with those particular areas. In August 2004, your Board approved the extension of each of the franchise agreements to June 30, 2011.

Audits

Since the initiation of the agreements in July 1997, staff has conducted two surveys to determine customer satisfaction with the services being provided. These surveys were conducted in 1999 and 2004. The County is in the process of completing a third customer satisfaction survey and will present results to your Board in fall 2009. There are provisions in the agreements that allow a certain level of monitoring of contractor performance including performance specifications, monthly and annual reporting including customer complaints, and the annual setting by your Board of rates charged to customers. Despite this level of involvement in agreement management, staff felt it was necessary to conduct an in depth audit of each of the companies providing services for the County.

There are currently three companies providing services in five zones: MarBorg Industries in zones 1 and 3; Browning-Ferris Industries in Zone 2, and Waste Management in zones 4 and 5. Once staff determined it was necessary to conduct the audits, we contacted staff from the Auditor-Controller's office to determine if they were interested in conducting the audits or if Public Works should hire a consultant with a specific expertise in solid waste management to conduct the audit. The Auditor's office indicated that they approved the use of an outside consultant with prior solid waste experience. Public Works hired Hilton, Farnkopf, and Hobson to conduct the audits of the three companies and staff provided field support to assist with the process.

The audits were conducted one at a time and began in Summer 2007 and completed in February 2009. Overall, the process of conducting the audits was highly beneficial. Issues were identified for each of the companies and staff worked well with company representatives to resolve the issues very quickly. Attachment B of this Board Letter includes a summary of the audit findings by company and the

ultimate resolution to each of the issues identified. Full copies of the audits are posted on the Clerk of the Board's site for the June 23, 2009 hearing.

The following describes the current solid waste management service provider by collection zone.

Zone 1

Zone 1 includes the unincorporated area from the Ventura County border to the eastern City of Santa Barbara city limits including the Mission Canyon area and is serviced by MarBorg Industries. MarBorg Industries also services Zone 3, which will be discussed below.

In 1999, MarBorg Industries approached staff with an interest in developing a facility to sort construction and demolition debris. MarBorg wanted to match the term of the loan for the facility with the term of their existing franchise agreements. Staff conducted an analysis and determined if MarBorg could divert from the landfill a specific tonnage amount on an annual basis, it would result in a net benefit to the community by lengthening the life of the regional landfill. The agreements for Zones 1 and 3 were subsequently amended to allow two additional potential 4-year extensions to their agreements if performance specifications continued to be met. Additionally, it is required that a rate review be conducted prior to April 30, 2011 and April 30, 2015. The Board approved these amendments in April 2000. Staff will begin the review of MarBorg's compliance with its agreement performance specifications, and if eligible for the second 4-year extension, will conduct a rate review for Zones 1 and 3. The purpose of the rate review is to ensure that the rates being charged to the residential and commercial customers in these zones are commensurate with MarBorg's costs for the services being provided.

Zone 2

Zone 2 includes the unincorporated area beginning at the City of Santa Barbara's western city limits extending west to Winchester Canyon north of Highway 101. After the incorporation of the City of Goleta, the County continued to provide solid waste collection services to Goleta constituents until July 2005. In July 2005, the City approved their own franchise agreements thereby eliminating City areas from the County's Zone 2 service area, significantly decreasing its size. Zone 2 is serviced by Browning-Ferris Industries of North America. The parent company of BFI was purchased by Allied Waste in 2000 and Allied merged with Republic Services in 2009. The current franchise agreement for Zone 2 expires June 30, 2011.

Zone 3

Zone 3 is the most varied zone in the County and includes the unincorporated area beginning at the City of Santa Barbara's western city limits extending to the City of Goleta's eastern City limits south of Highway 101. It also includes the communities of Isla Vista, everything east of and including Rancho Embarcadero, communities off of highway 154 north of San Antonio Creek Road to the Tecolote Tunnel. Lastly, Zone 3 includes the New Cuyama/Ventucopa area. Zone 3 serves these various pockets of the County because over the years MarBorg has agreed to service areas that other haulers were not interested in serving. After the incorporation of the City of Goleta, the County continued to provide solid waste collection services to Goleta constituents until July 2005. In July 2005, the City approved their own franchise agreements thereby eliminating City areas from the County's Zone 3 service area which decreased its size.

As mentioned above in the section for Zone 1, MarBorg's franchise agreement for Zone 3 was amended to allow two additional potential 4-year extensions to their agreements if performance specifications

continued to be met. Additionally, it is required that a rate review be conducted prior to April 30, 2011 and April 30, 2015. Staff will begin the review of MarBorg's compliance with its agreement performance specifications, and if eligible for the second 4-year extension, will conduct a rate review for Zones 1 and 3.

Zone 4

Zone 4 includes the unincorporated areas of the Lompoc Valley including the communities of Vandenberg Village and Mission Hills. Pacific Waste was originally awarded the agreement in 1996 but was purchased by Waste Management in 1999. Waste Management continues to service Zone 4. The current agreement for Zone 4 expires June 30, 2011.

Zone 5

Zone 5 includes the unincorporated areas of the Santa Maria and Santa Ynez Valleys including the communities of Orcutt, Casmalia, Los Alamos, and Santa Ynez. Health Sanitation Services was originally awarded the agreement in 1996 but was purchased by Waste Management in 1999. Waste Management continues to service Zone 5. The current agreement for Zone 5 expires June 30, 2011.

Project Team

Staff recommends that the County form a Project Team to evaluate the options available to the County for the provision of solid waste collection services after June 30, 2011. Recommended team members include representatives from the Public Works Department, CEO's office, County Counsel, and the Auditor-Controller's Office. The goal of the procurement process will be to determine service providers and approve associated agreements by January 2011 for services to be provided beginning July 1, 2011.

Performance Measure:

There are performance specifications included in each service provider's agreement that must be met. Additionally, customer satisfaction surveys have been conducted periodically as well as the recent completion of a comprehensive audit of each company's compliance with their respective franchise agreements.

Fiscal and Facilities Impacts:

Future work efforts associated with this project will be provided primarily by existing staff. A consultant will be hired to conduct the rate review for zones 1 and 3, if necessary. An estimated amount has been included in the FY 09/10 budget for the Resource Recovery & Waste Management Division.

Staffing Impacts:

None

Special Instructions:

None

Attachments:

Attachment A: Map of County Solid Waste Collection Zones

Attachment B: Summary of Results from Audits of Solid Waste Collection Franchisees

Authored by: Leslie Wells, Resource Recovery & Waste Management Division, ext 3611