



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: April 5, 2011
Placement: Departmental
Estimated Time: 120 minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Scott McGolpin, Public Works Director, ext. 3010
Director(s)
Contact Info: Mark Schleich, Public Works Deputy Director, ext. 3603

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

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Recommended Actions:

Consider recommendations regarding proposed award of agreements for exclusive Solid Waste Collection Franchise Agreements in County Zones 2, 4 and 5, as follows:

- a) Approve proposed Franchise Agreement Between County of Santa Barbara and MarBorg Industries, Inc. for Residential, Multi-Family and Commercial Solid Waste, Recyclables, Green Waste and Special Waste Collection Services for Zone 2 effective July 1, 2011 to June 30, 2019 (Attachment 1); and
- b) Approve Franchise Agreement Between County of Santa Barbara and Waste Management for Residential, Multi-Family and Commercial Solid Waste, Recyclables, Green Waste and Special Waste Collection Services for Zones 4 & 5 effective July 1, 2011 to June 30, 2019 (Attachment 2).

Summary Text:

The current franchise agreements for the exclusive right to collect solid waste from residential and commercial customers are expiring in County service zones 2, 4 and 5 on June 30, 2011. The County has conducted a comprehensive procurement process for new agreements to provide service to these areas in the future. After evaluating the proposals, conducting tours of proposer's facilities, and negotiating final agreement terms, the Project Team formed to complete this project recommends the award of the Zone 2 franchise agreement to MarBorg Industries, award of the Zone 4 agreement to Waste Management, and award of the Zone 5 agreement to Waste Management. Because the agreements for Zones 4 and 5 would

be largely identical, a single agreement was used for those two service areas. Hard copies of the Agreements are available at the Clerk of the Board, 105 E. Anapamu Street in Santa Barbara and at the Fifth District Office at 511 E. Lakeside Parkway in Santa Maria. Copies of the Request for Proposals and the proposals received as part of this process are available at the Resource Recovery & Waste Management Division offices at 130 E. Victoria Street, Suite 100 in Santa Barbara.

Background:

Past Board Actions

In December 1996, the Board approved five franchise agreements for the exclusive collection of solid waste materials, including trash, commingled recyclables, and green waste from residents and businesses in five zones established by the County. The franchise agreements for service zones 2, 4 and 5 expire June 30, 2011, and the franchise agreements for service zones 1 and 3 have two potential 4-year extensions that could extend the agreements to June 30, 2019. To address the issue of the 3 expiring franchise agreements, staff has conducted a significant amount of work that has been shared with your Board on the following dates:

- July 14, 2009:
 - the BOS received the results of audits conducted on the 3 existing service providers including Allied Services (currently servicing Zone 2), MarBorg Industries (currently servicing Zones 1 & 3), and Waste Management (currently servicing Zones 4 & 5);
 - the BOS approved formation of a Project Team and Subcommittee including Supervisors Farr and Carbajal to evaluate future options for the provision of services following the expiration of the franchise agreements for Zones 2, 4, and 5.
- April 6, 2010: the Board approved the following Subcommittee recommendations:
 - Set new agreement terms for 8 years with an expiration date of June 30, 2019;
 - Require a minimum of 2 service providers in the county unincorporated area at any one time;
 - Reconfigure the current service zones 4 and 5 in the North County to create more balanced service areas based on revenue and watershed (new service zone boundaries in Attachment 3);
 - Maintain the current Zone 2 boundaries and cooperate with the City of Goleta to the extent feasible; and
 - Conduct competitive procurements for the 3 service areas and limit the competition to the 3 existing service providers (Allied Services, MarBorg Industries, and Waste Management).
- September 28, 2010:
 - The BOS directed the distribution of the prepared Request for Proposals (RFP) and the draft Franchise Agreement to the 3 eligible service providers; and
 - Directed staff to return to the BOS with Franchise Agreement award recommendations for service zones 2, 4 and 5 after a thorough evaluation of responses to the RFP.
- December 14, 2010: the Board approved a change to Chapter 17 of the County Code requiring a minimum of 2 service providers to be serving the unincorporated area at any one time.

Proposal Evaluation

On November 15, 2010, the County received the following proposals:

- For Zone 2, proposals from Allied Services (Base and Alternative), Marborg Industries (Base and Alternative), and Waste Management (Base and Alternative),
- For Zone 4, proposals from Allied Services (Base and Alternative), and Waste Management (Base and Alternative), and
- For Zone 5, proposals from Allied Services (Base and Alternative), and Waste Management (Base and Alternative)

The Project Team was assembled to evaluate the proposals and consisted of members representing the CEO's office, County Counsel, Auditor-Controller, and Public Works as well as two consultants, one who was hired to participate on the Team and draft the franchise agreements, and another to assist with the evaluation of the proposals. The evaluation process included issuing a series of questions to the proposers for clarification on information contained in each proposal, and a tour of each proposer's facilities.

The Project Team ranked the proposals based on the evaluation criteria and relative weights contained in the RFP:

- Quality Service 35%,
- Cost Competitiveness 35%,
- Innovative Diversion Programs 15%, and
- Other (Financial Stability and Environmental Considerations) 15%

The Project Team invited the proposer receiving the highest ranking in each zone to negotiate the final terms of the franchise agreements. Those invited to negotiate were MarBorg Industries for Zone 2 (Alternative Proposal), and Waste Management for Zones 4 and 5 (both Base Proposals). See Attachment 4 for the Team's rankings of service-oriented portions of each proposal, Attachment 5 for the Team's rankings for the cost portion of each proposal, and Attachment 6 for the Team's overall rankings of each proposal by zone. During the negotiations further adjustments were made to some of the service and cost portions of the proposals. The negotiations ultimately went well and the following section describes the service and administrative enhancements achieved through the procurement process.

Service and Administrative Enhancements

To initiate the procurement process, staff surveyed other jurisdictions for service and administrative enhancements, took the best practices, and enhanced them with local opportunities to become the standard for County services included in the RFP. We are fortunate to work with quality service providers and they submitted very high quality proposals that the Project Team felt met the spirit of the competitive RFP.

Added services that County ratepayers will receive as a result of this procurement include:

- Additional recycling and green waste carts to homes at no additional charge
- Additional recycling to apartments at no additional charge
- 6 bags of additional green waste to be used by homes throughout the year, as needed
- Additional refuse and recycling collection for 2 weeks following the winter holidays
- Curbside collection of special waste such as batteries and electronic waste
- Twice a year collection of bulky items (offered only once a year now)

- Provision of postage-prepaid collection containers for sharps (hypodermic needles)
- Collection of illegally dumped material (up to a specified amount at County request)
- Comprehensive customer outreach program
- Zone 2 only: provision of automated collection of refuse, recyclables, and green waste from homes and the provision of containers for all three waste streams (Zones 4 and 5 already use automated collection)

An additional service enhancement that was accomplished during the negotiation phase of the process was to create consistency of services provided in the unincorporated areas of the County. MarBorg Industries has agreed to provide many of the new enhanced services to customers in Zones 1 and 3, which are currently serviced by MarBorg, at no additional cost. Additionally, up to 3,000 residential customers in Zone 3 will be converted to an automated collection system by November 1, 2011 and will be charged the lower automated rate.

Administrative enhancements that the County will receive as a result of this procurement process include:

- Specific diversion from landfilling requirements by zone (50% of material collected in Zone 2, 45% in Zone 4, and 40% in Zone 5)
- Provision of refuse and recycling collection from all County facilities located in the unincorporated area
- Enhanced data collection and reporting abilities through updated software
- Expanded liquidated damages to make service providers more accountable to the County and its customer base
- Use of CNG vehicles for the collection fleet (exceeding California Air Resources Board requirements)
- Santa Barbara County Green Business Certification for the company offices

Rate Reductions

As a result of this procurement process, customers will also benefit by a reduction in rates. Overall, residential rates will decrease by at least 10% depending on the service zone and service level. Commercial rates will decrease by at least 15% in Zones 4 and 5 with no significant decrease occurring in Zone 2, whose commercial base is largely County facilities. In Zone 2, based on the rates contained in the proposal, the successful proposer anticipates receiving \$1,641,269 in revenue per year resulting in over \$350,000 in savings for ratepayers from current rates. In Zone 4, the successful proposer anticipates receiving \$2,589,308 in annual revenue resulting in over \$1,000,000 in savings. In Zone 5, the successful proposer anticipates receiving approximately \$3,220,160 in annual revenue resulting in over \$1,000,000 in savings.

The specific rates that residential and commercial customers will pay have not been finalized as they need to be adjusted for pending changes in landfill tipping fees, franchise fees, etc. Specific rates will be brought to your Board for approval in June 2011 for Fiscal Year 11/12.

Award Recommendations

The Project Team makes the following recommendations for the award of franchisee agreements:

- Award of Zone 2 franchise agreement to MarBorg Industries
- Award of Zone 4 franchise agreement to Waste Management

- Award of Zone 5 franchise agreement to Waste Management

In Zone 2, Allied Industries is the current service provider and a transition will be made for services to be provided by MarBorg Industries. Waste Management is the current service provider in Zones 4 and 5 and will continue to be the service provider under the new agreements. Because the agreements for Zones 4 and 5 were anticipated to be largely identical, a single agreement has been prepared for these two zones.

Performance Measure:

The attached Franchise Agreements include specifications for a comprehensive package of solid waste collection services with specific provisions for conducting customer satisfaction surveys, audits, and the County's ability to assess liquidated damages for failure to provide services.

Fiscal Analysis:

Narrative: Work associated with this procurement has been largely conducted by existing County staff. A consultant was hired to participate on the Project Team and prepare the draft Franchise Agreement as well participate in the final service and agreement negotiations (Constance Hornig). An additional consultant was hired on a limited basis to assist in the evaluation of the proposals (RW Beck). Rates to be charged to residential and commercial customers under these agreements will be presented to the BOS annually for approval for the following fiscal year.

Staffing Impacts: None

Special Instructions: None

Attachments:

Attachment 1: Franchise Agreement Between County of Santa Barbara and MarBorg Industries for Zone 2

Attachment 2: Franchise Agreement Between County of Santa Barbara and Waste Management for Zones 4 & 5

Attachment 3: Map of Future Service Zone Boundaries

Attachment 4: Project Team Rankings of Service-Oriented Portions of Proposals

Attachment 5: Project Team Rankings of Cost Portion of Proposals

Attachment 6: Overall Project Team Proposal Rankings

Authored by: Leslie Wells, Program Leader, Resource Recovery & Waste Management Division