



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: May 17, 2011
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

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

SUBJECT: Term Extensions for Zone 1 and Zone 3 Solid Waste Collection Franchise Agreements

County Counsel Concurrence

As to form: Yes *MJS*

Other Concurrence: N/A

Auditor-Controller Concurrence

As to form: N/A

Recommended Actions:

Receive and file report on staff determination of compliance with extension right preconditions of the amended and restated agreements between the County of Santa Barbara and MarBorg Industries, Inc. for Exclusive Solid Waste, Recyclables and Organics Collection and Transportation to Disposal and Processing Facilities and Organics Sites for Zones One and Three.

Summary Text:

In 1999, your Board approved a revision to MarBorg's contracts for solid waste collection in Zones 1 and 3 allowing two four-year extensions (2011-2015, and 2015-2019) if specific performance specifications were met. Pursuant to the revised MarBorg contracts, a four-year extension would be granted if staff determined that MarBorg had substantially complied with specific performance specifications. (County staff was also allowed to waive any one of the performance specifications or substitute an alternative performance standard if appropriate.) Additionally, the revised contracts required that prior to the extension of the term of the contracts, a rate review would be conducted and the County and MarBorg would agree upon the rates that MarBorg may charge during the extension.

Staff has conducted its evaluation of MarBorg's compliance with performance specifications and has determined that the requirements have been met (see Exhibit 1) making MarBorg eligible for a 4-year extension from June 30, 2011 to June 30, 2015. Additionally, staff hired a consultant who conducted a rate analysis and has negotiated a mutually agreed upon set of rates and array of services to be provided in Zones 1 and 3 for the next four years.

Background:

In 1999, MarBorg Industries approached staff and indicated that due to the success of their small-scale construction and demolition debris sorting operation, they hoped to construct a significantly larger sorting facility capable of processing greater quantities of waste. MarBorg was applying for funding to finance the construction of the facility and requested an eight-year extension to their two collection franchise agreements as collateral for financing this loan. Staff was interested in this proposal as the construction of the facility would greatly assist the South Coast in meeting the 50% diversion requirements set by the state as well as saving valuable space at Tajiguas, the regional landfill.

Subsequently, staff hired a financial consultant to evaluate the value of the term extension to MarBorg compared to the value to the community for diverting material from the Tajiguas landfill. The report from the consultant indicated that MarBorg needed to divert an additional 12,000 tons per year from Tajiguas in order to equal the value of the extensions. Staff prepared amendments to MarBorg's agreements for Zones 1 and 3 requiring the additional diversion and allowed two 4-year extensions (2011-2015, and 2015-2019) if specific performance specifications were met. Additionally, a rate review was to be conducted prior to the first extension to ensure the rates charged to customers continued to be reasonable. Your Board approved the amendments to the agreements in June 1999.

According to the agreement, on or around April 30, 2011, staff is required to determine if MarBorg has met each of the performance specifications to be eligible for their right of extension. The following are the performance specifications:

- Minimum contamination levels in collected recyclables
- Low assessed liquidated damages for violations of the agreement
- 75% customer satisfaction rate
- Timely payment of tipping, franchise and program fees
- No unauthorized customer charges
- C&D facility minimum diversion requirement
- Organics and residue delivery from C&D facility
- No independent assignment or transfer of C&D processing facility or agreement

Staff conducted the evaluation of MarBorg's performance and the requirements have been met (see Exhibit 1 for more details). Of particular note are the results of the customer satisfaction survey conducted in 2009, which reported overall commercial and residential satisfaction ratings for both field service and office staff to be greater than 90%. Additionally, the quantity of material processed and diverted varies from year to year but as an average, over 68,177 tons of unincorporated waste was diverted through the C&D facility on an annual basis.

In 2010, staff hired a consultant to review MarBorg's financial information related to its costs and revenues associated with providing solid waste collection services in Zones 1 and 3. Overall, the consultant felt that MarBorg's costs and revenues were within industry standards. Their profit rate did exceed a provision contained in the agreement and staff negotiated for MarBorg to provide solid waste collection services to County facilities free of charge. The value of these services is \$230,000 in Zones

1, 2 and 3. This rate review and negotiation met the requirement that the County and MarBorg develop a mutually agreed upon set of rates to be charged during the contract extension period.

Additionally, as mentioned in a previous Board meeting, enhanced services will be offered to residents in Zones 1 and 3 including:

- Twice a year bulky item collection
- Curbside collection of e-waste
- Curbside collection of batteries
- Provision of postage-prepaid sharps containers
- Extra collection of 6 bags of green waste
- Automated collection of trash, green waste, and recyclables for 3,000 residential customers in Zone 3 including the provision of containers for each waste type and the associated reduction in rate beginning November 1, 2011

As a result of these findings, MarBorg is eligible for its automatic right of extension for its agreements to provide solid waste collection services in Zones 1 and 3 until June 30, 2015.

Performance Measure:

There are specific provisions in the agreements related to performance and the County's ability to conduct audits and customer satisfaction surveys.

Fiscal and Facilities Impacts:

There will be an annual fiscal savings to the County of \$230,000 due to MarBorg's consent to provide free solid waste collection services to County facilities in its service areas.

Staffing Impacts: None

Special Instructions:

None

Attachments:

Exhibit 1: Summary Report on Compliance with Extension Right Preconditions

Authored by: Leslie Wells, Program Leader, Resource Recovery & Waste Management, ext. 3611