



COUNTY OF MONTEREY
HEALTH DEPARTMENT

Elsa Jimenez, Director of Health

Administration Animal Services Behavioral Health Clinic Services
Emergency Medical Services Environmental Health Public Administrator/Public Guardian Public Health

*Franchised Solid Waste & Recyclables
Collection Services
in
Unincorporated Monterey County*



2023 PROGRAM REVIEW

(EXECUTIVE SUMMARY ONLY)

Prepared by



February 1, 2024

February 1, 2024

Robin Kimball
Management Analyst II

Monterey County Health Department
1270 Natividad
Salinas, CA 93906

Submitted Via Email
(Hard Copy to follow)

RE: Franchised Solid Waste & Recyclables Collection Services – 2023 PROGRAM REVIEW
(Executive Summary Only)

Dear Ms. Kimball:

Enclosed is the Executive Summary from the *Solid Waste Services – 2023 Program Review*, which is hereby provided in a stand-alone format, to ease the process of disseminating the important data, related findings, and recommendations that are contained in the full, unabridged version of the document.

Readers may find that the Executive Summary delivers a clear panorama of the franchised solid waste collection program and breakdown of the key issues that may determine future service options and/or upgrades.

If inclined, readers are encouraged to examine the 2023 Program Review, in its entirety, to gain a contextual understanding of the County’s current solid waste collection service challenges, along with the foresight of related opportunities that lie ahead.

Thank you again for allowing our firm the opportunity to prepare and present the *Solid Waste Services – 2023 Program Review*, as well as furnish the Executive Summary under separate cover.

As always, MuniEnvironmental deems it an honor to be of continued service to the County of Monterey.

Respectfully,



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EXECUTIVE SUMMARY

MuniEnvironmental (“MUNI”), advisors to local government on solid waste policy and practice for over 25 years, is grateful for this opportunity to be of continued service to the County of Monterey (“COUNTY”).

Under the direction of the Monterey County Health Department (“MCHD”), MUNI has successfully completed its detailed study of the current Franchised Solid Waste & Recyclables Collection Services in Unincorporated Monterey County, and is pleased to present this *Solid Waste Services – 2023 Program Review* (“REVIEW”), as summarized below.

As to form, this Executive Summary shares the basic framework of the unabridged REVIEW, while its substance reflects a highly condensed version of the text—couched to retain key data and capture the import of Section 4, Findings & Recommendations—*which together are the object of this REVIEW*.

Should any questions or concerns arise during the perusal of this document, MUNI would be most pleased to provide additional clarification and assistance, as required, to render the reader fully informed and satisfied.

SOLID WASTE SERVICES – 2023 PROGRAM REVIEW

February 1, 2024

BACKGROUND

The COUNTY operates under a franchised system for the exclusive provision of Solid Waste & Recyclables Collection Services at all residential/commercial properties within the unincorporated areas of the county.

Monterey County Code (MCC § 10.41.090) establishes that the Board of Supervisors may grant an exclusive franchise to perform solid waste collection services for a duration which shall not exceed fifteen (15) years.

The current franchise with Waste Management, Inc. (“WM”), with an effective date of November 1, 2010, contains a term of ten (10) years, and includes the option for a five (5) year extension; this option was exercised in 2020, and *the FRANCHISE is now set to expire at midnight on June 30, 2025*.

Consequently, the lengthy procurement process for securing a new FRANCHISE to take effect on July 1, 2025, should be initiated at this time to ensure the continuity of vital, solid waste collection services countywide.

An updated FRANCHISE will also guarantee the COUNTY’S full compliance with SB 1383—(*Short Lived Climate Pollutants*), which mandates jurisdictions monitor and enforce their respective recycling/organic waste recovery programs or face fines of up to ten-thousand dollars (\$10,000) per day for non-compliance.

In recent months, MCHD staff have been engrossed in planning, and on behalf of the COUNTY, is prepared to commence the solid waste services procurement process immediately upon receiving BOARD authorization.

PROJECT OBJECTIVES – (REVIEW DOC. Pg. 1)

The primary objectives of this REVIEW are three-fold:

- 1) Assess the COUNTY’S current solid waste management system to rate its overall effectiveness;
- 2) Describe these services/programs, including administrative, legal, and financial obligations; and
- 3) Offer a slate of options for the COUNTY’S consideration to facilitate the decision making process toward the creation of a new FRANCHISE and corresponding AGREEMENT.

a. Procurement Parameters

The California Public Resources Code (PRC) provides jurisdictions broad latitude as to procuring solid waste services, unbound from having to accept the lowest priced bid (which in many instances may not be ideal). PRC § 40059 et seq. states “[that a jurisdiction may determine] Whether the services are to be provided by means of nonexclusive franchise, contract, license, permit, or otherwise, either with or without competitive bidding.”

b. Evaluation Hierarchy

MUNI respectfully proposes that the COUNTY establish a four-tier (4-tier) hierarchy—PERFORMANCE, PRICE, PARTNERSHIP, & POLICY—to guide the process and set the tone.

❖ PERFORMANCE – Customer Centric Support Services

Quality service delivered reliably is compulsory under an exclusive franchise. Yet it is often ancillary services, more so the *support functions* (e.g., *customer service policies, broken cart replacement, etc.*), that distinguish a jurisdiction’s service as Customer Centric.

❖ PRICE – Best Value

California’s progressive environmental policies directly impact monthly rates. Case-in-point: The Salinas Valley Solid Waste Authority (“SVSWA”) recently conducted an RFP process for solid waste services on behalf of four (4) of its member agencies, with disappointing results that precipitated a unanimous rejection of all bids. *These jurisdictions will now negotiate with incumbent franchisees to renew their respective franchise agreements.*

❖ PARTNERSHIP – Community Engagement & Support

Support may come in the form of scholarships, summer internships, job fairs, as well as a fixed, annual contribution to fund community programs (for example, the City of Santa Ana awarded a new franchise in July of 2021, and the franchisee committed to funding \$200k/year in monetary contributions in support of Community Events).

❖ POLICY & PRINCIPLES – Corporate Culture, Stewardship & ESG Policy

The franchised hauler must demonstrate adherence to sound corporate policy, one that esteems employees as equal to, or greater than, profits; pledge resources to support the community; conduct daily affairs according to Standard Operating Procedures (SOPs) that embody Environmental, Social and Governance (ESG) policy; and act as a steward over the earth’s natural resources.

APPROACH – (REVIEW DOC. Pg. 6)

This 2023 PROGRAM REVIEW is data driven, founded on careful analysis of all available operational and financial information, data, records, and reports obtained directly from WM and alternative sources, including the COUNTY’S internal records as well as CalRecycle’s online database.

Completion of the above described project scope & data points involved the execution of three (3) primary TASKS: **1. RESEARCH; 2. ANALYSIS; and 3. PRESENTATION.** Myriad sub-tasks, too numerous to list, were diligently performed by MUNI staff to generate the final work product.

DESCRIPTION – (REVIEW DOC. Pg. 9)

This section highlights a selection of current services and conditions specified under the FRANCHISE.

The table below is published annually by the California Department of Finance’s Demographic Research Unit and is included to indicate the magnitude of the customer base:

COUNTY OF MONTEREY – UNINCORPORATED
Estimated Totals for 2022 and 2023 w/Percent Change

Release Date: 5/1/23	1/1/22	1/1/23	Percent Change
Report E-1: Population	104,834	104,236	-0.6
Report E-1H: Housing Units	40,493	40,529	0.4

SERVICE STANDARDS – (Pg. 10)

Article 3 addresses twenty-one (21) Service Standards, the majority of which are basic, such as hours-of-operation.

However, there is one standout: **Ownership of Residential Containers (i.e., Cans & Carts).** The AGREEMENT states “The ownership of Cans/Carts shall rest with [Waste Management], except that ownership of Cans/Carts in the possession of a Customer at the end of this AGREEMENT shall rest with COUNTY. The value of this contractual provision cannot be overstated.

RESIDENTIAL COLLECTION SERVICES – (Pg. 12)

Standard solid waste and recyclables collection services for residential properties comprise Automated Curbside Collection, configured as a source-separated Three-Container Collection System: i.e., Gray Container (or Lid) for Trash; Blue Container (or Lid) for Recyclables; and Green Cart (or Lid) for Green Waste (14 CCR § 18984.1)



COMMERCIAL COLLECTION SERVICES – (Pg. 15)

Core services at commercial and industrial properties include cart and bin collection on a weekly basis, as well as temporary and permanent roll-off box rentals, and permanent compactor services for high volume, low density waste generators.

ANCILLARY SERVICES – (Pg. 16)

In addition to core solid waste collection services, *the FRANCHISE provides various ancillary services at no-additional charge*, such as Xmas Tree Collection for all of January and Service at all COUNTY owned facilities.

RATE SETTING – (Pg. 18)

The AGREEMENT prescribes a rate adjustment methodology based on the Refuse Rate Index (RRI), a combination of indices tracked by the US Bureau of Labor Statistics (e.g., the Consumer Price Index). Based on its inherent integrity, MUNI fully endorses the RRI rate adjustment formula.

FISCAL IMPACT – (Pg. 18)

The UFA provides for a Ten Percent (10%) Franchise Fee payable to the COUNTY monthly; plus an AB 939 regulatory fee for the disposal infrastructure owned/operated by SVSWA, which for FY 22/23, generated \$987,523.

ANALYSIS – (REVIEW DOC. Pg. 19)

The DATA REQUISITION LIST enumerating thirteen (13) industry specific rubrics and spanning forty-six (46) separate data subpoints was presented to WM, bearing a due date of 8/31/23. The data was received timely and cataloged. Salient facts and figures were culled from the raw data, reorganized, aggregated, and then extrapolated to reveal correlations.

This work was overseen by MUNI’s Chief Financial Analyst, Trieu Le. Portions of his compilation may be viewed in Section 3 of the REVIEW, beginning on page 21, under the subheading “Key Reference Data”.

2023 UFA SOLID WASTE COLLECTION PROGRAM REVIEW	
DATA REQUISITION LIST (Due 8/31/23)	
Industry Specific Rubrics	
1	Audited Annual Financial Statements for 2021, 2022, and 2023 Q1 and Q2 (if available)
2	Revenue Statements certified by a Corporate Officer, for periods 2021, 2022, and 2023 to date
3	Commercial/Industrial/Multi-family Customer Account Data
4	Residential Customer Account Information
5	Countywide Abandoned Item Collection, with tonnages by reporting period
6	Countywide Community Clean-up services/events
7	Services Included at no Additional Cost
8	Current Route Maps of Fixed Collection Services by Service Sector and Service Day
9	Recycling, Processing, and Disposal Facilities Currently and Historically Used by Franchisee
10	Collection Equipment List
11	Container Inventory Schedule & Related Information
12	Labor Schedule by Classification
13	CalRecycle Regulatory Enforcement & Compliance Programs and Reporting

FINDINGS – (REVIEW DOC. Pg. 32)

Upon conclusion of the aforesaid TASKS—1. RESEARCH; 2. ANALYSIS; and 3. PRESENTATION, observations were made, and conclusions drawn, as the direct result of empirical data, which now culminate in the Findings summarized below.

CURRENT SERVICES & PROGRAMS – (Pg. 32)

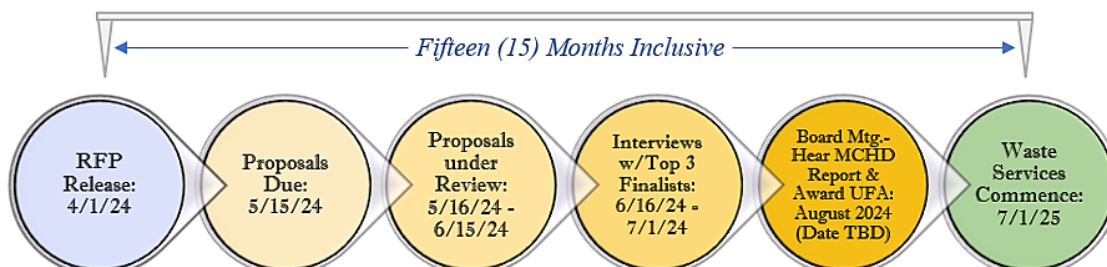
MUNI deems Current Services & Programs as favorable to the COUNTY and is prepared to defend this finding.

RATE SETTING & FISCAL IMPACT – (Pg. 35)

MUNI deems Rate Setting & Fiscal Impact as favorable to the COUNTY and is prepared to defend this finding.

TIMETABLE & CRITICAL DATES – (Pg. 35)

MUNI deems the Procurement Process as TIME-SENSITIVE, warranting that action should be initiated at this time to ensure continuity of vital, solid waste collection services countywide. The illustration below forecasts a procurement schedule with the selection of OPTION ONE, as described under RECOMMENDATIONS.



RECOMMENDATIONS – (REVIEW DOC. Pg. 37)

This REVIEW establishes a foundation for three (3) possible Procurement Options by which a new AGREEMENT providing for superior, yet cost-effective services, attractive enhancements, and guaranteed compliance with CalRecycle regulations may secured for implementation on July 1, 2025.

a. **Procurement Strategy** – (Pg. 37)

This REVIEW proffers the merits of three (3) possible Procurement Options by which a new AGREEMENT providing for superior, yet cost-effective services, attractive enhancements, and guaranteed compliance with CalRecycle regulations may secured for implementation on July 1, 2025.

❖ **OPTION ONE – DEFAULT RFP PROCESS** – (Pg. 37)

Proceed with the release of an RFP for circulation within the region for prospective firms wishing to serve the COUNTY. If this is the chosen path, it should be constrained by a realistic expectation that one foremost attribute of an RFP, namely, reduced pricing, may be entirely elusive.

MUNI respectfully recommends that SVSWA’s recent failure be deliberated before proceeding.

❖ **OPTION TWO – TWO (2) TIERED RFQ/BID PROCESS BY INVITATION ONLY** – (Pg. 38)

Proceed with the release of a Request for Qualifications (RFQ) that may be extended to any firm(s) of interest to the COUNTY, by invitation only, as the pre-qualifier for a potential opportunity to submit proposed rates. Once a selection is made of pre-qualified firms, Price Bids will be sought.

MUNI respectfully recommends that the number of pre-qualified firms be limited to three (3).

❖ **OPTION THREE – NEGOTIATE WITH INCUMBENT FRANCHISEE** – (Pg. 38)

Resolve to adopt this alternative course of action at the earliest possible time, cognizant of its advantages, while remaining mindful that this option will necessitate that the maximum fifteen (15) franchise term be lifted by Ordinance to allow the freedom required to engage WM in good faith negotiations for the enactment of a successor FRANCHISE.

COMMENTS: Franchise term limits, although not unprecedented, are generally viewed as unduly restrictive, if not superfluous, for local government purposes, if considered within the context of expressly authored and applicable California law.

MUNI respectfully recommends that the COUNTY seriously consider adopting this method, based on its merits, and in light of the present circumstances under which it has emerged as a viable alternative, and the best potential option at this time.

b. **Next Steps** – (Pg. 39)

MUNI respectfully encourages that the COUNTY endeavor to reach a consensus as to its preferred procurement methodology within ensuing weeks, then proceed to grant authorization for MCHD to complete the documentation necessary to commence with the procurement process, irrespective of which path is ultimately decided upon, whether it be Option One, Option Two, or Option Three.

SUPPLEMENTAL INFORMATION – (REVIEW DOC. Pg. 40)

○ **FIRM PROFILE – MUNIENVIRONMENTAL, LLC** – (Pg. 40)