



Agenda Item #11
Update to
Unified Franchise Agreement No. A-11631
Board of Supervisors
September 29, 2020

Background

- **Feb. 2, 2010**—Exclusive agreement is awarded Waste Management, Inc. dba USA Waste of California, Inc./Carmel Marina Corp.
- **Nov. 1, 2010**— New agreement takes effect. The New Collection Contract:
 - **Combined two contracts: *2003 Northeastern and 1995 Western Franchise Agreements***
 - **Removed barriers to recycling**
 - **Developed rate structure that includes incentives to reduce disposal and increase recycling**
 - **Increased number of “special services” to minimize illegal dumping**



Summary

- Waste Management ,Inc. dba Camel Marina Corp. met with Environmental Health in **January of 2019** to hear County’s Five (5) year extension proposal for the Unified Franchise Agreement (“UFA”) for solid waste service in unincorporated County
- Amendment No. 12 extends Agreement to June 30, 2025 as authorized by UFA Article 2 (10-year agreement w/5-year extension option based on performance); MC Code [10.41.090] caps franchise agreement at 15 years
- County and contractor have met frequently to address outstanding items for both parties from January of 2019 to present
- Key points under discussion include: Contractor cost recovery to make them whole; County concerns of illegal dumping, third party audit of Carmel Marina Corp. financials for rate adjustments, and diversion requirements



Summary (continued)

- Extension of five (5) years requires certain cost considerations and capital investment as proposed by Carmel Marina Corp; one-time 13.5% across the board rate adjustment.
- An extension will provide seamless service with an established and experienced vendor through the next five (5) years to address many new State regulations focusing on recycling, organics, and solid waste.
- Environmental Health's consultant has reviewed Carmel Marina Corps. proposal and financial documents. He agrees the rates and capital investment are within industry range in his findings.



Summary (continued)

- Carmel Marina Corp. has provided excellent service over the course of the Agreement including:
 - Frequent community clean up events
 - Many unpaid service operations (*fires, landslide, operations*)
 - Emergency [immediate] services for recent fires
 - On the spur provision of containers/services when asked; excellent County/vendor relations
 - Customer service resolutions with the local office spearheading complaints as needed



Rate Adjustment Examples

Adjustment	Service Level	Current Monthly Rate	New Monthly Rate	Difference
MRWMD <u>13.5%</u>	35-gal cart Residential	\$33.16	\$37.64	\$ 4.48 per month (\$53.76 per year)
	Commercial 3 Cubic Yards Once per week	\$296.25	\$336.24	\$39.99 per month (\$479.88 per year)
SVSWA <u>13.5%</u>	35-gal cart Residential	\$33.76	\$38.31	\$4.55 per month (\$54.60 per year)
	Commercial 3 Cubic Yards Once per week	\$443.88	\$503.79	\$59.92 per month (\$719.04 per year)



Historical Process of Rate Adjustment

- In 2022 and annually thereafter:
 - The normal annual rate adjustment timeline of asking for Board authorization in November or December 2021 for a January 2022 adjustment would continue with a modified Refuse Rate Index (RRI)
 - Modified RRI: Incorporates natural gas as an index; adds lines to account for current recycling costs due to market collapse; incorporates bad debt until such debt can be addressed by other means
 - Attempts to make Contractor whole



Future of Solid Waste

- Market conditions are not favorable to recycling; China is no longer the world's recycling end point
- Increase in landfill tipping fees due to lack of recycling options
- State legislation will increase solid waste and recycling rates (SB 1383 Short-Lived Climate Pollutants)
- Southern California rates in some jurisdictions have increased by 20%



Recommendation

- **Approve and authorize execution of Amendment No. 12:**
 - **Extends the Agreement by five (5) years**
 - **Adjust rates for January 2021 on current market conditions and operational needs (capital investment) of servicing unincorporated Monterey County for five (5) years**
 - **Edits the current Refuse Rate Index format used for the 2022 rate adjustment and subsequent rate adjustments for a more accurate representation of operational/market costs**



Questions?

