



# County of Monterey

**Item No.**

## Board Report

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

**Legistar File Number: A 24-569**

**December 03, 2024**

**Introduced:** 11/21/2024

**Current Status:** Agenda Ready

**Version:** 1

**Matter Type:** BoS Agreement

- a. Approve the Unified Franchise Agreement between the County of Monterey and USA Waste of California, Inc., for waste hauling services within Unincorporated Monterey County, for a term of January 1, 2025 through January 1, 2035; and
- b. Authorize the Director of Health Services or designee to execute the Unified Franchise Agreement between the County of Monterey and USA Waste of California, Inc. for the exclusive collection of solid waste and recyclables in Unincorporated Monterey County.

**RECOMMENDATION:**

It is recommended that the County of Monterey Board of Supervisors:

- a. Approve the Unified Franchise Agreement between the County of Monterey and USA Waste of California, Inc., for waste hauling services within Unincorporated Monterey County, for a term of January 1, 2025 through January 1, 2035; and
- b. Authorize the Director of Health Services or designee to execute the Unified Franchise Agreement between the County of Monterey and USA Waste of California, Inc. for the exclusive collection of solid waste and recyclables in Unincorporated Monterey County.

**SUMMARY/DISCUSSION:**

In 2010, the County entered into an agreement with USA Waste of California, Inc. for exclusive solid waste collection and hauling services within the boundaries of the unincorporated areas of the county. This agreement, known as the Unified Franchise Agreement (UFA), includes a term of ten years with the option to extend for five additional years. This option to extend was exercised in 2020 resulting in the agreement's current term end date to June 30, 2025.

The Health Department-Environmental Health Bureau (EHB) as the Administrator of the UFA, contracted with an industry consultant, MuniEnvironmental, LLC, to provide analysis of current services provided under the UFA, including the services and programs encompassing administrative, legal and financial obligations and offer options to facilitate the decision-making process addressing a new franchise agreement. Three options were evaluated: open a Request For Proposals (RFP), initiate a Request For Quote (RFQ) by invitation, or proceed with negotiations with the incumbent franchisee. Considering a myriad of factors, and prioritizing the County's interests, the consultant's recommendation was for the County to engage in direct negotiations with the incumbent franchisee rather than proceeding with an RFP or RFQ. After careful review of the analysis, the Director of Health Services and EHB staff concurred with the recommendation, as the current franchisee had a proven record of consistent delivery of services, responsiveness in times of emergencies, and fair rates.

On June 25, 2024, the Board directed staff to proceed with negotiating a new ten-year term agreement with the incumbent, USA Waste of California, Inc., asking staff to use the

renegotiation to address several items of local importance, including the creation of a local customer service call center, the removal of bad debt from the annual rate review calculation, and revisiting the fee assessed for overages. Since that time, staff have diligently worked as directed.

On November 12, 2024, the Board received an update regarding the on-going negotiations and staff's stated intention to present and recommend a new agreement for approval on December 3, 2024. The County and USA Waste of California, Inc. staff have continued these negotiations and now return today with a new draft unified franchise agreement for Board consideration, along with staff's recommendation for approval.

The essential terms of the new agreement, including the topics of local importance that the Board directed be addressed, are summarized below:

**Term:**

The initial term of the Agreement is 10 years, from January 1, 2025, through January 1, 2035, with an option to extend by one (1) five (5) year period at the County's discretion. The January 1, 2025, effective date allows for the transition of bad debt out of the rate structure going forward.

**Call Center:**

In response to the Board's request for local customer service access, staff and USA Waste of California, Inc. determined that local call center, located in Castroville, will be established to provide the access that the public needs for local concerns. The local call center will be staffed with five call representatives and one supervisor providing bilingual access and will be operational mid-2025. Call hours of operation are Monday through Friday, 8:00 a.m. to 5:00 p.m., and after-hours access is available through online services and the Live Chat option.

**Bad Debt and Assessment Process:**

Uncollected, unpaid accounts (referred to as "bad debt") had been included in the annual rate adjustment since the agreement was amended in 2020, but no more. In 2024, The Board directed that bad debt be removed from the rates of law-abiding customers and instead that bad debt be addressed separately from the annual rate adjustment going forward. Staff and USA Waste of California, Inc. evaluated the most effective and efficient ways to collect bad debt in negotiations. In the new agreement, bad debt will be addressed through a special assessment process which holds the responsible parties accountable.

Generally, the process consists of four escalating official notices from USA Waste of California, Inc. regarding unpaid bills, culminating with a final notice before the account is referred to the County.

Thereafter, on an annual basis, the County issues a formal notice of hearing to the responsible parties, and at said hearing, the Board reviews a report on delinquent fees, considers and hears objections and/or protests, makes any appropriate revisions or changes, and thereafter confirms the report. The fees then constitute a special assessment against the property, which is collected at the same time and in the same manner as ordinary county ad valorem property taxes are collected and are subject to the same penalties and the same procedure and sale in case of

delinquency as provided for those taxes. This process removes the “bad debt” from rates paid by the public generally and affixes responsibility for that bad debt on the responsible party, not the public.

**Fees and Rate Structure:**

The proposed rate for 2025 is an across-the-board 2.96% increase from 2024 rates. Annual rate adjustments will continue to be evaluated on the Refuse Rate Index (RRI) formula. This formula accounts for cost of services, including pass through fees. The removal of bad debt from the RRI formula resulted in a 3.93% difference (from 6.89% to 2.96%) for 2025 rates, which will benefit the public. An example of this difference would be paying \$47.92 (2.96%) versus \$49.75 (6.89%) for residential 35-gallon solid waste service in the Monterey Regional Waste Management District region and \$48.21 (2.96%) versus \$50.05 (6.89%) in the Salinas Valley Solid Waste Authority region.

The rate structure has been updated to eliminate the combining of trash and recycling services for commercial businesses. This allows for a commercial business to choose the right size, frequency and service that meets their needs.

**Elimination of Overage Fees:**

The issuance of fines for overages has been problematic over the course of the current agreement. The resolution proposed is to eliminate the fine and replace it with a three-warning notice. This provides for the public to self-correct with right sizing without incurring a fine. After a third notification of an overage within a 12-month period, the cart will be right sized to address overages.

**Cost Recovery Recoupment:**

USA Waste of California, Inc. will be reimbursing the County in the amount of \$100,000 for internal County administrative costs and related industry consultant and expert fees incurred in evaluating and conducting the franchise negotiations.

**Agreement Language and Exhibits:**

An overhaul of the agreement language content was necessary to reflect current regulatory requirements, including SB1383, the Short-Lived Climate Pollutants Reduction Act, and to eliminate verbiage that is outdated and no longer applicable. Exhibits were updated to capture current RRI formula definition, Statement of Guaranty, included County Facilities and County sponsored Large Venue Events.

**Conclusion and Recommendation**

The County has been successfully partnering with USA Waste of California, Inc. for solid waste collection services in its unincorporated areas since 2010, under the Unified Franchise Agreement (UFA), due to their proven track record of reliable service and fair rates.

The Board directed staff to negotiate a new ten-year agreement, addressing local concerns such as creating a local customer service call center, removing bad debt from the rate calculation, and revisiting overage fees. Since June 2024, negotiations have been ongoing, with the new agreement now ready for consideration.

The accomplishments of the new agreement include:

1. **Call Center:** A local call center in Castroville, offering bilingual support, to

address customer concerns starting mid-2025.

2. **Bad Debt:** The new agreement removes bad debt from the rate calculation. Unpaid accounts will be handled separately through a special assessment process.
3. **Fees and Rate Structure:** A modest 2.96% increase in rates for 2025, with future adjustments based on the Refuse Rate Index. The elimination of bad debt from rates results in a lower increase than it would have been (3.93% difference).
4. **Elimination of Overage Fees:** Overage fines are replaced with a warning system, allowing customers to self-correct.
5. **Cost Recovery:** USA Waste of California, Inc. will reimburse the County \$100,000 for administrative costs associated with the franchise negotiations.

In addition, the agreement language has been updated to reflect current regulations, including compliance with SB1383 (Short-Lived Climate Pollutants Reduction Act).

**Recommendation:** Staff recommend approval of the new Unified Franchise Agreement for the period 2025-2035. The agreement addresses the Board's key concerns, offers a fair rate structure, and maintains a high standard of service. The collaboration between the County and USA Waste of California, Inc. has resulted in a solid framework that benefits both the public and the environment. The continued partnership ensures stability and improvements in service delivery, which align with the County's goals for sustainability and customer service.

This work supports the County of Monterey Health Department 2018-2024 Strategic Plan Goal(s) 2. to enhance public health and safety through prevention. It also supports the following of the ten essential public health services, specifically, 6. enforce laws and regulations that protect health and ensure safety.

OTHER AGENCY INVOLVEMENT:

The Office of County Counsel has reviewed and approved the agreements as to form.

FINANCING:

There is no impact to General Fund from approval of this action as no expenditure will be incurred. Provision has been made in the FY2024-25 Adopted Budget for a potential resulting agreement. The monthly Franchise Fee is ten percent of gross revenues collected.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

Check the related Board of Supervisors Strategic Initiatives:

? Economic Development:

- Through collaboration, strengthen economic development to ensure a diversified and healthy economy.

? Administration:

- Promote an organization that practices efficient and effective resource management and is recognized for responsiveness, strong customer orientation, accountability and transparency.

? Health & Human Services:

- Improve health and quality of life through County supported policies, programs, and services, promoting access to equitable opportunities for healthy choices and

healthy environments in collaboration with communities.

? Infrastructure:

- Plan and develop a sustainable, physical infrastructure that improves the quality of life for County residents and supports economic development results.

? Public Safety:

- Create a safe environment for people to achieve their potential, leading businesses and communities to thrive and grow by reducing violent crimes as well as crimes in general.

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Approved by: Elsa Mendoza Jimenez, Director of Health Services, 755-4621

Attachment:

Board Report

Proposed 2025-2035 Unified Franchise Agreement

Amendment No. 16

Amendment No. 15

Amendment No. 14

Amendment No. 13

Amendment No. 12

Amendment No. 11

Amendment No. 10

Amendment No. 9

Amendment No. 8

Amendment No. 7

Amendment No. 6

Amendment No. 5

Amendment No. 4

Amendment No. 3

Amendment No. 2

Amendment No. 1

Agreement

Franchised Solid Waste Program Review Executive Summary