



Mendocino County

Legislation Text

File #: 17-0043, Version: 1

To: Board of Supervisors

From: Supervisor Hamburg and Supervisor McCowen

Meeting Date: January 24, 2017

Department Contact: Supervisors Hamburg and McCowen **Phone:** 463-4441

Department Contact: Director of Solid Waste Louisa Morris **Phone:** 468-9710

Item Type: Regular Agenda

Time Allocated for Item: 30 min.

Agenda Title:

Discussion and Possible Action Including Consideration of a Proposed One (1) Year Agreement with Solid Waste of Willits (SWOW) Providing SWOW with Additional Revenue and Cost Saving Measures Related to the Provision of Solid Waste Services Pursuant to Five Existing Franchise and/or Transfer Station Agreements with SWOW (Sponsors: Supervisors Hamburg and McCowen)

Recommended Action/Motion:

- A.** Authorize staff to prepare an amendment to the County/City of Fort Bragg/SWOW Caspar Transfer Station contract to add scrap metal and electronics to the recycling commodity index. (this amendment will also require City of Fort Bragg approval, who is a party to this contract)
- B.** Authorize staff to implement the following items, including amending the contracts for Franchise Areas 1, 3, and 4 as necessary:
 - 1. A 10.09% collection rate increase to the South Coast contract. (Franchise Area 4)
 - 2. Transfer of ownership of the South Coast Transfer Station improvements to the County to relieve SWOW of property tax.
 - 3. Increase gate fees by \$3.25 per cubic yard at the Covelo transfer station to help fund purchase of roll-off containers. (Franchise Area 1)
 - 4. Allow (temporary) closure of the Boonville, Gualala, and Westport recycling buy-back centers. The County will retain the right to direct SWOW to re-open these recycling buy-back centers in the future. (Franchise Areas 1, 3, and 4)
 - 5. Contract with an independent contractor per the County's contracts with SWOW, to perform an independent financial audit and/or rate-setting study, with SWOW to pay 50% of the cost. This audit/study will be the basis for determining the County's response to SWOW's request for a Larger Rate Increase.
 - 6. Draft an amendment to defer by 90 (ninety) days the required franchise fee payment due for the first and second quarters of 2017. (Franchise Areas 1, 3, and 4)
- C.** Waive the requirement approved by the Board and as stated in a January 10, 2017 letter to SHOW from County Solid Waste staff directing SWOW to obtain five performance bonds for five County contracts
- D.** This proposed 1-year agreement will not take effect until the following contract terms are met:
 - 1. SWOW pays the Mendocino Solid Waste Management Authority surcharge for September 2016, which is currently past due, and the October 2016 surcharge payment which is due on January 29, 2017
 - 2. Caspar transfer station waste boxes are covered, with any potential leachate contained and treated

Previous Board/Board Committee Actions:

On December 20, 2016 the Board considered, but did not approve a recommendation from the previous Solid Waste Ad Hoc Committee in response to Solid Waste of Willits request for a Larger Rate Increase and instead referred the item to a reconstituted Solid Waste Ad Hoc Committee consisting of Supervisors Hamburg and McCowen.

Summary of Request:

Pursuant to Board direction, the Solid Waste Ad Hoc Committee met with representatives of Solid Waste of Willits (SWOW) in an effort to reach agreement on unresolved issues including contract compliance; the appropriate profit margin for SWOW; and the accurate calculation and allocation of various elements of cost and revenue. Agreement was reached on some issues but not all.

The Ad Hoc and SWOW ultimately agreed, in light of SWOW's financial condition, that entering into a one year agreement that provides SWOW with additional revenue and cost savings is appropriate. The ad hoc committee reaffirms the original recommendations offered to SWOW on May 18, 2016 and presented to the Board on Dec. 20, 2016. The ad hoc also recommends allowing SWOW to close three recycling buy-back centers (Gualala, Boonville and Westport) that operate at an annual loss of \$131,455.04 with the County retaining the right to direct that the buy-back centers be reopened in the future. The ad hoc also recommends increasing rates for Franchise Area 4 (South Coast) an additional 5.96%, in addition to reversing the 4.13% rate reduction that was approved in 2015, for a total increase of 10.09%.

Please see the attachment titled "Estimated Value to SWOW of County Solid Waste Ad Hoc Committee Recommendations" for a summary of the economic value of the proposed changes. The ad hoc committee acknowledges that SWOW calculates the value of the revenue and cost savings differently. SWOW calculates that closing the three buy-back centers will only save \$105,450 because of the continuation of indirect costs. Continuing disagreement regarding profitability and allocation of revenue and expense supports a recommendation that the County contract with an independent firm to perform a rate setting study which will form the basis for evaluating SWOW's request for a larger rate increase. Because it is in the mutual interest of the parties to obtain this information, it is recommended that SWOW pay 50% of the cost instead of the 100% required by contract. Finally, it is recommended that the previous requirement that SWOW obtain performance bonds be waived. As prerequisites for implementation of this agreement, the ad hoc also recommends that SWOW remit the Mendocino Solid Waste Management Authority surcharge fees that are currently due and cover the Caspar Transfer Station waste bins and assure that any potential leachate at Caspar is contained and treated.

Alternative Action/Motion:

Approve the recommendation as amended or do not approve the recommendation and provide direction to staff.

Supplemental Information Available Online at: N/A

Fiscal Impact:

Source of Funding: N/A

Current F/Y Cost: N/A

Budgeted in Current F/Y: N/A

Annual Recurring Cost: N/A

Supervisory District: All

Vote Requirement: Majority

Agreement/Resolution/Ordinance Approved by County Counsel: N/A

CEO Liaison: Janelle Rau, Deputy CEO

CEO Review: Yes

Comments: