



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: December 11, 2012

TO: Mayor and Councilmembers

FROM: Environmental Services, Finance Department

SUBJECT: Resolution Of Intent To Award A Franchise Agreement To MarBorg Industries, Inc.

RECOMMENDATION:

That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Declaring Its Intention to Grant a Ten-Year Exclusive Franchise for Citywide Solid Waste Collection and Disposal Services in the City to MarBorg Industries, Inc., A California Corporation.

DISCUSSION:

Since December 13, 2011, the City has engaged in sole source negotiations with MarBorg Industries, Inc. (MarBorg) on a new ten-year franchise agreement for solid waste collection services. On October 17, 2012, staff from the City and MarBorg reached agreement on the following terms for the new franchise:

- Acceptable rates for customers that provide for a reasonable profit to MarBorg, similar to what the City could likely expect to achieve through a competitive RFP process;
- Desirable new services similar to those found in modern collection contracts;
- Replacement of diesel vehicles with compressed natural gas (CNG) vehicles;
- Maintenance of City fees and program support necessary for operations;
- A rate structure in the business and multi-unit residential sectors that provides for increased rate stability, while still providing adequate rate incentives for diversion; and,
- Important new diversion programs that will both help the City meet anticipated future state mandates and divert 10% more waste to into source separated diversion programs by 2023.

The cost of the agreement is estimated to be \$16,790,736 per year, subject to variations in customer subscription levels, and will be increased annually by a CPI adjustment and any adjustment to tipping fees. The cost will be fully funded through the rates charged to solid waste customers. A summary of the proposed customer rates and summary of the

proposed franchise agreement are attached as Exhibit A and Exhibit B to the resolution, respectively.

Note that an in-depth discussion of the negotiation process and customer impacts resulting from the proposed rates was included in the November 20, 2012 Council Agenda Report (attached) and is therefore not included in this report.

Resolution of Intent to Award a Franchise

Section 1401 of the City Charter requires Council to announce its intention to award a franchise by passing a resolution that 1) describes the basic business terms and conditions of the proposed franchise; and, 2) sets the date and time of a public hearing where any person wishing to object to or otherwise comment on the award may be heard by Council. The public hearing has been scheduled for January 29, 2013. Should Council adopt the resolution of intention, a notice of the City's intent to award a new franchise would be published in a local newspaper of general circulation.

Passage of the Resolution of Intention is the first step in a public noticing process required by Article XIV of the Charter to eventually allow the Council to consider and approve a new City franchise through the enactment of a City ordinance approving the specific financial and operational terms of the particular franchise agreement in the form of a detailed long-term contract. The ordinance to grant the exclusive franchise to MarBorg will be introduced at the January 29, 2013, Council meeting and scheduled for adoption at the February 5, 2013, Council meeting. The adoption of the ordinance requires affirmative votes of five members of Council.

BUDGET/FINANCIAL INFORMATION:

Should Council award a franchise to MarBorg based upon the tentative agreement, it will cost an estimated \$16,790,736 per year, subject to variations in customer subscription levels. This is approximately \$670,000 higher than the current cost for services. The increase to the hauler compensation is due to 1) new services and more expensive CNG vehicles; and, 2) an adjustment for the expected loss in future revenue MarBorg will experience due to migration from trash to less expensive diversion containers as a direct result of new diversion requirements, which MarBorg would need to absorb under the agreement.

All costs will be paid for by rates charged to solid waste customers. The rates listed in Attachment are based on current conditions, and will be increased prior to implementation on July 1, 2013 by the CPI and tipping fees increases that have been standard under the City's hauler contracts.

SUSTAINABILITY IMPACT:

Sustainability improvements under the new agreement will include increased diversion from the landfill due to two new diversion programs in the business and multi unit residential sectors and increases in free recycling and greenwaste in the single family residential sector. The agreement also calls for the replacement of all current diesel vehicles with compressed natural gas, reducing air quality impacts.

PREPARED BY: Matt Fore, Environmental Services Manager

SUBMITTED BY: Robert Samario, Finance Director

APPROVED BY: City Administrator's Office