



Board Agenda Item 52

DATE: August 6, 2019

TO: Board of Supervisors

SUBMITTED BY: Steven E. White, Director
Department of Public Works and Planning

SUBJECT: Amendment to Exclusive Service Area Program Agreement with Western Solid Waste

RECOMMENDED ACTION(S):

Approve and authorize the Chairman to execute Amendment I to Exclusive Service Area Program Agreement No. 17-572 with Western Solid Waste for a recycling surcharge overlay of 1.45% to be imposed on all subscribers of solid waste, recycling, and green waste collection services, effective October 1, 2019 through June 30, 2020

Approval of the recommended action will authorize a limited amendment to Exclusive Service Area Program (ESAP) Agreement No. 17-572 with Western Solid Waste (Western), a sole proprietorship. The amendment enables Western to implement a recycling surcharge of 1.45% within its hauling territory, to be applied as an overlay to the base service rates, and allows Western to mitigate the increased costs incurred as a result of the current conditions within the recyclable commodities markets. Although the ESAP program is countywide, this item pertains to hauler territory within District 5.

ALTERNATIVE ACTION(S):

Your Board may choose not to approve the recommended action. However, doing so will place Western at a financial disadvantage from the other ESAP haulers who were previously authorized through agreement amendments to impose the recycling surcharge in their respective territories.

FISCAL IMPACT:

There is no Net County Cost associated with the recommended action. Assembly Bill 939: Integrated Waste Management Act (AB 939) (Chapter 1095, Statutes of 1989) service fees remitted by the County's ESAP haulers fund the ongoing administration of the ESAP. Sufficient appropriations and estimated revenues are included in the Department of Public Works and Planning - Resources Org 9015 FY 2019-20 Recommended Budget.

DISCUSSION:

On September 25, 2018, Department staff presented the results of analysis of the fiscal effects of declining recyclable commodities markets due to foreign policy decisions that severely restricted recyclable imports. At that time, the Board directed staff to return with agreement amendments authorizing ESAP haulers to implement a recycling surcharge to relieve some of the financial burden placed on their operations as a result of the negative market conditions.

On November 6, 2018, Department staff returned with agreement amendments, which allowed the 1.45% surcharge, effective January 1, 2019 through June 30, 2020. The amendments stipulated that staff and haulers would continue to negotiate on a successor process for the 1.45% surcharge that would establish a new adjustable surcharge tied to a recyclable commodity market, which would more accurately reflect upward and downward trends. Only seven of the nine ESAP haulers executed the agreement amendment, at the time. Western was one of two haulers that abstained from executing the agreement and subsequently charging its customers the recycling surcharge.

Since the implementation of the 1.45% recycling surcharge, markets have suffered further significant decline. Many Material Recovery Facility (MRF) operators who process curbside recyclables for the County's ESAP haulers have indicated to Department staff that although they refrained from imposing drastic price increases per ton on inbound recyclables during 2017 and 2018, they could no longer sustain processing operations without imposing higher pricing to mitigate negative market impacts. In June 2019, Western contacted Department staff and advised that it would be incurring significant increases in the cost per ton paid for curbside recyclable processing to its contracted MRF, and requested to execute an amendment to its ESAP Agreement that would authorize it to impose the 1.45% recycling surcharge within its territory.

The current 1.45% recycling surcharge would be paid by Western's customers as part of the periodic invoicing for collection service. Western operates primarily within the Zone 3 service rate area. Accordingly, the surcharge would add an additional cost to the customer ranging from \$0.67 to \$20.03 depending on size of container and frequency of collection.

ATTACHMENTS INCLUDED AND/OR ON FILE:

On file with Clerk - Amendment to Agreement No. 17-572 with Western Solid Waste

CAO ANALYST:

Sonia M. De La Rosa