

2012-2013 Nevada County Grand Jury Report on the Waste Management Contract

Summary

In January of 2012, Nevada County entered into a twenty-year contract with Waste Management of Nevada County for management of the solid waste stream for unincorporated western Nevada County, including operation of the McCourtney Road and satellite transfer stations.

During the implementation of the contract there were several areas of public concern which the Nevada County Grand Jury elected to investigate.

The Nevada County Grand Jury found that the negotiation process and contracting were performed with a high degree of diligence and protection of the public interest, although there were areas of concern during the implementation phase.

Reasons for Investigation

Prompted by public response to a sharp increase in fees for Residential Yard Waste at the McCourtney Road Transfer Station (Transfer Station), the size of the trash containers provided to residential customers, and billing questions the Nevada County Grand Jury (Jury) conducted an investigation into the process of letting Nevada County's contract with Waste Management for the period of July 1, 2012 through June 30, 2032.

Pursuant to Sec. 925 of the California Penal Code the Grand Jury has the authority to investigate and report on the operations, accounts, and records of the officers, departments, or functions of the county.

Background

Waste Management is a comprehensive waste and environmental services company in North America. Founded in 1894, the company is headquartered in Houston, Texas. The company's network includes 367 collection operations, 355 transfer stations, 273 active landfill disposal sites, 16 waste-to-energy plants, 134 recycling plants, 111 beneficial-use landfill gas projects and six independent power production plants. Waste Management offers environmental services to nearly 20 million residential, industrial, municipal and commercial customers in the United States, Canada, and Puerto Rico. With 21,000 collection and

transfer vehicles, Waste Management has the largest trucking fleet in the waste industry. Waste Management is a publicly traded corporation.

Board of Supervisors Resolution 12-052, “AWARD AND APPROVAL OF CONTRACT BETWEEN THE COUNTY OF NEVADA AND USA WASTE OF CALIFORNIA, INC. FOR COLLECTION, TRANSPORT, PROCESSING AND DISPOSAL OF SOLID WASTE, RECYCLABLES, GREEN WASTE, CONSTRUCTION AND DEMOLITION DEBRIS, AND HOUSEHOLD HAZARDOUS WASTE, AND OPERATION OF TRANSFER STATION FOR WESTERN NEVADA COUNTY”, was approved on January 24, 2012 to take effect on July 1, 2012.

Subsequently, the Jury was asked to investigate certain provisions of the contract relating to fees and service level changes.

Procedures Followed

The Jury interviewed a number of county officials and Waste Management personnel who were involved in the negotiations and writing of the final contract as well as members of the public. The Jury received and reviewed the Nevada County Board of Supervisors (BOS) Resolution 12-052, approving the contract including the actual document and its various appendices.

Facts

- F.A.1.** On May 26, 2011, the BOS authorized the Department of Public Works to solicit requests for proposals for an exclusive franchise agreement related to the operations, collections, and recycling of the solid waste system in western Nevada County, including operation of the Transfer Station.
- F.A.2.** Four proposals were received.
- F.A.3.** The selection committee consisting of representatives of Nevada County (County), including the Department of Public Works, Solid Waste Program Management, Purchasing, Community Development Agency, Solid and Hazardous Waste Commission, and the Chief Executive Office identified the top two proposals.
- F.A.4.** Interviews were conducted and USA Waste of California, Inc., dba Waste Management of Nevada County (WM) was unanimously selected as the firm with which the County would enter into negotiations.
- F.A.5.** A contract was negotiated for an exclusive franchise agreement with WM to provide collection, transport, processing, and disposal of solid waste, green waste, construction and demolition debris (C&D), and household hazardous waste, and operation of the Transfer Station for western Nevada County through June 30, 2032.

- F.A.6.** On January 24, 2012 the BOS passed Resolution 12-052, awarding and approving the contract.
- F.A.7.** The County granted WM the exclusive right to collect, transport, and dispose of all solid waste materials and recycling materials unless exempted from collection.
- F.A.8.** A Franchise Fee of 12% of all revenues collected by WM as service fees will be paid to the County, with certain exceptions as stipulated in the contract.
- F.A.9.** A Host Fee will be paid to the County by WM for transfer services, excluding recycling and green waste. WM shall pay a Host Fee on all solid waste and C&D received or processed at the Transfer Station or satellite transfer stations.
- F.A.10.** WM provides carts for waste, recycling, and green waste collection.
- F.A.11.** Four waste collection cart sizes are available for residential customers; 20, 35, 64, or 96 gallon.
- F.A.12.** Standard residential service is for one 35 gallon cart.
- F.A.13.** There is an option for low volume customers to utilize an “on call” service level, having waste collected only when needed.
- F.A.14.** WM provides food waste recycling service for commercial customers and multi-family dwellings.
- F.A.15.** Rate changes have been implemented as shown in Attachments I through III.
- F.A.16.** WM is phasing in replacement of its fleet of diesel trucks with trucks powered by compressed natural gas.
- F.A.17.** Waste from the Transfer Station is transported to a WM landfill facility in Nevada.
- F.A.18.** The contract for transport was awarded by WM to a local trucking company.
- F.A.19.** WM has set aside the sum of \$5.6 million to be applied to either construction of a new transfer station at a location yet to be determined, or the renovation of the Transfer Station.
- F.A.20.** WM agreed to submit a proposal no later than December 31, 2012 for construction of a new transfer station. This was received on time.
- F.A.21.** The County has 120 days to respond to the proposal.
- F.A.22.** If the County and WM agree on the construction of a new facility, the current Transfer Station will be replaced.
- F.A.23.** As specified in *California Public Resources Code* (PRC) Section 41780, counties are subject to a diversion mandate that at least 50% of solid waste (as defined in the PRC) generated in the county be source-reduced, recycled or composted, and, as more specifically provided in PRC Section 41780.01, the county is subject to a goal

that not less than 75% of solid waste generated in the County be source reduced, recycled, or composted by the year 2020.

- F.A.24.** Contractually, WM will bear primary responsibility for meeting required solid waste diversion goals.
- F.A.25.** Contractually, WM will report to the County annually a summary of the previous year's activities, including but not limited to, service begun or discontinued during the year and the number of customers for each service level and a revenue statement setting forth franchise fees and host fees and the method of calculation.
- F.A.26.** Contractually, WM shall submit to the County monthly reports of the amount/weight of waste and materials collected, transported, disposed, and recycled. All monthly reports shall be submitted to the County by the 20th day of the following month.
- F.A.27.** Contractually, there are potential rate changes allowable based on certain economic conditions, including changes to the Consumer Price Index and fuel costs.
- F.A.28.** Public notification of the new contract included neighborhood flyers attached to garbage cans at least three times. There were approximately 10,000 flyers handed out to the public during the notification campaign.
- F.A.29.** Costs of public notification were paid by WM.
- F.A.30.** Additional public notification was via the newspaper, radio notification and direct mail campaign to existing users and flyers attached to the residential containers. The flyers addressed the cost basis for the standard container to the 96 gallon container. There is also a fourteen page supplement to phone directories on the recycling and collection process.
- F.A.31.** Calls from customers during the rollout period went to a call center in Sacramento. During the rollout, the number of telephone lines needed to be increased due to call volume.
- F.A.32.** According to County officials, there was a period of approximately three weeks of failure by WM to adequately handle complaints. Most calls were related to the size of carts delivered to customers.
- F.A.33.** Solid waste collection contracts in the cities of Grass Valley and Nevada City have been negotiated with WM. Implementation has been completed.

Findings

- F.I.1.** The County conducted thorough due diligence in the selection of WM as the exclusive provider of solid waste disposal and recycling in the unincorporated areas of Western Nevada County.
- F.I.2.** Rates at the Transfer Station are unchanged with the exception of White Goods (appliances) or Yard and Wood Waste, which have increased.
- F.I.3.** Residential Yard Waste collection rates have increased.
- F.I.4.** Residential Solid Waste collection rates have slightly decreased.
- F.I.5.** Commercial and Multi-family rates are unchanged.
- F.I.6.** Despite public notification of the process there were a large number of complaints, mainly around the changes in service.
- F.I.7.** The Jury found the County and WM carried out an information campaign prior to implementation of the changes in service.
- F.I.8.** The Jury also found there were many cases where the public did not receive or understand the changes.
- F.I.9.** The Jury found the County and WM failed to sufficiently prepare for the volume of calls received during the implementation of changes, resulting in long waits for many customers.

Recommendations

- R.1.** The Jury recommends when future changes in rates or service levels are approved, the County and WM should identify procedures to better inform the public and prepare for the volume of customer calls anticipated with the experience gained from this change.

Responses

None Required

Attachment 1		
Residential Service Fee Changes		
Service Type	Before July 1, 2012	After July 1, 2012
Residential MSW Service		
20 gallon can/cart	\$13.15	\$13.26
35 gallon can/cart	\$17.58	\$16.94
2-32 gallon cans	\$25.03	\$0.00
64 gallon cart	\$25.03	\$24.27
96 gallon cart	\$36.52	\$36.39
Residential Yard Waste Service		
64 gallon cart	\$3.86	\$5.11
96 gallon cart	\$4.05	\$5.30
Residential Recycling Service		
All sizes with trash service	\$0.00	\$0.00
1 -35 gallon (no trash service)	\$2.17	\$7.50
1-96 gallon (no trash service)		\$7.50

Attachment 2

Commercial and Multi-Family Fee Changes

Service Type	Before July 1, 2012	After July 1, 2012
Commercial and Multi-family Bin Service - 2-yard bin		
One collection/week	\$249.61	\$249.61
Two collections/week	\$426.51	\$426.51
Three collections/week	\$613.83	\$613.83
Four collections/week	\$806.37	\$806.37
Five collections/week	\$995.75	\$995.75
Six collections/week	\$1,187.29	\$1,187.29
Commercial and Multi-family Bin Service - 3-yard bin		
One collection/week	\$319.86	\$319.86
Two collections/week	\$544.16	\$544.16
Three collections/week	\$775.74	\$775.74
Four collections/week	\$1,001.08	\$1,001.08
Five collections/week	\$1,225.55	\$1,225.55
Six collections/week	\$1,470.53	\$1,470.53

Commercial and Multi-family Bin Service - 4-yard bin		
One collection/week	\$408.97	\$408.97
Two collections/week	\$706.49	\$706.49
Three collections/week	\$1,042.71	\$1,042.71
Four collections/week	\$1,371.60	\$1,371.60
Five collections/week	\$1,704.66	\$1,704.66
Six collections/week	\$2,019.00	\$2,019.00
Commercial and Multi-family Bin Service - 6-yard bin		
One collection/week	\$504.63	\$504.63
Two collections/week	\$870.09	\$870.09
Three collections/week	\$1,275.04	\$1,275.04
Four collections/week	\$1,712.21	\$1,712.21
Five collections/week	\$2,075.50	\$2,075.50
Six collections/week	\$2,472.12	\$2,472.12
Commercial and Multi-family Can Service		
1-32 gallon can	\$17.22	N/A
2-32 gallon cans	\$24.58	N/A
35 gallon cart	\$17.22	\$17.22
96 gallon cart	\$36.67	\$36.67

2-yard bin, semi-weekly collection	\$190.65	\$190.65
Commercial Recycling		
All sizes with trash service	\$0.00	\$0.00
Temporary Bin and Debris Box Service		
2-yard bin - refuse	\$71.37	\$71.37
3-yard bin - refuse	\$91.21	\$91.21
4-yard bin - refuse	\$115.44	\$115.44
6-yard bin - refuse	\$149.50	\$149.50
20 to 40-yard bin - refuse	\$230.80	\$230.80
20 to 40-yard bin C&D	\$230.80	\$230.80
20 to 40-yard bin - metals	\$202.84	\$202.84
20 to 40-yard bin -wood	\$202.84	\$202.84

Attachment 3		
McCourtney Road Transfer Station Fee Changes		
Service Type	Before July 1, 2012	After July 1, 2012
Trash Only		
2 cans	\$6.00	\$6.00
3 cans	\$6.50	\$6.50
4 cans	\$7.00	\$7.00
5 cans	\$7.50	\$7.50
6 cans	\$8.00	\$8.00
Per Ton	\$70.00	\$70.00
Trash Only -Non County Resident		
Per Ton	\$140.00	\$140.00
Trash Containing Recycling		
2 cans	\$10.00	\$10.00
3 cans	\$10.50	\$10.50
4 cans	\$11.00	\$11.00
5 cans	\$11.50	\$11.50
6 cans	\$12.00	\$12.00
Per Ton	\$80.00	\$80.00

C&D		
Per Ton	\$59.50	\$59.50
Tires		
Up to 16" without rim	\$2.00	\$2.00
17" to 17.5" without rim	\$6.00	\$6.00
Up to 16" with rim	\$9.00	\$9.00
17" to 17.5" with rim	\$18.00	\$18.00
Tires greater than 17.5" can be recycled at Les Schwab		
White Goods		
Refrigerated	\$20.00	\$30.00
Non - refrigerated	\$0.00	\$25.00
Yard & Wood Waste		
Cubic Yard	\$3.38	\$9.25
Minimum Charge	\$4.75	\$10.75
Mattresses/Furniture		
Single/Double without box spring	\$6.00	\$6.00
Single/Double with box	\$7.00	\$7.00

spring		
Queen/King without box spring	\$6.50	\$6.50
Queen/King with box spring	\$8.00	\$8.00
Couch	\$7.00	\$7.00
Hide a bed	\$7.50	\$7.50
Propane Tanks		
Less than 5 gallons	\$0.00	\$0.00
5 to 25 gallons	\$10.00	\$10.00