

Sacramento County
Department of Waste Management & Recycling
RFP for Solid Waste Rate Study & Financial Plan
Pre-Proposal Conference Notes
April 30, 2019

Agenda

1. Attendee Sign-in
2. Welcome and Introductions (Doug)
3. Brief Scope Review and Schedule (Tepa)
4. Solid Waste Operations Overview (Ted)
5. Related Planning Studies (Alan)
6. Proposer Questions and Clarifications
7. Closing Remarks

Meeting Notes and Q&A

1. Introductory Remarks – Doug Sloan, Director
 - Department has been in existence for a little over 50 years
 - Provides residential collections services for the unincorporated area.
 - Serves about 155,000 customers directly, from north of Excelsior Road up to the northern boundary of Sacramento County
 - A subcontractor services the unincorporated areas south of Excelsior Road. Customers are on the same service program and the same rate structure as the rest of the service area.
 - Department has not had a rate increase since 2010
 - A few big capital projects are also impacting reserve balances significantly
 - In addition, SB 1383 is going to require weekly collection of food waste at curbside – i.e. addition of routes and drivers and trucks. Associated rate increase probably in the range of \$10 to \$15 per month.
 - The rate increase process will involve a facilities increase effective January 1st 2020 and a residential increase July 1st 2020.
 - The residential increase is envisioned to be spread over some period of time, two, three or more years to mitigate the impact on customers but all of that is subject to what we put together in the rate package and how it gets presented.
 - Department has about 265 regular employees, 300 including part time employees.
 - Department uses the County's Fleet Services Division for repair and maintenance of owned equipment.
 - Prop 218 process planned for the Spring of 2020. So we anticipate going to the board in January or February and doing the Prop 218 notice then going back to the board in May for the increase to be effective in July.
2. Introductions around the room
3. Brief Scope Review and Schedule – Tepa Banda, Chief Financial & Administrative Officer
 - We have eight tasks, two of them are optional. Task 1 through 4, and Task 7 and 8 are our core tasks.

- Task 5, billing process review, we're looking to a consultant to help figure out how we bill and if that would impact revenue collection after the rate increase. We are unsure if we want to go or not go on this task. So as you write your proposals for this task if you could offer an opinion as to whether you think this task would be helpful for us in the context in which it was presented.
- For the other optional task, Task 6, we did provide some guidance on how we are going to do that once we finish the first run on the cost of service. If it looks like our customers service cost is significantly higher than their current rates such that aligning there rates with costs would mean a really big jump in rates then we would want to do that critical analysis to see how we can structure that increase on that group of customers, i.e., how we can mitigate it.
- We expect at least two reports, the first one to cover the facilities, the landfill and transfer station, because we want that effective in January, the Board has to approve in early November. After, we would get into the residential regular Prop 218 rate analysis.
- We plan to kick off the Rate Study on July 1.

4. Solid Waste Operations Overview – Ted Horton, Operations Superintendent

- Refer to PowerPoint presentation on RFP website

Question – For the carts, I know the solid waste one had different sizes but for the green waste and recycling are they all 90's or 60's or 30's?

Answer: The standard cart size for both (green waste and recycling) is 90 but we do offer smaller sizes on customer request.

Question: So if I just moved in I would get a 90, 90 and whatever I want for garbage?

Answer: Yes, when a new tenant moves in, they typically get what the prior resident had usually a 60 gallon for waste, 90 for the recycling and 90 for the green waste. A customer can request a second green waste cart free-of-charge and a third for a \$2 additional charge per month. So first two are free. There's no limit on the number of recycling carts that can be provided to a customer.

5. Related Planning Studies – Alan MacIsaac, Operations Manager

- Fleet Study - fleet consultant identified and contract will be in place shortly. Currently, 60% of our fleet is at North Collections and 40% is at the South Collections location, so the residential fleet for daily collections are dispatched out of two locations. The first part of the fleet study will consider proposals to relocate all of the collections fleet down to the South Collections facility and having all the routes dispatched out of there. The fleet maintenance facility at NARS is old and undersized for our current fleet size and has compliance challenges working with LNG and CNG vehicles.
- Routing Study –proposals for this RFP were due on April 17. The routing study will make routing recommendations based on the preferred fleet management plan from the Fleet Study.

Question – when do you think you will be getting the results of that study?

Answer: Fleet consultant estimates about 22 weeks for the deliverable from the time the contract is in hand.

Question: From a rate modeling perspective it sounds like those costs are not going to be ready at the time of the rate model, is that true?

Answer: Most likely, but we believe they will be ahead of the rate study and so we hope we will have enough data from them to give us some good planning numbers for rate modeling.

6. Capital Program overview - Brian Liebich, Principal Civil Engineer
 - refer to proposed CIP on RFP website

7. Proposer Questions and Clarifications

Question: So from building a model can we assume you are going to start with your current budget and you will provide us with estimates for SB1383 and the impacts of all the other programs?

Answer: Yes and that is why we have the financial plan model as part of this project, where the consultant will structure it so that staff can test out different scenarios of our post-SB1383 operations.

Question: Are you anticipating the model's developed and sitting down with consultant to working through with you different scenarios on the model? Is that part of this project?

Answer: A key part of the project is setting up the model to allow staff to work through different scenarios, not necessary have sit down sessions with the consultant for that. At the time of finalizing the rates, we will put in our best assumptions at that point but going forward we want to be able to use that model for our internal planning and rate adjustments over the next few years.

Question – on the recycling processing, is that third party?

Answer: Yes, Third party. We have a 3 ½ year agreement with Recycling Industries and a 10 ½ year agreement with Cal Waste at the L&D transfer station. The options we have in place with Cal Waste would allow us to continue and absorb some of the Recycling Industries volume if we were not able to negotiate an extension to the 3 ½ years.

Question: So is the contract with L&D just for transfer?

Answer: Our contract is with Cal Waste, and Cal Waste has subcontracted with L&D for space. Cal Waste is located in Galt which is too far for our collections trucks to run, the contract requires that they provide a place within our service area to drop off and that is the area (L&D landfill) they chose.

Question: Does that include the price or cost of processing recyclables?

Answer: That is all included in the contract

Question: 10 ½ year contract?

Answer: Correct, it is indexed to various structures and then there is a fixed processing cost

Question: Can you talk about the level of cost of service analysis you are looking at? Do you want to look at every component of your landfill and collection rate structure or your rate schedules, is that what you would like to see?

Answer: Ideally yes. The last rate study was done in 2008 and it was not an in-depth analysis. It was a fairly high-level analysis, mainly focused on how much of a rate increase we needed to recover overall costs and replenish reserves. We want to set up this financial planning model to be comprehensive. That is our ideal and I think once we get the proposals and we get the cost we may negotiate and scale down on some of those things depending on what the study cost looks like. As you can see we have all these services that we offer to our customers which we assume we are capturing in our base fee so we want this to also help us vet our costing and understanding of what it actually costs to do all these things.

Question: The rate comparison you are looking at both landfill rates and collections rates?

Answer: Yes. Staff can help with Landfill fee comparisons, we have kept a good eye on most of those. For the collections we will look at surrounding areas but we are also interested in comparable jurisdictions, if possible. Some place that would have a similar size and service population to ours. So we are open to look at comparisons outside of this geography.

Question: Have you identified any comparable jurisdictions at this point? You are pretty unique.

Answer: We are hoping you all can find those. If we cannot find anything it will be good to know that we are that unique and therefore it is hard for us to compare ourselves to some other jurisdiction. But you can still make comparisons with some adjustments. We definitely want to include comparisons with neighboring jurisdictions and if we can find comparable jurisdictions to provide something close to an apples-to-apples comparison that would be informative.

Question: Can you talk a little bit about optional billing Task 5 and what you are looking at? Is all you're considering going from bi-monthly billing that is through the utility to a separate monthly billing that is just specific to solid waste?

Answer: Yes, we are looking at that. The way it is now, we have a contract with a county agency that does billing for a few other county utilities as well, the sewer district and water. Billing is bi-monthly so when the customer sees the combined bill every two months it is \$180 to \$300 maybe even more, depending on how many county utility services a customer has. We feel that could impact how promptly it is paid although we do have some guarantees in cases of delinquency.

Question: So are you looking at restructuring that relationship so they are still doing the customer service and everything and it is just a separate bill?

Answer: Yes, we are trying to explore that. As we increase rates, when customers are looking at a rate increase, they would be looking at that whole bill. Thinking in their minds I am already paying \$300 and now you want me to pay more.

Question: You are not looking to bring customer service in-house?

Answer: No.

Question: Do you know what your bad debt percentage is for solid waste?

Answer: Not too bad, we have a County Teeter Plan program, so as far as the net write-off that we don't recover it is minimal. When the bills are delinquent the County liens the properties and

then there is a tax collection process on that and eventually under the Teeter Plan the County general fund buys the delinquent secured taxes. So when that whole process runs through it doesn't look so bad. Upfront we get a significant amount going delinquent.

Question: Is it cash flow issue cause it sounds like there isn't really an issue?

Answer: It is a cash flow issue. The bad debt that is more concerning is with our commercial tipping customers at the landfill and transfer station.

Question: The residential collections pretty much nets out over time?

Answer: Yes. It is essentially a cash flow issue when we don't get residential bills paid on time.

Question: Is the landfill billing going through that same billing?

Answer: Yes.

Question: That is a county thing? And you get a charge from them for the services?

Answer: Yes, they handle billing and collections, we call it CUBS (Consolidated Utility Billing Services) but once a commercial account goes into delinquency, we have another county agency for revenue recovery so they are our collection agency for commercial billing.

Question: So is that an optional task (Task 5) or are you looking at a qualitative assessment?

Answer: A lot more qualitative more advisory. We would like proposers to provide an opinion in the proposal of whether it makes sense to look into this, would it provide value or is it much to do about nothing?

Question: Do you have the ability to expand the bill to itemize the charges?

Answer: We don't know for sure, but we do not want to limit ourselves to what they can or can't do currently, we want to have enough information if we decided to go in a different direction. Our contract with them expires in 2022 and we can cancel the contract with one year notice. So we want to see what is best for us to do.

Question: You have a few commercial accounts for curbside collection, what are those?

Answer: They would be 90-gallon can accounts. These are very old.

Question: So they are collected under residential routes? And same rate?

Answer: Yes

Question: When was the last time that you did a billing audit, what these people are billing vs what actually collecting?

Answer: We did a substantial route audit about 3 years ago.

Question: Does your system know who has two recycling carts?

Answer: Yes we do. We have that data, and I would say it is relatively accurate.

Question: Who is the contractor in the south area?

Answer: USA Waste

Question: So they are separate and we are just dealing with the county budget and whatever the rate adjustment goes to them? We need to cover that cost in the rate study. That would be a line item contract cost in the budget?

Answer: Yes. We bill all customers and the contract for them is just to provide the service.

Question: How does that work on your 218 world on those rates and what is costs for them for that operation? We should still be consistent in looking at their cost of services in relation to the rate.

Answer: We don't see them as separate customers we are just serving them via a contract provider.

Question: When you say full service contract when you talk about the on-call cleanups that is all done by USA Waste?

Answer: Yes. They are obligated to duplicate the service we provide in the areas that we serve directly. The only thing that is not duplicated and not in the contract is illegal dumping.

Question: Is all illegal dumping done with a boom truck?

Answer: Yes. We get about 9,000 calls for pick-ups per year

Question: Do you have a budget range for the Rate Study project?

Answer: Not exactly, we do not know and we did not want to limit proposers' creativity, we would rather work with your proposals and let the agreed-on scope of work to guide the project budget.

Question: Do you have an existing vehicle replacement schedule?

Answer: Yes we do.

Question: Do you have a well-defined reserve policy?

Answer: Yes

Question: Two to three months what you have?

Answer: That would be something we would put into the financial plan and becomes our defined reserve policy.

Question: Have you done some tonnage projections on SB1383 and the impact?

Answer: It is unknown. In terms of tonnage, it's essentially moving food waste from one can (garbage) to another (green waste). We do not think it will change the overall tonnage as much but it will move tonnage out of Kiefer landfill. That will affect revenue at the landfill so it is fundamental how you model that.

Question: Do you want to consider funding for food recovery program edible food as part of your rates? Have you talked about the how?

Answer: We are trying not to deal with it before it becomes waste. We'd prefer another department to take the lead on that, maybe the Environmental Management Department.

Question: And you would fund it through that?

Answer: That would be preferable too