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September 28, 2009

Mark Schleich
Deputy Director
Resource Recovery and Waste Management
130 E. Victoria St., Suite 100
Santa Barbara, CA 91301

Re: Contract Extension Proposal for Solid Waste and Recycling Services- Zone 2

Dear Mr. Schleich,

Allied Waste Services (Allied) is pleased to provide the County of Santa Barbara with a proposal to provide enhanced solid waste collection and recycling services for our current Zone 2 service area in the County. Allied has been providing environmental services for the County for over 37 years. We would respectfully request the opportunity to meet with the County to discuss an extension of this long-term and successful partnership. We believe that our current level of customer service and safety record, in addition to our environmental programs and enhancements, will assist the County in achieving its future diversion goals and collection needs.

The enclosed *Extension Proposal* provides for the following benefits:

- Stable local workforce and management team with strong ties to the community and community organizations
- Fully automated curbside collection of solid waste, green waste, and recyclable materials resulting in significant savings to county residents as outlined in the proposal
- Conversion to weekly collection of recyclable materials along with larger capacity carts
- Extension of existing household battery program to all residents at no charge
- Solid waste collection, recycling and green waste service for the Goleta Valley Union School District at no charge
- Unlimited collection of white goods, televisions and computer monitors
- Full fleet conversion to CNG trucks
- Other service level enhancements outlined within the attached proposal

In addition to the significant program enhancements outlined herein, our proposal will ensure continuity of service with a long standing service provider that has served the County well, with no transition risk to the County. It will also ensure continued competition in the marketplace as to performance measurement and contract compliance, which ultimately translates into higher standards of performance and service for

County customers. I look forward to the opportunity to meet with you and County staff to discuss our proposal to continue our long-standing service relationship and partnership with the County of Santa Barbara. I will be contacting staff within the next few days to coordinate a meeting to walk through the specific details and components of our proposal.

Sincerely,

Thor Schmidt
Division Manager

cc: Joseph Centeno, Chair - 5th District, Santa Barbara County Board of Supervisors
Janet Wolf, Vice Chair - 2nd District, Santa Barbara County Board of Supervisors
Salud Carbajal, Board Member - 1st District, Santa Barbara County Board of Supervisors
Doreen Farr, Board Member - 3rd District, Santa Barbara County Board of Supervisors
Joni Gray, Board Member - 4th District, Santa Barbara County Board of Supervisors

Introduction

Allied Waste Industries, Inc. (Allied or Company) has been the County of Santa Barbara – Zone 2 solid waste, recyclable materials and green waste collection contractor since 1972. Allied has, for 37 years, consistently provided excellent collection services to more than 4,300 County customers and we desire to continue our long standing working relationship with the County and our customers for many years to come.

The current Agreement between the County and Allied is set to expire June 30, 2011. We trust that the County agrees that it is in the best interest of the County and our current service recipients that the County and Allied negotiate a new long-term contract. Our proposal underscores the many benefits to the County and our customers in maintaining our existing working relationship with the County, and describes a number of service changes and enhancements that we are proposing for discussion and negotiation with the County.

Allied's Service History and Local Presence

Allied has provided reliable service to County customers for over 37 years. The Company has an outstanding record of contract compliance and customer service, and a very good working relationship with County staff. As one measure of our proven track record, in the County's recent contract compliance audit of its haulers, Allied appeared to have the best overall findings and was the only company that did not overbill customers (no reimbursements were required).

Allied's Santa Barbara division is proud to be a local company. Allied's long history in the County of Santa Barbara is due primarily to its stable management team and workforce. Allied's average tenured driver is 15 years and the local management team's average tenure is 25 years. The recycling and solid waste industry is in constant flux due to evolving environmental regulations and emergent green technologies and culture, which are prevalent in Santa Barbara County. Allied prides itself in providing quality jobs to our employees and demonstrates its understanding of the importance of family and community through the support and incentives it provides its employees and its high level of community involvement.



Local Management Team with Access to a National Network of Resources

Allied uses a decentralized management structure to manage its day-to-day operations with optimum efficiency and maintaining a personalized, hands on approach to servicing our customers at a local level. Our local division and management team in Santa Barbara is headed by Thor Schmidt, who was born and raised in Santa Barbara and who understands the needs and requirements of the County and its residents and businesses through his many years of service to the County. Our Operations Manager, John Kendall, has been providing service to the County for over 34 years and has a level of knowledge of local service conditions that we believe is unparalleled in the area. By contracting with Allied, the County has the benefit of an experienced local management team to oversee our operations, complimented by the financial, operational, and technical resources of a national company with an asset base of close to \$20 Billion.



Thor Schmidt



John Kendall

Our parent company, Republic Services, Inc., is among the largest, most experienced, and reputable integrated waste management companies in California and across the nation. Republic is the 2nd largest integrated waste management company in the United States and the strongest financially among the major publicly owned solid waste management companies, with annual revenue of approximately \$8.5 Billion and total assets of almost \$20 Billion. We have approximately 35,000 employees serving more than 13 million customers through 400 collection operations and the ownership or operation of 242 transfer stations, 213 solid waste landfills and 78 recycling facilities, across 40 states and Puerto Rico. The 2008 merger between Allied and Republic has been a great success and has resulted in significant added value to our customers through the combined operational, technical and financial resources of the companies.

Our local team is able to draw on this vast network of company resources when needed in order to address new environmental programs, changes in environmental regulations, and other technological advances in our industry, at a local, State and Federal level. In addition, our extensive financial resources and financial stability lends more value to the performance guarantees, indemnifications, insurance coverage, and other protection afforded the County under our contract.

Environmental Sustainability

Allied views environmental sustainability as its business. The Company's commitment to sustainability is evident through its numerous local and Company-wide green initiatives. These initiatives range from the CNG collection vehicles Allied utilizes locally and that it proposes for this extension, to its investment in developing over 318 transfer stations and recycling facilities across the country, to the more than 65 renewable energy projects Allied has underway nation-wide which power over 319,000 homes.



In addition to tapping landfill gas produced naturally through the decomposition of waste as a renewable energy source, Allied also searches for and develops alternative uses for closed landfills: transforming suitable properties into parks, golf courses, and wildlife habitat.

Furthermore, Allied has developed a revolutionary solar energy cover for its landfills, that will allow Company landfills to significantly increase their energy output. The nation's first Solar Energy Cover (pictured below) is in place on our Tessman Road Landfill in San Antonio. This innovative technology applies solid science and engineering principles, while capping closed landfills in an efficient and environmentally responsible manner.



Also, and again due to the Company's investment in green infrastructure, in 2008 Allied processed more than 3.5 million tons of recyclable materials—more than 13,000 pounds of material per minute.

To reduce dependence on oil and the release of greenhouse gases Allied:

- has more than 750 vehicles running on alternative fuels—including biodiesel and natural gas—and continuously updates its fleet with cleaner burning, more efficient vehicles;
- will test the first domestically produced diesel-electric hybrid garbage truck, a Mack Class 8 rear loader is expected to increase fuel economy and reduce emissions and noise pollution;
- equips new collection vehicles with idle limiters that shut off the engine after five minutes;
- has extended its oil drain intervals on trucks to use one-third less oil without sacrificing performance; and
- keeps its vehicles in top condition to optimize performance and safety and to make them cleaner burning and more fuel efficient.

As a responsible company, Allied seeks to reduce its carbon footprint, and, wherever possible, make its impact a positive one. To do that, the Company commits to:

- Establish an Environmental Sustainability Team that includes stakeholders from all departments.
- Incorporate the company's environmental plan objectives into its strategic planning process.
- Reduce its consumption of natural resources.
- Increasing green energy produced and used by our business.

Local Focus

Allied was the first company to order compressed natural gas (CNG) vehicles in the south coast, Allied now has six CNG collection vehicles operating in Santa Barbara County, totaling a local investment of over \$1.5 million.

In addition to diminishing its own carbon footprint, Allied views its primary business as assisting others in managing their environmental impacts in a cost effective manner. Allied customers learn about recycling and resource conservation through insightful public education and outreach campaigns. Allied provides responsible, environmentally sound solutions for all categories of recyclable materials, compostable materials, construction and demolition debris, electronics, white goods, and, MSW at the lowest possible cost.



CNG Truck

In Santa Barbara County, Allied demonstrates environmental leadership with its customers by providing reliable, regularly-scheduled recycling and green waste collection services to residents as well as commercial and multi-family recycling programs tailored to the individual needs of our customers. Beyond this, Allied goes the extra mile to offer recycling services to customers when supervisors or drivers observe recyclable materials in their trash. For example, if a commercial customer has a significant amount of recyclables in their trash, the Company notifies the customer immediately and will attempt to



recycle the materials by either collecting it with the recycling truck, or in the case of a construction debris box, by sorting the materials at Allied's yard to recover as many recyclable materials as possible from the load. Allied also provides a free cardboard and metal recycling drop off at our facility. Residents may also bring batteries and CRT's to Allied's local facility for recycling.

Currently recyclable materials are transferred by the County to a 3rd party processor. Please note that Republic operates the Del Norte Regional Recycling and Transfer Station in Oxnard, CA, and can offer the use of this facility for the processing of South Coast-generated recyclable materials as a contingency measure.

Allied conducts a pilot food scrap program in the City of Santa Barbara with numerous commercial customers, which has enabled the Company to work through program details to implement a County-wide program when the time is right. The City of Santa Barbara may offer a food scrap collection program for all commercial customers by the end of this year. Our investment into this community program totals between \$150,000 and \$200,000 thus far.



Pilot food Scrap Program

Community Involvement

Allied's Santa Barbara division is made up of caring, vibrant people who make a difference in the communities we serve. There are a variety of ways Allied contributes to the community: through sponsorships, clean up assistance/event participation, educational activities, neighborhood and civic group involvement and environmental contributions.

Santa Barbara County will continue to benefit from Allied's local community involvement. The list below indicates some of the community organizations and causes Allied has and will continue to participate in.

Organization or Cause			
Dos Pueblos Little League			
Rancho La Patera & Stow House			
Goleta Lemon Festival			
Computers for Families			
Santa Barbara Foresters			
Santa Barbara City College			
Community Environmental Council – Earth Day			
Old Spanish Days – Fiesta			
Cinco de Mayo Festival			
Goleta Valley Chamber of Commerce			
Santa Barbara Chamber of Commerce			
The Goleta Union School District			
The United Boys and Girls Club			
Bishop Garcia Diego High School			
County Beach Clean-up			
The Oaks Parent Child Workshop			
Santa Barbara Downtown Organization			

Allied's corporate leadership maintains a strong belief and principle in giving back: to the communities it serves, and to its employees. An example of both is the Company's response to Hurricane Katrina – which hit New Orleans on August 29, 2005. The next day, before any relief agency was on scene, Allied had established the Allied Waste Employee Relief Fund (established with a \$1.1 million initial contribution from the company) and mobilized to care for its employees, so that the tough work of cleaning up the New Orleans area could begin. The Company located housing for its employees and all of their family who had lost theirs, as well as created an RV Park for them. Hot meals were served everyday and groceries supplied. Employees were given money

to make personal purchases such as for clothing and children's toys. By September 2 with the needs of Allied employees and their families met, Allied began its clean up response. Allied deployed roll-off trucks and donated more than 2000 containers to the impacted areas. Allied worked hand-in-hand with local, state and federal authorities to re-establish service to the areas and aided in the cleanup efforts.

In the unlikely event Santa Barbara County were to face a dire emergency or natural disaster, the County can rely on Allied's commitment to assist the County in its time of need. We have the resources, both locally and nationally, to come to the County's aid and react quickly in assisting in local clean-up efforts.

Safety

Allied is the industry leader when it comes to safety and believes safety is the responsibility of all Allied employees. The Company takes all perceivable measures to ensure safety in its administrative offices, in its operations yards, on its collection routes, and during travel to and from the collection routes; and to and from the transfer station.

Not only does Allied place great emphasis on the safety of its workers, public safety also receives the highest priority. An excellent safety track record is achieved by the clear system of safety checks and balances that the Company employs, its OSHA compliant safety policies and procedures, and sound decision-making used when hiring, combined with the active retention of the very best employees. Furthermore, the local Company has a quality performance program, which conveys a vision of industry leadership and public service to all employees and sets standards and outlines a critical path to achieve excellence for every class of employee, and provides for a review process to measure progress.

A variety of well-researched safety programs—including a safety program for schools, supports Allied employees in maintaining an excellent safety record in Santa Barbara County. Since 2004 Allied has won two safety awards locally for our outstanding safety performance. The value of having a company with an excellent safety record and first-class safety program may be the singular most important aspect to look at when considering contracting services for your community and neighborhoods.

Allied's local safety program includes the following elements:

- **10-Key Safety Audit.** The 10-Key Safety Audit is one of the Company's primary safety tools. It is used to measure the culture within Allied divisions through the thorough examination of ten key areas related to management's effectiveness in leading their team's safety attitude. The ten key areas are: General Manager Management, General Manager involvement, Hiring, Vehicle Specifications, Hours of Service, Safe Actions for Excellence (Allied's general safety handbook), Preventive Maintenance, Employee Recognition and Discipline, Allied Standards and Policies and Claims Management.
- **Monthly Focus 6 Training and Education.** This industry leading program is designed to bring our drivers attention to the six types of accidents that cause the greatest human tragedy and most disruption to our operation. These six categories are 1) Intersections 2) Employees 3)Rear Collisions 4)Rollovers 5)Pedestrians 6)Backing. Also included are DVD's, posters and talking points for training.
- **Weekly Safety Conference Calls.** We discuss safety topics as well as other safety related experiences in our Area in which we can learn from.

- **Daily Route Observations.** We have supervisors in the field ensuring Allied drivers are providing the proper services in a safe manner.
- **Monthly Safety Alerts.** This program consists of our regional and corporate headquarters safety department sending out alerts on various safety topics and safety related experience across the country that we can learn from and bring awareness to our employees.
- **School Safety Program.** This program provides tools for local management to go out into the schools and bring awareness to the importance of safety. Kids absolutely love our trucks and when they hear us in their neighborhood many times they will come out to watch. It is our goal to make sure that they understand the hazards surrounding our equipment and how we ensure the safety of our customers and children. This program includes child activities, DVD video, sing-a-long music video, posters, comic books, coloring books, and all material is available in both English and Spanish.
- **Not on My Watch.** This is a training video conveying Allied's employee charge to take personal ownership in safety.
- **Dedicated to Safety: Employee Safety Award Program.** This safety incentive program motivates employees to achieve greater levels of safety through monthly and annual awards. Employees enrolled in the program receive vouchers each month they have not had one of the following: a preventable accident; a lost-time injury; or a safety-related corrective action. Voucher values range from \$25 to \$75 or more. Vouchers are redeemed on-line for merchandise. Allied has had employees redeem vouchers for refrigerators for their new homes, television sets, sports equipment, and even jewelry for their spouses. This program generates excitement among employees and encourages them to take the extra time to make the best decision: one that will allow them to complete their day, month, and even career, accident and injury free.

Experience and Familiarity

Allied is a known entity through its service history, proven track record of exemplary performance, and impeccable safety record in Santa Barbara County. The Company has all the personnel, systems, equipment, and infrastructure in place to allow it to continue providing the same excellent service the County has come to expect from Allied. By continuing to utilize Allied as its Zone 2 contractor, the County will eliminate all the risk and expense associated with transition to a new contractor.

Additionally, the County of Santa Barbara requires specialized services for which Allied has developed the required expertise. Having served the County for 37 years, Allied has an intimate

working knowledge of and complete familiarity with the County's service conditions and requirements, and the specific needs of our customers, including:

- The County's residential and commercial customer base, current collection days and routes (collection schedule), and the means by which to ensure the optimal level of efficiency and minimal service disruptions to customers when new programs are implemented or routes modified;
- Container needs, set-out requirements and special collection needs of our customers—including those with unique collection applications and/or set-out locations such as time-sensitive collections, atypical container locations or collection requirements, container pushes, locked containers and enclosures, properties requiring special access (i.e., keys and remotes), and rapport with property owners and janitorial crews.
- Street and traffic patterns in the County and collection time frames relative to safety-sensitive areas such as schools, community centers and parks, libraries, and business districts.
- Billing requirements and special billing needs of owners and tenants.
- An existing customer database, billing, and work order system, with current account information for all customers, as well as an historical data base of information including a customer history of requests, work order processing and resolution, service notes, special service needs and requirements of our customers, billing and payment history, and tonnage information.
- Existing equipment and infrastructure in place that is tailored to the needs of our County customers and programs, and that is compliant with the terms of our Agreement with the County.
- Administrative requirements including monthly and quarterly diversion and tonnage reports, weekly call logs, annual reports and quarterly newsletters.

When taken in the aggregate, these elements and many more have significant value to the County and our customers. There is tremendous value associated with County residents' and businesses' familiarity with Allied's drivers, supervisors, customer service procedures, billing procedures and formats, and collection services in general. It would take years for another contractor to match Allied's level of service and extensive working knowledge of the County area we service and our knowledge of the needs and requirements of our customers. Moreover, since Allied is the current service provider in Zone 2, the burdens and risks otherwise associated with a transition to a new service contractor will be eliminated. As the current service provider for Zone 2, Allied's efforts under a new contract or contract extension can be focused on the new elements of the County program where change is occurring, ensuring the highest level of service and a seamless transition to new programs and enhancements.

Maintaining a Competitive Environment

Through the extension of Allied's current Agreement, the County will ensure the continuation of a competitive environment among the contractors servicing the five Zones in the County from the standpoint of overall performance and service, contract compliance and the benchmarks for measuring the same. This will ensure the highest level of service from all haulers servicing the County, and has been a basic tenet followed by the County, consistent with the County's requirement of having no one contractor servicing more than two of the five Zones in the County. Maintaining the current contracting scenario also ensures that the County has multiple haulers--- including one with the network of resources that Allied possesses- that are capable of responding to emergencies and providing back-up support should the need arise.

Extension Proposal

In addition to the benefits afforded the County in continuing its contractual relationship with Allied, as described above, Allied commits to the following program enhancements under a new or extended 10 year *Agreement* for solid waste, recyclable materials, and green waste collection.

- **Allied is proposing to implement an efficient, fully-automated curbside collection system:** In addition to the current fully-automated curbside recycling collection program (with the proposed enhancements noted below), Allied proposes to implement fully-automated curbside collection services for all residential trash and green waste collection. The size and quantity of automated trash and green waste carts will be based on current service level equivalents (i.e., a resident with a 4-can service level of two 32-g trash cans and two 32-g green waste cans, would receive one 64-g trash cart and one 64-g green waste cart). . Many County residents have expressed interest in, and have requested, wheeled carts for trash and green waste collection as they have enjoyed the benefits of the wheeled recycling carts currently provided by Allied. As such we are proposing early implementation of the three cart fully-automated program on or before January 1, 2011.

Significant savings to County residents:

This automated program in combination with the recycling program will yield a significant savings to County residents.

Allied is proposing to offer residents reduced rates for full implementation of fully-automated service to all Zone 2 residents. Rate reductions are estimated to be approximately 12.5% for residential curbside customers under this new program.

Additionally, roll out service will be provided upon request to disabled residents that are without means of getting carts to the curb.

Benefits of Automation:

- ✓ Heavy duty carts are easily wheeled to the curb for collection, even by children and the elderly. Because they are weighted, they resist tipping; because they have tight-fitting hinged lids, animals are unable to get into upright carts and lids stay with the carts.
- ✓ Carts give neighborhoods a neater, more uniform appearance on collection day.

- ✓ The automated collection program would eliminate the need for residents to purchase and maintain/replace their own trash cans, since Allied will be providing all carts under this program
- ✓ An additional benefit to a 3-cart system is an immediate increase in diversion of recyclable materials.
- ✓ Additional benefits of a fully-automated collection program include an increase in worker health and safety and improved efficiency and economy. The current manual collection system requires more container handling and is more labor intensive for our employees, which results in greater risk/incident of injuries and accidents, in comparison to a fully-automated system. Greater efficiency is realized from decreased downtime due to injuries and incidents, and from the increased productivity of the fully-automated system. Fully-automated collection routes can typically service more homes in a work day than manual collection routes, which means fewer collection vehicles are needed. This cuts down on traffic, wear and tear of residential and arterial streets and highways, and vehicle emissions.

The following program enhancements will be offered to the County whether it chooses our proposed fully-automated collection program, or elects to maintain the collection program that is currently in place.

- **Weekly curbside recycling collection:** it is proven that weekly recycling increases diversion, and many residents have expressed a desire for increased collection. Offering residents weekly collection, in effect, doubles the recycling capacity available to residents and will increase the amount of diversion realized under the County program due to greater participation by residents.

- **Blue 96 gallon recycling carts:** Allied proposes to replace the existing 32 gallon tan carts used by many residents currently, with larger 96 gallon blue carts (smaller containers will be available upon request). Not only will this provide uniformity in cart colors and a neater appearance on County streets, but it will increase the available cart capacity for recycling and eliminate the need to place certain recyclable materials (i.e., cardboard) next to the carts.



- **New CNG collection vehicles:** Allied's current fleet includes 6 new compressed natural gas (CNG) collection vehicles. The company proposes to replace older equipment with new CNG powered vehicles during the term of the contract such that the

entire Santa Barbara County fleet will eventually be powered with Alternative Fuel Engines.

- **New commercial bins:** All commercial bins will be replaced with new bins of uniform color and design over a 24 month period.
- **Residential household battery collection program:** Allied currently has a pilot battery collection program in place and we propose to offer this convenient collection program to all County residents in Zone 2 at no additional charge to residents. Residents will be instructed to put discarded alkaline batteries in a clear plastic bag and place on top of their recycling cart for curbside collection.
- **Enhanced commercial recycling program:** Allied will offer all existing commercial recycling cart customers a second free 96 gallon cart for increased recycling capacity, upon request.
- **Free trash, recycling and green waste collection for the Goleta Valley Union School District:** Allied currently provides recycling service to all elementary schools in Zone 2 at no charge and we will add trash and green waste collection at no charge, saving the District thousands of dollars annually. Currently, the district is self-hauling their own trash and incurring the cost of vehicle and container maintenance, fuel, labor, disposal and equipment replacement.
- **Enhanced Public Education and Outreach Programs:** Allied commits to enhance our current public education and outreach programs to County residents and businesses. The objective of the ongoing *Education Plan* is to maximize diversion, and motivate County residents and businesses to do the right thing for the environment, through increased environmental awareness and increased recycling and waste reduction activities, thus contributing to a more sustainable community. Allied recognizes that a clearly-stated, simple and concise message repeated consistently and through a number of effective media outlets produces the best results.
- **Unlimited Collection of White Goods, Televisions and Computer Monitors:** Allied will offer County residents unlimited collection of White Goods (refrigerators, washers, dryers, etc.), televisions and computer monitors, pursuant to a call in program.
- **AB939 Indemnification:** Allied is confident in our ability to meet and/or exceed all requirements associated with AB939. We will indemnify the County against any penalties or fines that may be imposed by the CIWMB resulting from our non-

compliance with the diversion requirements of AB 939 with respect to the waste stream covered by our Agreement.

- ✓ Allied Waste also commits to meeting the requirements of any new legislation that increases the current diversion requirements.

Summary

Allied's proposal (a) ensures continuity of service with a long standing service provider that has served the County well, with no transition risk to the County, (b) maintains competition between haulers as to performance measurement and contract compliance, which ultimately translates into higher standards of performance and service for County customers, and (c) provides added value to the County due to the many program enhancements described in this proposal. Allied urges the County of Santa Barbara to enter into discussions on this proposed contract extension such that the options presented herein may be fully explored and negotiated to provide the County ample time to process such information and execute an *Agreement* prior to expiration of the existing contract.