LETTER RECEIVED FROM SANITARY CITY DISPOSAL COMPANY RE FRANCHISE

City Clerk Reimche presented the following letter which had been received from Sanitary City Disposal, Inc. Council directed that the matter be reviewed by Staff and be brought back to the Council at the earliest possible date.

"Council Members:

With regard to the Franchise Contract matter set forth on the City Council agenda on May 16, 1984, I would like to summarize the basic principles to be discussed as follows:

Sanitary City Disposal Company and its subsidiary companies California Waste Removal Systems and Sanco Disposal Company are providing solid waste collection and recovery services for the City of Lodi and the northern San Joaquin County Area.

The Lodi community, of course, is the largest contributor of solid waste, generating 85% of the total volume of the northern San Joaquin County are· As a result, or operation is centered around fulfilling the solid waste collection and recovery needs of the Lodi community. In order to fulfill these needs, long-term planning is required for both operational and financial planning.

However, our current agreement with the City of Lodi concludes in June of 1989. Consequently, this has hampered our ability to establish a long-term financial plan to meet the ongoing equipment needs. Therefore, Sanitary City Disposal Company is requesting the City of Lodi to extend the term of the agreement between the City of Lodi and Sanitary City Disposal Company to the year 1994, with an option to the year 1999.

In looking at the needs of Sanitary City Disposal Company in terms of its ability to plan on a long-term basis, you must recognize a major problem in its ability to acquire adequate financing. As you know, solid waste collection requires the use of highly mechanized equipment of substantial cost. The efficiency and level of service in its operation is directly effected by the condition of its equipment.

The average life of well-maintained equipment is approximately seven years. Consequently, it is necessary for Sanitary City Disposal Company to replace equipment throughout its contract with the City. The problem of financing this equipment exists because amortization schedules for this type of equipment are based on life of five to seven years. Financial institutions look to the ongoing capabilities of our business when we seek financing. When we approach later years in our agreement with the City, financial institutions question our ability to meet pay-back schedules due to the termination date of the contract.

In short, the contract termination date supercedes amortization schedules for the financing of our transfer station/resource recycling facility as well as replacement equipment. Therefore, in order to facilitate our present and future financial obligations at the most favorable possible rate, it is our request that the term of the contract be extended to meet our amortization schedules.

In September, 1980, Sanitary City Disposal Company came before the City Council with a similar request for a contract extension. That request was not granted based upon the following reasons:

"1. A transfer station has not been built and therefore, any savings are only speculative at this time.

2. Until such time as a transfer station is in operation, we do not know the effects on refuse collection service levels or the actual usage of such a facility by the public.

3. Financing of the transfer station has already been obtained and Mr. Vaccarezza is moving forward with construction.

4. The present contract is less than 2 years old, and it is absolutely premature to consider any modifications of that contract."

Despite that decision, Sanitary City Disposal Company moved forward to assume a 20-year financial obligation to build a $1.5 million transfer station/resource recycling facility open to the general public. The facility opened to the general public on August 20, 1981, and has continuously operated seven days a week ever since.

The net result to Sanitary City Disposal Company and the City of Lodi has been a substantial reduction in the cost of labor, fuel, repair and maintenance as they relate to our solid waste collection system.

More significant, however, is the broad use of the facility by the general public. In 1983, over 17,000 people used the transfer station facility as opposed to making th 22-mile round trip to the Harney Lane Sanitary Landfill. Some of the benefits realized by the community in 1983 include:

1. A reduction of 391,000 miles of travel on city and county roads.

2. $90,000 in avoided transportation costs have been realized by the general public (based upon $.20 per mile)

3. A significant reduction in the environmental air pollution produced by the previously traveled distance.

4. Reduced litter and roadside dumping.

5. Diminished effect upon traffic conditions to and from the Harney Lane Landfill.

Furthermore, through Sanitary City Disposal Company's insight to incorporate into the system a buy-back recycling program and an intensive resource recovery program, we have been able to further enhance public and environmental well being. In 1983, 10,000 customers made use of the resource recovery/recycling program resulting in benefits to the community which include:

1. The generation of revenue in excess of $100,000 paid out to community youth programs, service clubs, local businesses and private individuals.

2. The recycling of over 5,000 tons of material back into the product manufacturing cycle. This in turn conserves valuable natural resources as well as the additional energy required to produce the equivalent products from virgin resources.

3. The avoided cost in excess of $50,000 for the collection and transportation of these materials.

4. The avoided cost of landfill disposal in excess of $25,000 realized by the citizens of Lodi and San Joaquin County.

5. The conservation of valuable agricultural land, resulting from the reduced land space required.

The departments within the City of Lodi have also realized the rewards of our collection, transfer and recovery efforts. In 1983, the City of Lodi entered into a five year agreement with Sanitary City Disposal Company to divert, at no charge to the City, over 7,000 tons of leaf collection material out of the landfill and into our resource recovery program. In addition, the City of Lodi delivered to our facility, at no charge, 657 loads of solid waste weighing 2,262 tons. A conservative estimate (based upon $.75 per mile) of the avoided cost of labor and transportation of solid waste alone exceeds $10,000 per year.

Sanitary City Disposal for the past three years has also provided, at no direct cost to the City of Lodi, $12,000 per year worth of collection services to city owned facilities throughout our community.

The long-range planning by Sanitary City Disposal in the 1960's and 1970's has become the reality of the 1980's --- a a reality that benefits the entire community by providing it with a cleaner, healthier and safer environment.

It is, therefore, with the above thoughts in mind that I make myself, as a representative of Sanitary City Disposal Company, readily available to the Council or its Subcommittee for immediate review of this approval.

Your early consideration of the above proposal is appreciated.

Respectfully,
s/David Vaccarezza
General Manager"

sanco itary city disposal inc.

May 14, 1984

Honorable Mayor and Members of the City Council
City of Lodi - City Hall
221 West Pine Street
Lodi, California 95240

Council Members:

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1333 East Turner Road / Post Office Box 319 / Lodi, California 95241 / (209) 369-8274

The average life of well-maintained equipment is approximately seven years. Consequently, it is necessary for Sanitary City Disposal Company to replace equipment throughout its contract with the City. The problem of financing this equipment exists because amortization schedules for this type of equipment are based on life of five to seven years. Financial institutions look to the ongoing capabilities of our business when we seek financing. When we approach later years in our agreement with the City, financial institutions question our abilty to meet pay-back schedules due to the termination date of the contract.

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Respectfully,

David Vaccarezza

David Vaccarezza
General Manager

DV/ch

cc: Henry Glaves
Jerry Glenn

CITY COUNCIL
WALTER KATNICH, Mayor
JAMES A. McCARTY, Mayor Pro Tem
RICHARD L. HUGHES
ROBERT G. MURPHY
JAMES W. PINKERTON, Jr.

CITY OF LODI

CITY HALL, 221 WEST PINE STREET
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(209) 334-5634

HENRY A. GLAVES, Jr.
City Manager

ALICE M. REIMCHE
City Clerk

RONALD M. STEIN
City Attorney

January 12, 1980

Mr. Dave Vaccarezza
Sanitary City Disposal Co.
1102 N. Cluff Avenue
Lodi, CA 95240

Dear Mr. Vaccarezza:

Following a report by Councilman Pinkerton regarding the recent meeting you had to consider Sanitary City Disposal Company's request for an extension of its franchise, Council concurred with the recommendation of its committee that the extension <u>not</u> be granted for the following reasons:

1. a transfer station has not been built and, therefore, any savings are only speculative at this time

2. until such time as a transfer station is in operation, we do not know the effects on refuse collection service levels or the actual usage of such a facility by the public

3. financing of the transfer station has already been obtained and Mr. Vaccarezza is moving forward with construction

4. the present contract is less than 2 years old and it is absolutely premature to consider any modifications of that contract

Should you have any questions regarding the Council's position on this matter, please do not hesitate to call.

Very truly yours,

Alice M. Reimche
City Clerk

AR:dg