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CITY COUNCIL MEETING
NOVEMBER 24, 1987

REFUSE RATE STUDY

CC-22(b)
CC-54

City Manager Peterson advised the Council that early last year the County of San Joaquin advised all haulers and agencies in the County that it would be uniformly imposing a $2.00 per cubic yard gate fee on all refuse brought to the Harney Lane Sanitary Landfill. The $2.00 charge went into effect for the City of Lodi industrial customers in July, 1986. At the request of the City Council in the spring of last year, the County agreed to delay the imposition of the $2.00 gate fee for the commercial and residential customers in the City of Lodi until January 1, 1987. Since then the gate fee has been increased to $2.45 per cubic yard effective September 1, 1987. The reason for the request was to allow the City time to conduct an in-depth evaluation of the City's refuse service and rate structure. On the staff recommendation, and with Mr. Vaccarezza in agreement, the City retained the firm of Eljumaily-Butler Associates, of Santa Rosa, recognized experts in the field of waste management, to perform this review and evaluation. The project leader was Mr. Duane Butler, a senior partner, well respected in this specialized field. The firm came highly recommended. This undertaking was a ponderous one, and as a result, extremely frustrating to all those involved. The assignment was not an easy one and the development of the necessary information was very time consuming. The report was distributed to the City Council earlier this year.

The purpose of this meeting is to provide the City Council with an opportunity to discuss policy issues and of the various elements that go into development of a rate structure. A number of policy items will have to be addressed in the process. Among these are:

. Do we bring the industrial community under the franchise? (at the present time it is not)

There are advantages and disadvantages to this action. On the plus side is the fact it gives the City Council greater flexibility in setting the rate schedule throughout the residential, commercial and industrial communities now and in the years to come. It also provides uniformity of service and prevents "rate wars" in that segment of our community. The down side is that it eliminates the freedom of choice of hauler for the industrial segment. But that freedom does not now exist in the residential and commercial segments. The matter of reusable materials and by-products will also have to be addressed.

. What should be the term of the franchise? Five years? Ten? Twenty? Should it be a rolling seven-year franchise with the ability to extend year-by-year to a

maximum of 15 years?

The advantages of a shorter franchise period is that it gives the City Council the opportunity to review the refuse operation at more frequent intervals and has a tendency to hold any hauler more accountable for his operation. The disadvantage is that it does not foster the kind of stability one would like to see in this type of operation. Obviously, the reverse can be said of the longer franchise period. The stability is there, but is it in the best interest of the City and its citizens to enter into very long-term commitments? Of course, contracts can always be terminated for cause, but that is usually a laborious and complex legal undertaking. The consultant's report recommends a rolling seven-year Franchise.

. Should the residential rates be partially underwritten by commercial and/or industrial service?

. If there is to be some support for the residential rate, what should be the level of that support?

. Should we continue with rear yard service (current service levels) or should we consider the implementation of mandatory curbside automated or semi-automated service?

It is easy to look at "the going rate" in other communities in the area and establish a rate structure based on that approach. In some cities its done primarily in that fashion and that is not necessarily all bad. In fact, when all is said and done, there must be some consideration for what will be acceptable to the community, sophisticated formulae notwithstanding. However, the various components of the rate structure will vary from one city to another and a direct comparison can be misleading.

For the City Council's information, the following rate information is presented:

Residential Refuse (one-can service)

| | | |
|---|---|---|
| 1981 | $3.85 | |
| 1982 | 4.05 | + 5.2% |
| 1983 | 4.45 | + 9.9% |
| 1984 | 4.87 | + 9.4% |

The current rate for residential refuse (one-can service) is that which was established by the City Council in 1984. It should be noted that the rate for a commercial one-yard bin was adjusted during the years noted above at approximately the same percentages.

City Manager Peterson reiterated that the purpose of this meeting is to review the overall operation and to devote

some time to the consideration of what are key policy issues.

REIMBURSEMENT OF DUMP FEES FROM CITY OF LODI

| Month | Amount |
|---|---|
| January 1987 | $26,854.00 |
| February 1987 | $25,110.00 |
| March 1987 | $27,136.00 |
| April 1987 | $29,474.00 |
| May 1987 | $28,168.00 |
| June 1987 | $28,344.00 |
| July 1987 | $28,992.00 |
| August 1987 | $25,270.00 |
| September 1987 | $32,626.65 |
| October 1987 | $34,175.05 |
| Total | $286,149.70 |

Policy Items

The following are policy items which reflect on the recommendations contained in this report.

1. Execution of the draft Franchise Agreement, provided separately, brings industrial waste disposal under the rate setting aegis of the City.

2. The draft Franchise Agreement provides for a 7-year rolling franchise rather than for a set number of years, with the ability to extend, year-by-year, for a maximum of 15 years.

3. Decide whether residential rates should be partially underwritten by commercial and/or industrial service.

4. If the decision is to provide support to the residential rates, the level of support must be selected, and the degree of support to be provided by other users must be determined.

5. A determination should be made concerning the continuation of rear yard service (current service levels)

or whether mandatory curbside automated service is to be selected.

RECOMMENDATIONS

Subject to the policy decisions which effect the matters discussed in this report, the following is recommended:

1. Amendments to the municipal code be adopted enabling the execution of a Franchise Agreement, and enabling the City Council to adopt fees by resolution. A draft amendment has been provided separately.

2. Execute a Franchise Agreement with Lodi Sanitary City Disposal, Inc., to include residential, commercial and industrial service. A draft agreement has been provided separately.

3. Adopt per can rates at a selected level of contractor profit before taxes. Rates may either be self-supporting or receive support from elsewhere within the system. See Table 2.

4. As an alternative, move to a flat rate of $9.50 per month for mandatory curbside wastewheeler service. Requires rate support. See Table 1.

5. Adopt commercial rates with the appropriate support of the residential service. (Example is 10% Contractor's profit before taxes.)

6. Adopt industrial rates with the appropriate support of the residential service. (Example is 10% = Contractor's profit before taxes.)

TABLE 1

RECOMMENDED RESIDENTIAL RATES PER MONTH

Rear yard service

Recommended: Individual can rates. No rate support.

| | |
|---|---|
| 1 can | $ 9.07 per month |
| 2 cans | $11.87 per month |
| 3 cans | $14.68 per month |

Curbside wastewheeler service

Recommended: Flat rate, 90 gallon wastewheeler, $9.50 per month. Requires rate support.

SUMMARY

The following is an evaluation of the several activities which, together, comprise the solid waste collection and transportation network for the City of Lodi. The evaluation took the form of an operational survey of residential, commercial and industrial waste collection, review of the transfer operation, and of the wood fuel composting and recycling operation. Rates for service based on the Contractor's 1986-87 and 1987-88 budgets have been calculated based on the costs of operation, profit, disposal charge and municipal franchise fee.

Rates for each type of service are examined and discussed. The report also contains a draft Franchise Agreement and a draft update of the City Code which have already been provided. The Agreement suggests a franchise which can be extended year-by-year, thereby resulting in a "rolling" multi-year agreement. The franchise may be terminated for cause, or allowed to expire in a set period.

A key element of the recommendations for 1987-88 is the inclusion of industrial refuse service in the franchise. Commercial container rental is also included in the recommended 1987-88 rates. This would bring all solid waste activities under franchise. The Draft Agreement calls for all rates to be reviewed on a periodic basis with intervening adjustments based on a cost of living factor.

Residential rates have been prepared for a continuation of rear yard service, and alternatively, for curbside wastewheelers.

Rates have also been computed for commercial container collection service including container rental, and for collection of industrial roll-off bins. The residential rate may include support from other users.

It has not been recommended that the public support continuation of either the composting project or the wood fuel reclamation operation. The Contractor has terminated both of these operations and does not plan to undertake them unless economically and practically feasible. The recycling center is proposed to stay in operation.

All rates have been computed to indicate the amounts required to cover actual costs, and the impact of 8% franchise fees (15% as current, less 7% paid to the County), various rates of profit, and $2.00 per cubic yard dump fee (replaces the 7% formerly remitted to the County).

If per-can residential rates were adopted without support from elsewhere in the system, the unsupported rates would

be $9.07, $11.87 and $14.68 respectively for 1, 2 and 3 can service at a contractor's profit margin of 10% before taxes.

A curbside wastewheeler service is also examined. Unsupported rates of $14.00 per month are justified at 105 profit before taxes. The report describes one sample of a supported rate, $9.50 per month, and the resultant commercial and industrial contributions which would be necessary.

Commercial rates are recommended to about double including provision for $2.00 per cubic yard dump fee at the landfill and container rental. Rates vary based on the number of containers and the frequency of collection.

It is likely that some policy decisions will be required to establish allowable contractor's profit, type of residential service to be rendered, and the amount and manner of provision of any infusion of funds from other users to help support residential rates. Sample calculations are provided which, together with the information contained in the various tables, can be used to determine alternative rates to the specific examples shown.

A very lengthy discussion followed with questions being directed to Staff and to Mr. Dave Vaccarezza of Sanitary City Disposal Company.

Staff was directed to work up various scenarios including proposed appropriate rate structures for Council review.

No formal action was taken by the Council on the matter.

# MEMORANDUM

TO: The Honorable Mayor and
Members of the City Council

FROM: City Manager

DATE: November 13, 1987

SUBJ: Policy Discussion on Solid Waste Collection, Transport and Disposal

The topic for discussion at the Shirtsleeve Session to be held Tuesday, November 17, 1987, is the City of Lodi's refuse collection service. Mr. Dave Vaccarezza, of Sanitary City Disposal Co., Inc., the City's contract hauler, will be in attendance to participate in the discussion, answer questions, and generally assist the City Council by providing whatever information on his company's operations the Council should desire.

Early last year the County of San Joaquin advised all haulers and agencies in the County that it would be uniformly imposing a $2.00 per cubic yard gate fee on all refuse brought to the Harney Lane Sanitary Landfill. The $2.00 charge went into effect for the City of Lodi industrial customers in July, 1986. At the request of the City Council in the spring of last year, the County agreed to delay the imposition of the $2.00 gate fee for the commercial and residential customers in the City of Lodi until January 1, 1987. Since then the gate fee has been increased to $2.45 per cubic yard effective September 1, 1987. The reason for the request was to allow the City time to conduct an in-depth evaluation of the City's refuse service and rate structure. On the staff recommendation, and with Mr. Vaccarezza in agreement, the City retained the firm of Eljumaily-Butler Associates, of Santa Rosa, recognized experts in the field of waste management, to perform this review and evaluation. The project leader was Mr. Duane Butler, a senior partner, well respected in this specialized field. The firm came highly recommended. This undertaking was a ponderous one, and as a result, extremely frustrating to all those involved. The assignment was not an easy one and the development of the necessary information was very time consuming. The report was distributed to the City Council earlier this year.

The purpose of this Shirtsleeve Session is to provide the City Council with an opportunity to discuss policy issues and of the various elements that go into development of a rate structure. A number of policy items will have to be addressed in the process. Among these are:

- Do we bring the industrial community under the franchise? (at the present time it is not)

  There are advantages and disadvantages to this action. On the plus side is the fact it gives the City Council greater flexibility in setting the rate schedule throughout the residential, commercial and industrial communities now and in the years to come. It also provides uniformity of service and prevents "rate wars" in that segment of our community. The down side is that it eliminates the freedom of choice of hauler for the industrial segment. But that freedom does not now exist in the residential and commercial segments. The matter of reusable materials and by-products will also have to be addressed.

- What should be the term of the franchise? Five years? Ten? Twenty? Should it be a rolling seven-year franchise with the ability to extend year-by-year to a maximum of 15 years?

  The advantages of a shorter franchise period is that it gives the City Council the opportunity to review the refuse operation at more frequent intervals and has a tendency to hold any hauler more accountable for his operation. The disadvantage is that it does not foster the kind of stability one would like to see in this type of operation. Obviously, the reverse can be said of the longer franchise period. The stability is there, but is it in the best interest of the City and its citizens to enter into very long-term commitments? Of course, contracts can always be terminated for cause, but that is usually a laborious and complex legal undertaking. The consultant's report recommends a rolling seven-year Franchise.

- Should the residential rates be partially underwritten by commercial and/or industrial service?

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The current rate for residential refuse (one-can service) is that which was established by the City Council in 1984. It should be noted that the rate for a commercial one-yard bin was adjusted during the years noted above at approximately the same percentages.

The purpose of Tuesday morning's session is not to get into the specifics of a rate adjustment. That topic and the accompanying refuse collection ordinance and franchise agreement will be brought to the City Council at a later date, hopefully in the immediate future. Rather, as I mentioned earlier, the purpose of this meeting is to continue our review of the overall operation and to devote some time to the consideration of what are key policy issues.

TAP:br

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FROM
CITY OF LODI

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5. Adopt commercial rates such as shown on Table 2 with the appropriate support of the residential service. (Example is 10% Contractor's profit before taxes.)

6. Adopt industrial rates such as shown on Table 3 with the appropriate support of the residential service. (Example is 10% Contractor's profit before taxes.)

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California Waste removal systems, inc.
Transfer & Recycling Center

November 16, 1987

Lodi City Council
City of Lodi
222 West Pine Street
Lodi, CA 95240

Re: Waste Cart Survey
California Waste Removal Systems

Dear Madame Mayor and Honorable Councilmembers:

On October 15, 1987, a survey of 1,988 Lodi residents currently using waste cart service was conducted by California Waste Removal Systems. Waste cart service has been offered to Lodi residential customers for over three years. The results were gathered and compiled through November 13, 1987. (See the attached questionnaire.) Of those customers surveyed, 990 or 49.8% responded. The findings of this survey are presented for your review and consideration. Of those who returned their questionnaires, 36% had specific additional comments which have been categorized as follows:

I. POSITIVE FEEDBACK

A. Large capacity - ideal for combining garbage, lawn and garden rubbish.

B. Less noise - no clanging of conventional metal cans and lids.

C. Animal proof - no knocked over cans and unsanitary conditions.

D. Ease of handling - conveniently rolled about - youngsters and seniors can handle.

E. Durability - Well built waste carts versus low grade conventional cans and plastic bags.

II. CUSTOMER CONCERNS

A. Benefits of City-wide implementation.
B. Cost of program.
C. Placement of containers.

1333 E. Turner Road / Post Office Box 319 / Lodi, CA 95241-0319 / (209) 369-8274

California waste removal systems, inc.

Transfer & Recycling Center

Based on the results of the survey and the above comments, the conclusions of those currently using waste carts indicate a strong preference to remain with their roll-out collection system as well as an overwhelming recommendation for the City Council to endorse city-wide implementation of such a program.

From a collection company perspective, a uniform automated collection system would reduce worker injuries, provide fast and efficient service, and replace the immediate need for new equipment and labor costs. Start up costs for such a system would be off-set by nominal future requirements for labor and equipment.

CALIFORNIA WASTE REMOVAL SYSTEMS

1333 E. Turner Road / Post Office Box 319 / Lodi, CA 95241-0319 / (209) 369-8274

California Waste removal systems inc.

Transfer & Recycling Center

Dear Valued Customer:

California Waste Removal Systems has offered waste cart (waste wheeler) service to the residents of Lodi for nearly three years now. Since you are one of our customers who has used the waste cart, we would like to ask you for your opinion about the waste cart system. Please complete this form and send it back in the enclosed stamped self-addressed envelope, no later than October 31, 1987. Your opinion is very important to us.

We would like you to tell us how you like using your waste cart and how you compare this new service with your old standard backyard can service.

| 1.) | Much Better | Better | No Difference | Not As Good As | Much Worse |
|---|---|---|---|---|---|
| Capacity | 75% | 18% | 05% | 02% | 00% |
| Ease to Move to the Curb | 86% | 10% | 02% | 01% | 01% |
| Spilled Trash | 67% | 19% | 13% | 01% | 00% |
| Animals/Rodents Getting Into Contents | 70% | 13% | 16% | 00% | 01% |
| Odors | 51% | 22% | 25% | 02% | 00% |
| Neighborhood Appearance on Collection Day | 68% | 20% | 08% | 03% | 01% |

2.) Would you buy plastic bag liners for the waste cart, if offered by our company, at a cost of 30 cents a piece? YES 25% NO 75%

3.) Would you advise the Lodi City Council to implement waste cart collection throughout Lodi? YES 70% NO 30%

Thank you for participating in our pilot program. If you have any additional comments, they would be appreciated.

TOTAL NUMBER OF SURVEYS SENT: 1,988

TOTAL NUMBER OF SURVEYS RETURNED: 990

1333 E. Turner Road / Post Office Box 319 / Lodi, CA 95241-0319 / (209) 369-8274