
Franchise Agreements for Solid Waste Haulers in Dallas

Briefing to **Quality of Life Committee**

January 8, 2007

Department of Sanitation Services

Presenter: Mary Nix, Director Sanitation Services

Purpose of briefing

- Remind committee of 2005 Charter Amendment (Proposition 9)
- Note that ordinances changed Sept 2006
- Prepare committee for Council actions to award franchise agreements
- Note Concerns of Industry
 - Additional expense to customers
 - Recyclers feel permitting is more practical

Background

- Dallas is an open market for waste haulers
- Approximately 400 waste haulers
- Permit program last modified 1992
- Unknown volume of commercial business

How the City Regulates Haulers

- **Purpose of regulating waste haulers**
 - Provide oversight of waste hauling industry within city
 - Ensure all waste haulers meet Health and Safety standards
 - Ensure Environmental compliance
 - Authority given by City ordinance, TCEQ
- **Regulated by permit and sticker (decal) system**
 - \$65 per vehicle per year
 - \$85 per container per year
- **Generates \$1.9 million annual revenue**
 - Top 25 customers generate 75% of revenue
- **Fee justification for:**
 - infrastructure upkeep
 - cost of monitoring haulers for regulatory violations
- **Self-reporting format (annual permit requirement)**
 - Periodic field surveys for compliance

How Do Others Regulate Haulers?

- Municipalities oversee private haulers via:
 - Exclusive franchise
 - Non-exclusive Franchise
 - Non-exclusive Right-of-Privilege
 - Vehicle permits
 - No formal method
- Cities may haul commercial waste themselves
 - Denton, Frisco, Wichita Falls

Why Dallas changed the process

- Becoming the industry standard
 - 42% of cities contacted use franchise
- Manageability:
 - No annual sticker replacement
 - Approx 1,000 vehicles require decals
 - No container fee stickers / decals to replace
 - Approx 20,000 containers citywide
 - Some haulers – up to 7,000 dumpsters to sticker each year
- Generates additional revenue - \$300,000 est. based on 4% of haulers' gross revenues
- Proposition 9 City Charter Amendment (2005)
 - Expands the right to franchise to solid waste services

Timeline

2005

- Nov Charter amendment for solid waste franchise

2006

- Sept 27 City Code amended by Council action
- Sept/Oct Send notice to all commercial haulers

2007

- Jan 24 Award of franchise of first series of applicants
Subsequent awards throughout FY07, as applicants submit
- Feb 24 First set of fees received from franchisee
- Dec 31 Annual reports due
- Dec/Jan Commence audits

Implementation Process

- Notify affected commercial haulers of planned change from “permit” system to “franchise” system
- Implement ordinance changes
- Haulers apply for franchise agreement with city
- City issues franchise agreements via Council action
- City issues vehicle decals for hauling trucks
- Franchisee sends monthly revenue report of revenues with 4% fee remittance to City
- Franchisee sends annual report to City
- City periodically audits Franchisee’s financial statements (via City auditor)

Opinions of Solid Waste Haulers

Here's what Dallas' solid waste haulers told us when we introduced the franchise fee plan to them:

- Have been anticipating the change
- Surprised it hasn't been implemented earlier
- It's easier to manage than container stickers
- Concerned about added expense to customers
- Recycling firms do not like being included
 - See themselves as separate from "solid waste" firms
 - Worried that this will impair recycling efforts
- Metal recyclers don't know how to calculate City fee
 - No charge for hauling – only refund for metal by weight
 - Asked to be exempted

Franchise Agreements

Each agreement is an ordinance that contains specific guidelines for franchisee's operation and fee payments:

- Defines financial requirements
 - Calculate fee as 4% of gross receipts of hauling done in Dallas
 - Payments due monthly
 - Types of acceptable payments, EFT, checks
- Annual report from franchisee due at the end of calendar year, specific required information is listed
- Audit procedures:
 - Hauler may be audited any time
 - Scheduled audits will begin after the first series of annual reports received.
- Defines the information to be included in monthly reports
- Revocation Procedures
- Default conditions defined
(Failure to pay fee; failure to pay taxes; bankruptcy)