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# Franchise Agreements

for

Solid Waste Haulers in Dallas

For **Quality of Life Committee**

March 26, 2007

Presenter: Mary Nix, Director Sanitation Services



# Purpose of briefing

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- ❑ Remind committee of 2005 Charter Amendment
- ❑ Note that ordinances changed Sept 2006
- ❑ Update Committee on amendment proposed for 3/28/07 agenda
- ❑ Request Committee support for Council action to:
  - Amend franchise ordinance to exclude recyclers
  - Award 80 franchise agreements on 03/28/07 agenda

# Background

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- ❑ 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

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- **Purpose of regulating waste haulers**
  - Provide oversight of waste hauling within city
  - Ensure all waste haulers meet Health and Safety standards
  - Ensure environmental compliance
  - Authority given by City ordinance, TCEQ
- **Regulated by permit (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 (annually)**
  - Periodic field surveys for compliance

# How Do Others Regulate Haulers?

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- **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

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- **Franchises are 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
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# Timeline

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## 2005

- ❑ Nov Charter amendment for solid waste franchise

## 2006

- ❑ Sept 27 City Code amended by Council action
- ❑ Sept/Oct Sent notice to all commercial haulers; received feedback from solid waste and recycling community
- ❑ Oct/Dec Drafted amendments to ordinance to exclude recyclers

## 2007

- ❑ Mar 28 Amend franchise ordinance  
Award franchises for first series of applicants  
Subsequent awards throughout FY07, as needed
- ❑ May 07 First set of fees received from franchisee
- ❑ Dec 31 Annual reports due
- ❑ Dec/Jan Commence audits

# Implementation Process

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- ❑ Notify affected commercial haulers of planned change from “permit” system to “franchise” system
- ❑ Received comment and drafted ordinance change to accommodate recycling industry
- ❑ 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

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*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 passing on added expense to customers
- Recyclers seek alternative method of oversight

# Franchise Agreements

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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
  - 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 information to be included in monthly reports**
- **Revocation Procedures**
- **Default conditions defined**  
(Failure to pay fee; failure to pay taxes; bankruptcy)

# Addressing Recycling haulers

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- **Recyclers excluded from franchise requirements**
  - Recycling haulers affect city's infrastructure in the same way as solid waste haulers
  - However, Recyclers compensated differently than solid waste haulers
    - "gross receipts" term does not apply
    - may require different type of fee assessment system
  - Recyclers and city staff to craft alternate means of fee assessment over next 6 months
    - City Auditor and City Attorney to assist
- **Chapter 40 licenses scrap metal haulers only**
  - Intent to deter theft of marketable metals
  - Code requires annual fee of \$245 for DPD oversight
  - Not intended to reach all recyclers

# Next Steps

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- ❑ Council consideration of March 28<sup>th</sup> agenda items #47 and #48
  - Item #47 – Modifies the franchise ordinance to exclude recyclers, clarify term “gross receipts,” and set penalties
  - Item #48 – Awards franchise agreements (as ordinances) to 80 solid waste haulers
- ❑ Additional franchises to be awarded as applications received
- ❑ Propose alternative ordinances to address recycling haulers