



CITY OF COMMERCE AGENDA REPORT

TO: City Council

FROM: Interim City Administrator

SUBJECT: Commercial Refuse Management

MEETING DATE: April 18, 2017

Item No. _____

RECOMMENDATION:

Provide direction to establish an exclusive franchise agreement type of system for commercial refuse and recycling services.

BACKGROUND/ANALYSIS:

There are 25 licensed refuse haulers in addition to 29 licensed recyclers operating in Commerce. The industry standard is one hauler servicing the entire city for both refuse and recycling under an exclusive franchise agreement. Cities operating with one exclusive franchised hauler include the Cities of Bellflower, Downey, Huntington Park, Paramount, Pico Rivera, and South Gate. The City of Norwalk is serviced by two haulers and Santa Fe Springs by three haulers.

The City attempted to reduce the number of haulers servicing Commerce effective January 1, 1983, by restricting licensees to those in existence at that time. The City expected licensed commercial haulers to reduce to 12 as licenses lapsed. However, only one has been removed from the licensed hauler list to date. In 1988, the City adopted Chapter 6.06 of the Commerce Municipal Code relating to "Garbage and Refuse," creating a non-exclusive refuse licensing policy for commercial waste haulers. *Chapter 6.06 also created an "open competitive system" in which businesses in the City may choose any licensed commercial refuse hauler from the list to service their business for waste collection.*

Since 1988, a number of refuse companies were acquired and merged with other refuse companies. However, since the Commerce Municipal Code does not allow for the transferring of a business license, the parent company is operating without a license while the subsidiaries are reporting their individual licensing operations and sending separate payments.

The following table represents the vast number of refuse companies operating in the City.

Commercial Refuse Haulers – 25 licensed

# of Cust.	# of Trucks	Refuse Company	Licensed Hauler	Parent Company	Staff Recommendation
249	6	Waste Management	Yes		
147	5	Haul Away Rubbish Service	Yes		
161	8	Athens	Yes		
119	2	AAA Rubbish	Yes		
132	2	Calmet Services	Yes		
74	2	Key Disposal	Yes		
67*	2	Cal-Waste Industries	Yes	Republic Services/ CDS	Assign Republic a license & consolidate
42	1	GB Services	Yes		
33*	5	Browning Ferris Industries (BFI)	Yes	Republic Services	Assign Republic a license & consolidate
20	2	Peerless Disposal	Yes		
24	1	Universal Waste	Yes		
13*	1	Wilshire Disposal	Yes	Republic Services/ CDS	Assign Republic a license & consolidate
		Perdomo& Sons Inc.	Yes	Republic Services	
8	2	American Reclamation	Yes		
7	1	Commercial Waste Services	Yes		
2	1	AM Disposal	Yes		
1	1	All Service Disposal	Yes		
1	1	East and West Disposal	Yes		
1	1	Goodwill Disposal	Yes		
1	1	Van Disposal Service	Yes		
0	0	Sav Way Disposal	Yes		
3	3	Angelus Western Paper Fibers	Yes		Reassign to a recycling license
0*	1	Tom Mendrin Rubbish	Yes	Republic Services/ Cal-Waste	Assign Republic a license & consolidate
0*	0	Republic Services	No		Consolidate subsidiaries
0*		Consolidated Disposal Service (CDS)	No	Republic Services	Assign Republic a license & consolidate
43					

* 154 with a consolidation

Typically, refuse haulers also serve as recyclers for their customers under the same refuse collection license or franchise agreement. However, the City also allows for the separate licensing of companies who solely provide recycling services. As a result, in addition to 25 licensed refuse haulers, the City also has 29 licensed recyclers who recycle:

- Paper
- Wood pallets
- Metals
- Plastic
- Cooking oil
- Motor oil and
- Food scraps
- Greenwaste

The following table represents the 29 licensed recycling companies operating in the City.

Active Recycling Co., Inc.

Al's Plastics

Angelus Western Paper Fibers, Inc.

Asco Metals

Atlas Iron & Metal Co.

Aztlan Pallets Inc.

Baker Commodities

Belmont Fibers, Inc.

**Berco Services/ Bell Gardens
Recycling**

California Recyclers

Calmel Services, Inc.

City Fibers Inc.

Corridor Recycling

Eco-Pan Inc.

Get Wet Roll Off, Inc.

GP Harmon Recycling LLC

Imperial Western Products, Inc.

Jos. Levin & Sons

Kramer Metals, Inc.

Let's Roll Roll-Off Service, Inc.

Marwes Metals, Inc.

Pan Pacific Fiber, Inc.

Recycle To Conserve

Recycled Wood Products

Scor Industries

Serv-Well

Superior Metal Company

Wilson's Metal Exchange, Inc.

World Oil Environmental Services

State Mandated Regulations for Commercial Recycling

The California Department of Resources Recycling and Recovery (CalRecycle) adopted new regulations requiring commercial recycling effective July 1, 2012. As a result, the City adopted Ordinance Number 643 which requires all businesses that generate more than 4 cubic yards of waste per week and multi-family residential with at least 5 units to establish recycling services through their City-authorized licensed refuse/recycling hauler and/or self-haul recyclables. It also allows businesses to sell or donate their recyclables.

In 2016, CalRecycle expanded the Commercial Recycling mandate to apply to more commercial properties and include organics recycling such as lawn waste and food. The phased implementation in accordance with the State mandate is as follows:

- Effective April 1, 2016 - Businesses generating 8cy or more of organic waste/week
- Effective January 1, 2017 - Businesses generating 4cy or more of organic waste/week
- Effective January 1, 2019 - Businesses generating 4cy or more of commercial solid waste/week

- Effective January 1, 2020 - Businesses generating 2cy or more of commercial solid waste/week (only applies if the statewide disposal of organic waste has not been reduced by 50% of the level of disposal in 2014)
- All multi-family residential properties with at least 5 units must comply with this mandate as well. However, they are not required to arrange for food waste recycling services.

Impacts to City Responsibilities

The City is responsible for preparing and submitting an Annual Recycling Report to CalRecycle to demonstrate compliance with all applicable recycling regulations. The Commercial Recycling Mandates have significantly increased staff's business outreach efforts, data gathering needs, and reporting responsibilities. In an effort to ensure the City's compliance, CalRecycle also conducts an annual conference call and follow-up site visit. Each year, CalRecycle continues to ask staff for the status of establishing required commercial reporting and enforcement. Typically, this is accomplished through agreements between cities and refuse/recycling haulers. However, the City only contracts for residential service and not commercial services. Reporting recycling quantities, materials recycled and the number of recycling accounts established is on a voluntary basis under the current open system. The commercial reporting results are not satisfactory to meet State requirements. As a result, CalRecycle sent a letter to the City dated March 22, 2017 and March 30, 2017 (enclosed) to notify the City that an independent review of the City's compliance efforts is necessary. If the City's program and reporting efforts is deemed non-compliant and the City does not satisfy the requirements of the mandated program, the State could assess fines of up to \$10,000 per day.

Options for Consideration

Since the present "open competitive system" does not require commercial haulers to provide for and report recycling services and amounts collected to satisfy the State Commercial Recycling Mandate, there are two options the City Council may wish to consider as follows:

Option 1 Non-Exclusive Franchise Agreement – Some City Regulation	Option 2 Exclusive Franchise Agreement – Most City Regulation
Non-exclusive franchise agreement with each existing refuse hauler	Exclusive franchise agreement with one – three hauler(s) from competitive bidding
Rates set by licensees, service conditions set by City in a non-exclusive franchise agreement	Rates and service levels set by City and hauler in an exclusive franchise agreement
Potentially – 24 (12 refuse, 12 recyclers) Consolidate subsidiaries under parent co., expire license with "0" customers reported in a 12-month period, and prohibit additional licensed recyclers	Maximum of 3 Divide the City into sanitary zones if more than one hauler, assign one hauler to each zone for both refuse & recycling services. Discontinue separate recycler licensing
Apply same \$500 fee/vehicle to all refuse	Apply \$500 fee/vehicle to awarded refuse

haulers and recyclers. Recyclers are paying \$150 per vehicle.	haulers under an exclusive franchise agreement
Increase hauler license fee to 13% from current 11% and require all licensees to pay the % of gross receipts, currently not charging recyclers	Hauler to propose exclusive franchise fee with their bid.

Service level conditions for consideration with Option 1 or 2 include:

1. Operation of only CNG/LNG refuse vehicles.
2. Age of equipment to be no older than 10 years and require vehicle ownership documentation.
3. Containers provided to customers should be leak-proof.
4. Placement of refuse/recycling containers should not impede the flow of traffic, cause a hazard or reduce parking spaces.
5. Special waste handling such as hazardous, medical, and restaurant-generated food waste.
6. Penalty for late payment of franchise hauler fee.

Option 1

Implementing Option 2 could reduce the number of refuse haulers to 12 should not all licensees be able to operate under new service level conditions established in a non-exclusive agreement.

Projected Revenues – Option 1

Fee Type	Amount Charged	Annual Actual Revenue	Date of Last Increase	Proposed Increase	Projected Annual Increase
Gross Receipts	11%	\$675,521	August 2010	13%	\$101,000
Business License – Refuse (62)	\$500/vehicle	\$ 31,000	July 1992	n/a	\$ 0
Business License – Recycler (42)	\$150/vehicle	\$ 6,300	July 1992	\$500/vehicle	\$14,700
Total					\$115,700

Option 2

Implementing Option 2 would involve hiring a consultant to bid out the City's commercial refuse collection system. Under an exclusive franchise agreement, the City would regulate the number of haulers authorized to collect refuse, negotiate rates, service levels, and an exclusive franchise fee which would replace the existing hauler license fee and regulate equipment and containers used.

Revenue projections under Option 2 will depend on the results of a competitive bid and negotiations with the exclusive haulers. A competitive bid may result in lower costs for some businesses to dispose of refuse depending on which hauler they are using and what

their current charges are. In order to increase revenues, an exclusive franchise hauler fee would need to be set at a potentially higher rate than the current 11% on gross receipts last increased in August 2010 from 9%.

Staff recommends Council approve establishing an exclusive franchise refuse and recycling service system (Option 2) citywide and direct staff to return for authorization to release a Request for Proposals soliciting bids.

ALTERNATIVES:

1. Approve staff recommendation
2. Disapprove staff recommendation
3. Provide further direction to staff

FISCAL IMPACT:

Option 1 would yield an estimated \$115,700 in additional revenues per year based on a 2% increase to the hauler franchise fee. Option 2 would be determined through a competitive bid and negotiations with a limited number of exclusive haulers.

RELATIONSHIP TO STRATEGIC GOALS:

The item is related to:

Infrastructure and Facilities - Guiding Principle 1: Establish routine and industry best practice maintenance guidelines to monitor the efficiency and operability of current below and above grade infrastructure and facilities.

Action Item - Environmental Compliance, Monitoring, and Reporting: City oversight and management of environmental compliance for development projects, regulations, public engagement, and coordination with other agencies.

Approved by: Maryam Babaki, Director of Public Works and Development Services

Prepared by: Gina Nila, Deputy Director of Public Works Operations

Reviewed by: Vilko Domic, Finance Director

Approved as to form: Eduardo Olivo, City Attorney

Respectfully submitted: Matt R. Rodriguez, Interim City Administrator