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DEPARTMENT OF  
PUBLIC WORKS  
  
SOLID WASTE DIVISION

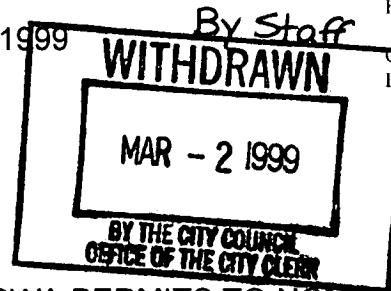
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February 11, 1999



City Council  
Sacramento, California

Honorable Members in Session:

**SUBJECT:** PROPOSED CONVERSION OF SWA PERMITS TO NON-EXCLUSIVE  
FRANCHISES AND IMPLEMENTATION OF A FRANCHISE FEE

**LOCATION AND COUNCIL DISTRICT:** Citywide

**RECOMMENDATION:** This report is for City Council information.

**CONTACT PERSON:** Reina J. Schwartz, Solid Waste Manager; 264-7043

**FOR COUNCIL MEETING OF:** March 2, 1999

**SUMMARY:**

Sacramento County is considering proposing that the Sacramento Regional County Solid Waste Authority (SWA) convert the existing permits for commercial refuse hauling to non-exclusive area franchises and implement a franchise fee as a percentage of the revenues for commercial refuse haulers in the SWA region.

**COMMITTEE/COMMISSION ACTION:** None

**BACKGROUND INFORMATION:**

Sacramento County is considering proposing that the Sacramento Regional County Solid Waste Authority (SWA) implement a franchise fee equal to 10 to 15 percent of revenues for commercial refuse haulers permitted in the SWA region (which includes the City of Sacramento's commercial collection business). The revenues raised would be returned to the SWA member jurisdictions in proportion to their population share in the region. At the 12 percent level, the franchise fee would generate about \$4 million

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for Sacramento County and about \$2.4 million for the City of Sacramento. Sacramento County is proposing that the tipping fee at Kiefer Landfill be lowered at the same time-- from \$28.05 per ton currently to \$24.50 per ton. This could offset a small portion of the increased costs from the franchise fee for any waste ultimately taken to Kiefer.

Sacramento County is faced with a financial crisis at Kiefer Landfill as they lose tonnage going into that facility. In addition, the County is facing a legal challenge with respect to their "Asset Fee" which is charged to their enterprise funds by the County General Fund (similar to the City's in-lieu franchise fee which was recently replaced with a utility fund tax approved by the voters). The Asset Fee currently provides in excess of \$4 million annually to the County General Fund. For these reasons, the County is identifying options for reducing costs and increasing revenues related to the landfill.

The City/County Solid Waste Advisory Committee (SWAC) is scheduled to discuss this item at their next meeting (11:30 am, March 2, 1999). Staff will present any recommendations from SWAC verbally at the City Council meeting where this item will be heard. In addition, the Sacramento County Board of Supervisors is scheduled to take up this issue at their afternoon meeting on March 2<sup>nd</sup> as well. Staff will provide the Council with a follow-up memorandum summarizing the County Board's discussion and any action. The item is currently scheduled for action at the March 11, 1999 Sacramento Regional County Solid Waste Authority Board meeting.

#### **FINANCIAL CONSIDERATIONS:**

At the 12 percent level, it is estimated that the imposition of the franchise fee would result in net new revenues to the City of Sacramento of approximately \$2.2 million annually. The franchise fee itself would return about \$2.4 million to the City; approximately \$200,000 would be required to offset a portion of the increase to City of Sacramento commercial customers so that they do not pay a double franchise fee since our customers already pay a 10 percent utility fund tax as approved by the voters with Measure I in 1998.

#### **ENVIRONMENTAL CONSIDERATIONS:**

This report is for information only.

#### **POLICY CONSIDERATIONS:**

- The ultimate cost of the franchise fee will be born by business and apartment complexes in the region, as the permitted haulers will pass the increased costs along to their customers.

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- City of Sacramento customers (residential and commercial) already pay a 10 percent utility fund tax, similar in structure to the proposed franchise fee. Implementing the proposed franchise fee would result in a double-hit to City of Sacramento commercial customers absent using a portion of the revenue generated for the City to offset those costs.
- Reducing the landfill tipping fee would not encourage increased diversion consistent with the mandates of SWA Ordinances 1 and 2 and AB 939. Reducing landfill tipping fees provides an economic incentive to try to skirt policy mandates regarding diversion. In addition, if the 12 percent is applied to all of the permittee's revenues, then a portion would be taken from charges for recycling activities, again potentially reducing the economic incentive to increase recycling.
- At least some of the permitted haulers in the area are strongly opposed to the franchise fee concept as it is currently structured.

**MBE/WBE:**

Not applicable. No goods or services are being purchased.


Respectfully Submitted,

  
Reina J. Schwartz  
Solid Waste Manager

FOR INFORMATION ONLY:

  
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City Manager

APPROVED:

  
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