
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

- ❑ 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

- ❑ 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 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?

- **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

- **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

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

- ❑ 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

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

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

- ❑ **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

- ❑ Council consideration of March 28th 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