

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: November 7, 2016

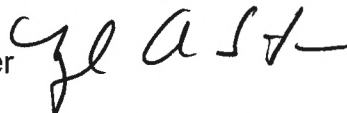
CAO File No. 0150-10818-0001

Council File No. 10-1797-S17

Council District: ALL

To: The Energy and Environment Committee

From: Miguel A. Santana, City Administrative Officer



Reference: Energy and Environment Committee meeting held November 2, 2016

Subject: **REPORT BACK ON VARIOUS QUESTIONS REGARDING COMMERCIAL AND MULTI-FAMILY SOLID WASTE COLLECTION FRANCHISE AGREEMENTS**

RECOMMENDATION

That the Council receive and file this report as the report is informational.

Background

On November 2, 2016, your Committee held a hearing on the Board of Public Works' request for authority to award contracts for the Zero Waste LA Exclusive Franchise System for solid waste collection and handling for commercial and multi-family properties within the City. During the hearing, your Committee requested this Office to report back on various questions related to the franchise fee revenues. As our report on this matter had been released prior to your Committee's meeting, this report serves as an addendum to our November 2, 2016 report.

Findings

The following questions (bolded) were raised by your Committee and our response is provided below the question:

What can franchise fee revenues be used for? Can franchise fee revenues be used to support the costs for illegal dumping, repairing alleyways, or homeless services?

Franchise fee revenues represent payments in consideration for the exclusive franchise right and privilege to provide solid waste handling services within the City. These are unrestricted revenues. They can be used to support any governmental expenditure, including, but not limited to, the City's costs to remediate illegal dumping, repair poor alleyways, provide homeless services, or administer the Bureau of Sanitation's (Bureau) Franchise System. We are recommending that these revenues be deposited into the General Fund where funding can be appropriated through the City's annual budget process, which is subject to Mayor and Council approval.

What are the Council's options for the receipt of franchise fee revenues? Can a portion be deposited into a special fund with the rest going to the General Fund? Is there a way to set aside franchise fee revenues to ensure that sufficient funding is provided to the Bureau to support the costs to administer the Franchise System?

The City receives franchise fee revenues from distributors of natural gas, pipeline operators, cable television operators, official police garages, and taxi cab operators. A majority of these franchise revenues are deposited into the General Fund and funding is appropriated through the City's annual budget process to the City departments that administer these franchise systems. The exceptions are the cable television and pipeline franchises where 40 percent of cable television franchise revenues are deposited into the Telecommunications Development Account to support public, education, and government access programming and half of all pipeline franchise revenues are allocated to Council District accounts for neighborhood improvements in areas impacted by gas pipelines.

Consistent with this City practice, this Office recommends that all franchise fee revenues be deposited into the General Fund and that funding to support the costs to administer the Franchise System be appropriated through the City's annual budget process. This would require the Bureau to annually evaluate the resources and funding required to support the Franchise System, identify efficiencies to the program, and justify the need for additional funding or resources through the review of performance metrics for the program. This would also provide the budgetary oversight required to ensure that sufficient revenues are available to support expenditures and that any deficits or surpluses within the program are reported to the Mayor and Council through the Financial Status Reports. If franchise fee revenues or a portion of the revenues are deposited into a special fund, there would be additional costs and resources required to create and administer the special fund. Although special fund appropriations are also subject to Mayor and Council approval through the City's annual budget process, it does not provide the same budgetary flexibility as General Fund appropriations. The Council would be required to adopt an Ordinance to create the special fund and expenditures from the fund would be restricted to those identified within the Ordinance.