

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: August 23, 2012

TO: Honorable José Huizar, Chair
Honorable Dennis P. Zine, Vice Chair
Honorable Tony Cárdenas, Member
Honorable Richard Alarcón, Member
Honorable Paul Koretz, Member
Energy & Environment Committee

Honorable Richard Alarcón, Chair
Honorable José Huizar, Member
Honorable Paul Koretz, Member
Honorable Paul Krekorian, Member
Ad Hoc on Waste Reduction and Recycling Committee

FROM: Enrique C. Zaldivar, Director
Bureau of Sanitation

SUBJECT: BUREAU OF SANITATION REPORT-RESPONSE TO COUNCIL MOTIONS,
10-1797-S1, 10-1797-S2, 10-1797-S3, 10-1797-S4 AND 10-1797-S6/ CF No. 10-
1797

In February, 2012, the Bureau of Sanitation (Sanitation) presented a report to the Board of Public Works, requesting that the Mayor and City Council authorize Sanitation to prepare and issue a Request for Proposals, complete environmental review documents, and prepare necessary ordinances to create a franchise system for private waste haulers operating in the City of Los Angeles. Sanitation has decades of experience providing three quarters of a million customers weekly collection of waste and recyclables, operating waste management facilities, and also permits, certifies, monitors, and contracts with private waste haulers and facility operators servicing the commercial sector in the City. The recommendations in the report presented to the Board of Public Works (Board) shift the waste collection system provided by permitted private haulers from an open market to an exclusive franchise. Sanitation's report was adopted by the Board on February 13, and forwarded to the Mayor and City Council for consideration.

On May 10, 2012, the Ad Hoc Committee on Waste Reduction and Recycling considered the Board Report Communication along with a considerable period of public comment. Several motions were introduced, requesting that Sanitation report back on a number of specific issues in reference to the proposed new waste hauling system. This letter is in response to the following subsequent motions, introduced May 15-16, 2012:

10-1797-S1. This motion instructs Sanitation to include a requirement in the proposed system that

franchisees deliver mixed waste only to facilities certified to ensure maximum diversion.

10-1797-S2. This motion instructs Sanitation to report to City Council on addressing the specific needs of the film studios within our borders through the proposed system; and exempt from the franchise temporary filming locations.

10-1797-S3. This motion instructs Sanitation to report to City Council on addressing the specific needs of Hospitals through the proposed system.

10-1797-S4. This motion instructs Sanitation to report to City Council on: 1) Designation of a certain number of franchise zones as 'small enterprise' zones to provide opportunities for small haulers; 2) Assistance to small haulers in securing loans or other capital assistance to increase participation in the franchise process.

10-1797-S6. This motion instructs Sanitation to report to City Council on including incentives to franchisees that meet or exceed the goals of the proposed program.

Sanitation has examined the issues raised through the motions that have been approved, and is prepared to make a series of recommendations to further clarify the proposed exclusive franchise system in response.

Recommendations:

Additional Recommendations for the proposed exclusive franchise system, including:

1. In response to Motion No. 10-1797-S1, Sanitation recommends: The proposed franchise build upon the existing "Processor Certification Program" (Certification Program) and require that all mixed waste processing facilities utilized by franchised waste haulers be certified by Sanitation;
2. In response to Motion No. 10-1797-S2, Sanitation recommends: Temporary filming sites be considered a similar activity to a construction/demolition site, and therefore not subject to the private waste hauler franchise;
3. In response to Motion No. 10-1797-S2, Sanitation further recommends: Terms be included in the Request for Proposals (RFP) and franchise contracts to address the needs of the film studios, such as 24-hour service and short response timeframes;

4. In response to Motion No. 10-1797-S3, Sanitation recommends: Terms be included in the RFP and franchise contracts to address the needs of the large hospitals such as coordinating with hospitals on the proper segregation of mixed waste and exempted specialty waste, meet the demands for pick up, and other service request requirements;
5. In response to Motion No. 10-1797-S4, Sanitation recommends: As a method to assist small haulers, use the methods in the City's Business Inclusion Program. Establish minimum sub-contracting percentages for Small Business Enterprises (SBE) in the RFP and franchise agreement for each service area;
6. In response to Motion No. 10-1797-S6, Sanitation recommends: Staff recommends that incentives for exceeding the City's environmental goals be built into the request for proposal (RFP) process;
7. In response to Motion No. 10-1797-S6, Sanitation further recommends: That a program Sanitation is proposing a program to recognize and reward businesses that can serve as peer mentors to others, who have gone beyond the blue bin to embrace practices that minimize waste production, control purchasing, and maximize collection of recyclables to create as little residual waste as possible. In addition, businesses should receive rewards for their efforts. A recognition program, including awards before the Mayor and City Council, networking opportunities, case studies and media outreach, can be part of the final franchise system approved by the City.

Discussion

Due to the scope of the proposed change in the private waste hauling system in the City of Los Angeles, Sanitation has been investigating a number of questions that have been raised by business organizations, permitted private waste haulers, and other interested parties. This investigation included site visits with several business types including hospitals and local film studios.

Motion S1 – Certification of Mixed Waste Processing Facilities

Council Motion 10-1797-S1 instructed the Bureau to report on requiring facilities, utilized by future LA City commercial and multi-family franchise holders to process non-source separated waste, be certified by the Board of Public Works to ensure maximum diversion pursuant to AB939 and AB341. This motion recognizes the importance that the City's proposed franchise system ensures

that its goals are met and that those goals are verifiable, irrespective of the local jurisdiction where the waste is handled.

There are currently over 800 permitted waste haulers operating within the City. Permitted waste haulers have reported utilizing over 250 facilities for the handling or processing of waste. With the exception of the thirteen facilities that have volunteered to participate in the Bureau's certification program, the City has no oversight of these facilities. The lack of oversight does not allow the City to inspect, audit and verify actual diversion at these facilities. As the City moves towards its zero waste goals it is imperative that facilities utilized under future franchise agreements be held to high and verifiable diversion standards.

In June 2003, City Council approved a rebate program designed to help close the gap between the cost of landfill disposal and the cost of recycling. The goal of the program was to re-direct the haulers to mixed waste processing facilities instead of landfills. City permitted waste haulers that utilize City certified processing facilities are eligible to receive a per ton rebate for every ton of material recycled. The City-issued rebates are used by the permitted waste haulers to offset future AB939 fee payments. Under this existing program, the City certifies mixed waste processors under a voluntary certification process. Bureau staff certifies processing facilities through annual site audits and quarterly reports, and calculates facility diversion rates. These diversion rates are used to determine the amount of tonnage delivered by the haulers that is eligible for rebates.

Since the inception of the program, the number of certified processors and their corresponding recycling rates has grown dramatically. When the program launched in 2003 there were only three (3) certified construction and demolition (C&D) debris processors and two (2) certified mixed solid waste processors. Today, there are currently eleven (11) certified C&D processors, three (3) certified mixed solid waste processors, and two (2) certified food waste processors. The average recycling rate of City certified C&D processors is now 73 percent and the average recycling rate at mixed waste certified processors has risen to 28 percent.

The amount of materials delivered to these certified processors has also increased dramatically in the eight years since the program began. Due to actions such as the mandatory C&D recycling program, more permitted haulers are taking materials to these certified processors instead of disposal facilities, which reduces disposal in the City.

Sanitation recommends the City build upon the existing "Processor Certification Program" (Certification Program) for inclusion in the proposed franchise system. The Certification Program will be modified for all mixed waste processing facilities utilized by franchised waste haulers. Under

the franchise system, all mixed waste processing facilities utilized by a franchise waste hauler will become subcontractors to the franchisee. Sanitation proposes that all mixed waste processing facilities be certified. Certified facilities will be required to submit quarterly reports, document all incoming and outgoing material and the destinations, and agree to audits and detailed inspection by City staff to be allowed to participate. Through the Certification Program, Sanitation will ensure that processing facilities are held to the highest possible diversion standards necessary to meet regulatory requirements such as mandatory commercial recycling, and the City's adopted Zero Waste goals.

Motion S2 – Filming Industry

Council Motion 10-1797-S2 instructed the Bureau to report on: responding to the needs of studios, including such factors as quality of service, timeliness, and responsiveness to the specific demands of studio work; and exempting temporary filming locations from the franchise system, due to the temporary nature of the work.

There are a number of major and independent studios in Los Angeles, where motion pictures and television programs are produced. These studios include: Paramount Pictures, Twentieth Century Fox, Sunset Gower Studios, Raleigh Studios, and Ren-Mar Studios. Production on these studio lots could include filming by the parent company and its subsidiaries, and/or independent production companies. Studios in the Los Angeles area produce feature films, documentaries, television series, talk shows, game shows, and animated productions.

In 1995 the studios created the Solid Waste Task Force to help ensure the industry contributed to the City's compliance with AB 939 requirements. This task force was created under the auspices of the industry association, the Alliance of Motion Picture and Television Producers (AMPTP). Members of the Solid Waste Task Force share information about source reduction and recycling programs. The studios have tackled recycling and source reduction with effective and innovative programs that have resulted in high diversion rates, as reported by the studios.

A team comprised of Sanitation Executive management, Board President Andrea Alarcon, and Sanitation staff visited two studios located within the City, with the assistance of the Motion Picture Association. The team visited Fox Studios on Avenue of the Stars, and Paramount Studios on Melrose Ave. These are two of the largest studios operating in Los Angeles.

Fox Studios maintains a comprehensive environmental program. Their environmental program includes use of electric vehicles, renewable energy (solar power), preferred purchasing procedures,

source reduction, food waste recycling and recycling of a variety of other materials. Fox has partnered to create a Green Production Guide to share environmental goals across the industry.

Fox Studios, like many studios, are in a constant state of change. By the nature of how studios operate, stages within the studio are constantly changing. A stage may be used for a day and the set must be completely removed for another shoot the next day. Sets are being constructed and deconstructed as the demand requires. There are permanent staff on site, however with the fluctuations in stage use, the number of people on site supporting various filming activities can vary between 4,000 and 10,000. In addition, to the varied operations on site there is also limited access for refuse trucks and other vehicles. Many of the streets within the studio are very narrow and often lined with filming equipment and set pieces.

Waste collection needs vary on a daily basis at the studio. The studio maintains separate “on-call” bins for metals, wood from their carpentry shops, and from their set tear down. The material from the set tear down is considered demolition debris. They also maintain over 70 permanent trash bins for mixed waste located throughout the site. Mixed waste is collected by their contracted waste hauler, Athens Waste Services (Athens), and is processed at their mixed waste processing facility in Industry. Athens also collects their set tear down debris and source separated material such as food waste.

Timing and flexibility in collection of waste is vital to the operation of the studio. A single set tear down can fill a number of temporary bins. With the limited space at the studio the bins must be removed within hours of the hauler being notified. Fox’s waste hauler services the seventy permanent bins twice a day, however, only charges for bins that actually have waste in them and are collected. This flexibility in billing is necessary to address the daily fluctuations in waste generated.

Paramount Studios also maintains a comprehensive environmental program. Their environmental program includes a Green Initiative Program, source reduction, use of biodegradable food service ware, re-use programs and recycling. Paramount’s Green Initiative Program includes staff training on issues such as recycling.

The studio maintains separate bins for metals, wood from their carpentry shops, and for their set tear down. They also have a source separation program for mixed beverage containers. Mixed waste is collected by their contracted waste hauler and is processed at their mixed waste processing facility in Industry.

Much like Fox Studios, Paramount Pictures Studios is in a constant state of movement. Sets on

various stages are continually being constructed and deconstructed to meet the demand. Paramount Pictures has approximately 2,000 permanent staff on site. However, the number of additional people on site supporting various filming activities can vary daily. Paramount Studios also hosts over 300 special events annually. These events including award shows, movie premieres, receptions, parties and corporate events. Events can run from small to very large events with thousands of attendees. Waste generated from special events must be collected within a very short time frame including late evening and early morning pickups. An event may be held in the evening but the site may need to be cleaned and prepped for a film shoot the next morning. The waste hauler must also be able to navigate very narrow streets with limited access.

In addition to the activities at the local studios, the City of Los Angeles is also a back drop for “on-location” shooting. On-location shooting includes filming for featured films, television shows, commercials, still photography, videos, documentaries, and other miscellaneous filming activities. On-location filming can occur at an endless number of locations throughout the City. According to a report by Film LA, a private, 501(c)4 not-for-profit organization established for the public benefit, there were nearly 30,000 permitted production days in the City in calendar year 2011 for featured films, television and commercials. A permitted production day is a single crew's permission to film a single project, at a single defined location, during any given 24-hour period. FilmLA, Inc (formerly the Entertainment Industry Development Corporation (EIDC)) assists the City with coordination of filming permit requests for location filming for the City of Los Angeles and some other parts of Los Angeles County.

On-location shooting is a temporary activity. Shooting can range from a few hours to several days. Waste generated from on- location filming typically results from the demolition of temporary sets. Often sets are erected on site for filming and then immediately torn down. Waste must be removed from the temporary location as soon as the filming ends. This often occurs in the late evening or early morning hours so the site can return to its normal operation. Filming of a single movie may involve the set up and tear down at multiple locations throughout the City, crossing over proposed franchise boundaries.

The team found that, although each studio was unique in how they managed waste within their facilities, they shared many similarities. Studios operate twenty-four hours a day and need the flexibility of having their waste service twenty-four hours per day. Their operations produce a wide variety of waste such as hazardous waste, electronic waste, medical waste, construction and demolition debris, food waste and office waste. Collection needs and frequency vary on a daily basis. Although, studios have waste needs that are different from most other businesses in the City, they are serviced by a number currently City permitted waste haulers. These haulers have been able

to adapt to meet the studios unique needs.

Based on the sites visits performed, Sanitation recommends that the commercial waste generated from Studios be included in the proposed franchise system. The key to meeting the needs of the studios under a franchise agreement is to ensure the RFP and franchise agreements contain language that requires the franchise hauler to meet the unique challenges. These challenges include the need for specialized vehicles, such as small waste collection vehicle to navigate the narrow streets at studios, twenty-four hour a day service, fast response time which is typically within two hours of a request for pick up, and flexibility in billing. Flexibility in billing is needed to account for varied need of service for permanent bins. The RFP and contracts will be drafted to meet these challenges. It is also important to note that much of the material generated at studios is exempt from the proposed franchise structure, as currently recommended. The collection of electronic waste, source separated recyclables, and C&D debris is not included under the proposed franchise system.

Sanitation further recommends that waste generated from permitted temporary filming location should not be considered commercial waste and therefore not included in the proposed commercial franchise system. The temporary nature of the service and the composition of the material are not commercial waste for purpose of the proposed franchise system. Much of the material is mixed C&D waste. The City has a program in place to ensure diversion of C&D waste collected at temporary sites and Sanitation has recommended that C&D waste be exempted from the proposed franchise.

Motion S3 – Hospitals

Council Motion 10-1797-S3 instructed Sanitation to report on addressing the unique needs of hospitals, including factors such as quality of service, timeliness, and responsiveness to the specific waste demands of hospitals. This motion recognizes the need to address the conditions and terms applicable to waste generated by hospitals.

Businesses in the medical and health services industry include hospitals, convalescent facilities, skilled nursing facilities, hospices, and health clinics. There are approximately 49 hospitals located within the City limits, hundreds (over 300 from City's business database) of skilled nursing or convalescent facilities and hundreds of health clinics located in the City. In total there are over 1,000 businesses that fall under the medical and health services industry located in the City.

The waste generated by this business sector include medical waste (often referred to as "red bag" waste due to the color of the container this waste need to be contained in), pharmaceutical waste,

hazardous and toxic wastes, and regular commercial waste. Other waste includes electronic waste, construction and demolition debris, and food waste.

As stated in the staff report dated February 13, 2012, Sanitation recommends medical waste, hazardous waste, radioactive waste, and pharmaceutical waste be exempted from the commercial waste franchise. Medical waste and pharmaceutical waste are regulated by the California Department of Public Health, are not included in the definition of commercial solid waste and therefore cannot be combined and disposed with regular municipal solid waste stream. Some larger hospitals have autoclave equipment installed onsite to reduce the amount of the medical or red bag waste collection. Autoclave equipment sterilizes medical waste to kill pathogenic and infectious microorganisms. Once medical wastes have passed autoclave process they may be disposed of in the same manner as any other commercial wastes.

Sanitation Executive management and staff visited three hospitals within the City limits with assistance from the Hospital Associations of Southern California, including White Memorial Hospital in Boyle Heights, Keck-USC Hospital in Lincoln Heights, and Northridge Hospital Medical Center in Northridge. These are medium size hospitals with beds ranging from 250 to 450 and represents varying methods of waste management.

White Memorial utilizes Waste Management to manage various waste hauling contracts and to implement a comprehensive recycling program for the entire hospital. With the assistance of Waste Management, White Memorial has a comprehensive waste management plan that includes collection of source separated recyclables, e-waste, hazardous chemicals, sharps, pharmaceuticals, and mixed waste. They have also implemented source reduction plans for items such as medical product packaging and reconditioning of laboratory chemicals. Waste Management, under contract, manages the collection of the various waste streams but does not necessarily collect the waste. For example, commercial waste is hauled by Waste Management, however, medical waste is collected by SteriCycle.

Keck-USC Hospital does not have as a comprehensive waste reduction or recycling plan. In lieu of separating the commercial waste from medical waste, such as done by White Memorial, Keck-USC combines these waste streams into one and processes the waste through an autoclave. Keck-USC utilizes SteriCycle, a comprehensive medical waste management company, to manage the facility waste contracts and operate the onsite autoclave. Once the material is autoclaved it can be disposed of as regular commercial waste. Although SteriCycle manages the waste stream within hospital they utilize a separate City permitted waste hauler, Potential Industries, as a subcontractor to haul and dispose the autoclaved waste.

Northridge Hospital's commercial waste hauler at time of the visit was Waste Management, and they are transitioning to have SteriCycle manage the various waste hauling contracts. However, the commercial waste hauling portion of Northridge Hospital's waste will have to be serviced by a permitted commercial waste hauler rather than SteriCycle directly since SteriCycle is not a City-permitted commercial waste hauler. SteriCycle could however become a permitted waste hauler under the current permit system.

In addition to visiting hospitals within the City, Sanitation staff reviewed franchise agreements with other cities within LA County. There are forty three (43) hospitals located in exclusive franchise cities; twenty two (22) located in non-exclusive franchise cities; and four (4) located in unincorporated County. Sanitation staff contacted cities with exclusive solid waste franchises with large hospitals located within their jurisdictions. Kaiser Permanente, Saint Francis Medical Center, City of Hope and Loma Linda University hospitals are located in the cities of Downey, Lynwood, Duarte, and Loma Linda, respectively. In each of the cities contacted, there is no franchise exemption granted to these hospitals with respect to their commercial solid waste. The commercial solid wastes generated by the hospitals are serviced by the assigned franchised haulers. In only one instance was a hospital granted an exemption from the franchise agreement, Rancho Los Amigos Rehab Hospital in Downey. However, the City of Downey exempted all Federal, State and County facilities in the commercial waste franchise agreement. The Rancho facility is exempt from because it is a County facility.

Each hospital was unique in how they managed waste within their facilities, and also the level of waste diversion and recycling. Although the hospitals visited used multiple companies to assist in the management of the various waste streams, the collection of mixed waste was performed by city permitted waste haulers. The bins containing the mixed waste were kept separate from the other waste streams and were typically on regular schedule for pick up. Some hospitals have aggressively worked to achieve high levels of diversion, but some residual waste remains.

Based on the sites visits performed and the review of other city franchise, Sanitation recommends that the commercial waste generated from hospitals be included in the proposed franchise system. Hospitals have made great strides in managing their waste streams. However, under the proposed franchise, hospitals can continue to work with any appropriate hauling company to collect the special and highly regulated exempted wastes. Hospitals will be able to continue to utilize a single company to manage their various waste contracts as long as the commercial waste hauling portion is serviced by the assigned franchise hauler.

The franchise contracts will be structured to support the needs of hospitals. Franchised waste haulers will be required to work with hospitals to maximize diversion, coordinate with hospitals on the proper segregation of mixed waste and exempted specialty waste, meet the demands for pick up, and other service request requirements.

Motion S4 – Small Hauling Companies

Council motion 10-1797-S4 instructs the Bureau to report to City Council on: 1) Designation of a certain number of franchise zones as ‘small enterprise’ zones to provide opportunities for small haulers; 2) Assistance to small haulers in securing loans or other capital assistance to increase participation in the franchise process.

The number of companies required to obtain a waste hauling permit from the City has significantly changed over the last two years. Prior to the adoption of the Construction and Demolition (C&D) Debris Recycling Ordinance, approved by City Council in December 2010, there were approximately 140 permitted waste haulers operating in the City. Of the 140 permitted waste haulers, Sanitation estimates that approximately 44 waste haulers regularly collected non-C&D waste from commercial and multifamily properties. However, by removing the permit exemption for contractors that self haul C&D debris, an additional 700 permitted waste haulers have been added (as of February 1, 2012) that collect just C&D waste. The additional permitted haulers are contractors that typically haul smaller amounts, less than 1,000 tons per year, of C&D waste in their own trucks. Collection and recycling of C&D debris is not recommended for inclusion in the proposed franchise system, and will continue to be administered through the existing permit process.

Waste hauling in the City is performed by a small number of large waste hauling companies and hundreds of small to medium companies. Of the over 800 permitted haulers, less than 70 collect enough waste to report receipts (required of those hauling more than 1,000 tons per year). The ten (10) top grossing waste haulers control 94% of the business, and the top four (4) control 85%. There is a stark contrast between the large hauling companies and what would be considered medium sized companies. The annual reported gross receipts, associated with collecting commercial waste in the City, for the top 4 hauling waste hauling companies range from \$18 million to \$64 million, the remaining hauler gross receipts range from \$50 thousand to \$2 million. Based on a survey conducted, staff found that smaller haulers currently service between 500 and 1,000 locations each. The largest haulers service over 20,000 locations each. The smallest of the haulers serve well under 500 accounts.

The proposed exclusive franchise system divides the City into multiple franchise collection areas.

The franchise areas would be varied in size to allow varied sized waste haulers the opportunity to compete. Although some of the franchise area may be small, with only a few thousand accounts, they may still be too large for some haulers. However, small haulers will find it difficult to navigate the RFP process and meet the demands of the RFP as the primary franchisee. A proposer will need the ability to respond to standard City requirements such as insurance (add list) as well as other franchise requirements such as clean fuel vehicles. A proposer must also demonstrate their ability to service the area for which they are proposing. The administrative burden on the City would be higher if the number of franchise service areas increase.

Sanitation recommends that the franchise use the City's Business Inclusion Program as a method to ensure more participation in the franchise by small commercial waste haulers. Minimum subcontracting percentages can be established for Small Business Enterprises (SBE) for each franchise area. This ensures that a percentage of the franchise work in every zone is set aside for small businesses, and would increase the opportunities for small businesses to participate. Instead of requiring that small hauling companies navigate the RFP processes on their own, they would be able to work as subcontractors with other haulers acting as the prime proposer. Under this proposed requirement, there would be at least the same number of opportunities as there are franchise areas. In addition, haulers proposing as the prime franchisee may choose to work with multiple small haulers, increasing the opportunities. The small business subcontracting requirements will not eliminate the opportunity of any hauler to propose but will give small haulers additional options.

The City defines a Small Business Enterprise (SBE) as a firm with three year average gross receipts of less than \$7 million per year and an emerging business as a firm with a three year average gross receipts of less than \$3 million per year. All but four of the haulers reporting collecting commercial waste reported less than \$7 million in annual gross receipts in the City. However, many of these waste haulers also provide service to other local cities. Of the 42 waste haulers reporting gross receipts from commercial waste, twenty-four (24) are registered in the City of Los Angeles Business Virtual Network (BAVN). Of those registered, eighteen (18) are registered as Other Business Enterprises (OBE's), two (2) are registered as Local Business Enterprises (LBE's), two (2) are registered as Woman Business Enterprises (WBE's), and two (2) are registered as Small Business Enterprises (SBE's). The Business Inclusion program, Mayor Executive Directive 14, became effective January 1, 2012. It is likely that small commercial waste haulers have not yet taken advantage of the SBE certification. Sanitation staff will work with the Bureau's Central Contracting Unit and the Bureau of Contract Administration to identify additional SBE's.

Sanitation will work with small waste haulers to assist them in identifying the options available them to secure loans. There are a variety of programs currently available to small business through the

Office of Small Business of the Mayor's Office of Economic and Business Policy (OEBP). The Office of Small Business is designed to assist small businesses in identifying resources available to them. These resources include small business financing guides, hiring resources, and small business support organizations. Sanitation can hold workshops with waste haulers prior to the issuance of the RFP to make haulers aware of the resources available to them.

Motion S6 – Incentives to exceed Performance Requirements

Council Motion 10-1797-S6 instructs Sanitation to report to City Council on including incentives and similar program to businesses that meet or exceed the goals of the proposed program. There are two aspects to this motion, the first being the permitted private waste haulers holding the franchise contract or contracts, and the second being the businesses served by the franchise holder.

Sanitation envisions that the City's franchise system will be designed in a slightly different way than most exclusive franchise agreements. Many agreements require recycling, and have waste diversion goals to be met. Sanitation is recommending that the franchise system in Los Angeles go a step further, and require that disposal reduction goals be met during the term of the franchise agreement. Rather than simply counting up the existing diversion practices in the commercial sector, the City and franchise holder will agree on a maximum disposal amount based on a reasonable measure, with that maximum disposal amount per zone to decrease over time. Currently the State of California does not calculate or post the diversion rates for California cities. Compliance with landfill diversion mandates is measured by disposal only. To keep pace with the increasing mandates at the State level, the City is required to reduce disposal overall. Tracking existing waste diversion and recycling programs provides a benchmark for opportunities, but is not the 'bottom line' when waste reduction is measured.

For the franchise hauler, minimum disposal reduction will be in the contract, with penalties for missing milestones during the term of the contract. Sanitation will set reasonable goals that can be met by providing convenient opportunities to recycle, while allowing proposers to include innovative solutions as well. Meeting the terms of the contract is not intended to qualify for an incentive.

In addition to the disposal goals set in the franchise agreements, franchised haulers must also assist the City in meeting its other environmental goals such as the climate action plan, Green LA: An Action Plan to Lead the Nation in Fighting Global Warming, adopted in May 2007. The Plan sets forth a goal of reducing the City's greenhouse gas emissions to 35% below 1990 levels by the year 2030, one of the most aggressive goals of any big city in the U.S. Franchised haulers will need to assist the City reach its greenhouse gas reduction goals. The franchise agreements will address these

goals through requirements such as reducing the amount of material going to landfills, converting to clean fuel vehicles, and efficient truck routing.

There is, however, the question of exceeding the City's goals in advance of the contract deadlines. The City could use monetary means to incentivize franchisees to exceed the contractual requirements and assist the City in meeting its goals. The report prepared by Sanitation already recommends the current AB939/Administrative fee based on gross receipts be maintained as part of the franchise. The City's current AB939 fee is one of the lowest fees among other cities within the County. It is likely that Council may also recommend and approve a franchise fee, also based on gross receipts, to address the impacts of waste hauling in the City. Staff does not recommend that monetary incentives be tied to either of these fees. The cost of administering the franchise and implementing recycling program will be fixed and revenue to support these cannot vary. Also, the funding needed to address the impacts of waste hauling will also be fixed. Franchise fees and AB939/Administrative fees are typically incorporated into to rate structure as they are tied into a waste hauler receipts.

Staff recommends that incentives for exceeding the City's environmental goals be built into the request for proposal (RFP) process. Staff will allocate points in the scoring criteria for proposers that exceed the minimum environmental standards. Waste haulers that propose exceeding the stipulated environmental requirements in the RFP will be awarded additional points as part of the evaluation and ranking process. If awarded, these higher environmental standards will become part of the contractual requirements under the franchise agreements.

For the businesses served by permitted private waste haulers operating under a franchise system, Sanitation is proposing a program to recognize and reward businesses that can serve as peer mentors to others, who have gone beyond the blue bin to embrace practices that minimize waste production, control purchasing, and maximize collection of recyclables to create as little residual waste as possible. The City's Green Lodging and Green Business Certification programs will provide a way to allow local businesses to receive a certification that is recognized throughout California. Our franchise haulers will be able to nominate and assist businesses with the waste reduction portion of the certification. In addition, businesses should receive rewards for their efforts. A recognition program, including awards before the Mayor and City Council, networking opportunities, case studies and media outreach, can be part of the final franchise system approved by the City.

Sanitation proposes that the franchise haulers be required to have a minimum number of dedicated staff to assist businesses with waste assessments, recycling programs, and rewards. Permitted private waste haulers may also propose programs to subsidize equipment for businesses to reduce collected waste.

Conclusion:

The goal and purpose of an exclusive franchise system includes meeting and exceeding environmental requirement and rules, and bringing the City closer to the adopted Zero Waste goal by 2025. Simplifying the current system through a competitive process will ensure that the selected franchise holders are of the highest standards. The City will be more closely involved with customer service and satisfaction through administration of the franchise contracts and providing customer support to businesses within our borders. Sanitation will bring our experience with waste reduction, recycling, materials collection and management and the hauling industry, to create a system that includes clean air vehicles, recycling programs for all, and a reduction in the amount of trucks on the road wherever possible. We look forward to working with all stakeholders to craft a workable system that is responsive to the needs of its customers while providing them quality services.

Rate caps are used by some jurisdictions where a small number of haulers are operating under a “non-exclusive” or “limited non-exclusive” system. The term “rate cap” means a municipality has established a maximum rate structure. Franchised haulers can continue to negotiate rates with their customers up to the maximum rates set in the “rate cap”. This allows cities to set maximum rates, where competition is limited, without setting specific rates. The City of Carson has two waste haulers and currently uses “rate caps”.

cc: Michael Espinosa, City Clerk’s Office
June Lagmay, City Clerk