



Date: December 12, 2014
To: Patrick H. West, City Manager *T.M.W.*
From: Ara Maloyan, Director of Public Works *M*
For: Mayor and Members of the City Council
Subject: **Refuse Franchise Agreements**

Several communications have recently been sent to the Mayor and Council from private waste haulers requesting that the City issue additional Non-Exclusive Franchise Agreements. I would like to take this opportunity to provide you with some background on this matter.

In late 2009, the City Council authorized the City to enter into Non-Exclusive Franchise Agreements with the 15 private trash and recycling hauling companies that were legally operating in the City of Long Beach at that time. The primary purpose for this arrangement was to generate revenue for the General Fund through franchise fees. The reason this method was chosen is because State law requires jurisdictions to give five years' notice when evicting trash hauling companies from operating within their boundaries. Rather than waiting five years and then awarding franchises to generate revenue, the City chose to provide incentives for existing companies to voluntarily agree to the franchise fees immediately, thus generating much needed revenue for the General Fund right away – not five years later.

The franchise agreement term is for seven years with the possibility of extensions for up to three additional years, if the respective company converts their fleet to alternative fueled vehicles by a certain date. The length of the agreements was determined so that the companies could fully capitalize the expense of replacing their fleet with alternative fueled vehicles.

Incentives for private hauling companies included:

- Limiting the number of permits to the existing companies only;
- Offering guaranteed extensions for companies that would convert 100% of their fleet to alternative fueled vehicles; and
- Eliminating a "recycling incentive fee" that was previously charged to the companies.

In exchange, the City receives:

- Approximately \$2,000,000/year for the General Fund in franchise fees assessed by charging 10 percent of gross income receipts;

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- Air quality improvement by requiring all franchisees to use alternative fueled vehicles;
- The ability to enforce performance requirements through liquidated damages; and
- The ability to contain the impact of heavy duty vehicles on Long Beach streets.

The expiration date for each agreement varies due to the fact that some companies took full advantage of the alternative fuel incentive, while other companies only took partial or no advantage. One (1) agreement expires September 30, 2016; three (3) agreements expire September 30, 2018; and eleven (11) agreements expire September 30, 2019.

We periodically receive requests from other private haulers who would like to obtain non-exclusive franchise agreements to operate in Long Beach. We advise them of the system and that the first agreement will expire in October 2016. At that time, we will seek direction from the City Council on how to proceed.

Finally, to clarify a statement made in the email from Robert's Waste, the City is not losing out on "additional income" by not issuing additional franchise agreements. Any additional companies entering the City will only take existing accounts away from the currently operating companies and the burden of paying the percentage of gross receipts to the City will simply shift from one company to another. Additionally, there will be an increase in heavy duty vehicle traffic and a greater burden on staff to manage the performance of each company.

Currently, the City of Los Angeles is implementing a non-exclusive franchise system similar to Long Beach to realize the same benefits we are realizing through this system. It is anticipated that well over 200 companies will no longer be allowed to operate in the City of Los Angeles. As a result, these companies may seek opportunities in other cities such as Long Beach.

Please contact me or Jim Kuhl if you have additional questions or concerns. Thank you.

AM:JK:DM:gh