



CITY COUNCIL AGENDA REPORT

MEETING DATE: MAY 17, 2004

ITEM NUMBER:

SUBJECT: WASTE DISPOSAL AGREEMENT WITH THE COUNTY OF ORANGE

DATE: MAY 7, 2004

FROM: PUBLIC SERVICES DEPARTMENT

PRESENTATION BY: WILLIAM J. MORRIS – PUBLIC SERVICES DIRECTOR

**FOR FURTHER INFORMATION CONTACT: DONNA THERIAULT, MANAGEMENT ANALYST
(714) 754-5024**

RECOMMENDATION:

Approve Amendment #1 to the Waste Disposal Agreement with the County of Orange and authorize the Mayor to execute the Agreement.

BACKGROUND:

In 1996, the Orange County Board of Supervisors completed an in-depth analysis of the County's landfill system currently managed by the Integrated Waste Management Department (IWMD). The alternatives analyzed included:

1. County sale or lease of all or a portion of the landfill system
2. County continued ownership without disposal contracts with cities
3. County continued ownership with disposal contracts with cities

The Orange County City Managers' Association (OCCMA) worked with the IWMD to examine the solid waste issues and to study and offer input on the optimal alternative course of action for the county and the cities of Orange County.

On November 20, 1996, the Orange County Board of Supervisors considered the analysis report and based on recommendations from the OCCMA and waste haulers, chose to retain ownership of the existing solid waste system (Option 3). The board then directed the IWMD to commence negotiations to secure mutually acceptable long-term disposal contracts with Orange County cities and waste haulers.

In March, 1997 Council approved a Waste Disposal Agreement with the County of Orange. Generally, the Agreement provides for the cities to direct the delivery of all controllable solid waste to the Orange County landfills with a guaranteed cumulative yearly minimum county-wide tonnage of 1,842,000 beginning July 1, 1997. In return, the county guaranteed a contract gate fee rate of \$22 per ton, fixed for 10 years. The agreement is for an initial 10-year term and renewable for an additional 10 years upon

mutual agreement. A summary of key terms and conditions of the Agreement is included as Attachment 1.

ANALYSIS:

In accordance with Article VI, Section 6.1 (B), the Agreement is subject to a renewal option that specifies it may be renewed by mutual agreement of the parties, on or before June 30, 2004 on the same terms and conditions as are applicable during the initial term of the Agreement.

In connection with the parties right to renew the Agreement, the parties shall, on or before June 30, 2004, negotiate an applicable change in the contract rate for such renewal term. The IWMD is in the process of considering extending the lifespan of the Frank R. Bowerman and the Olinda Alpha Landfills. The evaluation process will require substantial effort that must be completed before IWMD can begin negotiations with the contracted entities regarding a new contract rate and a long-term commitment extension for the Agreements.

In light of the requirements necessary to complete the process for evaluating the possible expansions of the landfills, and address the renewal of the Agreements, the IWMD proposes that the Agreements be amended (Attachment 2) to include the following provisions:

1. Amend the "Initial Term" of the Agreement by increasing it three (3) years from June 30, 2007 to June 30, 2010.
2. Maintain the current contract rate of \$22.00 per ton through June 30, 2010.
3. Amend the "Option to Renew" provision to state that the Agreement shall be subject to renewal (the "Renewal Term") by mutual agreement of the parties on or before June 30, 2008, for an additional term of two years. If the parties do not renew the Agreement by June 30, 2008, the Agreement shall expire on June 30, 2010.
4. Amend the "Contract Rate During the Renewal Term" to include that the parties shall, on or before June 30, 2008, negotiate an applicable change to the Contract Rate for such renewal term.
5. Amend the "Calculation of Average Annual Inflation" chart in Section 4.1(F) of the Agreement by extending the chart three years.
6. Amend the In-County and Importation Tonnage Targets in Appendix 2 by extending the charts three years. The figures shown for the three additional years reflect the minimum tonnage amounts necessary to maintain the \$22.00 per ton Contract Rate.

The proposed Amendment 1 to the Agreement has been reviewed and approved by the City Managers' Solid Waste working Group.

ALTERNATIVES CONSIDERED:

Council could choose to not approve the Amendment in which case the City's Waste Disposal Agreement with the County will expire on June 30, 2007 without an option to negotiate a contract rate or renewal term.

FISCAL REVIEW:

No fiscal review is required on this item.

LEGAL REVIEW:

The City Attorney's office approved the amended agreement as to form.

CONCLUSION:

In order to extend the term of the City's Waste Disposal Agreement with the County and to secure a low rate, long-term gate fee and the guarantee of landfill capacity for all Orange County residents and businesses, it is recommended City Council approve the Amendment 1 to the Waste Hauling Agreement with the County of Orange.

DONNA THERIAULT
Management Analyst

WILLIAM J. MORRIS
Director of Public Services

DISTRIBUTION: City Manager
City Attorney
Finance Director
Deputy City Clerk
Staff

ATTACHMENTS: 1 [Summary of Key Terms and Conditions](#)
2 [Amendment 1 to the Waste Disposal Agreement](#)