



CITY COUNCIL AGENDA REPORT

MEETING DATE: JULY 7, 2009

ITEM NUMBER:

SUBJECT: COUNTY OF ORANGE WASTE DISPOSAL AGREEMENT

DATE: JUNE 25, 2009

FROM: PUBLIC SERVICES DEPARTMENT/ADMINISTRATION

PRESENTATION BY: PETER NAGHAVI, DIRECTOR, DEPARTMENT OF PUBLIC DISPOSAL

FOR FURTHER INFORMATION CONTACT: ERNESTO MUÑOZ, CITY ENGINEER, (714) 754-5335

RECOMMENDATION:

Approve a ten-year Waste Disposal Agreement with the County of Orange (July 1, 2010 through June 30, 2020) for the delivery of solid waste from the City to the County landfill disposal system, and authorize the City Manager and City Clerk to sign and execute the agreement.

BACKGROUND:

In 1997, the County and cities of Orange County entered into a Waste Disposal Agreement for a fixed rate per-ton cost for the disposal of solid waste in the County disposal system. The term of the agreement will end on June 30, 2010. Orange County Waste and Recycling and the Waste Management Committee of the Orange County City Managers Association have negotiated another multi-year agreement to fulfill the cities' waste disposal needs and provide for the financial stability of the County disposal system.

Following the completion of negotiations, which included analysis of the rate structure by a third-party financial consultant, and legal review of the agreement by a "committee" of City attorneys, the final agreement was approved by the County Board of Supervisors on March 24, 2009.

Orange County enjoys a unique resource in its landfill system. Managed with long term capacity and environmental sensitivity as key objectives, the system has provided the County with a reliable place to deposit approximately four million tons of solid waste per year at competitive rates. While surrounding counties struggle to find new disposal alternatives at great expense, Orange County has long-term capacity at reasonable costs. Working cooperatively through this agreement, the cities and the County are jointly seeking to continue this positive benefit to the residents and businesses of Orange County.

ANALYSIS:

The new agreement is substantially similar to the current Waste Disposal Agreement, including the County's commitment to provide solid waste services, and indemnify the City liability for closed landfill sites through June 30, 2020. The primary difference and significant change in the new agreement is the disposal rate.

The new contract disposal rate is \$29.95 per ton for exclusive and non-exclusive franchise haulers beginning July 1, 2010, adjusted annually in accordance with the Consumer Price Index, for a term of ten (10) years. The current disposal fee of \$22.00 per ton has been in effect since 1997. If the disposal fee in 1997 had been increased by the Consumer Price Index and new regulatory costs were added on, the disposal fee in 2010 would likely exceed this rate.

Surrounding landfills are presently and will soon be charging significantly more than the negotiated rate (e.g. Puente Hills and Los Angeles County will be at \$37.62 effective July 1, 2010). Revenues from cities go into an enterprise fund that is to the long term benefit of the participants, namely: the cities of Orange County, and will continue as an asset that has a significant economic value. The County agrees that for the term of the agreement no other rate will be offered at less than that being charged to the cities.

ALTERNATIVES CONSIDERED:

The alternative to this Council action would be to reject the agreement. If the agreement was rejected, it would potentially result in higher trash hauling fees rather than a lower negotiated hauling fee. Choosing to adopt the agreement after July 23, 2009 would result in an increased rate greater than the \$29.95 contract rate, potentially 10% or higher. If no agreement is secured, the non-contract rate would be increased from \$46 per ton to \$53 per ton effective July, 2010.

FISCAL REVIEW:

There is no fiscal impact to the City relative to this agreement.

LEGAL REVIEW:

The City attorney has reviewed the Orange County Waste Disposal Agreement and has approved it as to form.

CONCLUSION:

In order to secure a low rate, long-term gate fee, and the guarantee of landfill capacity for all Orange County residents and businesses, staff recommends that the City Council approve the Waste Disposal Agreement with the County of Orange; and authorize the City Manager and City Clerk to sign and execute the agreement.

ERNESTO MUÑOZ
City Engineer

PETER NAGHAVI, DIRECTOR
Department of Public Services

MARC R. PUCKETT
Director of Finance

DISTRIBUTION: City Manager
 Assistant City Manager
 City Attorney
 City Clerk
 Director of Finance
 Grant Administrator
 File

ATTACHMENT: ["1" Waste Disposal Agreement](#)