

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

To:	Matthew Fertal	From:	Keith G. Jones
Dept:	General Manager	Dept:	Public Works
Subject:	WASTE DISPOSAL AGREEMENT BETWEEN THE COUNTY OF ORANGE AND THE GARDEN GROVE SANITARY DISTRICT	Date:	May 26, 2009

OBJECTIVE

To receive authorization from the Garden Grove Sanitary District Board to enter into an agreement with Orange County Waste and Recycling (formerly known as the Integrated Waste Management Department) to provide solid waste disposal facilities.

BACKGROUND

In 1997, the County and cities of Orange County entered into waste disposal agreements for a fixed rate per ton for the disposal of solid waste in the County disposal system. The County landfill system is comprised of three (3) active landfills and twenty-one (21) closed landfill sites. The system is managed by OC Waste & Recycling (formerly known as the Integrated Waste Management Department).

The term of the current agreement will end on June 30, 2010. Since late 2006, OC Waste & Recycling and the Waste Management Committee of the Orange County City Manager's Association have worked to negotiate another multi-year agreement to fulfill city waste disposal needs and provide for the financial stability of the County disposal system. As a result of these negotiations, on March 24, 2009, by resolution (Attachment 1) the Orange County Board of Supervisors approved a new agreement (Attachment 2), new contract disposal rate, and revised posted disposal rate.

ANALYSIS

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 4 million tons of solid waste per year at competitive rates. While surrounding counties scramble 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 County are jointly seeking to continue this positive benefit to the residents and businesses of Orange County.

The proposed rate will change from \$22.00 per ton to \$29.95 per ton for franchise haulers, such as Republic Services (Garden Grove Disposal). In addition, beginning

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July 1, 2010, this rate will be adjusted annually by use of the Consumer Pricing Index (CPI), for a ten-year term.

The position of the County of Orange is that the proposed rate is:

1. Reasonable – The current disposal fee of \$22.00 per ton has been in effect since 1997 with no increase. Had the disposal fee in 1997 been increased by the CPI and new regulatory costs added on, the disposal fee in 2010 would likely exceed this rate;
2. Competitive – Surrounding landfills are presently and will soon be charging significantly more than the negotiated rate (e.g., Puente Hills, Los Angeles County, will be at \$37.62 effective July 1, 2010);
3. Secure—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 tremendous economic value; and,
4. Protected—The County agrees that for the term no other rate will be offered at less than that being charged to cities.

Also, the agreement contains provisions regarding extraordinary circumstances whereby the County may raise the rate in excess of CPI (e.g. changes in law, unforeseen claims in excess of insurance proceeds, capital costs exceeding the cumulative capital costs set forth). The agreement requires the County to reduce operating costs and/or utilize unrestricted reserves for typical operating impacts (e.g., tonnage shortfalls).

Please note that as a result of the County bankruptcy, the County landfill system has been accepting "imported" solid waste as a means to payoff its bankruptcy debt. Pursuant to this agreement, importation will end June 30, 2016. The result is a landfill system with a projected capacity of over 50 years.

The County Board of Supervisors adopted a resolution approving the waste disposal agreements and other disposal fees on March 24, 2009. Subsequent to this date, cities have 120 days to execute the agreement. For the agreement to take effect, it requires that agencies representing 85% of the acceptable waste generated in the County adopt the terms within 120 days following approval of the agreement by the County Board of Supervisors.

If less than 85% of the County acceptable waste is secured by June 23, 2009, the agreements will not be adopted and County staff will return to the Board of Supervisors to present alternative rate strategies.

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Appendix 4 of the Agreement includes a form of acknowledgement from the District's franchise hauler, which would ensure compliance with the Agreement by the District and the hauler. Garden Grove Disposal has agreed to the terms and will be providing the District an executed form of acknowledgment.

COMMUNITY VISION

N/A

FINANCIAL IMPACT


The current rate of \$22.00 per ton will continue unchanged until the new rate takes effect on July 1, 2010. The County projects the impact of the rate increase on the average residential ratepayer's monthly solid waste collection bill to be about \$1.00, an increase of less than 6%. Subsequent annual changes, based on the projected change in CPI, would range from \$0.12 to \$0.14 per customer per month. This may vary by city. There is no impact to the City of Garden Grove's General Fund.

RECOMMENDATION

It is recommended that the Garden Grove Sanitary District Board:

- Approve the agreement between OC Waste and Recycling and the Garden Grove Sanitary District.
- Authorize the General Manager and Secretary to execute the agreement.


KEITH G. JONES
Public Works Director

BY: 
A. J. Holmon III
Environmental/Streets Manager

Attachments: 1) Agreement
2) Resolution

Recommended for Approval


Matthew Feral
General Manager