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DEPARTMENT OF
PUBLIC WORKS

CITY OF SACRAMENTO
CALIFORNIA

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February 23, 1988

Budget and Finance Committee/
Transportation and Community Development Committee
Sacramento, California

MELVIN H. JOHNSON
DIRECTOR
LESLIE M. FRINK
DEPUTY DIRECTOR
REGINALD YOUNG
DEPUTY DIRECTOR

Honorable Members in Session:

SUBJECT: REPORT BACK ON SOLID WASTE PRIVATIZATION ISSUE

SUMMARY

As requested, City staff has reviewed and evaluated "A Proposal to the City Council by Sacramento's Waste Service Industry" dated June 15, 1987. This document called for providing refuse service to the citizens by private companies based upon the assertion that they could provide a higher level of service for less fees than the City currently charges.

Staff's analysis of the document's claims regarding rates shows that when actual "basic service rates" are compared, the City's rates compare favorably with the private rates. It is the cost of the special services and Lawn and Garden subsidy which cause the City's total rates to be higher.

The staff recommends that the joint Committees reject the request of privatization by the private haulers because the City's rates compare favorably with the private rates when the actual "Basic Service Rates" are analyzed.

Furthermore, the staff recommends against the preparation and issuance of a Request for Proposal (RFP) for contracting out Solid Waste services due to the cost to go through the RFP process and the significant labor problems such a process would cause among our workforce.

BACKGROUND

In mid-June, 1987, the Mayor and all Councilmembers received a document titled "A Proposal to the City Council by Sacramento's Waste Service Industry" from the law offices of Turner and Sullivan. In mid-November, 1987, staff was asked by the

joint Budget and Finance/Transportation and Community Development Committees to evaluate the document and to report back to the combined committees on the results of the review.

Staff has reviewed the document and has evaluated the issues raised in the document on a point-by-point basis. Because of the length of staff's responses to the statements made in the document, a separate Report entitled "Staff Review and Response to 'A Proposal to the City Council by Sacramento's Waste Service Industry'" was developed and is attached as Exhibit I.

Issues Related to Privatization

In the document's summation, it is stated that the City should prepare and send out a Request for Proposal (RFP) to contract for the City's residential waste service on a competitive basis. In addition, it states that the City's commercial accounts should be up for "grabs".

Before embarking on a time-consuming, expensive process to prepare and issue a RFP for contracting out solid waste services, the issues and consequences related to privatization should be explored and resolved.

These issues include accountability and control, costs, quality, disclosure, and liability. Although the private sector claims that the only issue is cost, this question is more complicated than a mere discussion of costs alone.

Accountability and Control

With contracting out, the City Council would not be directly accountable to the citizens of Sacramento. When a public function is assigned to a private entity, there is an inevitable weakening in the lines of political accountability. While a government agency is directly accountable to elected officials, the private entity under contract has only an indirect and tenuous relationship to the elected officials.

Contracting out creates a new layer for the public official to deal with in resolving citizen complaints and concerns. It will be more difficult for the public officials to resolve complaints through the contractor than if they were dealing with their own City employees. The City Council may be put in the position of being responsible for a program they really do not control.

Costs

Care must be taken to accurately assess the "true" costs of contracting out. There are numerous "hidden" costs for such items as monitoring, employee payoffs, equipment selloffs, etc., most of which have been referenced in the attached Exhibit. In addition, it is not unusual for prospective contractors to "lowball" contract proposals in order to get the initial work and then to increase rates

dramatically in future years. For example, the City of West Sacramento just had their rates raised 12.5%.

Since the private haulers are in business to make a profit, that must be added to the cost. In order to keep the cost low and the profit high, a private hauler may be tempted to reduce quality, and pay lower wages and benefits which in turn could lead to higher turnover and lower productivity.

In addition, the City of Sacramento has a substantial investment in Solid waste equipment, facilities, parts inventory and skilled manpower. If the City should decide to contract for private refuse collection services and then, after a period of time, find that increased costs make this service much more costly, its ability to reorganize a Solid Waste fleet might be cost prohibitive. Thus, the City could be trapped with high rates and poor service. A reorganization, involving delivery of new equipment, construction of new facilities, and the hiring of qualified personnel could take years.

Quality

A preoccupation with cost savings and profit by a private hauler could cause it to cut corners and thereby delivery a lower quality of service to the customers. This is a particularly serious problem because quality is inherently difficult to measure.

In addition, the delivery of solid waste services should be uniform in delivery and this uniformity could be reduced if a private hauler decides to reduce quality in order to increase profits or to service only those with the ability to pay or participate.

Disclosure

When the delivery of a service is shifted from the public sector, which is open to full disclosure and full coverage by the media, to the more closed private sector, then it is much more difficult to discover and get rid of corruption, abuse, conflicts of interest, and favoritism. In sanitation in the United States, there are really only three major providers outside the government (Waste Management Inc., Browning-Ferris Industries, and SCA Services, Inc.). That does not allow for a lot of competition and therefore even less pressure for public disclosure.

Liability

Even with the contracting out of solid waste services, the City may retain some responsibility to provide the service itself. For example, in the labor relations area, it is a definite advantage to the City to be able to direct its own workforce and have the opportunity to resolve labor problems rather than relying upon an outside contractor's employee relations. In a labor dispute, such as a sickout or strike, the City might have a different priority than the private sector for solving the dispute and would also have the ability to maintain

customer service. Whereas, who picks up the accumulating garbage when the private sector employees go on strike and the City has sold off all of its equipment?

Therefore, in addition to cost issues, accountability, quality, disclosure, and liability must also be considered when a government body is contemplating contracting out a service. The City should be focusing not only on how we can most effectively provide the services we do but also how to be responsive in providing the services with equity.

In general, issues related to contracting out include:

- o The City's continued need to retain contract monitoring staff
- o the difficulty of developing an appropriate contract which would adequately deal with "quality of service" issues
- o lack of actual cost savings
- o the possibility of new labor problems and the disruption of the current labor force
- o services which the private sector cannot absorb which would still need to be provided by the public sector
- o service requirements should the contracting arrangement be terminated

CONCLUSION

If there is interest in the privatization of Solid Waste services by the City Council, then the City should go through a four step process in identifying solid waste service needs and selection solutions for those needs. The four steps include: obtaining adequate description of the need, defining options for addressing the need, evaluating the options, and selecting the option.

If the best option in terms of accountability, quality, disclosure, liability, customer service, and cost turns out to be contracting out the solid waste services, then the scope of services and evaluation criteria would need to be developed. After that, the Request for Qualifications (RFQ) and Request for Proposal (RFP) documents would have to be circulated and responses evaluated.

The time frame for this total process of identifying the need, defining the options, evaluating the options, selecting an option, clarifying the scope of work, developing evaluation criteria and process, preparing and circulating an RFQ, evaluating responses to the RFQ, preparing and circulating an RFP, evaluating the responses to the RFP, and awarding a contract could take up to 12 months and cost up to \$100,000 (based upon similar processes performed by consulting firms in the cities of Houston and Oklahoma City). This does not include the staff time which would be involved.

RECOMMENDATION

Based upon the information contained in this report and Exhibit I, staff recommends against the preparation and issuance of an RFP for contracting out for Solid Waste services as requested by the private haulers for the following reasons:

1. A specific problem/need has not been identified. Various cost comparisons were made of the City's rates to some of those charges by private haulers in other jurisdictions. Our analysis shows that when you compare the actual "Basic Service Rates" then Sacramento's rates compare favorably with the private rates. If costs are the "problem", then there are steps the City Council and management staff can take to reduce the costs such as a reduction in the special services provided.
2. The cost and time involved to perform a Solid Waste services needs analysis, prepare a RFP and evaluate proposals is not warranted based upon the document submitted by the private haulers which consisted of 11 pages of narrative, no financial analysis and copies of some studies and articles.
3. The chaos and morale problems that would be caused among our workforce by the preparation of a RFP for contracting out solid waste services is not justified.

Respectfully submitted,

Melvin H. Johnson

for
REGINALD YOUNG
Deputy Director of Public Works

APPROVED:

Melvin H. Johnson

MELVIN H. JOHNSON
Director of Public Works

RECOMMENDATION APPROVED:

Solon Wisham Jr.
SOLON WISHAM, JR.
Assistant City Manager

February 23, 1988
All Districts

STAFF REVIEW AND RESPONSE TO "A PROPOSAL TO THE CITY COUNCIL BY
SACRAMENTO'S WASTE SERVICE INDUSTRY"

Although the document received by the Councilmembers is entitled a "proposal" and the cover letter to the document refers to submitting a "proposal", neither the document nor the letter is a "proposal" in the vernacular of governmental agencies in which a "proposal" (solicited or unsolicited) typically includes a scope of services, management organization, cost of services, and a schedule of when the services would be provided. Therefore, in order to avoid confusion among those who may read this staff response, the word "proposal" will not be used in referring to the document and letter.

The statements made in the document will be responded to on an item by item basis and therefore the same reference or numbering system has been used as contained in the document. (See Table of Contents and Attachment A)

A. The Cover Letter

The cover letter from the law offices of Turner and Sullivan calls for the City to provide refuse service to the citizens by private companies. Listed in the letter are seven "reasons" why the private waste service industry should provide the service including their assertions that they could provide a higher level of service to the citizens for less fees than is currently charged by the City.

Since the cover letter was introductory in nature, no response was made by staff.

B. The Document

I. Introduction

The document begins by stating the City of Sacramento has about the highest garbage rates of any city in the State of California.

Response: A comparative analysis of public and private garbage rates is illustrated in Table I. The table is built around a "Basic Service Rate" which represents the fee charged to pick up and dispose of residential solid waste. The "Basic Service Rate" does not include other specialized programs such as neighborhood cleanup, etc.

As can be seen from the table, the "Basic Service Rate" in column one ranges from a low of \$4.86 to a high of \$13.00 for the selected cities. Sacramento is at the lower end of the range with a "Basic Service Rate" of \$6.22. (See Footnote 1 on Table I)

The City of Sacramento is presently converting its solid waste pickup to an automated 90 Gallon Container Program. Therefore, the analysis is

based on the 90 Gallon Container Program. As can be seen from the table, when the various specialized programs provided as a part of solid waste services are removed, the rates charged to residential customers in the City are competitive with those charged by both public and private haulers in other cities.

Item: Reference is made to the homeowners in the City of West Sacramento having unlimited refuse collection every week for only \$4.32 a month while homeowners in the City of Sacramento pay \$10.46 per month for one 32 gallon can and garden refuse.

Response: The current rate (effective January 1, 1988) for residential refuse collection in West Sacramento is \$4.86 per household per month. This is a 12.5% increase from their prior rate of \$4.32 a month. This rate buys the customer unlimited containerized curbside service. As described previously, the City's "Basic Service Rate" is \$6.22 a month for one 90 gallon container. The City is presently converting to that service as the standard for residential customers.

Item: The document states that the private waste service industry can collect and dispose of refuse for rates below those proposed in the new (87/88) City budget or the current rates.

Response: The above statement implies that in addition to providing services for a lower fee, a private contractor would also have lower rate increases.

At the time that the various cities were surveyed, the public solid waste services showed a recent rate increase which averaged 8.17% and private solid waste services showed an average increase of 6.20%. However, this comparison provides only a "snapshot" view of rate increases since some of the cities surveyed were in the process of evaluating a rate increase but had not yet recommended an increase and other cities increased rates at different frequencies (yearly, every two or three years, etc.) Of those surveyed, it appears that public rate increases stayed within a fairly narrow range, from 6.5% to 9%, while private rate increases ranged from 0% to 15%.

II. The Problem

A. Transfer Station or More Trucks

Item: The document states that the City's landfill will soon be out of space and that refuse will have to be trucked to the County landfill. The authors assumed that the City would have to purchase new trucks or a transfer station would have to be built and that would mean many new and larger trucks hauling from the transfer station to the County landfill.

Response: The document seems to imply that the reason the City is investigating the siting of a transfer station is that our vehicles are too small and that we are faced with the options of purchasing a new fleet of larger capacity vehicles or building a transfer station.

Fortunately, except for the first four side-loaders purchased for the original 90 gallon pilot program, the Fleet Management Division specified that the side-loader chassis wheel base and body installation allow for future upgrades. Therefore, the majority of the automated side-loading refuse trucks can be retrofitted with a third axle and a tailgate extension to increase capacity. This upgrade will permit these vehicles to carry the maximum gross weight allowed by the California Vehicle Code (48,500 pounds). The cost for these upgrades should not exceed \$7,000 per unit, for a total cost of \$98,000 for the current fleet, which is less than the cost of one new automated side-loading refuse truck.

Fleet Management checked with local truck dealers and body manufacturers to determine how our side loaders compared to new side loaders being sold to the private sector. It was found that the last twenty automated side-loading refuse trucks purchased by the City were almost identical to the private sector vehicles; both use the same wheel base and body configuration. The major difference is in the size of the engine and transmission used in the private refuse trucks.

The private sector uses a larger engine and transmission than the City. However, in the Sacramento area, these larger components have been found to be unnecessary due to the flat terrain. Furthermore, the use of these larger components has a negative impact on the legal payload which could result in a loss of approximately 800 pounds per vehicle trip. This could result in 19 extra trips to the landfill per vehicle, per year.

Based on the City vehicles' lower "tare" or "empty" weight, the City vehicles should have a significant advantage over the trucks currently used by the private sector. The tare weight is important because California law limits the gross weight of all vehicles according to their wheel base. The body manufacturer requires a 207 inch wheel base chassis for installation of his 27 cubic yard body. This wheel base limits the total carrying capacity or gross weight to 48,500 pounds. Any wheel base longer than 207 inches reduces the turn radius on City streets and cul-de-sacs with a resulting loss in production.

Item: The document addresses the location and cost of a possible transfer station by stating that even if one could be built the estimated \$5 million price tag is too low.

Response: The estimated \$5 million price previously identified by staff was for a transfer station located at the 28th Street Landfill site. Elimination of that site will cost the City several million dollars more in land purchase and site preparation.

B. Commercial Accounts

Item: The document states that the City's Solid Waste Division wants to compete with private companies for commercial accounts.

Response: The City does not "compete" with the private companies for commercial accounts.

In City Code Section 19.101, the following definition is found:

"Garbage" consists of dead animals, of not more than ten pounds weight each, and of every accumulation of animal, vegetable, and other matter that attends the preparation, consumption, decay or dealing in, or storage of meats, fish, fowl, birds, fruits, or vegetables. The term "garbage" does not include dishwater or waste water.

This term is used in City Code Sections 19.102 and 19.107 as follows:

Section 19.102 Division of Waste Removal--Duty of Collection.

It shall be the duty of the division of waste removal of the engineering department to gather, collect and dispose of by dumping, distribution or sale all garbage, rubbish and waste matter, except as otherwise provided in this chapter, within the city. The city council may authorize and empower the city manager to dispose of the same in such manner as it may deem proper for the best interest of the city and in compliance with the rules and regulations of the health department. It shall be the duty of the division of waste removal of the engineering department to collect all garbage in the city at least once each week and at such other times as the necessities of the particular case require.

Section 19.107 Garbage Collection Service--Use Required.

It is hereby found and determined that the public health, safety and welfare of all the citizens of the city require that the accumulation, collection, removal, and disposal of garbage from lands, buildings, apartments, hotels, and all other premises within the city must be handled in a manner for the greatest good and the least possible inconvenience, cost and maintenance to the city and citizens thereof; and to that end, garbage collection service is provided by the city, and it shall be mandatory for all owners of all places and premises in the city in or from which garbage is created, accumulated or produced to subscribe to the city's garbage collection service in the manner and according to the terms and provisions of this article. Furthermore, it shall be mandatory for all occupants or persons in possession or control of said places and premises to use the city's garbage collection service in the manner and according to the terms and provisions of this article.

In order to meet the mandates of the above City Code sections, the Solid Waste Division must collect "garbage" from commercial establishments since no one else is legally permitted to do so.

Item: The document infers that the City is purchasing a large roll-off truck so it can better compete with private industry.

Response: The City is merely complying with the City code to provide "garbage" service with the least possible inconvenience, cost and maintenance to the City and the citizens.

Item: The document notes that in the County of Sacramento private companies compete for commercial accounts and as a result, commercial rates in the County are far below these in the City.

Response: While it may be true that many commercial accounts in the County may be charged less than in the City, commercial accounts in the City pay for more than just the cost of garbage pickup. As detailed later in this report, the fees paid by both residential and commercial accounts also pay for other specialized services. For commercial accounts, this includes other services such as commercial street sweeping, code enforcement, neighborhood cleanup, community cleanup, and household hazardous waste collection and disposal. In addition, as has been previously reported by the Director of Public Works at the 1987 budget rate hearings, the commercial accounts with the largest bin and compactor service categories support some of the other commercial and residential account categories. We have been addressing these inequities on a gradual basis in order to more fairly proportion the share of costs. For example, last year (87/88) the residential rates were increased by 9% while the majority of the commercial rates were held constant.

Also, private companies can select their customers, thereby servicing only those most economical to pick up, and which provide the most profit. They can charge differing amounts to customers with the same service levels based upon location and multiple accounts. The City must provide service to all customers who request service and must charge the Council adopted rates. All accounts in the same service category must be charged the same and the costs to service more difficult accounts are spread to all accounts.

III. Rates

Item: The document states that Sacramento is one of the very few California cities to still have municipal garbage collection and that we have one of the highest rates in California.

Response: Table II illustrates costs and service provided by the City of Sacramento Solid Waste Division. As illustrated, specialized programs cost the customer \$1.08. This does not include the Lawn and Garden Refuse Program which costs an additional \$4.07 (Excise Tax of

\$2.00 plus \$2.07 subsidy). The 90 Gallon Container Program costs customers an additional \$.96 for the 90 gallon container. When added to the "Basic Service rate" the total cost for solid waste pickup in Sacramento is \$12.33 although the current rate including the \$2.00 Lawn and Garden Excise Tax is \$10.45. The total solid waste monthly cost for one 90 gallon container would appear as follows if each program were identified separately:

<u>Service</u>	<u>Cost</u>	
Lawn and Garden Pickup Excise Tax	\$ 2.00	
Lawn and Garden Pickup Subsidy	2.07	
	-----	\$ 4.07
Code Enforcement/Nuisance Abatement	.13	
Neighborhood Cleanup	.42	
Household Hazardous Waste Pickup	.05	
Street Cleaning (Sweeping)	.43	
Special Community Cleanups	.05	
	-----	1.08
90 Gallon Containers	.96	
	-----	.96
Basic Service Rate for one 90 Gallon Container Service		<u>\$ 6.22</u>
TOTAL		\$12.33

The City of Sacramento could reduce its total solid waste billing if it reduced or eliminated the specialized services identified above.

The chart illustrated above is based on the City of Sacramento's costs, and therefore, reflects the cost of employing a public labor force to provide the labor necessary to accomplish the programs. It is possible that costs could be reduced by the use of a private labor force. Although there are differing opinions, a fair generalization to make concerning labor costs is that public employees cost more based on the overall salary/benefit package (this includes sick leave, holiday, vacation, etc.) Elimination of a publicly paid work force, and the associated higher salary/benefit package would also be a method to lower overall costs.

Item: The document states that private companies can perform the same service for at least 30%-40% less than what the City charges.

Response: Since no detailed data was provided in the document which would show how the authors came to the 30%-40% less conclusion, no analytical response can be made by staff. However, the data displayed in Table I does not indicate that private haulers' rates are 30%-40% less than those charged by public entities.

IV. Solution

This portion of the document lists the private haulers opinions as to the advantages of turning to private industry for waste service. Seven points are listed and staff has responded to them in order.

Point 1.

"The City will not have to site and build a multi-million dollar transfer station. (If one is ever really needed, why not let private capital build it; and why not let a private company risk the loss if the people vote it down?)"

Response: First the private companies state that a transfer station will not be needed, but then they say if it is, then the private sector should build it. The siting and environmental problems related to a transfer station will be the same whether it is pursued by the public sector or private sector. However, the public sector does have the ability to finance the construction of a transfer station at less cost than the private sector because of tax free rates.

Point 2.

"Nor will the City have to purchase dozens of new trucks to upgrade its refuse fleet. Why not let private companies worry about how to finance major equipment purchases? Even as we read this proposal, improved refuse vehicles are on the drawing boards. Why should the City constantly have to appropriate more money to keep up with new technologies to stay cost-effective?"

Response: The cost of equipment remains the same whether purchased privately or by the public. If appropriating money to keep up with new technology is cost effective, then the appropriations are a wise management decision. In addition, the upgrade and/or replacement of vehicles is already calculated into the vehicle depreciation rate (the rental rate paid by Solid Waste to Fleet Management for future purchases). Therefore, additional appropriations in excess of the depreciation rate may not be necessary.

Point 3.

"The private companies will return substantial monies to the City via franchise fees. This will pay for the necessary city code enforcement, city solid waste administration, ultimate landfill closure, and waste reduction measures."

Response: Again, Table I illustrates revenue received by other cities for franchise fees from private solid waste haulers. Franchise fees range between 5% and 22.2% of gross revenue collected for solid waste accounts. Using an average of franchise fees, if the City of Sacramento were to collect a franchise fee of 12%, this would bring approximately

\$1.68 million of revenue into the City. The revenue generated by a franchise fee is predicated on a statement by private haulers that private solid waste services could reduce the City's rates by 30%; the franchise fee is, therefore, calculated on gross revenue (gross revenue is based on rates) which has been reduced by 30%. Presently it costs the City of Sacramento \$1.78 million to provide the various specialized programs listed above. This would create a shortfall of \$100,000 for specialized services which the City of Sacramento now provides. This also does not include cost of activities related to administration, and contract oversight, recycling coordination, the Lawn and Garden subsidy, and debt service for the landfill and 90 gallon container program.

One consideration which must be addressed is whether a 30% reduction in rates is possible particularly as related to the current Lawn and Garden Program.

The issue of how lawn and garden refuse pickup would be provided is complicated by voter approval of Measure A in 1976. The Measure requires non-containerized street pickup of lawn and garden refuse. While it is possible that a 30% savings (as suggested by private haulers) could be achieved through a containerized lawn and garden refuse program, such savings may not be possible here in Sacramento due to the initiative ordinance which prohibits mandatory containerization of lawn and garden refuse.

Point 4.

"Private industry will develop and implement meaningful recycling programs, as it has done elsewhere. The City's recycling efforts have been virtually non-existent."

Response: The City's present recycling programs consist of a residential newspaper recycling program and a compost program. On January 5, 1988, the City Council approved a \$20,000 pilot recycling project utilizing the Sacramento Local Conservation Corps. This project will have two components. One group of approximately 2400 contiguous homes on 90 gallon container routes will set out newsprint for recovery while another group of 2400 homes will separate aluminum, cardboard, glass, and newsprint for recycling.

This pilot program will provide the City with data which will reveal the percent of citizen participation, the tonnage of materials collected, and the tonnage recycled. The revenue and expenditure data will also be collected in order to determine the success and possible expansion of the program.

Point 5.

"The City could forget about workers' compensation, the high cost of insurance premiums, tort lawsuits and liability exposure, and the myriad

of other legal problems associated with running a garbage business by transferring the risk to private industry."

Response: If the City were to franchise or otherwise contract with a private waste disposal company (or companies) to dispose of garbage and waste generated in the City, the normal course would be for that company to be responsible for tort liability as an independent contractor. In addition, the City could, by contract, require it to be named as an additional insured party on the company's insurance policy, and could further require the company to hold it harmless from any tort liability loss it might experience.

However, there is still a question that would need to be answered regarding the constitutional due process safeguards now enjoyed by both our employees and citizens. In a recent article by Harold Sullivan, Assistant Professor of Government at the City University of New York, in the November/December 1987 issue of "Public Administration Review", states that: "Even when government remains responsible through both funding and regulation for provision of a service, if production is in private hands, an employee can be dismissed, and a citizen can be denied service without the minimal constitutional safeguards that would apply if production had been in public hands."

For example, according to Professor Sullivan, should an employee of a private company publicly challenge its practices, First Amendment free speech rights might not protect him/her from dismissal. In addition, he states that if due process requirements governing eligibility determinations for government-delivered services appear to produce inefficiencies, lifting them entirely through reliance on private service delivery may produce unacceptable inequities. (Our disability exemption program?) Also, he states that if protections for whistle blowers in the public sector sometimes prove inadequate, in the private sector no such protections exist at all.

In addition, the majority of the affected employees are in the Operations and Maintenance Unit and are covered under the 1987-90 Agreement between the City and the Stationary Engineers, Local 39. The contracting-out provision of the Agreement states: "The City shall not contract out for goods and services performed by bargaining unit employees which will result in any career employee being laid off without prior consultation with the Union concerning the impact on the terms and conditions of employee of employees covered by this Agreement."

"Any layoffs resulting from the City's action shall be made pursuant to the layoff provisions of this Agreement."

The above provision means the City would have the right to decide to contract-out the solid waste function. While the decision would not be negotiable, the impact of that decision on the employment conditions of the affected employees would be negotiable with Local 39.

In accordance with the City's Employer-Employee Relations Policy, if agreement were not reached after the exhaustion of good faith bargaining, including mediation and fact-finding, the City Council would then have the right to take unilateral action on the outstanding negotiable issues. At that point, the Union could then sue the City and obtain a restraining order until a Court determined if the Council had in fact exhausted all avenues of negotiations before taking unilateral action.

Finally, no costs can be eliminated by the private sector in the manner claimed. The private sector will still have to pay workers compensation, insurance, and legal fees. These costs must be absorbed by either the consumer in the payment of higher rates or the City by the receipt of lower franchise fees.

Point 6.

"Private industry will provide programs and systems to deal with household toxics, an issue that will become more prominent in the near future."

Response: It is important to note that the handling of toxics is highly-specialized and requires particular knowledge, training and equipment. In instances of transportation and disposal, permits are required along with a specific reporting procedure.

Toxics (hazardous materials) might be encountered by private refuse contractors in three (3) ways:

1. During collection and transportation of solid waste.
2. At solid waste disposal sites.
3. At regularly scheduled household toxics collection sites.

The Sacramento Fire Department operates three (3) Hazardous Materials Response Teams (HMRTs). The personnel assigned to those teams are trained to deal with the stabilization and identification of hazardous materials as well as making required notifications and suggestions for cleanup. The teams operate specialized vehicles that are equipped to provide the services indicated. The teams do not provide cleanup nor funding for cleanup.

In both the first two situations listed above, the teams would be dispatched to the scene, if located within the City or County of Sacramento, to provide investigatory assistance related to the stabilization and identification of the hazardous materials.

With regard to the Household Toxics Program, the Fire Department has administered this program using funds provided by Solid Waste fees. This program requires considerable coordination with other agencies and includes the acquisition of permits and plans to guarantee collection

site safety. Hazardous Materials Response Teams assist with collection and provide the required safety procedures.

It is the opinion of the Fire Department that only those who are properly trained, equipped and permitted, be allowed to handle toxics. In the case of the City of Sacramento employees, only the Fire Department HMRT's personnel currently possess such qualifications.

If toxics responsibilities were to be shifted to the private sector, it would be imperative that they possess all the required qualifications and permits. It would also be imperative to monitor their toxics activities to determine that required regulations were being followed to ensure safe handling. The City's costs associated with this monitoring effort would be passed on to the various private haulers and would therefore represent an additional cost of private service.

Point 7.

"Finally, through efficient business practices (the result of competition), private industry will provide, at a minimum, the same level of refuse service now provided by the City for rates lower than those currently charged."

Response: Because the document provides no data, it is difficult to provide an analytical response. It is unclear if private industry would provide all the services and programs now provided for in our fees such as non-containerized lawn and garden refuse collection and disposal, street sweeping, code enforcement, neighborhood cleanup, community cleanup, and household hazardous waste.

The next portion of the Solution Section (IV) of the document poses four questions that the private sector feels might be raised by anyone who might object to contracting out services to the private sector.

Question 1: In regards to the question of what will happen to City employees who collect refuse, the document states that most will be hired by the private companies, some may stay with the City in other capacities, and some may retire. (Emphasis added)

Response: In the first place, not just City employees who collect refuse would be affected by privatization. There are numerous employees in supported related positions such as equipment maintenance personnel, customer service personnel, in both Public Works and Finance, and administrative, technical and clerical support personnel in General Services, Public Works, Finance, and Data Management who would be affected. In the Solid Waste Division alone, there are approximately 225 employees who would be affected. There are 24 positions in Fleet Management and lesser numbers in the Revenue Division and Data Management who also would be affected.

Secondly, without assurances by the private sector that all affected City employees would be hired at their current salary and benefit levels

(including retirement, vacation, sick leave, holidays, etc.) and under the same working conditions as they are now employed with the City, we perceive that there would be long, protracted negotiations with the employees' respective unions. If such negotiations did not produce an agreement, then other time-consuming processes such as mediation and fact-finding and possible court challenges would have to be pursued, as previously identified in this report.

As far as some of the employees remaining with the City in other capacities, it would be impossible for the City to absorb over 250 employees or even half that number with a projected status quo budget. The City could not create at least 250 additional positions. Of the 225 Solid Waste employees, there are 47 Sanitation Workers I, 56 Sanitation Workers II, and 48 Equipment Operators I. Basically, these employees need physical strength, stamina, plus a drivers license in order to perform their jobs. There are limited City jobs which require identical qualifications.

Unplanned early retirement may be a possibility for some of the employees. However, even within the group of the 225 affected Solid Waste employees, only 64 meet the age 50/5 years of service retirement eligibility criteria. Of those, only nine are age 62 or more which is the age one must be in order to be eligible for reduced social security benefits.

Assuming all 64 employees retired, the City would be obligated to pay a total of approximately \$375,000 to them as their payoff for accumulated vacation, one-third sick leave, overtime, and holiday credit hours. The range of payoff would be from approximately \$1,000 to \$16,000 per employee. This dollar amount increases everytime an employee receives a wage increase even if the accumulated hours do not increase. This is because the payout is based upon the employee's hourly salary at termination. There would also be longevity payoffs which would range up to \$575 per employee.

The City would also be financially impacted by the loss of the remainder of the affected employees who either resigned or who were able to secure a position in the private sector. These employees would also be eligible for payoffs. The payoff for the remainder of the Solid Waste employees would cost the City an estimated \$455,000. This, plus the payoff to the retirees, would total approximately \$830,000.00. Another financial impact of course would be the unemployment insurance benefits for these employees unable to secure employment with the private companies. The City annually budgets for payoff costs associated with a normal attrition rate. However, the magnitude of this cost related to the termination of over 225 employees at one time would be difficult to manage.

Besides the financial impact on the City, the loss of the 225 Solid Waste employees would have a significant negative impact on the minority representation in the City's workforce.

The following chart represents the ethnic breakdown of the 225 full-time career employees in the Solid Waste Division as of January 8, 1988.

<u># of Employees</u>	<u>Ethnicity</u>
110	Black
61	White
49	Hispanic
3	American Indian
1	Asian
<u>1</u>	<u>Filipino</u>
225	TOTAL

The loss of this group of employees would drop the minority representation in the total City workforce from 1,023 (32.76%) to 859 (29.64%). It should be noted that the affirmative action employment goal for minorities is 37.72%.

The representation of Black employees would be impacted the most. It would drop from 353 (11.30%) to 243 (8.39%). The affirmative action goal for Black employment is 13.11%. The representation of Hispanic employees would drop from 456 (14.60%) to 407 (14.04%). The affirmative action employment goal for Hispanics is 14.21%.

Minority representation in the Service Maintenance occupational category would be the hardest hit. This representation would slide from 409 (51.13% of the category) to 259 (43.17%). Blacks in Service Maintenance positions would fall under parity, from 171 (21.38%) to 73 (12.17%).

The Supervisory occupational category would be similarly affected. Minority employment would decrease from 46 (30.46%) to 36 (25.90%). Both figures are under parity.

The loss of the 225 employees would also have a significant impact on the minority representation in the Public Works Department. Minorities would drop from 331 (41.27%) to 167 (28.94%). Again, a parity to less than parity exchange. The most significant reductions would be in Black employment, which decreases from 146 (18.28%) to 36 (6.24%), although Hispanic employment would also drop from 140 (17.46%) to 91 (15.77%).

Because the private sector is not covered by public disclosure laws and their statistics and records are not open, it is difficult to determine or obtain information on current salaries and benefits provided by the private waste service employees in the Sacramento area. Also not available is the composition of their workforce in terms of ethnicity and sex.

We do know that of the eight firms signing the document, three are on the City's vendor list. None of the three is listed as a MBE/WBE

(minority-owned business enterprise/woman-owned business enterprise) contractor.

Question 2: The document answers the question of "Will garden refuse still be picked up?" with a "yes".

Response: What does the "yes" mean? Will it still be picked up uncontainerized on the street in front of a residence on a once-a-week basis? Or, will it have to be containerized, bundled, or bagged and picked up only once a month, or only during leaf season?

Question 3: The document states that private companies will include bulk waste neighborhood cleanup, disabled exemptions, and specialized weekend cleanup at no extra charge.

Response: As identified previously, the City's current refuse collection fees also pay for services related to lawn and garden pickup, code enforcement/nuisance abatement, neighborhood cleanup, household hazardous waste pickup, street cleaning (sweeping), and special community cleanups. Without a clear definition of their terms, it is difficult to ascertain exactly what they would do. For example, do special community cleanups fall under their specialized weekend cleanup? What about street sweeping--both residential and commercial?

Obviously, there is not a "no extra charge." The cost to provide all these services must be passed along to the consumer whether it is a direct charge, or an indirect one such as the City does by adding it to our "Basic Service Rate".

Question 4: As to the question "Will City finances suffer in any way?", the document states that they will not and then goes on to state that the City will save money and be better off financially.

Response: As mentioned previously, the City would be obligated for at least \$830,000 in payoffs to just the 225 terminated Solid Waste employees. That cost may be higher with the inclusion of the amount of money it would take to payoff the other supporting City employees.

There would be a loss to the General Fund of \$1.417 million now reimbursed by the Solid Waste Fund for support provided to it by the administrative functions within other Departments. For example, during the 1988-1989 fiscal year, \$530,000 will go toward Solid Waste support costs of the Revenue Division; \$335,000 would be for Public Works Administration; and \$68,000 would go towards Data Management. There would not be a corresponding decrease in overall staffing and other costs.

In addition, though the service may be contracted out, the responsibility would not and the City would have to create a unit within City government for monitoring private sector performance.

For example, in Oakland, the City enforces mandatory garbage codes, liens debtors, and takes complaints. They employ nine persons in a Mandatory Garbage Services Unit. In San Jose, the City enforces mandatory collection, does solid waste planning, and takes complaints. They have approximately 12 positions for these activities. Within the City/County of San Francisco, there are 15 employees who take complaints, enforce mandatory collection, perform solid waste planning, and coordinate recycling efforts.

In all of these cities, the private haulers bill the customers. If that were to happen in Sacramento, then the Solid Waste Fund's 40% share of the Utility Customer Information System (UCIS) project would have to be shifted to the three other participating enterprise funds of Water, Sewer, and Storm Drainage. The Council may recall that this new on-line interactive customer information system is costing the City approximately \$990,000 and is being debt financed by the proceeds from the recent sale of Certificates of Participation for the 1987 Public Facilities Project. The UCIS system is currently being designed and is scheduled to "go live" on November 1, 1988.

Assuming that the City would want to monitor the complaints, perform lien processing, enforce mandatory collection, and provide for solid waste planning, then it should be expected that the City would have to employ nine to ten employees in a monitoring unit (based upon Oakland's experience). The annual cost for such a unit, depending upon the classification level of the employees, could range from \$300,000 to \$365,000 for salaries and benefits alone, not including other services and supply costs.

In addition, the City would still have to close the landfill and comply with all State and Federal regulations related to that activity. The Solid Waste Division has a Landfill Site Closure CIP (YA06) which has been budgeted for \$1.5 million. Expenditures thus far total \$988,000. It is anticipated that it will cost up to \$500,000 a year for at least two more years and then \$375,000 a year for two additional years to properly close the site. After closure, there remain expenses associated with ongoing monitoring activities (landfill gas migration monitoring and water quality monitoring) as well as ongoing site maintenance activities.

Another financial impact on the City would be the resale value of the Solid Waste fleet. To determine how much the fleet would bring if sold, several variables have to be considered, such as the number and types of vehicles to be sold, the age and condition of the vehicles, the economics of the time, and the basic "supply and demand", that is whether it is a seller's or a buyer's market.

The refuse packer trucks and front end loaders with claws comprise more than 76% (141 vehicles) of the current Solid Waste Division's fleet, excluding the landfill operation. Historically, when 7 to 8 years old, (fully depreciated) refuse packer trucks have been offered for sale at

City of Sacramento auctions. They have sold for as little as \$1,000 or as high as \$4,200, with an average selling price of about \$2,300. However, there are normally only four or five refuse trucks for sale at any one auction. What would happen to the selling price of a refuse truck, if the auction were glutted with over 114 for sale at one time, is really not known. The selling price of Street Cleaning's front end loaders with claws at the August 1987 auction, ranged from \$800 to \$1,400. Again, there were only five of these vehicles for sale.

The City of Sacramento has no experience selling fully depreciated side loaders at auction. When surveying other cities, however, the price they received was roughly the same as the rear loaders, \$2,300. Their salability would be predicated on the same factors governing the refuse trucks and front loaders with claws.

In summary, because of the aforementioned variables, staff feels that it would be unlikely that the resale of the refuse fleet would bring the current stated book value of approximately \$4.5 million. A better estimate of the resale value of the Solid Waste fleet is approximately 60% of the stated book value or approximately \$2.7 million.

There are also unknown financial impacts on other City functions which receive solid waste services such as the Parks and the Zoo.

This review of some of the financial impact upon the City if it were to privatize solid waste collection reveals the following:

Payoffs to 225 Solid Waste employees	\$ 830,000
Support cost allocation loss	1,417,000
Monitoring Unit (Salaries & Benefits only)	365,000
UCIS Contribution Loss	400,000
Resale Value of Fleet Loss	1,800,000
Continued Landfill Closure Costs	500,000
Payoffs to Other City Employees	?
Reduced Service to Other City Depts.	?
TOTAL	?

Some of the above costs are initial one time costs such as the payoff to employees; while others are ongoing such as those related to landfill closure and a monitoring unit. Even so, based upon the above information, it is difficult to see how the City would save money by contracting out the solid waste services.

V. What Action is Needed

At this point, the authors of the document state that the City should prepare and send out a Request for Proposal (RFP) for privatization and refer to six articles which were attached to the document in order to show the benefits of privatization.

Article 1

The first of the six articles is a report by Columbia University, Public Technology prepared with the support of the National Science Foundation entitled "Evaluating Residential Refuse Collection Costs: A workbook for Local Governing". The date of this publication is not noted.

This workbook is geared to cities under 250,000 in population and, as noted in the study, the usefulness of the workbook is reduced because of the relatively small number of large cities included in the study." Sacramento's population is 327,000.

It is interesting to note that in the article on page 8, on Table 1, for cities within the size range of Sacramento, 250,000 - 500,000 in population, of those reporting, 72% provided the collection of residential mixed refuse themselves. Only 4% used a contract or franchise approach. This data would imply that Sacramento is doing what most cities do nationwide. "Franchise arrangements are more common in Western cities than elsewhere, although franchise collection is not a dominant arrangement in any region."

The study also says that there are four ways to reduce costs in terms of the solid waste function. Changing the service arrangement is only one of four approaches which include changing operating practices, reducing services, or consolidating the services. Any of these three or a combination, might prove to be less destructive than changing the services arrangement.

Article 2

A second article entitled "Comparative Study of Municipal Service Delivery: Refuse Collection", February 1984, is also attached to the document.

This study begins with the question of should cities provide municipal or private solid waste services? It analyzes ten municipal services and ten contract services with a for-profit sector firm. All cities included in the research were located in the five county Los Angeles statistical area. It should be noted that for comparison purposes in terms of size of population, neither the contract nor the municipal services examples are comparable to Sacramento. They used (Contract): Commerce, Bell, San Clemente, Costa Mesa, Lakewood, Sierra Madre, Glendora, Corona, South Gate, and Huntington Beach. (The only city with a population of over 100,000.) The municipal cities were: Porte Hueneme, Covina, Manhattan Beach, Oxnard (126,980), Ontario (114,320), Santa Paula, Culver City, Beverly Hills, Pomona (115,540), and Burbank. This study is basically a comparison of small cities in Southern California.

The findings of the study are that a comparison of municipal versus private services shows (1) comparable satisfaction but (2) costs under

the municipal approach tended to be higher. The report then outlines methods which cities can use to reduce costs, such as better vehicle maintenance, longer employee shifts and incentive systems associated with higher productivity and efficiency, and standardization of refuse collection fleet. Lower refuse collection costs are associated with increases in the quantity of refuse at each stop. "Cities should encourage neighboring residents to place their cans or bags of refuse together at the adjoining lot line rather than in the center of each lot."

Article 3

The third article included in the document is entitled, "Residential Solid Waste Collection Services in Canadian Municipalities." This study was done in August 1983.

While this study is interesting, it is difficult to compare to Sacramento's solid waste system since variables introduced by a foreign market must be identified.

The study says, page 2, "existing research in Canada has generally accepted reported cost figures, which creates comparability problems especially where public and private production of the same service is at issue. Public organizations tend not to have the same incentives as do private sector companies. On the other hand, private companies would not normally include contract monitoring costs as part of their figures."

One of the factors mentioned in the Canadian study for the difference was that the private sector paid lower wages (\$19,272 public sector and \$17,441 private firms).

Article 4

A fourth article is entitled "Privatization in U.S.: Cities and Counties" and was developed by the National center for Policy Analysis in June, 1985.

This "study" from the very beginning to end takes a pro-privatization perspective. There is a note that says, "Nothing in this report should be construed as necessarily reflecting the views of the National Center for Policy Analysis."

The report describes the different areas of local government where privatization can take place. These include police and fire protection. No information is provided about privatization as it relates to the solid waste function.

Article 5

Also included with the document is an article by the National Solid Waste Management Association entitled "Privatization of Waste Services:

City of Sacramento
Public Works Department
Solid Waste Rate Survey

<-----Rate Breakdown----->										
Basic Service	Can Cost	Lawn & Garden	Other Programs	Total	Public/Private	Frequency	Volume	Franchise Fee	Franchise Revenue	% Rate Increase
City of Sacramento (Rate)				\$10.45(2)	Public	Weekly	90-gal			9%
City of Sacramento (Cost)	\$6.22	\$.96	\$4.07	\$1.08	\$12.33	Public	Weekly	90-gal		9%
Sacramento County (1)	\$9.00	Yes		Yes	\$9.00	Public	Weekly	90-gal		6.5%
San Francisco	\$8.49				\$8.49	Private	Weekly	32-gal	\$2,175 per Truck	15%
San Jose	\$5.99				\$5.99	Private	Weekly	Unlimited	22.2% Gross \$4.3 Mil	3%
Oakland	\$6.40				\$6.40	Private	Weekly	32-gal	6.5%	No
Stockton	\$6.30				\$6.30	Private	Weekly	40-gal	10-12.5% Gross \$960K	No
West Sacramento (1)	\$4.86			Yes	\$4.86	Private	Weekly	Unlimited	9-12% Gross \$156k	12.5%
Fresno	\$8.65				\$8.65	Public	2/Weekly	Unlimited		Pending
Concord (1)	\$13.00	Yes		Yes	\$13.00	Private	Weekly	90-gal		No

(1) Three of these jurisdictions provide neighborhood cleanup programs and two include a 90-gallon can as part of their service fees, but were unable to provide staff a breakdown of the specific cost of these programs. Therefore, for comparison purposes, it was assumed that the neighborhood cleanup programs cost \$0.42 and the 90-gallon can cost \$0.96 which are the cost for these same programs in the City (Sacramento County: \$9.00 - \$0.96 - \$0.42 = \$7.62 for basic service; West Sacramento: \$4.86 - \$0.42 = \$4.42 for basic service; and Concord \$13.00 - \$0.96 - \$0.42 = \$11.62 for basic service).

(2) The rate shown for City of Sacramento is for 90-gallon residential service which includes the \$2.00 Garden Refuse Tax.

Table II

City of Sacramento
Public Works Department
Cost vs. Rate Analysis

	Basic Service	Garden Refuse Tax	Additional Garden Refuse	Other Cost Programs	Total Cost	Total Current Rate & Tax ⁽³⁾
Residential						
One Can Curbside	7.38	2.00	2.34	1.08	12.80	11.22
One Can Backyard	10.74	2.00	2.34	1.08	16.16	20.31
Ninety Gallon Can	7.18 (1)	2.00	2.07	1.08	12.33	10.45
1 Cubic Yard Bin	33.94	(2)	2.34	9.09	45.37	50.76
1 Cubic Yard Bin Leased	39.43		2.34	9.09	50.86	65.76
2 Cubic Yard Bin	42.97		2.34	9.09	54.40	65.53
2 Cubic Yard Bin Leased	48.46		2.34	9.09	59.89	83.03
3 Cubic Yard Bin	51.14		2.34	9.09	62.57	89.42
3 Cubic Yard Bin Leased	56.63		2.34	9.09	68.06	109.42
4 Cubic Yard Bin	59.29		2.34	9.09	70.72	85.80
5 Cubic Yard Bin	67.21		2.34	9.09	78.64	111.00
6 Cubic Yard Bin	75.14		2.34	9.09	86.57	122.30
Commercial						
One Can	20.52			8.66	29.18	13.22
1 Cubic Yard Bin	33.94			8.66	42.60	37.62
1 Cubic Yard Bin Leased	39.43			8.66	48.09	52.62
2 Cubic Yard Bin	42.97			8.66	51.63	48.80
2 Cubic Yard Bin Leased	48.46			8.66	57.12	66.30
3 Cubic Yard Bin	51.14			8.66	59.80	63.55
3 Cubic Yard Bin Leased	56.63			8.66	65.29	83.55
4 Cubic Yard Bin	59.29			8.66	67.95	68.70
5 Cubic Yard Bin	67.21			8.66	75.87	85.53
6 Cubic Yard Bin	75.14			8.66	83.80	97.45
3 Cubic Yard Compactor	81.93			8.66	90.59	105.99
4 Cubic Yard Compactor	97.75			8.66	106.41	128.65
5 Cubic Yard Compactor	113.56			8.66	122.22	160.80
6 Cubic Yard Compactor	129.38			8.66	138.04	192.85

(1) Basic Service is \$6.22 plus \$0.96 for can cost which totals \$7.18.

(2) The Garden Refuse Tax for residential bin service is variable.

(3) The amount shown for residential can service includes \$2.00 for the Garden Tax.

A PROPOSAL TO THE CITY COUNCIL
BY
SACRAMENTO'S WASTE SERVICE INDUSTRY

I. INTRODUCTION

The City of Sacramento has about the highest garbage rates of any city in the State of California, and they're going higher. Homeowners in the new City of West Sacramento have unlimited refuse (including garden refuse) removed, curbside, every week for \$4.32 per month. Just across the river, homeowners in the City of Sacramento pay over twice that amount or \$10.46 per month for curbside service to take away one 32-gallon can and garden refuse. The City's Solid Waste Division proposes, in the 1987-1988 Budget, to raise that fee even further to \$11.22. (See Proposed Budget, 1987-1988, pp. 203-207, Exhibit A.) How can this dramatic difference in level of service and cost be explained?

The City's landfill nears closure. Millions will have to be spent for new equipment or a multi-million dollar transfer station will have to be built. Rates will go up even further in Sacramento.

None of this needs to happen. The private waste service industry can collect and dispose of the same refuse now collected by Sacramento's municipal workers for rates far below those proposed in the new City budget and far below even current rates. The saving for Sacramento residents is estimated at more

than \$4,000,000 per year! And substantial amounts of money can be returned to the City for its own use through franchise fees. No city services need be curtailed, and current city refuse employees will be assured employment with private companies at comparable salaries and benefits so long as they are able to perform the job. How can this be?

This proposal discusses the garbage crisis looming in Sacramento and what can be done about it.

II. THE PROBLEM

Sacramento faces a serious garbage crisis in the not so distant future. It is both a public health crisis and a city fiscal crisis.

A. Transfer Station or More Trucks.

The City's Landfill will soon be out of space. Residents' garbage and refuse will have to be trucked to the county landfill, in some instances a 25-mile round trip. That means extra expense for gas, labor and inevitably new vehicles.

The City's residents and businesses, of course, will produce more garbage, not less, as the City grows and expands. More vehicles, equipment and more city employees will be needed to service new homes and new commercial establishments at greater cost.

Once the landfill closes, the City will be unable to efficiently service its refuse accounts. Its garbage trucks for

the most part are outdated and too small. That is why the City's Solid Waste Division proposes to build a \$5,000,000 transfer station, so that the collection vehicles can transfer refuse to large trucks and avoid dozens of 25-mile trips every workday to the county landfill.

Transfer stations are not easy to site much less build. The City discovered this when citizens in River Park successfully (so far) protested locating a transfer station at the city landfill. (If you cannot locate a transfer station at the dump, where can you expect to put it?)

State law requires transfer stations to be sited specifically in a city's general plan. Such an action by a city council is subject to referendum by the people. So in addition to the usual and treacherous land use approval path, if a transfer station is ever approved by the council, the people can vote to reject it. Is there any place within or near the city limits where a garbage transfer station will be welcomed by its neighbors? We think not.

Moreover, even if one could be built, the estimated \$5,000,000 price tag will turn out to be too low. Industry specialists predict the cost will be far higher. On the other hand, without a transfer station, many new and larger trucks will be necessary to make long trips to the county landfill cost-effective. It will cost millions to upgrade the City's refuse vehicle fleet.

B. Commercial Accounts.

The City's Solid Waste Division also wants to compete with private companies for commercial accounts. A city ordinance dating back to 1926 forbids private companies from handling commercial "wet garbage," produced mainly by restaurants, grocery stores and apartment dwellers. Grocery stores, for example, must have a small can for "wet garbage" while also having large compacting systems for their bulk "dry" refuse. (The City does not have the necessary equipment to service large compactors and containers.) There may have been a public health and safety reason for such an ordinance in 1926, but in 1987 there is absolutely no basis on which to prohibit private companies from transporting "wet garbage."

The City's ordinance thus makes no sense at all. A city truck picks up the wet garbage; a private firm's truck picks up the rest. The store has to pay both. Why should two trucks come when one is sufficient? ~~The "wet" and "dry" refuse all ends up in the same place anyway; it all goes to the landfill.~~ Additionally, city trash collection costs the customers twice as much in most cases.

The Solid Waste Division proposes to solve this somewhat by asking the City Council, in the 1987-88 proposed budget, to buy a large roll-off truck (at a cost of about \$80,000-90,000) so the City can better compete with private industry. The problem is the City's commercial rates are so high no business will take city service unless it is forced to under the outdated 1926

ordinance. Because the City will never be able to equal private companies on commercial rates, this white elephant roll-off truck may have nothing to do except to service the unwilling captive accounts among grocery stores, apartment owners and cafes.

It is interesting to note that in the County of Sacramento, private companies compete with one another, but not with government, for commercial accounts. There is no silly distinction between "wet" and "dry" refuse. As a result, the commercial rates in the County are far below those in the City.

III. RATES

Sacramento, one of the very few California cities to still have public municipal collection, has virtually the highest garbage rates in California. Lodi, Stockton, San Jose, Oakland, San Francisco, to cite just a few, and, of course, West Sacramento, are all substantially lower. All these cities use private companies to collect residential and commercial refuse. In the City of San Jose, which just went out to competitive bid to private companies, the curbside rate is \$5.81 per month for unlimited service. The people of San Jose produce the same volume per capita of garbage and refuse that we do here in Sacramento.

The Solid Waste Division, in the City's 1987-88 Budget, proposes to increase 32-gallon backyard residential pickup (one can plus garden refuse) from its current \$18.80 per month to

\$20.31. It is estimated that private companies can perform the same service for at least 40% less! The Division proposes to increase 32-gallon curbside residential pickup (one can plus garden refuse) from \$10.46 per month to \$11.22. It is estimated private companies can perform the same service for at least 30% less! The Division proposes to raise the 90-gallon super can rate from \$9.76 per month to \$10.45. Again, it is estimated private companies can do it for at least 30% less! The rate differential between what the City proposes to charge next year and what most private companies estimate the rates to be amounts to a saving to Sacramento residents in excess of \$4,000,000 a year! Moreover, in addition to reducing rates by 30% to 40%, private companies could pay franchise fees to the City. It is estimated that if a private company collected Sacramento's refuse, at the current rates, in excess of \$1,000,000 could be returned to the City's coffers through franchise fees every year!

IV. SOLUTION

The solution, given the dramatic difference in rates shown above between the private waste service industry and city municipal service, is to turn to private industry. The advantages for Sacramento are these:

1. The City will not have to site and build a multi-million dollar transfer station. (If one is ever really needed, why not let private capital build it; and why not let a private company risk the loss if the people vote it down?)

2. Nor will the City have to purchase dozens of new trucks to upgrade its refuse fleet. Why not let private companies worry about how to finance major equipment purchases? Even as we read this proposal, improved refuse vehicles are on the drawing boards. Why should the City constantly have to appropriate more money to keep up with new technologies to stay cost-effective?

3. The private companies will return substantial monies to the City via franchise fees. This will pay for the necessary city code enforcement, city solid waste administration, ultimate landfill closure, and waste reduction measures.

4. Private industry will develop and implement meaningful recycling programs, as it has done elsewhere. The City's recycling efforts have been virtually non-existent.

5. The City could forget about workers' compensation, the high cost of insurance premiums, tort lawsuits and liability exposure, and the myriad of other legal problems associated

with running a garbage business by transferring the risk to private industry.

6. Private industry will provide programs and systems to deal with household toxics, an issue that will become more prominent in the near future.
7. Finally, through efficient business practices (the result of competition), private industry will provide, at a minimum, the same level of refuse service now provided by the City for rates lower than those currently charged.

Why should anyone object to better service for less cost? These questions may be raised:

1. What will happen to the city employees who collect refuse?

Most will be hired by the private companies. Some may stay with the City in other capacities. Some may retire. Going private will not mean that people will be thrown out of jobs. To assure that jobs will not be lost, the City's bid specifications can require that qualified city refuse workers have first call, at comparable salaries, on jobs with the successful private bidder or bidders.

2. Will garden refuse still be picked up?

Yes.

3. Will private companies include bulk waste neighborhood cleanup, disabled exemptions and specialized weekend cleanup at no extra charge?

Yes.

4. Will city finances suffer in any way?

No. The City will save money and be better off financially. And all city services currently provided will continue.

V. WHAT ACTION IS NEEDED

With regard to residential service, the City should prepare and send out a Request for Proposal (RFP). The City will control the level of service desired by its specifications in the RFP. The City will continue to enforce health and safety regulations.

The RFP should put the City's residential waste service out to competitive bid. The City should call for one bid for the

entire city or divide the city into zones with private firms invited to bid separately on each zone or on groups of zones.

The City's commercial accounts should be "up for grabs." Companies should be able to compete for these customers regardless whether commercials produce "wet" or "dry" refuse. Competition will cause a significant reduction in commercial rates for apartment dwellers, restaurants and grocery stores. Experience in the unincorporated areas of Sacramento County confirms this.

The city ordinance will need to be amended to effect the changes for both residential and commercial accounts.

We need to emphasize a crucial point: The City of Sacramento takes no risk by requesting bids from private concerns. If the City does not like the bids submitted, it would be under no obligation to accept any of them, and public garbage service could continue.

The proverbial wheel need not be reinvented. Other cities throughout the United States have "privatized" and are better off for it. Knoxville, Tennessee went to private collection in 1984 and has saved millions since, according to Herb Kidd, head of the Knoxville Department of Public Services. Most of our neighboring cities (e.g., Davis, Lodi, San Jose, Santa Rosa, Auburn, San Francisco, San Mateo, Woodland, Oakland, Modesto) enjoy private waste removal. These cities can share their experience with Sacramento. The issue of contracting for private refuse service has also been studied extensively by

universities and public interest organizations. (See attached bibliography.)

There is no reason why the City should remain in the garbage business -- especially in these times. The taxpayers should not have to bear the risks nor generate the needed capital to safely and efficiently collect and dispose of the ever-increasing never-ceasing volume of waste. They certainly should not have to pay twice as much for less service than our good neighbors in West Sacramento enjoy.

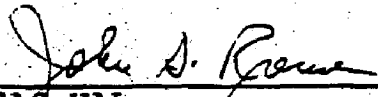
Change is always difficult. Changing to private waste removal in Sacramento will be difficult, not only because it has always been otherwise, but because a few strong interests may oppose it whether it makes good fiscal sense or not.

These times require cities, however, to search for all avenues of fiscal relief, so as to preserve essential services which can only be provided by government. There is no need to build expensive transfer stations, no need to buy costly trucks and to be caught up in a never-ending escalation of rates. There is an answer.


We ask the City Council to consider this Proposal and to act upon it.

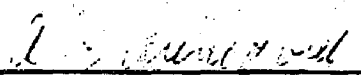

WASTE MANAGEMENT, INC.


BROWNING-FERRIS INDUSTRIES

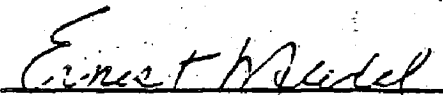

SAG-VAL


AMERICAN ENVIRONMENTAL
MANAGEMENT CORPORATION


CALIFORNIA WASTE REMOVAL
SYSTEMS, INC.


A & A RECYCLING SYSTEMS


CAMARILLO SANITARY SERVICE


SUNRISE WASTE CONTAINER
SERVICE

On behalf of the Waste Service Industry in Sacramento.

CITY OF SACRAMENTO

STAFF REVIEW AND RESPONSE

TO

"A PROPOSAL TO THE CITY COUNCIL

BY

SACRAMENTO'S WASTE SERVICE INDUSTRY"

FEBRUARY 23, 1988

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LAW OFFICES OF
Turner & Sullivan
 A PROFESSIONAL CORPORATION

June 15, 1987

Anne Rudin, Mayor of Sacramento
 David Shore, Councilman
 Doug Pope, Councilman
 Tom Chinn, Councilman
 Joe Serna, Councilman
 Bill Smallman, Councilman
 Terry Kastanis, Councilman
 Lynne Robie, Councilwoman
 Charles E. Bradley, Councilman
 915 "I" Street, Room 205
 Sacramento, California 95814

Dear Mayor Rudin and Members of the City Council:

We submit this Proposal to the City of Sacramento which calls for providing refuse service to its citizens by private companies.

The private waste service industry proposes:

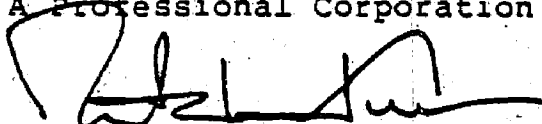
1. To save Sacramento's residents and businesses over four million dollars per year in garbage collection fees.
2. To provide a higher level of service than the City currently offers.
3. To avoid spending millions to build unnecessary transfer stations or to buy a new fleet of garbage trucks.
4. To modernize Sacramento's refuse collection systems, to develop viable recycling programs, and to dispose of household toxic wastes properly.
5. To pay franchise fees to the City to fund public health and safety measures.
6. To employ all qualified city refuse removal employees.
7. To do all of this for far less than the City's current rates and significantly less than those rates proposed for next year.

Mayor Rudin and Members of the City Council
June 15, 1987
Page 2

Please consider this proposal in the interests of our
City's citizens.


Respectfully,

TURNER & SULLIVAN
A Professional Corporation



RICHARD K. TURNER

LAW OFFICES OF PREM L. HUNJI



PREM L. HUNJI

RKT/PLH:kht

Enclosures

BIBLIOGRAPHY

"Evaluating Residential Refuse Collection Costs," by the Center for Government Studies, Columbia University Graduate School of Business (Exhibit B).

"Comparative Study of Municipal Service Delivery: Refuse Collection," by ECODATA, Inc. under contract to the U.S. Department of Housing and Urban Development (Exhibit C).

"Residential Solid Waste Collection Services in Canadian Municipalities," School of Public Administration, University of Victoria (Exhibit D).

"Privatization in the U.S.: Cities and Counties," National Center for Policy Analysis (Exhibit E).

"Privatization of Waste Services," by Richard L. Hanneman, Director, National Solid Wastes Management Association (Exhibit F).

"Privatization-Plus: How Public-Private Partnerships Can Work," by Gordon Graves, Waste Age, April 1985 (Exhibit G).