



Memorandum

TO: RULES AND OPEN
GOVERNMENT COMMITTEE

FROM: John Stufflebean

SUBJECT: Addition to City Auditor's 2006-07
Workplan: Review Fee Payments
by City's Franchised Haulers

DATE: 03-08-07

Approved

Date

3/8/07

The Environmental Services Department (ESD) requests that the City Auditor add to its 2006-2007 work plan, a review of the financial information associated with payments to the City of Franchise Fees pursuant to SJMC 9.10.1710 and the Franchise Agreements between the City of San José and three Franchised Haulers: Stevens Creek Disposal and Recycling (SCDR), Waste Management of Santa Clara County (WM), and Allied Waste of Santa Clara County (AW).

SCDR, WM, and AW have Commercial Solid Waste Franchises with the City of San José. Per these Agreements, the haulers are able to compete to provide solid waste services to businesses in San José. An important requirement of the Franchise Agreement and SJMC 9.10.1710 is that the Franchise haulers remit Franchise Fees to the City on a monthly basis. The Franchise Fees are assessed based on the volume (cubic yard) of waste hauled by the Franchisee. Twenty-six haulers have Commercial Solid Waste Franchises with the City. SCDR, WM, and AW generate 84% of the approximate \$12.1 million annual Franchise Fee revenue to the City.

Audits are due for AW, SCDR, and WM. ESD requests that the Auditor's Office complete the requested actions and report findings by June 30, 2007. The current SCDR and AW Commercial Solid Waste Franchise Agreements expire on June 30, 2007. The Auditor's findings will help ESD develop appropriate recommendations to Council regarding these two Franchise Agreements. The Auditor's Office has indicated that resources are available to perform the audits.

The Environmental Services Department has coordinated this request with the City Auditor and the City Attorney's Office.

JOHN STUFFLEBEAN
Director, Environmental Services