

DATE ISSUED: April 24, 2002

REPORT NO. 02-086

ATTENTION: Honorable Mayor and City Council
Docket of April 30, 2002

SUBJECT: Amendment of EDCO Facility Franchise Agreement

REFERENCE: Council Policy 200-20 – Solid Waste & Recycling Facilities Siting
& Expansion Policy

SUMMARY

Issue – Should the City Council authorize the City Manager to execute a First Amendment to the Facility Franchise Agreement with EDCO Disposal Corporation for the expansion and continued operation of the EDCO Recovery and Transfer Station?

Manager's Recommendation – Authorize the City Manager to execute a First Amendment to the Facility Franchise Agreement with EDCO Disposal Corporation for the expansion and continued operation of the EDCO Recovery and Transfer Station.

Other Recommendations – None.

Fiscal Impact – There is no cost to the City associated with this action. Under the proposed First Amendment, franchise fee revenues to the City and contributions to the Community Enhancement Fund would be significantly increased. During the first five years of the amended agreement, EDCO would make contributions to the Community Enhancement Fund of up to \$790,000 and pay franchise fees to the General Fund of \$1.2 million based on transfer station volumes at 75% of the maximum permitted level.

BACKGROUND

On July 29, 1997, the City Council adopted Council Policy 200-20, Solid Waste & Recycling Facilities Siting & Expansion Policy, providing guidance on the siting and expansion of solid waste management and recycling facilities within the City of San Diego. As a companion item, Council also enacted an ordinance (SDMC Section 66.0132) requiring operators of new or expanded solid waste facilities within the City to obtain a non-exclusive franchise or contract from the City, in addition to all other required permits and approvals, as a tool for implementing the Council Policy.

The EDCO Recovery and Transfer Station, located at 3660 Dalbergia Street, has been operating as a fully permitted, large volume transfer station since the early 1960's. In April 1999, EDCO was granted a Facility Franchise for the EDCO Transfer Station and embarked on a process to obtain all the permits and approvals to upgrade the facility and increase its capacity to receive and transfer solid waste. That agreement authorized EDCO to transfer up to 750 tons of municipal solid waste, source separated recyclables and construction and demolition wastes per day. The facility is inspected monthly by the City's Local Enforcement Agency and has been operating in full compliance with all permit conditions since its expansion to 750 tons per day was completed in late 1999.

DISCUSSION

With increased traffic levels on San Diego freeways, the time required for travel from the point of waste collection to the disposal facility is an issue of major concern to waste haulers. With the use of strategically located transfer stations, travel time can be reduced and the number of refuse collection vehicles using freeways can be reduced. The EDCO Transfer Station on Dalbergia Street is well located for refuse collection vehicles servicing businesses and multifamily residential units in the central core of San Diego. With Ballpark District and East Village redevelopment activities moving forward, the volume of solid waste generated in areas near the EDCO Transfer Station is expected to increase substantially over the next few years.

EDCO Disposal Corporation is proposing to expand transfer operations at the EDCO Transfer Station from a maximum of 750 tons per day (160 vehicles) to 1,500 tons per day (320 vehicles) to meet the increasing quantities of waste being generated in San Diego's central core and adjacent cities. In the two years since the current maximum daily tonnage was established, waste volumes and traffic levels have increased to approximately 70% of the maximum annual permitted tonnage and 81% of the traffic count restriction. On peak days, the respective limits are reached and waste loads must be diverted to alternative solid waste disposal facilities.

Under the proposed amendment to the Franchise Agreement, the transfer station would not be enlarged in size. The current facility is operating well below its maximum daily tonnage capacity. Instead, the agreement and operating permits would be amended to allow the station to operate at its design capacity. The proposed increase in maximum

daily tonnages and traffic limits would allow the transfer station the flexibility to meet peak daily loads and accommodate population and business growth in downtown San Diego. There would be no change in the current days and hours of operation (Monday through Saturday from 6:00 a.m. to 7:00 p.m.).

Relationship to Other Permits and Approvals

When City Council approved the initial Facility Franchise Agreement for EDCO's transfer station, it did not commit the City to any particular course of action with respect to development or expansion of the transfer station. EDCO was responsible for meeting all requirements of applicable law, including but not limited to all environmental reviews required by CEQA, State solid waste facility permits and all approvals required by the San Diego Municipal Code. By approving a First Amendment to the Agreement, the City would not be committed to any particular course of action relative to the other permits and approvals required to amend the transfer station's operating permits. EDCO would again be fully responsible for meeting all requirements of applicable law.

The amended Franchise Agreement would establish maximum daily tonnages and vehicle counts for the facility and minimum mitigation measures that must be taken; however, during the permitting process the maximum daily tonnage could be reduced and additional mitigation measures could be required.

Facility Franchise Agreement Amendments

The proposed First Amendment to the Facility Franchise Agreement is only one of a series of permits and approvals EDCO will need to obtain in order to increase the maximum daily tonnage of waste that can be accepted and processed at the transfer station. The amended agreement represents the "business deal" between the City and EDCO and includes the following changes to the existing Facility Franchise Agreement: 1) EDCO will request permits to increase daily tonnage limits from 750 tons per day to 1,500 tons per day; 2) average daily traffic will potentially increase from 150 vehicles per day to 320 vehicles per day; 3) operating days and hours will not be changed; 4) Navy waste may be accepted only from designated Navy facilities located South of Interstate 8; 5) EDCO will increase the number of community clean up events sponsored in portions of Council Districts 4 and 8 from two events per year to four events per year and may provide specialized support services in lieu of one of the events; 6) EDCO will increase its contribution to the Community Enhancement Fund from \$75,000 per year to an estimated \$158,000 based on a contribution of \$0.45 per ton of waste transferred from the transfer station, at 75% of the maximum permitted volumes, and franchise fees paid to the General Fund will increase from \$115,000 per year to an estimated \$230,000 per year; 7) the new contribution rate to the Community Enhancement Fund and the Franchise Fee per ton will remain in effect for seven years before being subject to escalation; and 8) EDCO will be given a Franchise Fee Reopener Option in the event the City grants a subsequent transfer station facility franchise at more favorable franchise fee rates.

ALTERNATIVES

1. Do not approve the proposed First Amendment to the Facility Franchise Agreement. EDCO would still be entitled to operate the facility at the 750 ton per day level and pursues permits and approvals for an increase in daily tonnage limits from other permitting and approval authorities and then reapply for an amendment to the Agreement.
2. Approve the proposed First Amendment with a maximum daily tonnage limit of less than 1,500 tons per day. This is not recommended because the facility is capable of handling daily tonnages at this level and remaining in full compliance with all operating permits and conditions.

These alternatives are not recommended because an increase in the maximum daily tonnage to 1,500 tons per day would significantly increase revenues to the Community Enhancement Fund and the General Fund. It would also allow the facility to better serve the increasing solid waste management needs of downtown San Diego resulting from its continuing development and redevelopment activities.

Respectfully submitted,

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Environmental Services Director

George I. Loveland
Senior Deputy City Manager

LOVELAND/HAYS/EPLER

Note: The attachment is not available in electronic format. A copy is available for review in the Office of the City Clerk.

Attachment: 1. Map of Community Enhancement Fund Area by Council District