

Memorandum



CITY OF DALLAS
Report No. A08-019

Date: August 15, 2008
To: Honorable Mayor and Members of the City Council
Subject: Final Report – Follow-Up of Audit Recommendations, Department of Sanitation

The Department of Sanitation is commended for implementing effective corrective actions to the four recommendations resulting from the “Audit of the McCommas Bluff Landfill Operations Managed by the City of Dallas Sanitation Department”, dated May 26, 2006. *Attachment A* provides detailed information for the four recommendations included in this audit¹ report.

Summary of Follow-up Audit Results

Fiscal Year Audit Report Issued	Number of Report Recommendations	Recommendations Implemented	Recommendations Not Implemented
2006	4	4	0

Management’s on-going assessment of market conditions and fees charged at surrounding landfills has resulted in increased gate fees. The most recent increase in May 2008, from \$18 to \$19 per ton, is projected to add \$1.4 million in revenues for Fiscal Year 2009.

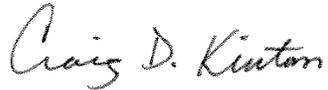
We appreciate the Department of Sanitation’s cooperation. This report was discussed with Sanitation management, but a written response was not requested.

¹ This audit was conducted under the authority of the City Charter, Chapter IX, Section 3 and in accordance with generally accepted government auditing standards. The audit objective was to verify that management has taken corrective action(s), the corrective action(s) are achieving the desired results or management has assumed the risk of not taking corrective action(s). We interviewed Sanitation department personnel, reviewed Council and Committee presentations, read fee surveys, and analyzed Dallas City Code.

Honorable Mayor and Members of the City Council
August 15, 2008
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If you have any questions or need additional information, please contact me at 214-670-3222 or Gary Lewis, Audit Manager, at 214-670-5347.

Sincerely,

A handwritten signature in cursive script that reads "Craig D. Kinton".

Craig D. Kinton
City Auditor

Attachment A

C: Mary K. Suhm, City Manager
Ramon F. Miguez, P.E., Assistant City Manager
Dave K. Cook, Chief Financial Officer
Mary Nix, Director of Sanitation

ATTACHMENT A

Audit Report	Audit Issues	Audit Recommendations	Audit Follow-Up Results
Audit of the McCommas Bluff Landfill Operations (May 26, 2006)	McCommas Bluff Landfill charges less than surrounding landfills	- Conduct periodic fee surveys of active landfills not less than annually to determine and document the fee structures used by landfill facilities competing with McCommas Bluff.	Implemented. Periodic surveys are done on surrounding public and private landfills competing with McCommas Bluff. Some key points from the surveys are: 1) all rates include the Texas Commission on Environmental Quality fee of \$1.25 per ton; and, 2) landfills offer discounts to large volume customers which could drop the effective rate below the McCommas rate. In a report dated September 15, 2006, the consultant recommends increasing the McCommas gate rate to \$17 per ton.
McCommas Bluff Landfill could increase revenue by following commercial landfill process for collecting State-assessed environmental fee	McCommas Bluff Landfill could increase revenue by following commercial landfill process for collecting State-assessed environmental fee	- Consider the need for any fee increase by using regression analysis and evaluating relevant operational and local market factors such as: <ul style="list-style-type: none"> • Direct assessment of \$1.25 per ton state environmental fee; • Assess fees for not participating in the landfill's commercial credit program; • Impact of tipping fee increase on revenue and tonnage figures; • Number and location of competing landfills; and • Economic factors such as increased cost of fuel. 	Implemented. Department of Sanitation is using fee surveys and other operational and market factors to determine the need for fee increases and impact on revenues. Reviewed budget presentation for FY 2008 and noted Department plan to: create multi-year disposal contracts, give discounts from gate rate for set volume from haulers, raise gate rate for non-contract customers, and limit amount of contract space to protect asset for residential customer. Expected results are: stable landfill revenues, predictability of operational needs and costs, and steady increase in revenues.

Audit Report	Audit Issues	Audit Recommendations	Audit Follow-Up Results
	<p>Impact of McCommas Landfill fee increases</p>	<p>- Set tipping fees in accordance with prevailing market conditions that allow the McCommas Bluff landfill tipping fee to:</p> <ul style="list-style-type: none"> • Be competitive with surrounding municipal and commercial landfills; and • Maximize the lifespan of the landfill. <p>- Present fee survey information to the Quality of Life Council Committee in advance of budget cycle activities to permit Council:</p> <ul style="list-style-type: none"> • To discuss operational policy before landfill budgeting activities; and • The opportunity to discuss fee changes relative to prevailing policy. 	<p>Implemented. Department of Sanitation is using fee surveys and economic factors such as fuel costs to set fees and enter into cost / volume contracts or fixed percentage agreements to remain competitive with area landfills. The Department of Sanitation raised the fee per ton from \$16 to \$18 in October 2007 then increased the fee again to \$19 per ton in July 2008. Council approved a discount rate structure for commercial haulers. Franchise fee structure is also in place with franchise fee paid by specified commercial haulers.</p> <p>Implemented. Department of Sanitation presents fee increases to Council for approval. The franchise fee presentation was an operational policy change that was presented to the Committee in advance of Council decision. McCommas Bluff Landfill rate adjustments were presented to Council for approval on September 26, 2007 and May 28, 2008.</p>