



CITY OF DALLAS

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Office of the City Auditor

**Audit Report**

**COMPLIANCE WITH SOLID WASTE COLLECTION  
AND HAULING FRANCHISE FEE ORDINANCES**  
(Report No. A09-021)

**September 25, 2009**

**City Auditor**

Craig D. Kinton

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## Executive Summary

The Department of Sanitation Services (SAN) notifies potential franchisees of the new solid waste and collection hauling franchise Ordinance, provides information to the companies, holds meetings, and remains in contact with the companies. However, solid waste collection and hauling companies are having difficulty complying with the franchise fee ordinances.

Solid waste collection and hauling companies are not paying the correct amount of franchise fee revenue to the City of Dallas (City). The Office of the City Auditor (Office) conducted audits of eight franchisees and identified additional revenue owed to the City of about \$543,000. Further, analysis of financial information identified numerous companies that potentially owe franchise fees to the City. We estimate that audits of these companies could result in additional revenue of \$395,000.<sup>1</sup> Further, the audit identified inconsistencies between the franchise fee ordinances and the City Code.

### Background Summary

Dallas City Council began authorizing ordinances granting solid waste collection and hauling franchises on March 28, 2007. As of November 10, 2008, 148 franchises have been granted.

The ordinances require payment of four percent of gross receipts for franchise fees.

SAN requested this audit to determine the compliance level of the private commercial solid waste collection and hauling companies that signed ordinances granting a franchise to collect and haul solid waste in the City. The Office conducted audits of eight franchised companies that account for approximately 79 percent of the \$2,353,008 in expected franchise fee revenue for each twelve-month period beginning with Fiscal Year 2007-2008.<sup>2</sup>

SAN recommended changing from a permit system to a franchise system to improve manageability and generate additional revenue. The old permit system generated revenue of \$1,612,980 for Fiscal Year (FY) 2005-2006. Although the new franchise system was expected to generate \$2,353,008, actual unaudited collections were \$2,713,113 for FY 2007-2008. Increased franchisee compliance may continue to lead to increased revenue.

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<sup>1</sup> Additional revenue estimates are based on the ratio of unaudited franchise fees paid by franchisees to their McCommas Bluff landfill disposal costs. Since franchise fee audits indicate underpayments of approximately 15 percent, the use of unaudited franchise fees would produce a conservative estimate of additional revenue.

<sup>2</sup> SAN predicted \$2,353,008 in franchise fee revenue for a twelve month period based on their analysis of FY 05-06 Commercial Sanitation Fees Collected.

## **Summary of Management’s Response**

Management agrees with all four of the recommendations contained within the report. For the complete management response, see Appendix III.

## **Summary of Objectives, Scope and Methodology**

The objectives of the audit were to:

- Evaluate the implementation of the solid waste collection and hauling franchise fee ordinance
- Determine if the correct amount of franchise fees was being paid to the City of Dallas

The audit period was April 1, 2007 to December 31, 2008. Certain other matters, procedures, and transactions occurring outside the above period may have been reviewed to understand and verify information related to the above audit period.

This audit was conducted under authority of the City Charter, Chapter IX, Section 3. We also conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# Audit Results

## **Overall Conclusions**

Solid waste collection and hauling companies are having difficulty complying with the franchise fee ordinances. Audits of eight solid waste collection and hauling companies showed that companies are not paying the correct franchise fee amount to the City of Dallas (City):

- Seven companies owe the City approximately \$480,000 in additional fees and \$70,000 in accrued interest
- One company is due a refund of approximately \$7,200 less accrued interest on late payments of \$300.

The Department of Sanitation Services (SAN) took actions to ensure companies were aware of the new franchise fee. Solid waste collection and hauling companies were provided a copy of the Ordinance and were requested to apply for the franchise agreement. As of November 2008, 148 solid waste collection and hauling companies had franchise agreements with the City.

Of the eight companies audited, only one timely filed monthly reports and made timely payments to the City. The widespread nature of the non-compliance suggests that solid waste collection and hauling companies do not understand the franchise ordinance requirements.

SAN requested this audit to determine compliance by the solid waste collection and hauling companies. The Office of the City Auditor (Office) made on-site visits to the eight companies selected for audit, interviewed personnel, and analyzed the company's financial records.

## **Audits of Eight Companies Identified Approximately \$543,000 in Additional Fees and Interest Owed to the City**

Eight companies paid the City \$3.05 million during the audit period<sup>3</sup>; however, audits of these eight companies identified additional revenue of \$472,470 owed to the City. The companies also owed \$70,558 in accrued interest on the revenue that was not timely and accurately paid to the City. Most of the errors can be attributed to the franchisees incorrectly interpreting the revenue sources to include in gross receipts.

### Companies incorrectly considered the franchisee fee as a sales tax

Sales taxes are taxes imposed on the customer that must be collected from the customer on behalf of the taxing authority; however, solid waste collection and hauling franchise fees are imposed on the service provider, not their customers. These fees are based on the gross receipts collected by the service provider.<sup>4</sup>

Most of the companies treated the franchise fee like a sales tax and collected a fee from their customer. By considering the franchise fee like a sales tax, the companies did not include the “franchise fees” they collected from their customers in gross receipts. This caused the companies to underreport gross receipts and underpay franchise fees.

In addition to the “franchise fees” that were collected from customers, other categories of revenue were not always included in gross receipts, such as revenue from organizations not subject to sales tax and finance charges collected from customers.

Seven of the franchisees understated the franchise fees owed to the City. The understatements ranged from approximately \$4,000 to \$200,000. One franchisee overpaid the City approximately \$7,000.

### Companies did not know that some fees were deductible from gross receipts

Companies did not properly deduct from gross receipts:

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<sup>3</sup> The audit period began April 1, 2007 and ended at various intervals because the eight audits were completed at different times. The audit period went through no later than December 31, 2008.

<sup>4</sup> Gross Receipts shall mean all revenues directly or indirectly received or generated by the Franchisee from or in connection with the operation of the Solid Waste Collection Service within the Authorized Area... (Franchise Ordinance, Section 6)

- Disposal fees for solid waste collected in Dallas and disposed of at the McCommas Bluff Landfill
- Recycle revenue and revenue from solid waste contracts with the City

None of the eight companies properly calculated the deductions from gross receipts; however, if sufficient documentation was provided to the Office during the audits, the companies were allowed credit for the deductions.

## **Recommendation**

We recommend the Director of SAN invoice and collect the approximately \$543,000 in franchise fees and accrued interest owed to the City of Dallas from the franchisees included in the audit.

## **Management's Response**

Agree.

Sanitation Services (SAN) continually and vigorously pursues all franchise fees owed the City. We have sent informational and demand letters notifying customers of the debts owed; they have been invoiced for the amounts owed. We frequently meet with customers who dispute their charges (by disagreeing with the City about how gross receipts and exemptions are determined). It is in this area, in particular, that the City Auditor's Office has provided an essential service in auditing a representative sample of franchisees' records and has markedly improved franchise compliance.

We have not addressed the accrued interest for disputed balances as yet, but agree that this should be done and will formulate a plan to address this issue within 90 days of the onset of FY 2010.

**Implementation Date:** Currently in process and will be on-going.

**Responsible Manager:** Ron Smith



## **Analysis of Financial Information Available to the City Can Identify Potential Additional Revenue and Ordinance Compliance Issues**

Analysis of financial information provided by SAN resulted in identifying additional companies that potentially need to sign franchise agreements. Our analysis also identified franchised companies that potentially owe franchise fees to the City. We estimate that audits of these companies could result in additional revenue of \$395,000 for each twelve month period beginning with Fiscal Year (FY) 2007-2008.<sup>5</sup>

### Comparing Disposal Fees Collected to Franchise Fees Collected

We identified:

- Five Dallas/Fort Worth companies who did not sign a franchise ordinance for solid waste collection and hauling, but had at least \$100,000 in disposal fees at the McCommas Bluff Landfill<sup>6</sup>. We estimate these five companies may owe \$95,000 in franchise fees to the City for each twelve-month period beginning with FY 2007-2008.
- Forty additional Dallas/Fort Worth companies using the McCommas Bluff Landfill who have not signed an ordinance granting them a franchise for solid waste collection and hauling in Dallas

### Analyzing Franchise Fees Collected

Our analysis showed:

- 113 of the 148 franchisees are not reporting or paying monthly franchise fees. Ten of these companies each have more than \$100,000 in disposal fees between January 2007 and September 2008 at the McCommas Bluff Landfill. We audited one of the smallest of these companies and determined this small company owed about \$6,200 in franchise fees and accrued interest to the City. We estimate the other nine franchised

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<sup>5</sup> Additional revenue estimates are based on the ratio of unaudited franchise fees paid by franchisees to their McCommas Bluff Landfill disposal costs. Since franchise fee audits indicate underpayments of approximately 15 per cent, the use of unaudited franchise fees would produce a conservative estimate of additional revenue.

<sup>6</sup> Although companies use McCommas Bluff Landfill, it does not mean that all of the solid waste was collected in the City; however, we expect most of their business was in the City.

companies may owe almost \$300,000 in franchise fees to the City for each twelve-month period beginning with FY 2007-2008.

Some of the remaining 103 franchised companies are probably not required to pay franchise fees since these companies do not charge their customers for collecting and hauling solid waste or they haul their own waste. There are numerous other franchisees, however, that charge for collection and hauling of solid waste that are not paying franchise fees.

- 35 of the 148 franchisees are filing monthly reports and/or paying franchise fees. Further analysis, however, showed these 35 franchisees did not timely file and pay about 42 percent of the required monthly reports and payments. In addition, those franchisees making payments more than ten days after the due date did not pay and were not invoiced for the accrued interest due on the late payment. The total accrued interest due on these late payments is about \$10,000. Although the total accrued interest is small, without any follow up by SAN to collect the accrued interest, the franchisees are not encouraged to comply with the ordinance and pay on time.

## **Recommendation**

We recommend the Director of SAN:

- Contact the five companies that do not have a signed franchise ordinance, but have McCommas Bluff Landfill disposal charges in excess of \$100,000 between January 2007 and September 2008, and contact the other 40 unfranchised companies identified in our analysis to determine if they need to sign an ordinance.<sup>7</sup>
- Contact the 10 franchisees that have McCommas Bluff Landfill disposal charges in excess of \$100,000 and the remaining 103 franchisees that are not filing monthly reports or paying any franchise fees to determine if they need to be paying franchise fees since March 28, 2007 and in the future.
- Monitor the timeliness of franchise fee payments and invoice the accrued interest on late payments.

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<sup>7</sup> The data analyses were provided to the Sanitation Services Department. Although the specific company names were not shown on this report, the company names were provided to Sanitation Services Department.

## Management's Response

Agree.

SAN has contacted and invoiced all five companies and is working with the City Auditor's Office to clear up disputed charges. We also made contact with all 40 of the companies identified as "without franchises" at least three times. SAN will recommend to the City Council that ten of the 40 be franchised following the September 23, 2009 Council agenda on which their franchises will be considered. The remaining 30 are at differing stages of application for franchise. SAN staff is following up and will present these at future City Council meetings for award of franchise unless they are ineligible for franchises.

SAN has also reached the ten franchisees with significant outstanding debt. All have either paid in full or are in pre-payment / re-payment plans arranged by SAN to assist them with complying with their franchises. SAN staff has contacted the 103 franchisees who are not consistently filling out monthly statements, and we are proactively monitoring them for timely reporting. Of these, 45 are compliant (or 43 percent), with the remainder to be prompted for full compliance.

**Implementation Date:** Currently implemented and will be on-going.  
**Responsible Manager:** Ron Smith

## Companies Did Not Comply with Franchise Ordinances Administrative Requirements

Table I shows the companies that did not comply with administrative requirements of the franchise ordinances. Because audits of eight companies identified non-compliance, the Office anticipates all the franchisees are in non-compliance with the administrative requirements.

Table I

<b>Administrative Compliance by Franchisees</b>			
<b>Company <sup>8</sup></b>	<b>All Reports &amp; Payments on Time</b>	<b>Annual Report Filed</b>	<b>Annual Report Audited by Certified Public Accountant (CPA)</b>
A	NO	<b>YES</b>	NO
B	NO	NO	NO
C	NO	NO	NO
D	NO	NO	NO
E	NO	NO	NO
F	NO	NO	NO
G	<b>YES</b>	NO	NO
H	NO	NO	NO

**Source:** Audits of franchisees

The widespread franchisee non-compliance with both the financial and administrative requirements of the franchise ordinance strongly suggests a lack of understanding of the ordinances by the franchised companies.

## Recommendation

We recommend the Director of SAN initiate actions to further inform all franchisees of their ordinance compliance responsibilities and establish written policies and procedures to monitor franchisee compliance.

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<sup>8</sup> The details and names of the eight companies included in the audit will not be disclosed due to confidential and proprietary information obtained during the audit.

## Management's Response

Agree.

SAN has explained responsibilities to all franchisees using multiple communication methods (City letters, group meetings with the waste hauler community, and one-on-one meetings with specific haulers). We continue to explain the process to customers each time they apply for franchise and walk them through the process and find that compliance is improving each month.

**Implementation Date:** Implemented from start and on-going.

**Responsible Manager:** Ron Smith

## Franchise Fee Ordinance Provisions are Inconsistent with City Code

The 148 franchise fee ordinances granting franchises for solid waste collection and hauling in Dallas are inconsistent with Section 18 of the Dallas City Code. Table II below summarizes the differences found between the ordinances and the City Code.

Table II

### Comparison of Franchise Ordinance and City Code Provisions

Issue	Franchise Ordinance	City Code
Annual Report Information	<ul style="list-style-type: none"> <li>Gross receipts</li> <li>Computation of payment</li> <li>Bad debt write-offs</li> <li>Volumes of solid waste and recyclable materials collected within the City</li> </ul>	<ul style="list-style-type: none"> <li>Volumes of solid waste and recyclable materials collected within the City</li> </ul>
Annual Report Due Date	<ul style="list-style-type: none"> <li>Filed by end of current calendar year</li> </ul>	<ul style="list-style-type: none"> <li>Filed by February 1 of next calendar year</li> </ul>
Annual Report Audited by CPA	<ul style="list-style-type: none"> <li>Prepared and audited by independent Certified Public Accounting (CPA) firm acceptable to City</li> </ul>	<ul style="list-style-type: none"> <li>No requirement</li> </ul>
Interest on Late Payments	<ul style="list-style-type: none"> <li>Interest of 10 percent to accrue on payments after 3:00 p.m. on the due date</li> </ul>	<ul style="list-style-type: none"> <li>Interest to accrue on payments received later than 10 days after due date</li> </ul>
Location of Records	<ul style="list-style-type: none"> <li>Information for an audit to be provided at a location in the City</li> </ul>	<ul style="list-style-type: none"> <li>Information shall be maintained at a single location in Dallas-Fort Worth metropolitan area</li> </ul>
Bad Debts / Accounting Basis	<ul style="list-style-type: none"> <li>Cash accounting basis; bad debts up to 3 percent of gross receipts are deductible</li> </ul>	<ul style="list-style-type: none"> <li>No requirement</li> </ul>

**Source:** Analysis of standard franchise ordinance and City Code

## Recommendation

We recommend the Director of SAN work with the Office of the City Attorney to eliminate the above noted differences between Section 18 of the Dallas City Code and the Sanitation Franchise Fee Ordinance as follows:

**An Audit Report on –  
Compliance With Solid Waste Collection and Hauling Franchise Fee Ordinances**

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- Annual Report Information – Amend the City Code to include the financial information (gross receipts and computation of payment) required by the ordinance
- Annual Report Due Date – Amend the franchise ordinances to provide for a due date of February 1 of the next calendar year
- Annual Report Audited by Certified Public Accountant (CPA) – Amend the franchise ordinances to remove this requirement
- Interest on Late Payments – Amend the franchise ordinances to accrue interest on payments received later than ten days after the due date
- Location of Records – Amend the franchise ordinances to allow maintenance of information in the Dallas/Fort Worth metropolitan area
- Bad Debts/Basis of Accounting – Amend the franchise ordinances to remove the exclusion for bad debts. Under the cash basis accounting required by the ordinance, only collected revenue is included in gross receipts. Revenue that is determined to be uncollectible, i.e. bad debts, is not included in gross receipts and, therefore, no deduction from gross receipts is needed.

## **Management's Response**

Agree.

The City Code and the franchise ordinance serve different purposes.

The City Code authorizes a solid waste franchise system and generally sets forth the basic guidelines of that system, only occasionally providing specific requirements. The franchise ordinance for each individual solid waste hauler outlines the very specific requirements for each hauler to comply with the ordinance. The latter includes the items noted above. The City Code and the franchise agreement complement, but rarely duplicate, each other. Some we are working with the City Attorney to eliminate the few impermissible provisions in the franchise ordinance form – meaning those provisions that are inconsistent with the City Code. We are aware that the City Attorney's Office may also recommend changes in the City Code to provide additional collection and enforcement remedies and for clarification, and SAN will respond to those recommendations when received.

**Implementation Date:** Not Applicable

**Responsible Manager:** Not Applicable

## Appendix I

### Background, Objectives, Scope and Methodology

#### Background

Dallas City Code (Chapter 18) was revised in September 2006 to change the solid waste haulers permit system to a franchise system, in which the City collects four percent of a hauler's gross revenues. In accordance with the new ordinance, each solid waste hauler must apply for and receive a franchise to collect and haul solid waste in Dallas.

City Council authorized the ordinances granting the franchises for solid waste collection and hauling, pursuant to Chapter XIV, of the City Charter, and Chapter 18, Article IV, of the Dallas City Code as shown in the table below. As of November 10, 2008, 148 haulers have been franchised.

Date	Number of Franchises Granted	Ordinance Numbers
March 28, 2007	80	26609 to 26688
June 27, 2007	42	26814 to 26855
May 14, 2008	20	27154 to 27173
November 10, 2008	6	27384 to 27389

The Department of Sanitation Services (SAN) administers and enforces the ordinances. SAN sent letters to potential franchisees on October 20, 2006 announcing the franchise system, requesting completion of an information package, and providing a copy of Ordinance 26480, which amended Chapter 18 of the Dallas City Code. The letters also announced an informational meeting to be held on November 6, 2006.

#### Objectives, Scope and Methodology

The objectives of the audit were to:

- Evaluate the implementation of the solid waste collection and hauling franchise fee ordinance
- Determine if the correct amount of franchise fees was being paid to the City of Dallas



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Compliance With Solid Waste Collection and Hauling Franchise Fee Ordinances**

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To accomplish the audit objectives, we:

- Conducted interviews with City management and staff to develop an understanding of relevant operations, obtained information maintained regarding the ordinances granting franchises for solid waste collection and hauling and discussed the implementation and monitoring of the ordinances granting franchises for solid waste collection and hauling
- Reviewed City Charter Chapter XIV, City ordinances, Dallas City Code, Chapter 18, Article IV, and other documents and information considered relevant to the audit objectives
- Used computer-assisted audit techniques to compare and analyze the franchise fees collected, landfill fees collected, container fees collected and the list of franchise holders. Identified companies that should sign a franchise ordinance, identified franchised companies that should be paying franchise fees and franchised companies that may not be paying correct franchise fees.
- Audited eight franchised companies that provide private commercial solid waste collection and hauling services in Dallas

The audit period was April 1, 2007 to December 31, 2008. Certain other matters, procedures, and transactions occurring outside the above period may have been reviewed to understand and verify information related to the above audit period.

This audit was conducted under authority of the City Charter, Chapter IX, Section 3. We also conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Appendix II

### Major Contributors to This Report

Gary Lewis, CPA, CIA, CFE, CFF, Assistant City Auditor

Renee Hayden, CPA, CFE, Project Manager

Eva Chen, Auditor

Tony Sivasothy, CPA, Auditor

Rowena Zhang, CPA, Auditor

Theresa Hampden, CPA, Quality Control Manager

## Management's Response

Memorandum

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CITY OF DALLAS

City Auditor's Office

DATE: September 21, 2009

TO: Craig D. Kinton, City Auditor

SUBJECT: **(REVISED) Response to Audit Report: Audit of Compliance with Solid Waste Collection and Hauling Franchise Fee Ordinances**

Our responses to the audit report recommendations are as follows:

**Recommendation**

We recommend the Director of SAN invoice and collect the approximately \$543,000 in franchise fees and accrued interest owed to the City of Dallas from the franchisees included in the audit.

**Management Response / Corrective Action Plan**

Agree       Disagree       Partially Agree

Sanitation Services (SAN) continually and vigorously pursues all franchise fees owed the City. We've sent informational and demand letters notifying customers of the debts owed; they have been invoiced for the amounts owed. We frequently meet with customers who dispute their charges (by disagreeing with the City about how gross receipts and exemptions are determined). It is in this area, in particular, that the Auditor's Office has provided an essential service in auditing a representative sample of franchisees' records, and has markedly improved franchise compliance.

We have not addressed the accrued interest for disputed balances as yet, but agree that this should be done and will formulate a plan to address this issue within 90 days of the onset of FY10.

**Implementation Date** – Currently in process and will be on-going.

**Responsible Manager** – Ron Smith

**Recommendation**

We recommend the Director of SAN:

- Contact the five companies that do not have a signed franchise ordinance, but have McCommas Bluff landfill disposal charges in excess of \$100,000 between January 2007 and September 2008, and contact the other 40 unfranchised companies identified in our analysis to determine if they need to sign an ordinance.
- Contact the 10 franchisees that have McCommas Bluff landfill disposal charges in excess of \$100,000 and the remaining 103 franchisees that are not filing monthly reports or paying any franchise fees to determine if they need to be paying franchise fees since March 28, 2007 and in the future.
- Monitor the timeliness of franchise fee payments and invoice the accrued interest on late payments.

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Response to Audit Report: Audit of Compliance with Solid Waste Collection and Hauling Franchise Fee Ordinances

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**Management Response / Corrective Action Plan**

Agree  Disagree  Partially Agree

SAN has contacted and invoiced all five companies, and is working with the Auditor's Office to clear up and disputed charges. We also made contact with all forty of the companies identified as "without franchises" at least three times. SAN will recommend to the City Council that ten of the forty be franchised following the September 23, 2009 Council agenda on which their franchises will be considered. The remaining thirty are at differing stages of application for franchise. SAN staff is following up and will present these at future City Council meetings for award of franchise unless they are ineligible for franchises.

SAN has also reached the ten franchisees with significant outstanding debt; all have either paid in full or are in pre-payment / re-payment plans arranged by SAN to assist them with complying with their franchises. SAN staff has contacted the 103 franchisees who are not consistently filing out monthly statements; we are proactively monitoring them for timely reporting. Of these, 45 are compliant (or 43%), with the remainder to be prompted for full compliance.

**Implementation Date** - Currently implemented and will be on-going.  
**Responsible Manager** – Ron Smith

**Recommendation**

We recommend the Director of SAN initiate actions to further inform all franchisees of their ordinance compliance responsibilities and establish written policies and procedures to monitor franchisee compliance.

**Management Response / Corrective Action Plan**

Agree  Disagree  Partially Agree

SAN has explained their responsibilities to all franchisees their using multiple communication methods (city letters, group meetings with the waste hauler community, and one-on-one meetings with specific haulers). We continue to explain the process to customers each time they apply for franchise and walk then through the process, and find that compliance is improving each month.

**Implementation Date** – Implemented from start, and on-going.  
**Responsible Manager** – Ron Smith

**Recommendation**

We recommend the Director of SAN work with the Office of the City Attorney to eliminate the above noted differences between Section 18 of the Dallas City Code and the Sanitation Franchise Fee Ordinances as follows:

- Annual Report Information – Amend the City Code to include the financial information (gross receipts and computation of payment) required by the ordinance
- Annual Report Due Date – Amend the franchise ordinances to provide for a due date of February 1 of the next calendar year
- Annual Report Audited by Certified Public Accountant (CPA) – Amend the franchise ordinances to remove this requirement

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Response to Audit Report: Audit of Compliance with Solid Waste Collection and  
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- Interest on Late Payments – Amend the franchise ordinances to accrue interest on payments received later than ten days after the due date
- Location of Records – Amend the franchise ordinances to allow maintenance of information in the Dallas/Fort Worth metropolitan area
- Bad Debts/Basis of Accounting – Amend the franchise ordinances to remove the exclusion for bad debts. Under the cash basis accounting required by the ordinance, only collected revenue is included in gross receipts. Revenue that is determined to be uncollectible, i.e. bad debts, is not included in gross receipts and, therefore, no deduction from gross receipts is needed.

**Management Response / Corrective Action Plan**

Agree  Disagree  Partially Agree

The city code and the franchise ordinance serve different purposes.

The code authorizes a solid waste franchise system and generally sets forth the basic guidelines of that system, only occasionally providing specific requirements. The franchise ordinance for each individual solid waste hauler outlines the very specific requirements for each hauler to comply with the ordinance. The latter includes the items you noted above. The code and the franchise agreement complement, but rarely duplicate, each other. Some we are working with the City Attorney to eliminate the few impermissible provisions in the franchise ordinance form – meaning those provisions that are inconsistent with the City Code. We are aware that the City Attorney's Office may also recommend changes in the City Code to provide additional collection and enforcement remedies and for clarification, and SAN will respond to those recommendations when received.

**Implementation Date – N/A**

**Responsible Manager– N/A**

Sincerely,



Mary Nix, Director  
Sanitation Services

C: Ryan S. Evans, First Assistant City Manager

Ron Smith, Assistant Director, Sanitation Services