



City Manager's Office  
City of Frisco, Texas

## Memorandum

**To:** Honorable Mayor Maso and Members of the Frisco City Council  
**From:** Henry J. Hill, Deputy City Manager  
**Date:** April 16, 2015  
**Re:** Proposed Contract Revisions to NTMWD Regional Solid Waste System Contract

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**Action Requested:** Approval of various contract revisions between the City of Frisco, The North Texas Municipal Water District (NTMWD), and the cities of Allen, McKinney, Plano, and Richardson for Regional Solid Waste services.

**Background:** The North Texas Municipal Water District's Solid waste system is made up of the five member cities of Allen, Plano, Richardson, McKinney, and Frisco. For several years this group and NTMWD have been working to develop a new Solid Waste Agreement. The first member cities signed their contracts in 1979 and others became members at various times, with Frisco becoming a part in 1990.

Frisco participates with the other cities and the NTMWD in the Regional Solid Waste facilities including landfill disposal, transfer stations, residential drop off, and yard waste recycling. We expect to pay approximately \$3.5 million in FY 15 for these services. The NTMWD Solid Waste system functions under the contract. There are many reasons for the updated contract that are based on evolution of waste management practices since Frisco joined that affect how the system operates:

- All member cities now recycle multiple waste streams;
- All member cities now divert yard waste;
- All member cities have agreed to one-half ton accounting for temporary open top roll off containers that are hauled by the city carrier(s) directly to the NTMWD Regional Disposal Facility in Melissa;
- Member city accounting and billing for both Operations and Maintenance (O&M) and Debt Service have defaulted to use the City's percentage of current year disposal weights; without use of the contract's provision of a minimum bill or high year cost component; and
- Federal and state regulations have changed.

There are two significant changes to the proposed contract:

### ***Calculation of Bond Service Budget Component***

The system's *operations and maintenance (O&M) costs* are divided pro rata to member cities based on their percentage of waste in tons delivered to the NTMWD system in the current year. For example, if NTMWD's solid waste budget's O&M costs were \$20 million and Frisco's was 20% of the total tons, our budget share would be \$4 million. This O&M cost allocation is unchanged by the new contract. O&M currently makes up over 90% of the total NTMWD Solid Waste Budget.

The current contract specifies that the system's *debt service* shall be divided between member cities based on their highest-ever annual solid waste contribution to the system. For example, if the debt service of NTMWD's total solid waste budget was \$5 million, and at some time in the past Frisco had been 20% of the total tons, our budget share would be \$1million regardless of the possibility that our current tonnage percentage had dropped back down to 10%.

Member cities support changing this computation method for the debt service component so it is less like the take or pay computation method used in other NTMWD contracts.

The proposed method that all cities have agreed to uses the greater of (1) the average of tons delivered for previous 5 years; or (2) 25% of the maximum tons ever delivered in one year (25% of the single highest year). This creates a 5-year rolling average plus a floor of 25% of the maximum tons. This replaces the highest tonnage ever delivered criteria that is in the current contract.

This revision to the bond service component meets cities' concerns while protecting the District and bondholders.

### ***Revision to the definition of waste materials that are allowed to leave the NTMWD Solid Waste system***

The current contract was developed to require all members to deposit all their solid waste for disposal at a NTMWD transfer station or landfill. This provision was made before the "green revolution" and because we could not then envision all the recyclables that can now be extracted from the waste stream and marketed for recycling and/or composting.

The member cities all support recycling as a desirable environmental practice. Additionally, recyclable waste diversion can significantly extend the life of the landfill, reduce annual O&M costs, and ultimately delay the need to expand the current landfill or develop a new site.

The new contract explicitly excludes recyclables and items which can be composted from what must be taken to the NTMWD system for disposal. Besides what Frisco residents place in our blue 95-gallon poly carts, this means that compostable materials such as yard waste, tree and bush trimmings, landscape waste, and tree trimming/removal related materials are not required to be disposed of the NTMWD system as long as they are put to beneficial reuse or recycling.

There are other contract changes that are recommended for implementation which are less significant, but are outlined as follows:

### ***Other Revisions***

- The contract endorses regional pursuit, when viable, of “waste conversion” technologies that might generate income and preserve landfill airspace. We know of emerging opportunities for waste-to-electric energy and waste-to-liquid fuel that are growing increasingly realistic on large-scale with up-front costs that are decreasing. There are also going to be additional emerging technologies/processes that allow solid wastes we now bury in the ground to be used as a new energy source while diverting materials from the landfill. The member cities and NTMWD commit in the contract to research and develop these technologies as they become viable.
- The wastewater treatment plants create sludge that is disposed of at the NTMWD landfill. The member cities agreed to accept this material that is delivered to the working face of the landfill by Wastewater System vehicles “at cost” rather than mark-up the disposal costs. The Solid Waste system receives about 110,000 tons of wastewater sludge per year.
- One Saturday per month, Collin County operates a waste disposal event at the NTMWD landfill. The event is intended for use by citizens of the unincorporated County with the intent of reducing illegal dumping. However, all citizens of the County may use the program. This is a beneficial environmental program that provides Collin County and its Cities “cost avoidance” for illegal dumping clean-up as a government expense. The five member cities agreed to charge Collin County a waste disposal rate of member city direct haul landfill disposal cost plus ten percent. The current charge is \$29.46 and the new rate will be \$24.48. This provides the County a \$4.98 per ton rate savings over the current rate they are charged. Over the past three years, the monthly county program has averaged 5,200 tons per year of disposal weight.
- Member cities agreed to count one-half of the actual tonnage for temporary open top roll off containers that are hauled by the city carrier(s) directly to the NTMWD Regional Disposal Facility in Melissa. This agreement is only for construction containers and represents the NTMWD transportation cost-avoidance of wastes direct hauled from the transfer stations. This previous “side” agreement is included in the new contract.
- Member Cities requested that the Solid Waste System be eligible for an operational audit of effectiveness and efficiency on a five year interval if a majority of member cities request such an audit. Member City intent was that an external audit by expert industry consultants can have a positive impact on the operations of the system. This provision was added to the contract.
- The Solid Waste contract requires periodic review to maintain currency. To that end, member cities agreed to a contract review every 5 years and to update the contract if it is deemed necessary.

There were also two issues brought forward by member cities that were addressed by other means than contract amendment.

1. The NTMWD Solid Waste System is ultimately governed by the entire 13-City NTMWD Board of Directors. The Board annually appoints a seven-member Solid Waste Committee to first hear solid waste system general topics as well as consider agenda items before they go to the entire NTMWD Board for action.

The member cities desired that rather than any city's board member being appointed to the Solid Waste Committee, that at least a majority of Director level representatives to the committee be appointed from among the five Solid Waste System member cities. This point was not addressed in the new contract. However, to the satisfaction of the member cities the District amended District Policy Number 15, the Board of Directors Committee Policy. The revision is dated January 2015 (and included in the agenda item back up materials). The Policy now establishes that at least four of the seven total Solid Waste Committee members be appointed from the five Solid Waste System Member Cities. The member cities were satisfied with this approach.

2. Member cities expressed concern about how well they were able to track programmed Solid Waste System Capital Improvement Projects that would be funded by the issuance of new debt. NTMWD agreed to keep a current listing of system CIP initiatives posted on NTMWD web site and to discuss these CIP items at their regular member city and City Manager meetings. The member cities were satisfied with this approach.

Staff believes that the proposed changes are beneficial to the City of Frisco in that they 1) clarify and/or simplify changed provisions, 2) better conform to current actual practice, 3) further incentivize recycling and avoid burial in landfill of items which can better be diverted and/or recycled, and 4) do not pose additional cost burdens on the City of Frisco.

All five Solid Waste System Member Cities' staffs support the new regional Solid Waste System Contract with NTMWD. All cities have completed legal review and the current contract version incorporates comments to the satisfaction of the member cities. The President of the NTMWD Board of Directors will execute the contract after all five member cities have signed the contract.

A redline version is included with the agenda materials so Council can see exactly the changes which are being made.

**Financial Considerations:** The agreement does not put any additional cost requirements on the City of Frisco which it does not presently have in supporting the system. Funding for the Regional Solid Waste Services is included in the Environmental Services Fund.

**Legal Review:** Abernathy, Roeder, Boyd and Joplin, P.C. has reviewed the ordinance and approved as to form.

**Recommendation:** That the City Council approve of the contract revisions and Resolution authorizing the City Manager to execute the contract.