



TO: Mayor Chuck Barney
Members of the City Council

FROM: Alderman Steve Podrygula

DATE: February 21, 2018

SUBJECT: Landfill use/financial arrangements for private contractors

I. RECOMMENDED ACTION

1. Discuss the current policies and procedures regarding payment for landfill use by private contractors;
2. Learn about policies and procedures commonly used by other municipalities;
3. Ask city staff to develop appropriate policies and procedures, including a formal contract for private haulers (pending development of a franchise arrangement); and
4. Ask city staff to institute a late fee/interest charges and terminate landfill use for unpaid accounts.

II. DEPARTMENT CONTACT PERSONS

Dave Lakefield, Finance Dir.	857-4784
Dan Johnson, Public Works Dir.	857-4140

III. DESCRIPTION

A. Background

Starting in December, the Council has been learning that several private haulers have been delinquent in paying their bills, and that the city has been owed very large amounts of money (i.e., at times over \$250,000), with payments often being over 60 days late (e.g., as of 1/02/18, \$129,054.20 was over 60 days due, \$21,545.06 was over 90 days due, and \$8252.08 was over 120 days due).

The city has essentially been providing interest-free loans to these haulers, subsidizing their operations, and allowing them to defer payment for substantial periods of time. Ironically, the private hauler who owes the most charges his customers 1½ % interest a month (on accounts over 30 days). In contrast, the ordinary citizen is required to pay their sanitation bills in a timely manner, and the city does not charge any interest on accounts.

Leaving substantial amounts unpaid subjects the city and its citizens/taxpayers to significant financial risk (e.g., if the private hauler goes out of business and/or otherwise is unable to pay what they owe).

Other North Dakota cities have much more strict policies and procedures. For example, Fargo bills on a weekly basis (so that significant unpaid balances do not accumulate), charges 1½ % interest (a month), and even turned away a hauler who owed only \$7000. Grand Forks charges 1.75% interest on accounts over 30 days.

B. Proposed Action

Instituting stricter policies and procedures would protect the financial interests of the city and allow it to operate in a more business-like and efficient manner.

It would also achieve greater transparency and help restore the confidence of the citizens that everyone is being treated fairly.

Currently, a significant amount of staff time and effort is spent attempting to collect overdue accounts, diverting limited staff resources. Tighter policies would also help generate some income to help support sanitation and landfill operations (e.g., an interest charge of 1½% a month would have generated at least \$2467.27, for the month of October 2017, on just one overdue account).

IV. IMPACT:

A. Strategic Impact:

The proposed action would be in line with efforts to achieve more transparency and accountability, and operate the city in a more business-like manner. It would also help with the current difficult financial situation, by safeguarding accounts receivable and generating some income.

B. Service/Delivery Impact:

Clear and consistent policies and procedures regarding private contractor use of the landfill will be a significant step in improving landfill and sanitation services. It will also be consistent with the city manager's commitment to a much more and thorough analysis of landfill issues. The average residential sanitation services customer should have a better customer service experience, knowing that all sanitation/landfill users are being treated equally.

C. Fiscal Impact:

There should be no significant negative financial impact, but instituting a service charge/interest fee, and tightening up collections procedures, should save money (in terms of staff time currently being spent on following up on overdue accounts) and generate some income.

V. ALTERNATIVES

Alt 1. The Council could leave things the way they are, subjecting the city to potential significant negative consequences, including financial risk (in the event that a private contractor is unwilling and/or unable to pay what they owe), and loss of citizen confidence (e.g., complaints of favoritism).

Alt 2. The City Council could proceed with the recommended actions, safeguarding the city's financial interests and improving public confidence.

VI. TIME CONSTRAINTS

Time is of the essence, in that as long as substantial amounts are still owing, there is a risk the city will not be paid. By not charging interest on overdue accounts, the city is losing money every month.

Ideally, dealing with these issues would be part of the plan to establish a franchise system for private haulers. However, the city manager has indicated that setting up such a system will take a considerable amount of time.

VII. LIST OF MOTIONS

1. City staff is asked to develop formal policies and procedures for commercial users of the city landfill, including a formal contract (pending development of a franchise arrangement).
2. Effective April 1, 2018, the city will impose a monthly interest charge of 1.75% on any commercial landfill accounts that are over 30 days due.
3. Effective April 1, 2018, the city will terminate commercial landfill use privileges on any accounts over 60 days due. Reinstatement of privileges will require full payment of all monies due the city.