

Center for Zero Waste Design

Attachment 1:

Franchise Zone: System-Design Components

- Boundaries
 - Objectives to satisfy—which will *not* be best-met by simply using a cookie-cutter of Community Board boundaries:
 - **minimizing trip distances and friction (including the avoidance of traffic chokepoints such as bridges and tunnels to avoid congestion, and minimizing trips on narrow residential streets or locations with other sensitive receptors)**
 - **respecting existing institutions (such as Business Improvement District) and infrastructure (such as viaducts and other linear transportation facilities** that might offer advantages for developing superior collection systems), current operations and potential opportunities
 - **maximizing overall watershed rationality** (e.g., overall distances between origins, collection routes, and destination points; aggregating businesses with similar waste-generation characteristics)
 - **maximizing variety in size** (within constraints imposed by other objectives) in order to maximize bid opportunities for a range of different carters and in order to maximize efficiencies due to scale or situation-specific opportunities for superior collection systems
- Number of zones/carters
 - There are arguments to be made in favor of **maximizing the number of zones** (within the constraints of administrative practicality), **in order to maximize the number of carters**—provided that the efficiency of route lengths is maximized and overall transport distances are minimized, and that all carters meet the thresholds established for price, service quality, safety, and environmental performance.
- Control over origin and destination sites (garages, transfer or processing/disposal facilities)
 - **Each zone should be linked to optimal locations for garages and first-dump sites** in order to minimize overall truck miles traveled. Use of these specified sites should be a franchise requirement.
 - When optimal locations are not already available, **the City should make best efforts to facilitate their development**, either by supporting private development efforts that require regulatory approval or other pre-requisites, or by making appropriate efforts to provide access to City-owned sites
 - In order to minimize overall transport miles, **the number of such sites should be maximized** to the extent that is consistent with the potential availability of suitable sites and with constraints imposed by economies of scale for particular types of facilities. This also means that facilities will be as small as is consistent with these over-arching constraints.
 - Given the small number of suitable sites and the costs of facility development, **facilities of all types, whether publicly or privately owned, should be accessible to any franchisee in a zone for which the given facility is specified**

for use. If appropriate, DSNY facilities should also be made accessible to franchisees.

- Facility financing
 - **The financing leverage provided by assured supplies for assured periods at predictable prices should be used to develop capital facilities/install capital equipment for collection and processing.** The requirement to develop and/or to use specified superior facilities and equipment (including the requirement to pay any usage fees needed for operation and/or to cover financing costs) should be part of the franchise requirements.
 - **The City should consider taking a proactive role in such facility financing** by offering access to bonds that benefit from City issuance. For example, an institutional structure—e.g., an authority—might be created either as an independent entity or as a subsidiary to another entity such as EDC to issue bonds for such projects.
 - **Ownership of any such facilities** developed in a zone by franchisees, or by a public entity for the exclusive or non-exclusive use by franchisees **should not be held by a franchisee**, unless it is a condition of such ownership that it be transferred at a fair market value to the City or a subsequent franchisee for a zone linked to that facility with the expiration of that franchisee’s franchise agreement.
- City role in downstream transport and disposal (e.g., rail and landfills)
 - **The City should take a proactive role to support franchisees’ transport arrangements between a transfer station and a processing or disposal facility and to support franchisees’ processing and disposal arrangements.** That is, the City should leverage its cumulative/aggregate market power and political influence to achieve most-favorable contract rates and logistical arrangements.
- Diversion incentives
 - Since franchisees are expected to offer lower prices for recyclables and organics than for refuse (so that generators are incentivized to divert waste from disposal), **there should be measures to also incentivize franchisees to foster and support diversion.**
 - One option: Require franchisees to deposit a specified percent of revenues in an escrow account managed by the department as “retainage.” The non-retainage portion of revenues should be established at a level that covers all franchisee operating costs but not the full anticipated profit. This escrow fund should then be divided among all franchisees, on a weighted basis reflecting their respective contributions to the fund, but also reflecting the relative degree of diversion that they can document over the established withholding period. Franchisees with the highest diversion percentage receive the highest proportion of their escrow fund payments, such that franchisees who divert less-than-average amounts may receive less retainage than they paid while those who achieved above-average diversion may receive a bonus above their retainage payments.
- Liquidated damages/fines
 - **Generators should be assured that their carter will fully meet their contractual requirements and that there are quick, automatic remedies to**

compensate for specified service failures, such as missed collections or overcharges. The department should provide means (e.g., Web page, e-mail address, phone number) where complaints for specified service failures can be made with a single contact (call, e-mail, or Web form) and promptly adjudicated. Franchisees should have a set time to provide counter-documentation (e.g., three days to provide a time-stamped photo documenting collection on a given day). If such documentation is not received, generators will receive a “fine” payment of an amount linked to the specified service failure, within a specified time period, e.g., 30 days. These fines may be deducted from the franchisee’s escrow account or obtained by the department from the franchisee by some other means for payment to the generator.

- Service frequency
 - **Generators should not be able to demand**, nor carters be able to provide **pickup to an individual business or building more than once a day for any given material fraction** unless it can be documented that such service does not increase truck miles traveled relative to collecting the same volume of the specified material from the same generator or set of generators on a given route or routes without such multiple per-day collections.
 - **Generators should be incentivized to reduce the number of pick-ups per week** (e.g., by using compaction/densification or by providing more storage space), by transparently accounting for hauler savings due to decreased truck trips and reducing generator costs accordingly.
- Use of public space for collection facilities/equipment/operations
 - **Franchise agreements with the department should specify**, where appropriate, **that collection operations use designated public spaces** (such as parking lanes in specified locations) **to provide aggregated collection** services for multiple businesses in a given area (rather than door-to-door service for individual buildings). Use of these spaces should involve mobile or fixed rigid containers, rather than bags.
- Performance standards for facilities that receive franchise waste
 - To the extent practicable, **uniform citywide standards and performance specifications should be used for facilities that accept franchise waste**. For example, organics-processing facilities (whether composting or anaerobic digestion) should have the same requirements as to whether specific categories of material, such as compostable plastic packaging or wooden crates, are accepted.
- DSNY alternative service
 - **Generators may, at their option, choose to have DSNY provide their collection service** at the same cost as that established in the franchise agreement for their zone. This option provides generators with an alternative should they find their franchise awardee’s service unsatisfactory.
- Subcontracts
 - In order to maximize the number of qualified carting firms in the city that meet the high-level performance standards established by the franchise system (to meet a variety of objectives, such as system robustness and the provision of superior customized service for appropriate circumstances), **the department, in evaluating franchise bids, should consider (as a favorable condition) the**

extent to which the prime bidder includes other qualified firms as subcontractors. The prime bidder should be responsible for the performance of all subcontractors under its award, and should ensure that all haulers within its zone meet the same standards.