TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER DEPARTMENT: PUBLIC WORKS
DATE: JUNE 20, 2005 CMR:293:05

SUBJECT: REVISED VEHICLE REPLACEMENT SCHEDULE FOR PALO ALTO SANITATION COMPANY / WASTE MANAGEMENT

This is an informational report and no Council action is required.

BACKGROUND
The City’s agreement with the Palo Alto Sanitation Company/Waste Management (PASCO) provides for solid waste and recyclable material handling services for the City of Palo Alto. The agreement requires the collector to provide adequate number of vehicles and equipment for the collection, processing and transportation of these services.

A seven-year vehicle replacement requirement was established in the existing PASCO agreement to maintain a clean & efficient condition and avoid higher operating cost that would be passed onto the City. The agreement requires that all heavy equipment acquired by PASCO on and after September 1, 1999 have a useful life of seven (7) years, depreciated on a straight-line basis. The agreement also requires that PASCO not have trucks older than seven years without the express approval of the Public Works Director.

DISCUSSION
Each fiscal year during the PASCO compensation review period, the City reviews all vehicles that are reaching the end of its useful life as reported in the PASCO proposed vehicle replacement schedule. The replacement schedule includes collection vehicles for refuse, recycling and yard trimmings as well as spare vehicles or vehicles with low usage/operating hours.

In the recent City review, PASCO submitted a request to maintain 16 vehicles past their seven-year useful life because they are spare vehicles, have low usage/operating hours, or their replacement was delayed (Attachment A). These 16 vehicles are fully depreciated and are not incurring additional costs other than minimal maintenance. In addition, these vehicles were purchased prior to the City’s agreement starting on September 1, 1999 requiring heavy equipment acquired by PASCO to have a useful life of seven years. The replacement for each vehicle would cost PASCO and then the City, approximately $308,000 depreciated over seven years, plus owed interest, as required in the agreement. For Fiscal Year 05/06, the delayed purchase of the PASCO vehicles would create a savings of over $715,000.

Staff determined that the PASCO modified replacement schedule could maintain the vehicles to a high industry standard and in a clean and efficient condition. The Director of Public Works
approved the revised equipment replacement schedule. Staff will continue to review, analyze and recommend changes in future years to the PASCO proposed vehicle replacement schedule.

**RESOURCE IMPACT**
Delaying the purchase of the PASCO vehicles is estimated to have created savings of over $715,000 in the 05/06 Fiscal Year to the Refuse Fund.

**ENVIRONMENTAL IMPACT**
Approval of PASCO’s modified vehicle equipment replacement schedule is not a project under the California Environmental Quality Act (CEQA) and an environmental review is not necessary.

**ATTACHMENTS**
Attachment A: PASCO vehicles over the seven-year replacement schedule

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