



City of Pleasant Hill

## CITY COUNCIL STAFF REPORT

Meeting Date: April 15, 2019

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**TO: THE HONORABLE MAYOR AND CITY COUNCILMEMBERS**

**SUBJECT: ADOPT RESOLUTION NO. \_\_\_-19 APPROVING RATE INCREASE REQUEST FROM REPUBLIC SERVICES DUE TO SIGNIFICANTLY CHANGED CIRCUMSTANCES REGARDING RECYCLED MATERIALS MARKETS**

### **SYNOPSIS**

City staff recommends that the City Council approve a one-year rate increase requested by Republic Services to offset its increased costs and reduced revenue related to changes in global markets for recycled materials.

### **DISCUSSION**

#### **Background**

The City entered into a refuse collection services agreement with Allied Waste Systems, Inc. (dba Republic Services) in 2004, which has subsequently been restated and amended, most recently in 2016 (attached). Under the agreement, Republic Services currently provides refuse, recycling, and organics collection and processing services to the City's residents and businesses. Republic Services is entitled to modify the rates that it charges to customers to keep pace with inflation. Under this provision, Republic Services normally implements a rate increase effective each January 1<sup>st</sup>. In addition, under section 5.07 of the agreement (Significantly Changed Circumstances), Republic Services may apply for a special rate change due to significantly changed circumstances, which may include City directed changes in service; new governmental fees, charges or taxes, regulatory changes, or changes in law; or other dramatic changes in costs not within Republic Services' control. Republic Services submitted a request to the City (attached) to enact a rate increase to offset its increased costs for recycled material processing and reduced revenue for recycled materials largely driven by China's National Sword program established in February 2018.

#### **Analysis**

The City engaged R3 Consulting Group, Inc. ("R3"), experts in solid waste management, to assess Republic Services' request for a rate increase. R3's analysis (attached) determined that Republic Services is experiencing significantly changed circumstances that have increased Republic

Services' costs, and that therefore good cause exists for a rate adjustment. City staff agrees with this assessment. Republic Services initially requested a \$1.12 increase per residential account per month and a 3.79% increase per commercial account. R3 analyzed the specific rate increase that Republic Services requested and R3 recommended an alternative, smaller rate increase that only offset Republic Services' increased costs and reduced revenue directly tied to significantly changed circumstances. In addition, R3 recommended that the rate increase be temporary, lasting one year, to account for the possibility that markets might recover. Republic Services has accepted R3's recommended rate increase, illustrated below, and is seeking the City's approval of such.

<b>Proposed Rate Schedule (Monthly)</b>	<b>Current Rate</b>	<b>Rate Change</b>	<b>New Rate</b>
<b>Residential</b>			
1, 20-gallon cart	\$23.72	\$0.99	\$24.71
1, 32-gallon cart	\$27.44	\$0.99	\$28.43
1, 64-gallon cart	\$37.43	\$0.99	\$38.42
1, 96-gallon cart	\$56.15	\$0.99	\$57.14
1, 20-gallon cart - senior	\$21.32	\$0.99	\$22.31
1, 32-gallon cart - senior	\$24.70	\$0.99	\$25.69
<b>Commercial</b>			
1 yd Pickup 1 x week	\$200.95	\$4.66	\$205.61
1 yd Pickup 3 x week	\$459.53	\$10.66	\$470.19
3 yd Pickup 1 x week	\$364.34	\$8.45	\$372.79
4 yd Pickup 1 x week	\$482.59	\$11.20	\$493.79

Under the agreement between the City and Republic Services, if City staff determines that good cause exists for a rate increase, the City Council will hear the matter to assess the merits of Republic Services' request and will either authorize or not authorize Republic Services to increase rates.

**FISCAL IMPACT**

Approval of the proposed rate increase would have minimal fiscal impact to the City.

**PUBLIC CONTACT**

Public Contact was made through posting of the City Council agenda on the City's official notice bulletin board, in the City Clerk's office, at the Pleasant Hill Library, and at the Pleasant Hill Police Department. The agenda and staff report are posted on the City's web page and are available in the City Clerk's Office.

**RECOMMENDED CITY COUNCIL ACTION**

City staff recommends that the City Council approve the attached resolution encapsulating the proposed rate increase related to significantly changed circumstances.

## **ALTERNATIVES TO RECOMMENDED ACTION**

City Council can chose not to approve the proposed rate increase.

### **ATTACHMENT(S):**

First Amendment to 2012 Amended and Restated Agreement for Collection Services  
Republic Services Recycling Market Update and Request for Rate Increase  
R3 Consulting Group, Inc. Analysis of Republic Services Special Rate Adjustment Request  
Proposed Resolution and Exhibit 1 – Rate Change and Rate Schedule

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Approved by: June Catalano, City Manager