

RESOLUTION NO. \_\_\_\_\_  
RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA  
VISTA APPROVING A REQUEST BY THE CITY'S FRANCHISED  
WASTE COLLECTION SERVICES PROVIDER, REPUBLIC  
SERVICES, TO INCREASE SERVICE FEES FOR SOLID WASTE  
AND RECYCLING SERVICES, BASED ON EXCEPTIONAL  
CIRCUMSTANCES

WHEREAS, in 2014 the City and Republic Services entered into an amended and restated solid waste and recycling franchise agreement to provide collection services to all residential and commercial properties in Chula Vista (the "Agreement"); and

WHEREAS, the Agreement permits Republic to charge fees for its service, subject to maximum rates established in the contract, requires Republic to pay the City a 20% franchise fee and an additional 5% AB939 fee that is used for recycling and waste reduction programs and education, both of which Republic may pass-through to customers, and provides that Republic may request City approval of a fee increase due to extraordinary circumstances beyond Republic's control; and

WHEREAS, recent Chinese government policies to reduce the amount of recyclable material the country purchases have created a slowdown in global recycling markets which in turn has increased processing costs and decreased recyclable material prices; and

WHEREAS, China introduced a new policy referred to as the National Sword law which significantly restricts and limits recyclable material imports into their nation; and

WHEREAS, the effects of the National Sword law were particularly felt in recycling markets in the western United States due to the reliance on Pacific export markets; and

WHEREAS, Republic Services is the City's franchise solid waste hauler and said company provided supporting information that demonstrated a net revenue of \$58.56 per ton of recyclable material in June 2014 to a net cost of \$16.68 per ton in February 2019; and

WHEREAS, as a result of the above circumstances, Republic Services has requested City approve a rate increase of 6.1%, pursuant to the "extraordinary circumstances" provision of the Agreement; and

WHEREAS, the proposed rate increase would be subject to the 20% franchise fee and 5% AB939 fee that Republic is required to pay to the City and Republic has proposed that these fees be passed-through to rate payers, making the total proposed rate increase 7.6% on all ratepayers; and

WHEREAS, the proposed rate adjustment in the amount of 7.6% per service account would cover additional costs of processing recyclable materials as well as loss of material value from sale of recyclable material; and

WHEREAS, the rate adjustment will allow Republic Services to continue providing strong recycling programs in Chula Vista and help the City comply with State of California recycling requirements; and

WHEREAS, Under Section 7.4 of Republic Services' current contract, the entity is entitled to annual rate increases for commercial and residential ratepayers in accordance with regional Consumer Price Index standards; and

WHEREAS, City staff will continue to monitor recycling markets to determine if changes in the recycling industry warranting a rate reduction.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Chula Vista, that it:

1. Approves Republic's request for a rate increase to a maximum of 7.6% to be imposed on Republic's Chula Vista ratepayers, conditioned on the City retaining the ability to reduce the rate when it determines that market conditions warrant a reduction; and
2. Directs staff to continue to monitor recycling industry market conditions, conduct a quarterly review of the rates in light of the then-current market conditions, and return to City Council when market conditions warrant a reduction in the rates; and
3. Directs City staff to proceed with conducting the proceedings necessary prior to the implementation of the proposed rate increases.

Presented by

Approved as to form by

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Eric Crockett  
Economic Development Director

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Glen R. Googins  
City Attorney