

Republic Services Proposed Rate Increase

Chula Vista City Council Meeting

June 18, 2019



- ▶ Republic Services Franchise Agreement
 - Approved in 2014
 - Term: 10 years; option to extend to 2031
 - Collect all trash and recycling
 - 20% franchise fee
 - 5% AB939 fee for recycling and waste reduction

▶ Republic Services Franchise Agreement

No Cost Services

- Bulky item collection
- Landfill passes
- Missed collection
- Special senior rate
- Container replacement
- City waste collection services
- Public works projects
- Two large venue events

Rates for Service Section 7

- 7.2 Variable Rate
- 7.3 Initial Collection Rates
- **7.4 Annual Increase**
- 7.6 Most favored nation rate
- **7.7 Increase based on Extraordinary Circumstances**

Recycling Markets



Since 1990's China was the world's leading importer of recycled material.





Recycling Today

June 18, 2019

Michael Simonsen

Municipal Relationship Manager

Richard Brunson

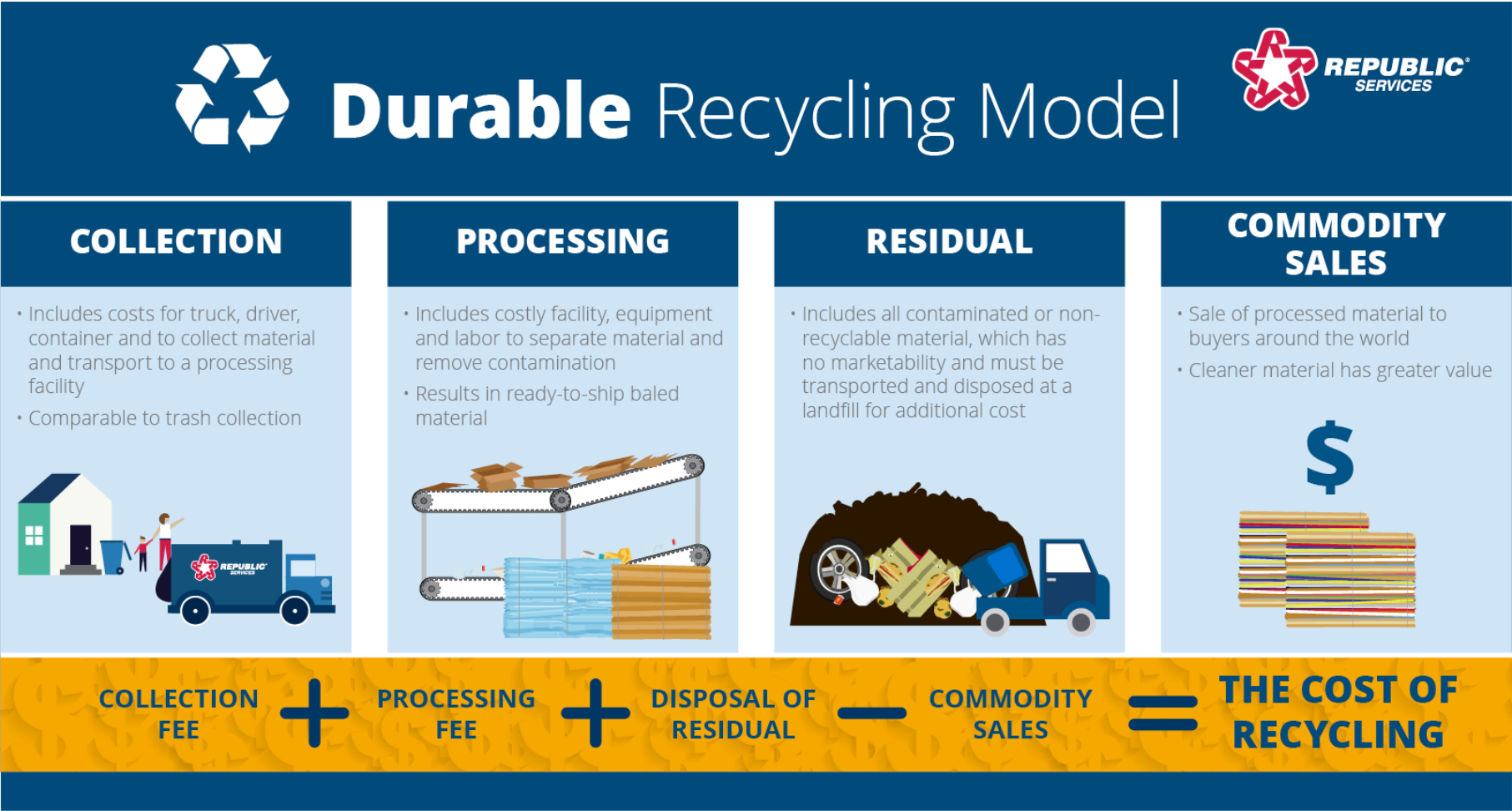
Business Unit Finance Manager

Marek Crabbs

Area Director, Municipal Services & Sales



Recycling in Chula Vista



The cost of a recycling program is the sum of fees for two services; the **Collection Fee** and the **Net Processing Fee**

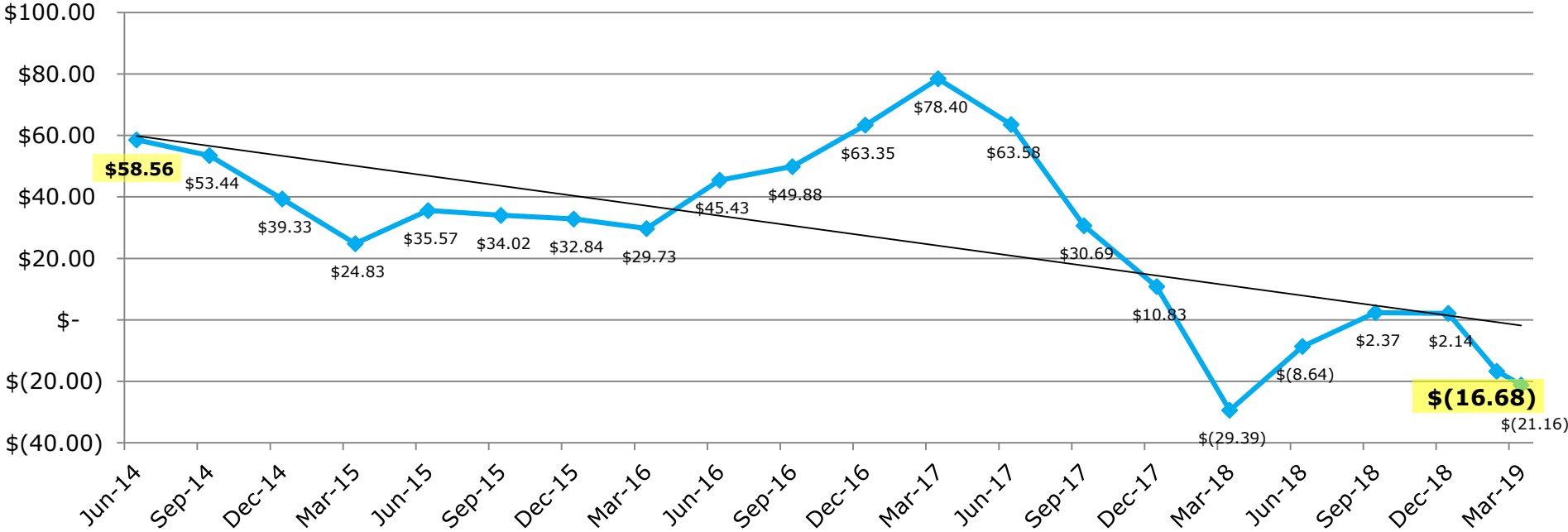
2014 Franchise Agreement Assumed an Average value of \$60 per ton for Material

- ...Republic shall use its best efforts to sell Franchised Recyclables for cash at the highest available market rates
 - Where the applicable All Materials Annual Average is equal to or less than \$60 per ton, Republic shall retain 100% of the Net Revenue
 - If the All Materials Annual Average is greater than \$60 per ton and the City is meeting it's 50% diversion goal mandated by State law then the portion of the All Materials Annual Average above \$60 per ton shall be split (60%) to Republic and (40%) to City
 - Conversely, if the City is not meeting the 50% diversion goal, the split is (40%) to Republic and (60%) to City

Sale of material offset cost of collection and processing allowing Republic to provide waste and recycling services at or below the County average

Commodity Price Decline's Steadily Beginning in 2017

Combined - Net Sale of Material (SOM)



June 2014 Republic was receiving an average of \$58 per ton. Fast forward to March of 2019 and Republic is now paying \$16 per ton to recycle

Commodity Price Decline - Financial Impact

<i>A</i>	(\$75.24)	Reduction in Net Commodity Price (2019 vs. 2014)
<i>B</i>	2,000+	Average Monthly Tons
<i>AxB</i>	\$1.8M	Annual Impact of Commodity Price Decline (\$150K/mo)
<i>With Fees</i>	\$2.3M	Annual Impact + Franchise/AB939 (\$187.5K/mo)
	7.6%	% Impact (on \$30.4M Base Contract Revenue)

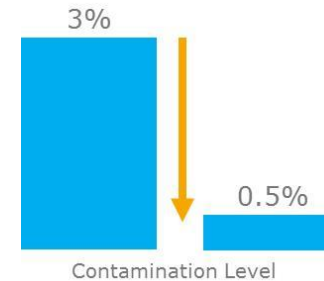
Discounted Recycling pricing no long sustainable with shift in commodity pricing

What's Driving the Decline?

For decades, China has been the largest importer of the world's recycled commodity, and the U.S. was 40% of the inbound stream.

In 2017, China announced efforts to clean up the country, which included dramatic changes for acceptance criteria of imported recyclables.

- A significant reduction in acceptable contamination levels (From ~3% to 0.5%) in any recovered paper and plastic grades.



- Additionally, China banned all mixed paper from import, regardless of contamination levels. (20% of historical stream).



Reductions took effect in March 2018, which drove costs and changes at most recycling facilities in the country to meet new standards

We're Committed to Educating the Public to about Changes to the Recycling Market and how best to Reduce Contamination

Container Labels



Container Tags



Door Tags



Reference Guides



Brochures



Post Cards & Bill Inserts



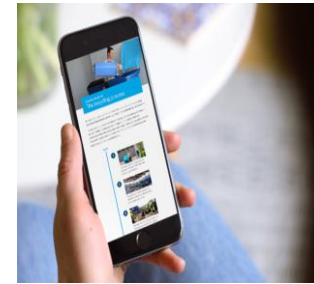
Posters



Billboards



Emails



Print Ads



We Respectfully Request the City Council's Support and Approval of the Recycling Processing Surcharge

- Supported by staff
- Annual review
- Allows Republic Services to continue to invest in recycling collection services

THANK YOU!

Financial Review

- Analysis regional markets
- Verified with EDCO
- Reviewed other programs
- Audit deployed



Commercial Increase

- Total Increase 11%
 - Annual increase 3.4%
 - Extraordinary increase 6.1%
 - Franchise fee increase 1.5%

Commercial trash container	Current monthly rate	Potential at 11%	Total Yearly at 11%
3-yd trash 1/wk	\$119.71	\$132.88	\$158.04
3-yd trash 2/wk	\$253.80	\$281.71	\$334.92
3-yd trash 3/wk	\$360.69	\$400.34	\$476.04

Residential Increase

Total Increase 10.7%

- Annual increase 3.1%
- Extraordinary increase 6.1%
- Franchise fee increase 1.5%

Residential trash container	Current monthly rate	Potential at 10.7%	Total yearly at 10.7%
32-gal cart	\$16.49	\$18.25	\$21.12
64-gal cart	\$21.35	\$23.63	\$27.36
96-gal cart	\$25.14	\$27.82	\$32.16

▶ Recommendation: Council approve the request

- Conduct Public Hearing pursuant to Proposition 218
- Notices to all property owners & Republic Services customers
- 45-day public comment period
- If less than a majority protest the increase it will go into effect.



**Manuel Medrano,
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Environmental Services Manager

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