

DATE SUBMITTED 3/11/2020
 SUBMITTED BY ACM
 DATE ACTION REQUIRED 3/18/2020

COUNCIL ACTION (X)
 PUBLIC HEARING REQUIRED ()
 RESOLUTION ()
 ORDINANCE 1ST READING ()
 ORDINANCE 2ND READING ()
 CITY CLERK'S INITIALS 48

**IMPERIAL CITY COUNCIL
 AGENDA ITEM**

| | |
|---|-----------------------------------|
| SUBJECT: DISCUSSION/ACTION: REPUBLIC SERVICES 1. APPROVAL OF RATE INCREASE TO WASTE SERVICES DUE TO MANDATORY ORGANICS RECYCLING | |
| DEPARTMENT INVOLVED: CITY MANAGER'S OFFICE AND ADMINISTRATIVE SERVICES DEPARTMENT | |
| BACKGROUND/SUMMARY: On January 14, 2020 the City of Imperial, along with franchise holders Brawley and Calexico, met with Republic Services to discuss their requested rate increase to the commercial and residential customer base. The increase requested is due to the State of California's implementation of AB 1594 and AB 1826. Attached for your review and consideration is the proposed increases. It is the City's recommendation to implement column E, 5% total split between commercial and residential customers; increasing residential accounts by \$1.88. | |
| FISCAL IMPACT: TBD | ADMIN SERV INITIALS <u>AS</u> |
| STAFF RECOMMENDATION: | DEPT. INITIALS _____ |
| MANAGER'S RECOMMENDATION: It is our recommendation to implement the proposed 5% in leu of CPI | CITY MANAGER'S INITIALS <u>AB</u> |
| MOTION: | |
| SECONDED: | APPROVED () REJECTED () |
| AYES: | DISAPPROVED () DEFERRED () |
| NAYES: | REFERRED TO: |
| ABSENT: | _____ |



February 11, 2020

Ms. Alexis Brown
 Assistant City Manager
 City of Imperial
 420 South Imperial Avenue
 Imperial, CA 92251

Dear Ms. Brown;

As a follow up to our meeting on January 14, 2020 regarding our request for a rate adjustment for the additional cost associated with compliance of AB 1594 and AB1826, we have evaluated the cost sharing between Commercial and Residential rates. The table below shows the rate adjustments needed to offset the additional cost incurred for processing of green waste and commercial organics.

| Summary | (A) Commercial Customer Count | (B) Annual Revenue | (C) CPI Percentage Increase (2.5% Total) | (D) 1.5% Commercial Share (4.0% Total) | (E) 2.5% Commercial Share (5.0% Total) | (F) 3.5% Commercial Share (6.0% Total) | (G) 4.5% Commercial Share (7.0% Total) |
|-------------------------------------|--|--------------------------|--|--|--|--|--|
| Imperial Valley Franchise Cities | 1,623 | \$ 3,123,331 | \$ 78,083 | \$ 46,850 | \$ 78,083 | \$ 109,317 | \$ 140,550 |
| Processing Costs | | | \$ 475,445 | \$ 475,445 | \$ 475,445 | \$ 475,445 | \$ 475,445 |
| Variance | | | | \$ 428,595 | \$ 397,362 | \$ 366,128 | \$ 334,895 |
| Residential Customer Base | | | 17,631 | 17,631 | 17,631 | 17,631 | 17,631 |
| Annual Increase per Residents | | | \$ 26.97 | \$ 24.31 | \$ 22.54 | \$ 20.77 | \$ 18.99 |
| Residential Increase per Month | | | \$ 2.25 | \$ 2.03 | \$ 1.88 | \$ 1.73 | \$ 1.58 |

Column A: Customer count for all three franchise cities
 Column B: Revenue generated from all Commercial customers
 Column C: CPI increase for Commercial customers
 Column D - G: CPI +(1.5% - 4.5%) adjustment for green waste and organic processing

Republic Services is committed to working with the cities to meet California diversion requirements. We will provide the cities with quarterly documentation showing the cost for preprocessing the organic and commercial waste.

Please do not hesitate to contact me with any questions regarding this matter or the services we provide. I may be reached at my office at (760) 337-2412 or my cell at (818)974-7796.

Sincerely,

German Hernandez
 Division Manager

| Imperial | Transportation to Copper | Labor | Process. DD&A | LF Residual | Total Cost | # Tons | Cost Per Ton | Margin | Total Cost/Ton | Total Cost | # Homes | \$/Home | \$/Home/Month |
|----------|--------------------------|-----------|---------------|-------------|------------|--------|--------------|---------|----------------|---------------|---------|----------|---------------|
| \$23,140 | \$180,635 | \$144,752 | \$56,233 | \$8,670 | \$413,430 | 8500 | \$ 48.64 | \$ 7.30 | \$ 55.93 | \$ 475,444.81 | 17631 | \$ 26.97 | \$ 2.25 |

Greenwaste processing Cost

| | |
|--------------------------|----------|
| Tip Fee | \$ 23.65 |
| Transportation | \$ 21.25 |
| Transfer/Push | \$ 2.72 |
| Contamination (disposal) | \$ 1.02 |
| Margin | \$ 7.29 |
| Total | \$ 55.93 |



December 13, 2019

Mr. Stefin Chatwin
City Manager
City of Imperial
420 South Imperial Ave
Imperial, CA 92251

Dear Mr. Chatwin,

In September 2014, Governor Brown signed Assembly Bill (AB1594) mandating that as of January 1, 2020, the use of green material as alternative daily cover (ADC) will no longer constitute diversion through recycling and will instead be considered disposal. In order to obtain diversion, Republic Services will transport organics to Copper Mountain located in Arizona, to process and compost. In doing so, the city will continue to receive diversion. In order to offset the anticipated costs, we are asking for a rate adjustment as provided in Section 13 of the Solid Waste Disposal and Recycling Franchise Agreement, with a residential rate increase of \$2.25 per home. We have attached supporting documentation for the anticipated cost increase and the corresponding price adjustments.

Governor Brown also signed (AB1826) which requires businesses to recycle organic waste. In February 2019, Republic Services conducted a City-wide audit on all commercial business in which 79 - Tier 3 businesses (those generating 4 cubic yards or more of commercial solid waste per week) were identified. In order to offset the anticipated costs, we are asking for a rate adjustment as provided in Section 13 of the Solid Waste Disposal and Recycling Franchise Agreement, with a commercial customer rate increase of 4%.

In an effort to mitigate some costs to the consumer, we are committed to waive the 2020 Annual CPI increase. We would like to thank you for the privilege of being your partner in providing solid waste, recycling and street sweeping services to the residents of the City of Imperial. Republic Services is proud to serve the community. Please do not hesitate to contact me with any questions regarding this matter or the services we provide. I may be reached at my office at (760) 337-2412 or my cell at (818)974-7796.

Sincerely,

A handwritten signature in black ink, appearing to read "German Hernandez", with a long horizontal flourish extending to the right.

German Hernandez
Division Manager