

MEMORANDUM

TO: Donna Barron, City Manager

FROM: Keith Marvin P.E., Director of Public Services

DATE: December 4, 2018

SUBJECT: **Approval of a Resolution Acknowledging the 2019 Republic Services Cost of Service Rates for Franchised Solid Waste and Recycling Services.**

BACKGROUND

In April 2014, Council approved Ordinance No. 4062-04-2014 establishing a franchise agreement with Waste Management (WM) for solid waste/recycling collection services for residential and multi-family customers and solid waste collection services for commercial customers. Ordinance No. 4062-04-2014 became effective August 4, 2014. Per the agreement, the WM cost of service rates are to be adjusted annually by the percentage increase in the DFW Consumer Price Index (CPI) for the preceding twelve-month period. Adjustments take effect on January 1 of the subsequent contract year.

Due to the August 2014 effective date for the current franchise agreement and the resulting rate changes associated with the new agreement, no CPI adjustment was made to cost of service rates in 2015 by mutual agreement of the City and WM. The first CPI adjustment to the 2014 rates was planned for January 1, 2016. However, the CPI decreased for 2015, and no adjustments were made to rates for 2016. Rates were adjusted on January 1, 2017 to reflect a 2.0 percent CPI increase. Rates were again increased on January 1, 2018 by 3.2%. Per the franchise agreement, CPI adjustments are not allowed to be higher than five percent in any contract year and no greater than fifteen percent in any consecutive four years.

On October 15, 2018 City Council approved an assignment and assumption of contract and exclusive franchise agreement for collection of residential garbage, refuse, yard waste, bulky waste, recyclables, containerized waste, and multifamily recycling from Waste Management, Inc. to Allied Waste Systems, Inc, doing business as Republic Services (Republic). The transfer of operations from WM to Republic was effective on December 1, 2018.

Since the transfer of service to Republic took place, there have been several missed pick-ups and other minor issues that have been brought to the city's attention. Staff has been working closely with representatives of Republic to resolve these issues. Republic has been responsive, and is making every effort to reduce the disruption this transition may have caused.

ANALYSIS

The current CPI for the DFW area as published by the Bureau of Labor Statistics reflects an increase of 2.4 percent. Republic is therefore planning an adjustment of 2.4 percent to the cost of service rates for 2019. The CPI increase impacts all residential, multi-family and commercial customer rates. City Council acknowledgement of rate adjustments must be provided to Republic by December 20 each year per the franchise agreement.

RECOMMENDATION

It is City staff's recommendation that the City Council approve the resolution as set forth in the caption above.