

City of Mesquite, Texas

Legislation Text

File #: 19-4062, **Version:** 1

Authorize the City Manager to finalize and execute an amendment to the Commercial Solid Waste Collection Contract between the City of Mesquite and Allied Waste Systems dba Republic Services extending the contract for three years with two one-year renewal options.

In 1996, the City of Mesquite contracted for commercial solid waste and recycling services when the City sold its landfill located in southeast Dallas and outsourced commercial collection to Laidlaw Waste Systems. In 1997, Allied Waste Systems (dba Republic Services) purchased Laidlaw. The original agreement included a 10-year term with two 5-year extensions. In February 2009, both parties agreed to revise the original agreement to include a 5-year base term with two 5-year extensions. The first 5-year renewal was executed in 2014.

City staff and Republic Services have been negotiating terms for a final renewal extension since November 2018. Republic Services requested an increase in rates asserting that the current rates do not generate enough revenue to cover operating expenses. The City contracted with NewGen Strategies, a firm specializing in solid waste rate design and analysis, to validate the company's assertion. After conducting a thorough discovery and analysis, NewGen concluded that the company's claims were accurate.

Several factors affect the company's financials as it relates to the Mesquite contract. First, Mesquite's rates are among the lowest in the DFW region by a significant margin. For example, front load rates are 22 percent below the average rate, industrial rates are 46 percent below average and disposal rates are 45 percent below average. Second, overall rates have not kept pace with the DFW market due to modest increases in annual Consumer Price Index (CPI) adjustments. Over the last four years, annual increases in the CPI averaged 1.57 percent annually. Finally, the recycling market has significantly changed due to an imbalance in the supply/demand model for recycled commodities nationwide. In 2018, China banned imports of recycling commodities causing a significant drop in commodity prices. In addition, Republic's current recycling rates only cover a fraction of the cost to collect and process recyclable materials.

Highlights of the proposed contract extension are noted below which include several increases to the solid waste collection rates. Even with the proposed rate changes, if approved, Mesquite will continue to maintain its position in terms of offering some of the lowest commercial solid waste rates in the DFW region.

Key components of the proposed renewal include:

- 6 percent increase in front load rates
- An industrial haul rate of \$232 (from \$197.31)
- \$2.20/ton increase in disposal rate
- Open market (negotiated rates) for recycling
- Changing the annual rate adjustment from CPI-U to a Water/Sewer/Trash index + 4 percent

- 1 percent increase in street & alley fee (funds the Council's high impact litter control initiative)
- 3-year base term with two optional 1-year renewals

Financial Implications

This contract is funded entirely by commercial solid waste customers.

Recommended/Desired Action

Staff recommends the City Council authorize the City Manager to finalize and execute an amendment to the Commercial Solid Waste Collection Contract between the City of Mesquite and Allied Waste Systems dba Republic Services extending the contract for three years with two one-year renewal options.

Drafter

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