



CITY OF SNOHOMISH

P.O. BOX 1589 | SNOHOMISH, WASHINGTON 98291 | (360) 568-3115 | WWW.SNOHOMISHWA.GOV

NOTICE OF SPECIAL MEETING

SNOHOMISH CITY COUNCIL

TUESDAY
July 7, 2020
5:00 p.m.

WORKSHOP AGENDA ON NEXT PAGE

Remote On-Line/Phone Access ONLY Via "Zoom":

Pursuant to City of Snohomish's **Resolution 1408** adopting procedures for holding public meetings consistent with State law, and in accordance with the Governor's Proclamation 20-25, "Stay Home Stay Healthy" order to reduce the risk of exposure and the spread of contagious viruses through social interactions, the July 7, 2020 workshop and regular meeting of the City Council will be held utilizing remote access. The public is invited and encouraged to participate by calling in, and listening to the live meeting. Instructions for calling into the live meeting are provided below.

To access the ONLINE Zoom remote meeting, please use the following link (external/internal speakers required): <https://us02web.zoom.us/j/87045681798>

Meeting ID: 870 4568 1798

To PHONE-IN without a computer, or if your computer does not have an audio feature, dial:

+1 253 215 8782 or
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YOU WILL BE PROMPTED TO ENTER THE MEETING ID# --

Meeting ID: 870 4568 1798

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TUESDAY
July 7, 2020
5:00 p.m.

WORKSHOP AGENDA

- 5:00 1. **CALL TO ORDER**
2. **DISCUSSION ITEM:** Republic Services - Recycling Surcharge (P.3)
- 5:55 3. **ADJOURN**

DISCUSSION ITEM 2.

Date: July 7, 2020

To: City Council

From: Steve Schuller, City Administrator and Utility General Manager

Subject: Republic Services Recycling Processing Surcharges

SUMMARY: The purpose of this agenda item is for the City Council to continue its discussion and take future action related to Republic Services' request for a surcharge for paper and plastic recycling. Russell Joe, Municipal Relationship Manager with Republic Services will be available to answer questions from Council.

BACKGROUND: On November 19, 2019, Republic Services presented a request to the City Council to approve a surcharge resulting from changes which have impacted recycling and yard waste/organics processing since the City implemented its current contract in April 2017. The major change to processing costs for recycling was "China Sword" in 2018, in which China drastically reduced acceptable imported recyclables. Other trends affecting the marketplace are changes in the recycling stream, commodity markets declines, and lighter materials used in plastic packaging. The primary changes related to yard waste/organics recycling are rule modifications enacted by the Washington State Department of Ecology, and processing of increased contamination.

Finance Director Debbie Burton discussed options with the City Council at the February 18, 2020 Council meeting. The Council requested a representative from Republic Services attend a future meeting to provide more information concerning the surcharges requested.

ANALYSIS: Republic provided the following data related to the revenue shortfall, and the volume data used in calculating the proposed surcharge:

Decrease in sale of recycled material revenue impacts:

2017 value/ton - \$63.56

2019 value/ton - \$16.77

Decrease in revenue of \$46.79/ton

Processing Cost:

2017 fee/ton - \$70.62

2019 fee/ton - \$114.45

Increase in costs of \$43.83/ton

Total impact for paper and plastic recycling is a reduction of \$90.62/ton (\$46.79+\$43.83).

Snohomish average monthly volumes:

Residential - 1,008.2 tons per year

Multi-Family - 126.2 tons per year

Total average volume - 1,134.4 tons per year

The monthly revenue shortfall is \$8,567 ($(\$90.62 \times 1,134.4 \text{ tons}) / 12 \text{ months}$)

Monthly Residential Impact - \$7,613.59

Monthly Multi-Family Impact - \$953.02

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Number of Residential Customers = 2,665

Number of Multi-Family Dwelling Units = 1,176

Republic Services has submitted rate alternatives for the proposed surcharge as follows:

Option 1 - Based on Customers Served and Tonnage Cost

Surcharge calculation for paper and plastic recycling:

	Monthly Impact	Number of Customers	Surcharge Per Customer
Residential	\$7,613.59	2665	\$2.86
Multi-Family	\$953.02	1176	\$0.81

Option 2 - Per Unit Cost across All Customers per Month

Note: This includes commercial customer accounts; however, these customers already pay a market rate for paper, plastic and organics recycling. As this is not a required service, the rate is not set per our contract. Commercial pricing is based on yards, which is 42,300 annually or 3,525 monthly.

	Surcharge Per Customer	Number of Customers/Yards	Total
Residential	\$1.50	2665	\$3,997.50
Multi-Family	\$1.50	1176	\$1,764.00
Commercial	\$0.80*	3525	\$2,805.69
			\$8,567.19

**Figure rounded to nearest cent*

Option 3 - Per Unit Cost across All Customers per Month

Note: This includes commercial customer accounts; however, these customers already pay a market rate for paper, plastic and organics recycling. As this is not a required service, the rate is not set per our contract.

	Surcharge Per Customer	Number of Customers/Yards	Total
Residential	\$1.00	2665	\$2,665.00
Multi-Family	\$1.00	1176	\$1,176.00
Commercial	\$1.34*	3525	\$4,726.19
			\$8,567.19

**Figure rounded to nearest cent*

Option 4 - Increase of 7.5% to the service portion of garbage and recycle rates.

See Attachment C for the rates effective April 1, 2020 for the service portion rate costs (column D) by service level. If this selection is chosen, the overall customer rate percentage increase will

DISCUSSION ITEM 2.

vary across sectors and service levels. Overall, the average increase on total rates will increase by 5.1%.

Yard Waste/Organics Recycling Surcharge: At the February 18, 2020 meeting, the Council approved an additional \$0.49/month per customer surcharge for yard waste/organics recycling. This will be implemented when a decision is made regarding the plastics and paper recycling surcharge.

The surcharges would be implemented effective October 1, 2020.

BUDGETARY IMPACTS: The surcharge would not have an impact to the City budget.

STRATEGIC PLAN REFERENCE: Not applicable.

RECOMMENDATION: That the City Council DISCUSS with Republic Services the proposed surcharge and provide direction to staff on the preferred option.

ATTACHMENTS:

- A. Minutes from November 19, 2019 meeting
- B. Minutes from February 18, 2020 meeting
- C. Current Rate Sheet
- D. Republic Services Slide Presentation

REFERENCE: November 19, 2019 Council Agenda Packet (Republic Services Discussion Item and Presentation starts on page 35)

https://www.snohomishwa.gov/AgendaCenter/ViewFile/Agenda/_11192019-933

ATTACHMENT A

Excerpt from the November 19, 2019 City Council Meeting Minutes

9. **DISCUSSION ITEM:** Republic Services Processing Charge for Recycling (*moved to follow Presentation 5. at beginning of the meeting*)

Mr. Kent Kronenberg, General Manager of Republic Services, together with Ms. Karen Dawson, Director of Public Affairs with Cedar Grove, provided a presentation to the Council detailing the issues facing recycling services.

Ms. Dawson explained Cedar Grove sub-contracts with Republic Services for recycling food scraps and yard waste. Their rate increase request was prompted due to rule changes by the Department of Ecology, and processing of increased contamination. The proposed surcharge for composting services would add \$0.49 per customer per month.

Councilmember Guzak confirmed every household in Snohomish would be subject to the \$0.49 surcharge, since all residents receive composting services.

Councilmember Dana questioned if the value of recycled materials covers the cost of the recycling. Ms. Dawson replied in terms of compost, keeping compostable items out of landfills is beneficial to the environment by reducing methane and sequestering carbon.

Mr. Kronenberg explained impacts on recycling nationwide, in particular, China Sword where China drastically reduced acceptable imported recyclables. Other trends affecting the marketplace are changes in the recycling stream, commodity market declines, and changes in the materials themselves. Recycling companies are looking for innovative ways to handle these issues, including domestic processing facilities, and education and outreach to communities.

The proposed surcharges for paper/plastic recycling in Snohomish are:

- Single Family- \$2.58/month (\$7.74/quarter)
- Commercial per Municipal Solid Waste (MSW) yard - \$.77/month
- Multifamily per Municipal Solid Waste (MSW) yard - \$0.58/month

Councilmember Dana asked how the recycling portion of the garbage rates was factored. Mr. Kronenberg replied the rate structure is based on tonnage and cost to recycle.

Councilmember Dana exclaimed if you can't sell the recycled product, and if there is no market for recyclables, why is the City participating in a recycling program? Mr. Kronenberg stated there is still a market, it's just currently severely depressed; however, it is the responsible thing to do and to use resources efficiently. Ms. Dawson stated landfill rates are high, so recycling and composting, rather than sending everything to a landfill, help keep rates lower for customers.

Councilmember Guzak acknowledged the dilemma, and commented there is a lot of confusion about differences between recyclable, compostable and garbage placement. She would like increased education.

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Councilmember Redmon inquired about the initiatives to convert recyclable materials into alternative fuels. Mr. Kronenberg indicated methane recapture is occurring in the landfill industry, and research continues.

Councilmember Merrill thanked Republic for providing recycling bins at the Snohomish Farmers Market. He questioned if recycling companies are lobbying legislation to push the cost back on the producers of the materials, rather than the recyclers and customers. Mr. Kortenberg stated he was unfamiliar with any specific measures, but agrees all should be accountable, including the producers.

Councilmember Kaftanski asked about the next steps in moving forward with a contract amendment. Ms. Burton exclaimed, based on Council direction tonight, she will work with Republic on next steps. Councilmember Kaftanski remarked economic factors can influence consumer behavior. Ms. Dawson agreed, and commented, they as the service provider, can look at ways to change their practice to help consumers see the true cost of recycling.

Mayor Kartak asked about the single-family proposed monthly increase of \$2.58 per month, which seems high compared to multi-family rates. Mr. Kronenberg replied adjustments will be made to the rates if commodities shift favorably. Mayor Kartak requested additional information on the single family proposed charge.

Councilmember Merrill clarified the single family charge is actually a total of \$3.07, which is the \$2.58 plus the composting surcharge of \$0.49. Mr. Kronenberg explained they are separate requests.

Councilmember Redmon questioned the impact of allowing customers to opt in or out of recycling. Ms. Dawson replied companies prefer when customers opt in, as that means those customers want to be in the program and educate themselves on best practices. They tend to see the most contamination from customers participating in mandatory programs.

Council President Sanders asked about capturing renewable natural gas from waste. Ms. Dawson stated there is no gas to capture from composting. Waste energy is related to solid waste and landfills, which is sold back to Puget Sound Energy.

Citizen Comments:

Donna Ray, 728 Mill Avenue, may be supportive of a rate increase if an opt-out option is also included with the contract amendment. Ms. Ray requested a breakdown to see how much was for services and how much was bottom line.

A member of the public commented on the community benefits of recycling.

Citizen Comments: Closed

After further brief discussion, the Council directed staff to return with additional information concerning the recycling processing fee rate structure.

ATTACHMENT B

Excerpt from the February 18, 2020 City Council Meeting Minutes

5. ACTION ITEMS:

a. **AUTHORIZE** Contract Amendment for Republic Services Recycling Surcharge

Finance Director Debbie Burton presented the staff report and provided background on Republic Services' surcharge request. Ms. Burton reviewed the four surcharge options related to paper and plastic recycling, and noted the yard waste and organics recycling surcharge is an additional \$0.49/month per customer. The surcharges would be implemented effective April 1, 2020, along with the annual CPI rate increase of 2.88%, per the current contract.

Councilmember Ray confirmed the City is held to the CPI increase in April, but questioned the timeline for the other adjustments. Ms. Guildner answered if the surcharge is not decided by the Council tonight, the City is permitted a reasonable amount of time to continue to explore options in negotiations with Republic.

Councilmember Redmon referenced Section 3.3.3 of the contract, regarding rate modification related to the "value of recyclables," and requested a legal interpretation of the language. Ms. Guildner verified the contractor cannot adjust the rates, but can ask for rate modifications for which the City could negotiate. Councilmember Redmon then questioned if circumstances were to change, could contract rates be amended. Ms. Burton advised she will develop a Memorandum of Understanding (MOU) with Republic to include an annual review of the rates, with ongoing monitoring of fees.

Councilmember Dana inquired what percentage of the total waste stream was recyclables, and how it equated to processing costs. Ms. Burton answered recyclables are a small percentage, and the cost to process garbage was actually much more than recyclables.

Councilmember Merrill requested clarification that the proposed rate equates to a 19.25% increase in recycling and yard waste rates, and speculated whether Republic would request further increases. Ms. Burton commented the rate is all-inclusive for garbage, recycling and yard waste, which makes it difficult to determine percentages for the individual services.

Council President Sanders questioned other cities' actions in this regard. Ms. Burton replied some have incorporated the surcharges and others are still negotiating.

Councilmember Ray wondered if the increase is related to mixing materials, and asked if citizens were able to opt-out of recycling would that affect rates. Ms. Burton replied the current contract is all-inclusive, so that type of change would have to be re-negotiated.

Councilmember Redmon asked about ratepayer notification. Ms. Burton advised Republic bills quarterly, with the goal to provide notices 45 days in advance. Councilmember Redmon then inquired if the plastic bag bans have provided any improvements to the recycling process. Ms. Burton responded she has not been made

DISCUSSION ITEM 2.

aware of any.

Councilmember Merrill questioned Republic's handling of organics and how the 49 cent surcharge is allocated. Ms. Burton stated Republic presented Cedar Grove as their organics processor. She suggested a workshop with Republic Services as the Council appears to have several questions Republic would be better equipped to answer.

Citizen Comments: None

Citizen Comments: Closed

Ms. Guildner commented there are two separate actions being proposed tonight. While there were still uncertain conclusions pertaining to recyclables, she recommended the yard waste and organics recycling be addressed, to conform to contract language.

Mayor Kartak requested the topics be split and acted upon separately.

Council President Sanders concurred with Councilmember Merrill's question regarding the organics recycling, and was hesitant to act at this time.

Councilmember Countryman commented on the need to make a timely decision on the organics portion, which Ms. Guildner endorsed, as per contract specifications.

Councilmember Ray declared she is struggling with the definition of "reasonable" in regards to time, and felt the Council's questions and inquiries themselves are reasonable.

MOTION by Merrill, second by Countryman to hold an **EXECUTIVE SESSION** for fifteen (15) minutes regarding potential litigation, pursuant to RCW 42.30.110 (1)(i)(iii), with action to follow. The motion passed unanimously (7-0).

The Mayor then called for a motion to table the discussion on recyclables (paper and plastic).

MOTION by Countryman, second by Dana to **TABLE** the paper and plastic recyclables portion of the discussion until a workshop with Republic Services can be arranged. Motion carried unanimously (7-0).

ATTACHMENT C

City of Snohomish Rate Schedule

	Rate Effective 4/1/2020
<u>Residential Service</u>	
1 can once a month	10.82
1 20 gal cart	11.78
1 32 gal cart	15.32
1 64 gal cart	22.74
1 96 gal cart	30.15
<u>Recycling & Yard Waste:</u>	
<u>Both weekly and mandatory</u>	
Recycling and YW Combined	17.97
Extras (32 gal equivalent)	7.65
Organics Extra	6.57
Return trip (each)	16.01
Re-deliver Fee	27.60
Walk in / Carry out (per 25' per month)	5.24
Drive in (per month)	7.45
<u>Residential Service - Senior Rates</u>	
1 20 gal cart	5.75
1 32 gal cart	7.45
2 cans	10.95
1 can once a month	5.35
<u>Commercial Service</u>	
32 gal cart	20.37
64 gal cart	38.73
96 gal cart	63.85
1.00 Yard (1 pickup per week)	97.43
1.25 Yard (1 pickup per week)	109.91
1.50 Yard (1 pickup per week)	132.87
2 Yard (1 pickup per week)	161.95
3 Yard (1 pickup per week)	215.41
4 Yard (1 pickup per week)	257.88
6 Yard (1 pickup per week)	337.18
8 Yard (1 pickup per week)	416.50
4 Yd Comp (1 pickup per week)	804.75
Extra refuse (per yard)	17.56
Drive in (per month)	7.45
Return trip	24.84
Roll out (per 25' per month)	6.46
Unlock Container	2.48
Gate Opening	2.21



Recycling is Still Broken

Update City of Snohomish – July 7, 2020

Kent Kronenberg
General Manager

Russell Joe
Municipal Relationship Manager



WA UTC RECENT RECYCLE SURCHARGES

Company	DBA/Shortname	County Area	From	To	Rate Increase/ (Decrease)
Harold LeMay Enterprises	Grays Harbor Disposal	Grays Harbor	\$ (1.25)	\$ 2.21	\$ 3.46
Bainbridge Disposal	Bainbridge Disposal	King	\$ 0.68	\$ 4.82	\$ 4.14
Fiorito Enterprises	Kent Meridian Disposal	King	\$ (1.33)	\$ (0.36)	\$ 0.97
Republic Services	Eastside Disposal	King	\$ (1.72)	\$ (0.36)	\$ 1.36
Republic Services	SeaTac Disposal	King	\$ (1.26)	\$ (0.34)	\$ 0.92
Waste Management	North Sound/Marysville	King	\$ (1.62)	\$ 1.16	\$ 2.78
Waste Management	South Sound/Seattle	King	\$ (1.42)	\$ 0.78	\$ 2.20
Waste Management	Brem-Air Disposal	Kitsap	\$ (2.55)	\$ (0.13)	\$ 2.42
Mason County Garbage	Mason County Garbage	Mason	\$ (1.93)	\$ 2.34	\$ 4.27
Harold LeMay Enterprises	Pierce County Refuse	Pierce	\$ (0.74)	\$ 1.92	\$ 2.66
Murrey's Disposal	Murrey's Disposal	Pierce	\$ (0.88)	\$ 1.83	\$ 2.71
Waste Management	WM Skagit County	Skagit	\$ (2.31)	\$ -	\$ 2.31
Republic Services	Lynnwood Disposal	Snohomish	\$ (1.41)	\$ (0.32)	\$ 1.09
Rubantino Refuse	Rubantino Refuse	Snohomish	\$ (1.83)	\$ 2.24	\$ 4.07
Sound Disposal	Sound Disposal	Snohomish	\$ -	\$ 6.04	\$ 6.04
Waste Management	North Sound/Marysville	Snohomish	\$ (1.90)	\$ 0.90	\$ 2.80
Torre Refuse #3	Sunshine Disposal	Spokane	\$ (0.02)	\$ 2.63	\$ 2.65
Waste Management	Spokane/Valley Garbage	Spokane	\$ (2.65)	\$ (1.04)	\$ 1.61
Harold LeMay Enterprises	Butlers Cove/Pacific Disposal	Thurston	\$ (1.81)	\$ 2.73	\$ 4.54
Harold LeMay Enterprises	Rural Garbage Service	Thurston	\$ (1.64)	\$ 2.93	\$ 4.57
Harold LeMay Enterprises	City Sanitary/Joe's Refuse/White Pass Garbage	Thurston, Lewis	\$ (1.59)	\$ 2.45	\$ 4.04
Nooksack Valley Disposal	Nooksack Valley Disposal	Whatcom	\$ (0.07)	\$ 0.39	\$ 0.46
Sanitary Service Company	Sanitary Service Company	Whatcom	\$ 0.42	\$ 1.00	\$ 0.58
Pullman Disposal	Pullman Disposal	Whitman	\$ -	\$ 1.85	\$ 1.85

RECENT CITY RECYCLE SURCHARGES

	Hauler	Cities (in alphabetical order)	Rate Increase for Single Family Residential
Snohomish County			
	WM	Arlington	\$0.68
	WM	Darrington	\$0.71
	Sound Disposal/Rep	Edmonds	\$1.00
	WM	Granite Falls	\$0.71
	Republic Services	Lake Stevens	\$2.75
	WM	Marysville	\$0.73
	WM	Stanwood	\$0.76
King County			
	Recology	Burien	\$1.35
	Republic Services	Covington	\$0.96
	Republic Services	Kent	\$0.96
	WM	Newcastle	\$0.76
	Recology	SeaTac	\$1.35
	Recology	Shoreline	\$1.35
Pierce County			
	DM Disposal	Bonney Lake	\$1.25 - \$4.25 for 10-96 gal
	DM Disposal	Buckley	\$1.40 - \$5.80 for 10-96 gal
	DM Murrey's	Puyallup	\$2.17 for 35 gal
	DM Disposal	Sumner	\$1.17 - \$3.56 for 10-96 gal

Republic Services Update from Monroe

- June 23rd Monroe City Council approved a Sustainability Surcharge amendment, effective September 1, 2020.
- 1. Single Family/month \$1.86
- 2. Multi Family per dwelling unit/month \$1.86

Impact to Average Customer in Snohomish

- 2019 Pricing
- Residential customer with 64 gallon garbage and 96 gallon recycling service pays \$39.80
- Requested Recycling Processing Surcharge options and percentage increase:
 1. Single Family/month \$1.00 2.5%
 2. Single Family/month \$1.50 3.8%

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Impact to Average Customer in Snohomish

- Updated 2020 Pricing
- Residential customer with 64 gallon garbage and 96 gallon recycling service pays \$40.71
- Requested Recycling Processing Surcharge options and percentage increase:
 1. Single Family/month \$1.00 2.46%
 2. Single Family/month \$1.50 3.68%

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DISCUSSION ITEM 2.

Impact to Average Customer in Snohomish

- Updated 2020 Pricing
- Commercial Customers per MSW/yard
- Requested Recycling Processing Surcharge options and percentage increase:
 1. 1 yard dumpster 1x week .82% 1.38%
 2. 8 yard dumpster 1x week 1.54% 2.58%

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Kent Kronenberg
General Manager

e: kkronenberg@republicservices.com
c: 480.233.9427

Russell Joe
Municipal Relationship Manager

e: rjoe@republicservices.com
c: 425.503.6994