



**Approve New 10-Year Franchise
Agreements with Republic Services and
Tri-CED and FY 2025-2026 Recycle,
Compost, and Landfill Collection
Services Rates**

May 27, 2025 Council Meeting

Agenda Item 7.2.

New 10-Year Franchise Agreements

10-Year Extension of Franchise Agreements



Background

- City Council provided direction to Staff to negotiate 10-year extensions to the current collection services Franchise Agreements with Republic Services and Tri-CED.
- Negotiations and preparation of Amended and Restated Franchise Agreements with Republic Services and Tri-CED transpired over the past 10 months and recently concluded.
- The following highlights key aspects of the 10-year extension terms and conditions.

10-Year Extension of Franchise Agreements



10-Year Contract(s) Extension Highlights

Agreement Term (Republic Services and Tri-CED)

- Extend current Agreements for an additional ten years from July 1, 2025 through June 30, 2035.
- Allows extensions for up to five additional years through June 30, 2040.

Compensation Methodology and Rate Setting Changes

(Republic Services and Tri-CED)

- Compensation and rates charged to customers adjusted annually based on a single CPI (Water-Sewer-Trash Index).
- Maximum annual compensation increase and rate increase of 5%.
- Annual application submittal and City review process to continue, in addition to City Council approval of annual compensation and rate increase (May for June billing).

10-Year Extension of Franchise Agreements



10-Year Contract(s) Extension Highlights (continued)

SB 1383 Compliance

Parcelized Multi-Family Customers Compost Collection Service (Republic Services)

- Compost collection service to be provided (HOA's, condos, etc.); currently only receive weekly Recycle and Landfill collection service.
- New Compost carts in late June for services commencing July 1, 2025.

Color-coding Requirements for Carts and Bins (Republic Services and Tri-CED)

- New residential carts (delivered in March 2025).
- Refurbished commercial bins (completed in June).

10-Year Extension of Franchise Agreements



10-Year Contract(s) Extension Highlights (continued)

New Low-income and Senior Discount (Republic Services and Tri-CED)

- 15% discount for eligible Low-income (based on PG&E CARE program) and Senior customers.

Compost Giveaway Replaced with Direct Delivery to City (Republic Services)

- Republic Services provide 400 tons to City annually for use at City parks or the Compost Hub in lieu of Annual Compost Giveaway Event.

Christmas Tree Recycling Collection Timeframe Reduced (Tri-CED)

- The 4-week collection period commencing after December 25 reduced to a 3-week duration.

10-Year Extension of Franchise Agreements



10-Year Contract(s) Extension Highlights (cont.)

Residential Billing (Republic Services)

- Residential customers currently billed via annual Property Tax Assessment.
- Transition from property tax billing (annual cost) to direct billing by Republic Services (quarterly bill - begin in June for services commencing July 1, 2025).

Additional Staffing (Tri-CED)

- Change City funded public education and outreach position from 0.5 FTE to 1.0 FTE

Compost Processing Cost Increase (Republic Services)

- 99% cost increase (spread over two years)

Recycling Processing Cost Increase (Tri-CED)

- 111% increase

10-Year Extension of Franchise Agreements



10-Year Contract(s) Extension Highlights (cont.)

Recycling Processing Equipment Upgrades (Tri-CED)

- 50% of all recycling sorted by residents directly to landfill disposal for several years with no discernable improvements.
- New Agreement provides City's share of funding for equipment upgrades, based on City's one-third of curbside recycling collection material processed by Tri-CED (two-thirds comes from Hayward).
- New recycling processing performance standards ensure City gets some value for the ratepayers' capital investment in Tri-CED.
- Ratepayer capital investment is additional compensation paid to Tri-CED which commenced in FY 2024-25 (over \$700,000 annually).
- Performance Standards:
 - FY 2026-27 – max 35% collected recycling sent to landfill disposal
 - FY 2027-28 – max 30% collected recycling sent to landfill disposal
 - FY 2028-29 – max 25% collected recycling sent to landfill disposal
- Up to \$150,000 non-discretionary annual compensation deduction for non-compliance.

FY 2025-26

Recycle, Compost, and

Landfill Collection

Services Compensation

and Rates

FY 2025-26 Compensation and Rates



Background

- City Council direction to extend the Franchise Agreements for one-year (prior to decision to extend for 10-years) resulted in allowing for a Cost-Based Compensation Review for FY 2025-26 (commencing July 1, 2025) compensation and rates.
- Cost-Based Compensation Review entails detailed cost and revenue “true-up” in lieu of more simple Index-Based Review or CPI-only adjustment.
- FY 2025-26 Compensation and Rates include both Cost-Based Review and new 10-year contract extension components (e.g., new carts, increased staffing, increased processing costs).
- The following highlights the results and rate impact of Staff’s review of both Republic Services and Tri-CED’s Cost-Based Compensation Applications and negotiations of the 10-year extension to the Franchise Agreements.

Republic Services Compensation and Rates Adjustment



FY 2025-2026

Proposed Contractor Compensation

\$24,019,423*

City Fees: \$6,230,770

Proposed Rate Increase

4.48%

* Includes:

- Increased Compost Processing expense
- New Residential Landfill and Compost carts
- Repainted Commercial bins



Tri-CED Compensation and Rates Adjustment



FY 2025-2026

Proposed Contractor Compensation

\$4,499,069*

City Fees: \$846,896

Proposed Rate Increase

5.87%

* Includes:

- Increased Recycling Processing expense
- New Residential Recycle carts

Monthly Rate Single-Family Households



Combined Increase:

\$3.24/mo. or 4.92%

(\$1.22/mo. Tri-CED & \$2.02/mo. Republic)



Single Family	Current (2024-2025)	Proposed (2025-2026)
Landfill (Garbage) & Compost	\$45.06	\$47.08
Recycle	\$20.79	\$22.01
Total proposed maximum monthly rate		*\$69.09

*Includes New Residential Recycle, Compost and Landfill carts

Existing Stormwater Compliance Fee of \$80.31/year (\$6.69/mo.) collected separately.

Monthly Rate Parcelized Multi-Family Households

Combined Increase:
\$18.10/month or 35.50%
 \$1.22/mo. for Tri-CED
 \$16.88/mo. Republic



	Current (2024-2025)	Proposed (2025-2026)
Landfill (Garbage)	\$30.20	\$47.08
Recycle	\$20.79	\$22.01
Total proposed maximum monthly rate		*\$69.09

*Includes New Compost Collection Services and New Recycle, Compost and Landfill Carts

Existing Stormwater Compliance Fee of \$80.31/year (\$6.69/mo.) collected separately.

Commercial Collection Rates



Rate Increase: 4.48%

Rates for 3 cubic yard bins serviced one time a week.
(Recycling and Compost offered at 40% discount to encourage diversion from landfill.)

Landfill (Garbage)



Current: \$490.56/mo.
Proposed: \$512.54/mo.
Increase: **\$21.98/mo.**

Recycling



\$294.32/mo.
\$307.51/mo.
\$13.19/mo.

Compost



\$294.32/mo.
\$307.51/mo.
\$13.19/mo.

FY 2025-26 Compensation and Rates



Current and Recommended Compensation/Rates

<u>COMPENSATION AND RATE INCREASE PERCENT SUMMARY</u>	Approved	Approved	Recommended Compensation	Recommended Effective Rate Increase	Existing StormWater Fee (Tax Assessment)
Republic Services	<i>FY 2023-24</i>	<i>FY 2024-25</i>	<i>FY 2025-26</i>	<i>FY 2025-26</i>	
Compensation	\$ 14,296,232	\$15,513,803	\$ 17,788,653	\$ 17,788,653	
City Fees	\$ 6,828,126	\$ 7,149,413	\$ 7,828,528	\$ 6,230,770	\$ 1,278,206
Total	\$ 21,124,358	\$22,663,216	\$ 25,617,181	\$ 24,019,423	
Rate Increase %	3.51%	7.29%	11.43%	4.48%	
Tri-CED					
Compensation	\$ 3,062,885	\$ 3,449,604	\$ 3,652,173	\$ 3,652,173	
City Fees	\$ 763,291	\$ 799,850	\$ 846,896	\$ 846,896	
Total	\$ 3,826,176	\$ 4,249,454	\$ 4,499,069	\$ 4,499,069	
Rate Increase %	5.60%	24.65%	5.87%	5.87%	
COMBINED					
Compensation	\$ 17,359,117	\$18,963,407	\$ 21,440,826	\$ 21,440,826	
City Fees	\$ 7,591,417	\$ 7,949,263	\$ 8,675,424	\$ 7,077,666	\$ 1,278,206
Total	\$ 24,950,534	\$26,912,670	\$ 30,116,250	\$ 28,518,492	
Residential Rate Increase % (Combined Republic Services & Tri-CED)	4.10%	12.22%	9.90%	5.92%	
(Republic Only)	3.51%	7.29%	11.43%	4.48%	

FY 2025-26 Compensation and Rates



Next Steps

- May 27, 2025 – City Council consideration to approve Amended and Restated Franchise Agreements with Republic Services and Tri-CED for additional 10-year term from July 1, 2025 through June 30, 2035
- May 27, 2025 – Approval of New Franchise Agreements includes approval of compensation and rate increases for FY 2025-2026
- June 2, 2025 – If New Agreements and FY 2025-2026 compensation and rates are approved, Republic Services commences quarterly billing of Residential customers for services starting on July 1, 2025
 - June 2025 (services July-September 2025)
 - September 2025 (services October-December 2025)
 - December 2025 (services January-March 2026)
 - March 2026 (services April-June 2026)
- Future Council Meeting – Council consideration to continue collecting existing Stormwater Compliance Fee through the Property Tax Assessment for residential customers

Recommendation



1. Adopt a resolution approving and authorizing the City Manager to execute an Amended and Restated Franchise Agreement for Landfill, Compost, and Recycle collection services with Republic Services for an additional ten-year term from July 1, 2025 through June 30, 2035 and approve the proposed fees and rates for landfill, compost, and recycle collection services.
2. Adopt a resolution approving and authorizing the City Manager to execute an Amended and Restated Franchise Agreement for Recycle Collection and Processing Services with Tri-City Community Economic Development Corporation (Tri-CED) for an additional ten-year term from July 1, 2025 through June 30, 2035 and approve the proposed fees and rates for recycle collection and processing services.



**Approve New 10-Year Franchise
Agreements with Republic Services and
Tri-CED and FY 2025-2026 Recycle,
Compost, and Landfill Collection
Services Rates**

May 27, 2025 Council Meeting

Agenda Item 7.2.