



## Memorandum

July 30, 2018

To: Steve Giesbrecht, Borough Manager  
From: Chris Cotta, Public Works Director  
Re: Republic Services Contract Renewal

The Borough's Municipal Solid Waste (MSW) Transport and Disposal Agreement with Republic Services expired on July 16, 2018. This agreement dates from 2013 and covers transportation and disposal of MSW and recyclables generated by the Petersburg Borough. The basic form of the agreement has been in use for over 20 years, and was updated 5 years ago to incorporate changes resulting from negotiations with the Southeast Alaska Solid Waste Authority (SEASWA) and Petersburg Borough.

Republic Services is proposing a 5-year renewal of the existing agreement, with a couple of changes:

- Price escalations will no longer be tied to a specific consumer price index (CPI) but will be a fixed 3.5% per year. The change to a fixed rate was requested by the Borough to allow for a stable, predictable rate of increase. Republic initially asked for 4% and we were able to negotiate this down to 3.5%. The 3.5% increases would not start until July 1<sup>st</sup> of 2019, so we would have almost a year without an increase in cost of the disposal portion of the contract.
- Due to large increases in marine transportation costs in recent years, Republic is seeking a one-time "true up" of the waste transportation rate. Per the terms of the prior contract they have been losing money on the transportation component of the disposal rate. The current transportation rate is 44.51 per ton while their cost is 50.01 per ton. The new transportation rate would be \$50.01/ton and would apply retroactively to the contract expiration date. After the one time increase, future increases for transportation costs would be included in the 3.5% annual contract price escalation.

The above costs are in line with what other Southeast communities pay for waste disposal. Annual contract cost is expected to be in the \$275K-300K range. Total value of the proposed 5-year contract will be approximately \$1.5M.

Public Works recommends moving forward with the 5-year renewal as described above. If you agree with this recommendation, please forward it to the Borough Assembly for consideration at their next regular meeting on August 6, 2018. Thank you.

Attachment: Contract Extension Agreement (1 page)

June 15, 2018

Mr. Karl Hagerman  
Public Works Director  
Petersburg Borough  
PO Box 329  
Petersburg, Alaska 99833

Subject: Extension of MSW Transport & Disposal Agreement

Dear Karl,

Republic Services is please to extend the current Municipal Solid Waste Transport and Disposal Agreement between Petersburg Borough and Republic Services for an additional Five (5) year period with the inclusion of the following mutually negotiated terms.

Republic Services will maintain the current disposal rate of \$62.20 per ton and increase the base transportation rate to \$50.01, plus applicable fuel sur charge to provide a true up to current rates provided by Alaska Marine Lines for barge service from the Petersburg, AK to Seattle, WA. The combined base transportation and disposal rate of \$112.21 will begin on July 16<sup>th</sup>, 2018.

An annual price increase of a fixed 3.5% based on the combined Transportation and Disposal rates will commence beginning July 1<sup>st</sup>, 2019.

We are looking forward to continuing our partnership with Petersburg Borough

**Republic Services**

By: 

Gregg Brummer, Northwest Area President

**Petersburg Borough**

By: \_\_\_\_\_

On Behalf of Petersburg Borough