



CITY OF LAKE OSWEGO
MID-TERM PERFORMANCE REVIEW and RENEWAL OF CITY'S EXCLUSIVE SOLID
WASTE COLLECTION SERVICES FRANCHISE WITH REPUBLIC SERVICES

Republic Services seeks Council approval for a franchise renewal of an additional five years (2022-2027).

FRANCHISE RENEWAL IS IN THE PUBLIC INTEREST SINCE IT CONTINUES THE CITY'S
STABLE/COST EFFECTIVE PARTNERSHIP WITH REPUBLIC SERVICES

Authority for City's mid-term review and renewal of Ordinance No. 2600: Section 8.

"If the City Council determines the Franchisee has performed its obligations and responsibilities under this franchise, and determines that Franchisee's performance has also been positive with respect to the other factors considered in the mid-term review, and if the City Council also determines that it is in the public interest to do so, the Council may in its discretion direct the City Manager to renew the Franchisee's franchise upon such terms and conditions as the Council deems appropriate. If so directed, the City Manager shall prepare an ordinance for approval by the City Council renewing the franchise. The renewal franchise shall be for a term of ten (10) years."

Republic Services, Inc. and its predecessor companies (Rossman Sanitary Services and Allied Waste Industries) have provided Lake Oswego residents and businesses with stable and cost effective solid waste collection services since 1955.

Our company has broad expertise in the waste management field, derived from a diverse array of hauling, transfer, recycling and disposal operations. Very few companies can equal the operational capabilities, financial stability, capital resources, broad experience, geographic dispersion, integrated infrastructure or transfer expertise the operating division serving the City relies upon to deliver the many waste collection services desired by Lake Oswego.

Republic Services' operations are national in scope, but the physical collection and disposal of waste is very much a local business. As you would expect, the dynamics and opportunities differ in each of the company's markets. Republic's operations are managed through ten geographic operating areas, consisting of multiple divisions with each providing recycling and waste collection, transportation and disposal services.

By combining local operating management with standardized business practices, we drive greater overall operating efficiency across the company while maintaining day-to-day operating decisions at the local level. This operating formula has resulted in **92% of our municipal partners extending their franchises and contracts with us** because of our effective

partnerships and local expertise offering simple, reliable solutions that are environmentally responsible.

Republic - National Overview

Republic Services is an industry leader in the non-hazardous solid waste industry with revenues in excess of \$9 billion and over 33,000 dedicated employees. All legacy brands operate today as part of the Republic Services' family.

Republic's collection companies, transfer stations, recycling centers, composting facilities, and landfills focus on providing effortless solutions for our more than 14 million commercial, industrial and residential customers. Republic owns or operates 340 collection operations, 198 transfer stations, 193 active solid waste landfills, 92 recycling centers, and 71 landfill gas and renewable energy facilities across 41 states and Puerto Rico.

With over 16,000 vehicles, Republic deploys the 8th largest fleet in the U.S. to collect approximately 100 million tons of waste and collect five million tons of recyclables.

Republic provides services to over 2,700 franchises, the largest nationally. Our long-term partnerships with municipalities are a testament to our core strength in municipal relationships.

We'll handle it from here™, our brand's promise, lets customers know they can always rely on us to handle their recycling and waste needs in a way that is easy and effortless for them. Our company is guided by the principles we have adopted as our **core values** – to be Respectful, Responsible, Reliable, Resourceful and Relentless in all we do, every day.

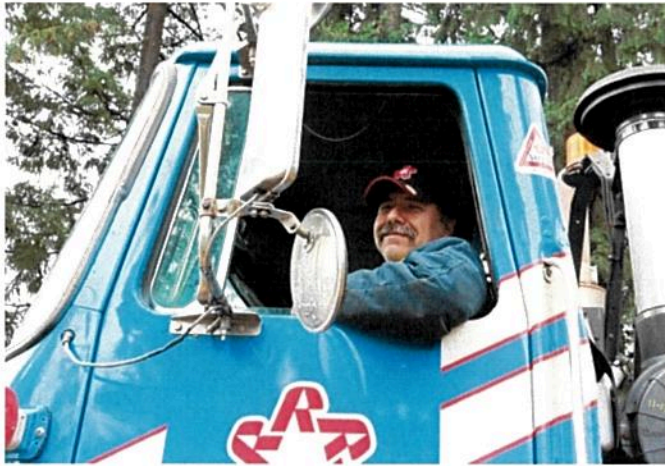
Republic Services - local accountability backed by national support means best value in your Municipal partner

- 3 employees live within Lake Oswego limits
- 62 years continuously serving Lake Oswego
- Reliable - 99.9% pickup rate
- Environmental Responsibility - over 4,400 CNG trucks nationwide
- Safer - 42% fewer incidents than industry average
- Simple Solutions – Customer App, My Resource
- Only recycling and waste company named to the 2017 Forbes America's Best Employer List
- Only recycling and waste company on the Dow Jones Sustainability Index North America and World Indices
- Member of 2017 World's Most Ethical Company® List by Ethisphere Institute
- Three fully staffed, US-based, national customer resource centers





The people working at Republic Services are the center of the company's success. Attracting, developing and engaging the best talent is critical to our strategy of profitable growth through differentiation. Whether it's through our dedication to safety, robust learning and talent development programs or expanding our diversity and inclusion initiative, Mosaic, we are committed to making Republic Services an Employer of Choice where the best and brightest come to work.



REPUBLIC SERVICES - STATE OF OREGON

Republic employs more than 500 people in Oregon and serves 260,000 customers across the state, see Economic Impact Study on page 4. Republic also operates more than 40 collection trucks powered by compressed natural gas (CNG), three hauling companies, two recycling centers, one composting facility, and one landfill. In addition, Republic serves 35 counties and

municipalities - including Portland - statewide.¹

¹ <http://media.republicservices.com/2017-10-06-Republic-Services-Announces-99-Million-Economic-Impact-in-Oregon>

Strengths of our Company	Benefits to Municipality
99.9% On-time pickup rate	Happy community; fewer calls to city hall
42% safer than industry average	Fewer incidents; safer community streets for children at play
Simple Solutions for your community waste and recycling needs	Easy access to solutions for the growing number of waste streams
Recognized Globally on Dow Jones Sustainability Index	Peace of mind that you have a global leader in sustainable initiatives as your partner
Robust community education and outreach	Better informed community leads to lower contamination and greater diversion rates
Web and Smartphone based apps for easy access by community residents to relevant information	Stronger communications, and ease of alert and news dissemination





REPUBLIC SERVICES

We'll handle it from here.™

OPERATIONS FOOTPRINT

500 Employees // 35 Locations Served // 20 Facilities // 260K Customers

Economic Impact of Republic Services operations in the state of Oregon, 2016
Seidman Research Institute W. P. Carey School of Business | Arizona State University



Republic Services – LAKE OSWEGO

Our local teams are vital to the success of our partnership with Lake Oswego. The team's unique combination of collection experience, recycling expertise, and innovative management systems will ensure quality service for the duration of the franchise agreement. Both local and area management teams have extensive industry experience in operating and managing solid waste companies and have substantial experience in the region. As a result of retaining experienced managers with extensive knowledge of their local communities, we are proactive in anticipating customers' needs and adjusting to changes in the markets. We also seek to implement the best practices of our various business units throughout our operations to continue improving our operations and service to Lake Oswego customers.

Republic Services – Lake Oswego has 29 full-time employees dedicated to serve the residents of the City and the commercial and industrial customers doing business in the City. These employees serve as managers, collection vehicle drivers, mechanics, customer service representatives, and a recycling outreach and education coordinator. This employee count does not include our general and administrative employees, such as accounting, customer billing, customer service, etc., who provide support services for our Lake Oswego operation.

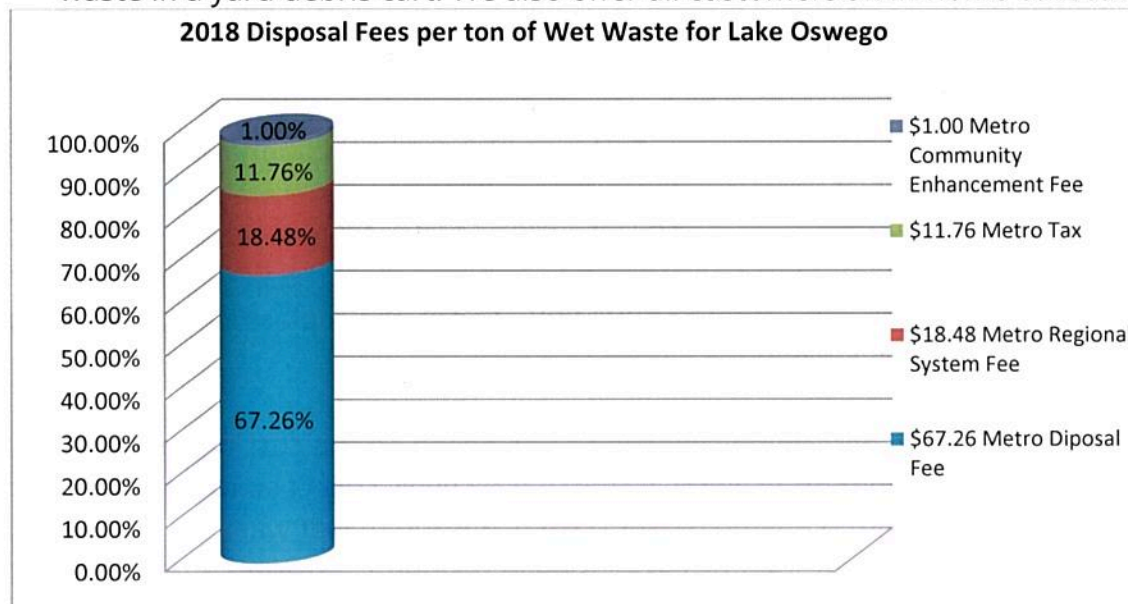
We use a total of 24 collection vehicles to collect solid waste in the City. Two years ago we reported to the Council that we purchased new 13 collection vehicles fueled with Compressed Natural Gas (CNG). These vehicles replaced 13 vehicles fueled with diesel used to collect solid waste generated by our residential customers. Today, we have two additional collection vehicle fueled with CNG. These two vehicles are used to collect solid waste generated by our commercial customers. In summary, we use 15 collection vehicles fueled with CNG and 9 collection vehicles fueled with diesel to serve the solid waste needs of the City. The cost of a collection vehicle in 2016 fueled with CNG was \$285,000. Today, the replacement cost of these 15 vehicles would be at least \$4,275,000.

Republic works with the City to determine collection rates based on the cost of services such as the allocation of expenses in labor and capital assets to effectively collect solid waste generated by Lake Oswego customers. Metro sets the disposal costs per ton of wet waste in the region, which influences the collection rates paid by Lake Oswego residents, businesses, and industrial customers.

Republic's collection rates are designed to accomplish two purposes: first, to recover actual costs incurred for customer collection services since the last rate increase in 2016 and, second, cover the costs of collection and forecasted needs (immediate future) for significant expenses that Republic will incur to support the collection of the City's garbage and recycling in a safe and efficient manner.

The City establishes the collection standards followed by Republic Services as well as setting the rates for each type of collection service desired. The collection costs are analyzed to establish the rate to accomplish the desired service. The analysis involves the allocation of costs by customer type: residential, commercial and industrial. Costs incurred are summarized in eight categories: disposal, labor, fuel and vehicle operations, administrative, insurance, depreciation, facility and franchise fees. These costs are allocated for each type of service based on the following criteria:

1. Weight of material collected - average residential pounds per lift, average commercial pounds per yard and average industrial tons per haul;
2. Labor hours required for each type of service;
3. Type of waste disposal equipment used by customer:
 - a. Republic supplies residential customers with 20, 35, and 60 gallon roll carts;
 - b. Republic supplies commercial customers with 35, 65, and 90 gallon roll carts, plus six (6) different sized containers from 1 yard to 8 yards;
 - c. Industrial customers use four different sized large containers and compactors - 10 yards to 40 yards.
4. Republic offers all residential customers the opportunity to dispose of their organic waste in a yard debris cart. We also offer all customers an in-home collection pail.



Tonnage Collection in Lake Oswego broken down by type:

- a. Waste - 58.6%
- b. Recycling - 23.8%
- c. Organics - 17.6%

Republic's most significant category of operating costs is disposal expenses and franchise fee expenses, representing 68 percent of the total disposal fee which is \$98.50 per ton. This disposal fee is comprised of several factors: (1) transfer, transport, landfill disposal, and waste recovery costs, (2) Metro's Regional System Fee and Excise Tax².

The city guarantees the hauler a reasonable rate of return. A reasonable rate of return in the solid waste industry falls in the range of 8 to 12 percent, with a target rate of return of 10 percent. Republic's estimated rate of return for 2017 was 4.6% versus 11.3% in 2016

Schedule of Direct Expenses for Lake Oswego:



In 2017, Republic's franchise fees contributed \$397,673 dollars to the City of Lake Oswego. These fees were paid by Republic to the city at the rate of five percent (5%) based on gross receipts.

Lake Oswego Service Facts

- We have 23 drivers servicing Lake Oswego
- Drivers are at the curbs of 14,950 Lake Oswego homes 5 days/week
- There are 3,207,100 residential containers picked up every year
- We have 21 collection vehicles serving customers 7 days/week
- 13 CNG trucks service Lake Oswego
- Successful roll out of residential organics in 2016 - data

² https://www.oregonmetro.gov/sites/default/files/2017/06/13/MetroFeeandTaxRateHistory_052017.pdf

- Republic services 4,700 businesses per week / equivalent to 155,631 combined garbage and recycling pick-ups per year
- Republic services 75 industrial customers per week / equivalent to 3900 combined garbage and recycling pick-ups per year
- In 2017, Republic collected 37,774 tons of material for recovery and disposal:
 - Residential tons – 18,911
 - Commercial tons – 8,309
 - Industrial tons – 10,554
- Of the 37,774 tons collected, 8,991 tons were recycled, 22,149 tons for garbage, 6,634 tons of organic materials

Giving back to the community

We are dedicated to being a good neighbor in the communities in which we live and work. This includes investing back in our communities through customer engagement, philanthropic giving, volunteerism, and environmentally responsible infrastructure.

In 2017, our company donated close to \$21,000 to the community of Lake Oswego in sponsorship and in-kind services such as drop boxes. The majority of this sum went to the city and school district. Republic Services also donated to various organizations including Lake Oswego Festival of the Arts, Lake Oswego Women’s Club, and Lake Oswego Chamber of Commerce.

Safety

Curbside collection ranks the fifth most dangerous job in ³America which is why we prioritize safety above all else. When people feel safe, they can fully participate in the opportunities that are available to them every day.

Republic has a consistently low and trending lower occurrence of incidents and accidents and is known for its strict focus on safety and corresponding best in industry, multi-faceted, and well organized safety program. Republic’s average OSHA scores are lower than the average OSHA scores for the waste industry according to Department of Labor, Bureau and Statistics Data. Employees, the general public, and rate payers all benefit from Republic’s dedication to safety.

For example: each garbage truck weighs over 60,000 pounds and driving a truck of this size takes immense training and skill. A front load driver moves containers out of enclosures and positions them for pick up over 1,600 times per year. We are continually training our drivers on

³ <http://www.recyclingtoday.com/article/curbside-collection-ranks-as-dangerous-job/>

defensive driving techniques. Republic's Lake Oswego drivers have one of the safest driving records in the industry.



A typical residential driver is on the streets of your city for 2350 hours per year

Republic is also actively regulated by numerous agencies and has award winning safety programs and protocols to include:

Regulatory Agencies	Republic Safety Programs
OSHA - Federal Occupational Safety and Health Administration	<i>Focus 6</i> - education program to prevent 6 most common types of accidents
DOT and ODOT- Federal and Oregon Department of Transportation	<i>One Fleet</i> - maintenance program to quality equipment
EPA- Environmental Protection Agency	<i>Dedicated to Safety</i> - staff incentive program to promote safety
DEQ - Department of Environmental Quality	<i>Dedicated to Excellence</i> - staff incentive program to promote excellence
Metro - Oregon Metro Regional Government	<i>Safety Alert System</i> - communication and education program to prevent accidents

Educating the Community about Solid Waste Collection and Systems

Republic strives to educate about the solid waste industry and has hosted many individuals and groups to tour Republic's WRI campus. In 2017, we hosted over 150 visitors at WRI for educational tours, to ride-a-longs in garbage trucks, and touch-a-truck kid's educational parties. City councilors, state representatives, government agencies, high school students, youth groups, and city staff have visited WRI to learn about the recycling and solid waste system

located in their own backyard. Having a local facility just 10 miles from the heart of Lake Oswego is advantageous for hands on learning about the solid waste industry.

Our facility hosts and operates a public recycling depot that is open to the public (at no charge) each week from Monday through Friday. The public depot is not open Saturdays as it must be staffed at all times due to safety regulations. In 2017, the depot received 214.18 tons of materials which included recycling for the following: electronics, cardboard, paper, plastics, glass, scrap metals, and plastic film.



Sustainability – National Overview

Sustainability contributes to a cleaner world, while also providing opportunities to improve brand awareness, to increase customer loyalty, to grow our business, to motivate our employees and to differentiate Republic Services from our competitors. We believe we have a responsibility to regenerate our planet with the materials we are entrusted to handle every day by driving increased recycling, generating renewable energy, and helping our customers be more resourceful.

Additionally, we must lead by example, working diligently to improve our relationship with the environment and society through decreased vehicle emissions, innovative landfill technologies, use of renewable energy, community engagement and employee growth opportunities.

These commitments are reflected in the way we do business and guided by the five elements of our sustainability platform:



Our collection vehicles are fully automated which enables us to safely serve more customers daily. Republic was also the first hauling company in the Metro region to use B20 biodiesel fuel in its collection vehicles. Republic began using Compressed Natural Gas (CNG) collection vehicles in Lake Oswego in 2016. We will continue to convert our entire fleet by purchasing new CNG trucks when a diesel truck is decommissioned. Lake Oswego supported and encouraged Republic's transition to CNG vehicles. CNG trucks cost approximately \$350,000 each, about \$50,000 more than the cost of a basic diesel truck. The city's support of a stable franchise system enables collection companies to make more capital investments, like the CNG collection vehicles, fueling facility, and other equipment, to be distributed across multiple years of a service contract. If franchise agreements were done year to year, capital purchases would raise collection rates dramatically over one year to cover the risk of purchasing high cost assets.

Sustainability - Lake Oswego

Republic Services has been involved in Oregon Green Schools as a sponsor since inception and more recently became a regional coordinator. Hallinan Elementary and Oak Creek Elementary have achieved the highest level of recognition with Oregon Green Schools by achieving Premier status.



its

Republic Services has partnered with Management and Sustainability Analyst Jenny Slepian to conduct annual waste audits of every Lake Oswego public building. After the buildings are audited a report is prepared and suggestions are made to increase landfill diversion rates.

Residential Food Scraps

In 2016 the City of Lake Oswego approached Republic Services to add food scraps to the existing residential yard debris collection. Adding food scraps to the yard debris bin gave the residents an opportunity to reduce the amount of solid waste landfilled, reduce their carbon

footprint and supply nutrient rich organics for compost. Lake Oswego was the first municipality to add food scrap collection to their collection services in Clackamas County – setting an example to their sustainability commitment.

Republic Services assisted the city's outreach and education plan including instructional YouTube videos, informational leaflets, print media releases, and in person demos.

Lake Oswego's organic material is transported to Republic's Pacific Region Compost facility (PRC) near Corvallis. PRC was the first DEQ permitted food waste composting facility in Oregon and is the largest operation in the state. PRC has composted material at this facility for the past 20 years.

Anything that cannot be composted or recycled is trucked to Republic's Coffin Butte landfill. Our sustainability efforts continue at all levels of the solid waste stream. The landfill captures methane gas generated at its landfill near Corvallis in a quantity sufficient to generate enough energy to fuel 5,000 homes.

Looking into the Future

Metro Food Scraps- Mandatory Program Coming to the Region

Lastly, there are a number of activities now in process in the Metro region, notably Metro's Solid Waste Roadmap Project⁴ which could change the cost of solid waste collection services, specifically with the proposed implementation of a mandatory food scraps program for commercial entities. The program will apply to grocery stores, restaurants, lodging and hotels, hospitals, nursing and residential care facilities, correctional facilities, colleges and universities, elementary and secondary education, and food and beverage manufacturers. The 2017-18 Metro Solid Waste Forecast indicating that the collection of organics for residential programs is expected to increase. Metro also showed that 18% of the overall disposed waste in the region is food, with businesses responsible for nine percent⁵. This represents a large, untapped portion of the region's waste that could be diverted from the landfills through a food scrap collection program.

A mandatory Metro regional program will necessitate equipment purchases, more routes, more trucks, and more drivers. Food waste containers are also more labor intensive as food becomes acidic upon breakdown in any container.

Metro's mandatory commercial food waste program – three roll out phases

⁴ <https://www.oregonmetro.gov/public-projects/future-garbage-and-recycling>

⁵ <https://www.oregonmetro.gov/public-projects/future-garbage-and-recycling/food-scraps>

<p>Business Group 1 ≥0.5 ton (1,000 pounds) per week food waste generated</p>	<p>Business Group 2 ≥0.25 ton (500 pounds) per week food waste generated</p>	<p>Business Group 3 ≥0.125 ton (250 pounds) per week food waste generated</p>
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Although Metro has identified three roll out phases commencing in 2020 for the regional mandatory food scraps program, it is not possible at this time to predict with any accuracy an expense from an outcome of this effort. A new program could cause a change in disposal methods and may influence the cost to dispose of municipal solid waste generated in the Metro region.

Republic Services will work with Metro, Clackamas County, The City of Lake Oswego and Chambers of Commerce in the region to create educational outreach plans to reach businesses groups included in each phase. We are getting ahead of this roll out with continuing education and consistent messaging to make sure the businesses are adequately prepared for this mandate.

China Sword

In July of 2017 China announced that it would ban imports of 24 categories of solid waste, including certain types of plastics, paper and textiles beginning in January of 2018. This import ban is titled National Sword and on top of banning certain materials it also sets a much higher standard for contamination levels.

This import ban has strained the entire recycling industry and significantly raised the cost of recycling. DEQ is leading the implementation of new policies to help the industry adapt to the closing of markets we have historically sent material to, but at this time it remains a moving target.

Our role in the changing times continues to be education. The most significant things consumers can do to make a positive impact in the recycling market is keeping their recycling bins free of contaminants (including non-recyclable plastics) and making sure the items are free of food residue. When items are recycled we urge consumers to remember our Empty, Clean, and Dry campaign and check with their local city and county guidelines for recyclable materials.

In summary, Republic Services is proud to serve as Lake Oswego's local recycling and solid waste partner. Our long term partnership has allowed for stability and strategic investments in high-quality service, facilities, and equipment to keep your community healthy and safe. We hope to continue this partnership and continue servicing the City of Lake Oswego.

Sincerely,



Therese McLain
Municipal Manager

Tuesday, March 27, 2018