CITY OF STOUGHTON
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Date: September 5, 2019

To: City of Stoughton Alders

From: Brett Hebert, Director of Public Works

Subject: John's Disposal Rate Increase

Dear Alders,

John's Disposal Service, our solid waste collection contractor, has asked to increase collection fees for recycling by $1.30 per month from $3.25 to $4.55 per month per unit beginning January 1, 2020. This would raise the overall solid waste collection fee from $13.10 to $14.40 or a 9.9% increase.

The reason for the increase, according to John's Disposal, is that recycling markets abroad, specifically in China, have significantly reduced, if not stopped accepting recyclable materials from the United States. In turn, this has flooded the domestic recycling market and caused prices per ton of recycled material to plummet. John's Disposal has gone from depending on recyclable material as a revenue source to having to pay to properly dispose of recycled material. John's Disposal did say that, even in these tough markets, nearly 100% of their recyclables do get properly recycled.

However, our contract states that, "*Fee increases shall be in an amount not to exceed the cost of living percentage (CPI-U-Midwest, The Consumer Price Index for All Urban Consumers-Midwest Region.) as calculated annually and published by the Bureau of Labor and Statistics in August of each year. The City may terminate the agreement at the end of each year if the contractor requests increases greater than the CPI-U.*"

The CPI-U in July, 2019 was 1.5%. As of this draft letter, the August publication had not been made public. I would anticipate that it would be close to the July figure of 1.5%. With that being said, John's asking for an increase of 9.9% is well above the contract agreement. The City has two choices, either we can accept the 9.9% ($1.30) increase per month per unit, or we can terminate the contract at the end of this year and go out for bid.

Please keep in mind that the total fee includes monthly bulky item collection for residents and free collection of solid waste downtown and for all City facilities. In Johns 2020 proposal if we choose to accept the fee increase, they would increase the downtown collection frequency to two times per week instead of once and would like to modify the bulky collection program to a call in system. Under this new program, residents will still receive the same contract limits and the same number of collections (up to 1 per unit, per month) but may now select their collection week and will no longer have to wait for the last collection of the month.

We do have the option to void the current contract and rebid solid waste collection, but I just want to caution you that if we were to go out for bid, there is not guarantee that we would receive a better long term rate from another contractor. All solid waste contractors are feeling the pinch in the recycling markets. At the proposed rate of $13.15 per month for trash and recycling (excluding the bulky fee), we would be cost competitive with our neighboring communities:

2020 Proposed Rates	
Stoughton	$13.15
Oregon	$14.90
Verona	$12.17
McFarland	$11.75
Fitchburg	$14.12

If we decided to rebid, we may also lose our free city facility collection benefit, which saves our tax payers thousands of dollars per year. Another consideration is the disruption of changing over to a new hauler. Also please keep in mind that John's has not raised collection fees for our residents since 2017.

John's has provided our residents with a quality service with very few issues since 2011. Considering the recycling markets both domestic and abroad, I believe an increase of 9.9% is reasonable considering the level of service that not only our residents get but also the free solid waste collection service we enjoy at city facilities. Staff recommends accepting the fee increase and the amendment to the current contract for service from John's Disposal in 2020.

Respectfully,

Brett Hebert
Director of Public Works