



Sustainability in Action

Via Email and Hand Delivery

René Mendez
City Manager
City of Salinas
200 Lincoln Ave
Salinas, California 93901

Dear René,

The purpose of this letter is to propose a resolution of (a) certain issues that have been discussed between Republic, City staff, and R3, the City's consulting firm that has conducted a review of Republic's performance under its agreement with the City, and (b) the City's delay in passing the annual adjustment to Republic's collection rates, which were due per the franchise agreement to become effective July 1, 2024.

R3 has concluded its review of Republic's performance under the franchise agreement for calendar years 2023 and 2024. We understand from our discussions with R3 that they believe there is a potential for the assessment of liquidated damages under our agreement for overweight vehicle trips, and due to some of our collection trucks having engines over ten years old. As R3 and City staff know, we have replaced all trucks in our collection fleet that had engines over ten years of age with newer trucks and have also ordered new trucks for use in the City. We have also brought the frequency of overweight vehicle trips well below the allowed threshold in our contract. We have presented to R3 and City staff several reasons why liquidated damages should not be assessed for 2023 and 2024.

At the same time, the City has withheld its approval of the 4% annual rate adjustment due Republic under Article 4 of our franchise agreement, which was supposed to become effective starting July 1, 2024. This rate adjustment would include a 4% collection element increase based on the inflation index in Article 4 of the agreement. In addition to the 4% CPI increase, it would also include additional adjustments for the pass-through of Republic's costs associated with AB 939 fees and increased disposal and materials processing elements. In this regard, the SVSWA increased the AB 939 fees by 21.65% and ReGen Monterey increased their recycling processing fee by 8.8%. The final amount of the rate increase to be



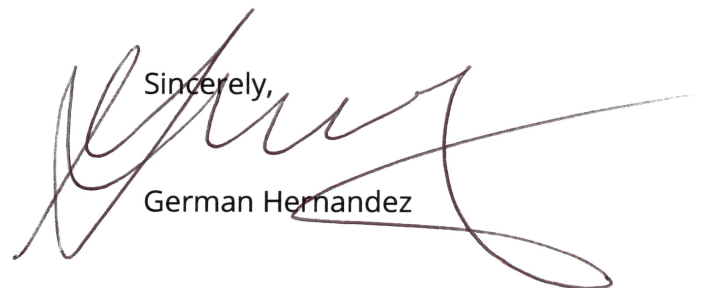
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implemented effective January 1, 2025 will be subject to final review and confirmation by Republic and City staff.

Based on our discussions with David Jacobs and Jim Pia, we understand that City staff would be willing to recommend to the Council a resolution of all of these issues on the following terms:

1. The annual adjustment in Republic's collection rates would be approved by the City Council to become effective as of January 1, 2025. This adjustment will include the inflation index adjustment, and all allowed pass-through costs. Republic's next rate adjustment would become effective July 1, 2025, per the terms of the franchise agreement, as if the 2024 rate adjustment had not been delayed.
2. The City will agree not to assess any liquidated damages for overweight vehicles and vehicle replacement delays (for vehicles over ten years old) for the years 2023 and 2024.
3. All other claims for breach of contract by either Republic or the City, including damages for the delayed rate adjustment and any potential claims for liquidated damages for 2023 and 2024, will be waived up to the date this settlement is approved by the City Council.
4. Following approval from the City Council, both parties agree to sign a settlement agreement and mutual release.

Republic would like to put these issues behind us, so Republic can move forward with continuing to build its positive relationship with the City. Please let us know if this proposal is acceptable.

Sincerely,

German Hernandez



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Accepted on behalf of the City of Salinas,

By: _____
City Manager

Date: _____

Cc. David Jacobs
Tim Parrish
Manny Gouveia
Christina Urquidez