



CITY COUNCIL WORKSHOP

CITY OF FAIR OAKS RANCH, TEXAS

AGENDA TOPIC: Solid Waste Franchise Agreement
DATE: April 4, 2024
DEPARTMENT: Public Works
PRESENTED BY: Carole Vanzant, CPM, Assistant City Manager

INTRODUCTION/BACKGROUND:

In 2017, the City Council approved an Exclusive Franchise Agreement with Republic Services for a five-year term for the collection, hauling, and disposal of residential garbage and refuse waste. The agreement prescribes the following renewal option:

“The City, at its sole discretion, shall have the option to renew this Agreement for up to two (2) additional two (2) year terms. There is no guarantee to the Contractor that the City will exercise this option to continue this Agreement beyond the initial five-year period. Both parties, in writing, shall agree to each extension.”

In 2022, the City Council approved the First Amendment to the 2017 Agreement for a term of two years, expiring September 30, 2024. In late 2023, Republic Services notified the City of its interest in exercising the second option of the renewal term. The City Council, at its February 2024 meeting, considered the following options in providing solid waste services for FY 2024-25 and subsequent years:

- Direct staff to exercise the City’s option to renew the current agreement for two years, inclusive of negotiating enhancements and contract amendments.
- Direct staff to solicit proposals (RFP) for solid waste collection services with the goal of advancing a new franchise agreement starting October 1, 2024. The City is not required to solicit proposals for solid waste collection and disposal services.
- Direct staff to negotiate a new agreement with a specific service provider.

The City Council decided to exercise its option to renew the current agreement, inclusive of negotiating contract amendments with Republic Services. During discussions, Republic Services noted two major factors affecting its operations:

1. Pricing – Due to events of the past several years, margins have eroded.
 - a. Pricing was lower than it should have been after the last RFP cycle.
 - b. The BLS Water, Sewer and Trash Index in recent years has been between 7% - 9% while agreement has a cap of 3% annually.
 - c. The pandemic, historic high inflation rates, and cost of labor, truck, and container raised costs significantly.
2. Brush – The amount of brush collected during the biannual events continually increased with no compensation for the increase. The company attributed excessive brush to landscaping companies that do not haul off the spoils.

Republic Services is proposing the following:

1. Rather than requesting a large one-time increase, they offer a longer-term agreement that would allow a more gradual “stair-stepping” of rates (current base rate is \$23.65 a month).

Possible example: A 10-year term allowing for a 10% increase in year one, followed by 8% increases years two and three. Years four through ten would be based upon BLS Water, Sewer and Trash index with no floor or cap. A shorter term would not allow Republic to recover its investment before the expiration of the contract.

2. A smaller brush curbside limit that would be ample for most households (current brush pile size is 15 x 6 x 6).
3. As Republic Services and the City of Fair Oaks Ranch have been partners for nearly 25 years, they would appreciate the opportunity to continue our relationship.

If the City Council desires to continue negotiations with Republic Services proposal, staff seeks direction on items 1 and 2 above. If the City Council desires to end negotiations, two options are available to ensure the City provides solid waste services.

- Direct staff to solicit proposals (RFP) for solid waste collection services with the goal of advancing a new franchise agreement starting October 1, 2024. The City is not required to solicit proposals for solid waste collection and disposal services. *A draft RFP can be presented to City Council at its April 18 meeting.*
- Direct staff to negotiate a new agreement with a specific service provider. *An agenda item will be placed on the April 18 meeting to name the service provider.*

LONGTERM FINANCIAL & BUDGETARY IMPACT:

There is minimal budgetary impact to the City but customer monthly service rates could change based on the terms of a new franchise agreement.

RECOMMENDATION/PROPOSED MOTION:

Staff needs direction on proceeding with one of the following options:

Option 1:

City Council provides staff with direction on the Republic Services proposed options to begin working toward a Second Amendment to the 2017 Agreement (anticipated timeframe for completion – up to two months from tonight’s meeting).

Option 2:

At the next City Council meeting, staff brings forth a draft Request for Proposals for solid waste collection services with for a new franchise agreement beginning October 1, 2024 (anticipated timeframe for completion – up to five months from tonight’s meeting).

Option 3:

The City Council, at its April 18 meeting, names a specific service provider with which the City should negotiate a new agreement (anticipated timeframe for completion - up to three months from tonight’s meeting).