



## CITY COUNCIL MEETING STAFF REPORT

<b>Meeting Date:</b> June 16, 2025		<b>Subject:</b> Overview of Solid Waste Franchise and Rate Review Process	
		<b>Staff Member:</b> Stephanie Davidson, Assistant City Attorney	
		<b>Department:</b> Legal	
<b>Action Required</b>		<b>Advisory Board/Commission Recommendation</b>	
<input type="checkbox"/> Motion <input type="checkbox"/> Public Hearing Date: <input type="checkbox"/> Ordinance 1 <sup>st</sup> Reading Date: <input type="checkbox"/> Ordinance 2 <sup>nd</sup> Reading Date: <input type="checkbox"/> Resolution <input checked="" type="checkbox"/> Information or Direction <input type="checkbox"/> Information Only <input type="checkbox"/> Council Direction <input type="checkbox"/> Consent Agenda		<input type="checkbox"/> Approval <input type="checkbox"/> Denial <input type="checkbox"/> None Forwarded <input checked="" type="checkbox"/> Not Applicable	
		<b>Comments:</b> N/A	
<b>Staff Recommendation:</b> N/A			
<b>Recommended Language for Motion:</b> N/A			
<b>Project / Issue Relates To:</b>			
<input type="checkbox"/> Council Goals/Priorities:	<input type="checkbox"/> Adopted Master Plan(s):	<input checked="" type="checkbox"/> Not Applicable	

### ISSUE BEFORE COUNCIL:

There is no policy decision presented in this Staff Report; this Staff Report and the related staff presentation are informational only.

## **EXECUTIVE SUMMARY:**

Staff is providing an overview of the Solid Waste Franchise because City Council will receive the Annual Report from Republic Services in August, and will begin the rate review process this fall. Staff desire to provide an overview of the Solid Waste Franchise so that members of City Council have the context necessary to navigate these processes.

### **A. Franchise Overview**

Republic Services holds exclusive right to transport, transfer, dispose of, or otherwise collect waste material to residents and businesses within the City of Wilsonville. The existing franchise agreement by and between the City and Republic Services was approved by City Council pursuant to Ordinance No. 883 on November 6, 2023 (the “Franchise Agreement”), and is attached as **ATTACHMENT A**. In addition to the terms and conditions of the Franchise Agreement, Republic Services is bound by the terms and conditions of the Solid Waste Management and Collection Administrative Rules effective as of January 1, 2024 (the “Administrative Rules”), which is also included within **ATTACHMENT A**.

The Franchise Agreement grants the exclusive franchise to Republic Services, and covers key aspects of the City’s relationship with Republic Services. In particular, the following subjects are addressed in the Franchise Agreement:

- The scope of Republic Services’ exclusive franchise and related franchise fee paid to the City;
- Fees (i.e., “rates”) payable by customers to Republic Services for service, and how and when those fees can and must be adjusted;
- Republic Services’ reporting obligations to the City;
- The City and Republic Services’ respective obligations and rights with respect to each other with respect to this franchise; and,
- Dispute resolution procedures that must be followed in the event of a conflict between the City and Republic Services.

The Administrative Rules address the manner in which Republic Services must provide service to its customers and the manner in which customers must prepare materials for collection by Republic Services. In particular, the following subjects are addressed in the Administrative Rules:

- The type and frequency of service that Republic Services must provide to various categories of customers (single-family residential, multi-family residential, and commercial) with respect to various categories of waste material;
- Customers’ rights (e.g., the right to a vacation credit) and obligations (e.g., source separation and waste preparation requirements); and,
- Consequences for a Customer’s failure to comply with the terms and conditions of the Administrative Rules.

## **B. Annual Report**

Under Article XI, Section 2, Republic Services is obligated to deliver an “Annual Franchise Report” to the City. The Franchise Agreement outlines the components of this report. In general, it covers various metrics relating to the Solid Waste Franchise, and information regarding Republic Services’ operations and relationship with its customers (i.e., City residents and businesses). This report is general in nature and does not include financial information.

## **C. Rate Review Process**

The City’s rate review methodology is outlined in Article VIII of the Franchise Agreement. During the Rate Review process, the key question considered by City Council is: Does Republic Services’ expected Operating Margin warrant an increase to the Service Rates payable by City residents and businesses to Republic Services for solid waste collection services?

In summary, the City works with Chris Bell, a certified public accountant (CPA), to receive and analyze data from Republic Services. The City, Chris Bell, and Republic Services engage in a collaborative process to do the following. First, the reported data from calendar year 2024 will be adjusted to ensure accuracy. Then, cost increases during calendar years 2025 and 2026 are estimated and projected (e.g., increases in fees charged by Metro to Republic Services). Finally, the “expected Operating Margin” for calendar year 2026 is estimated, and one of five things will happen:

- If the estimated Operating Margin for 2026 is
  - equal to or greater than 12% of Gross Revenues, Service Rates for 2026 will remain the same;
  - between 10% and 12% of Gross Revenues, Service Rates for 2026 will be adjusted to reflect 75% of the percentage increase (if any) in a designated consumer price index (CPI);
  - between 8% and 10% of Gross Revenues, Service Rates for 2026 will be adjusted to reflect 100% of the percentage increase (if any) in a designated CPI;
  - less than 8% of Gross Revenues, Service Rates for 2026 will be adjusted to reflect 125% of the percentage increase (if any) in a designated CPI; or,
- Republic Services may request an “Extraordinary Rate Increase.” An Extraordinary Rate Increase is appropriate when an extraordinary or unanticipated event (e.g., change in law, or an increase in rates charged to Republic Services by Metro) is expected to reduce the estimated Operating Margin below 8% of Gross Revenues.

The City expects to receive the data necessary to conduct this Rate Review process by July 21, 2025. City Staff and Republic Services have agreed to a timeline and interim deadlines for this Rate Review process; the timeline provided below is based on the assumption that all parties will meet these interim deadlines. City Staff will inform City Council if this timeline must be shifted

backward.

**TIMELINE:**

Approximate timeline of expected upcoming events related to the subjects covered in this Staff Report:

- August 15, 2025 – Deadline for delivery of Annual Franchise Report
- October 20, 2025 – City Council work session to review draft Rate Report
- November 17, 2025 – City Council work session to review (and adopt) revised Rate Report
- January 1, 2026 – Ordinance (i.e., any changes to rates) becomes effective

**CURRENT YEAR BUDGET IMPACTS:**

Staff do not anticipate any budgetary impacts.

**COMMUNITY INVOLVEMENT PROCESS:**

Updates regarding rates and key changes to service will be published in December issue of the Boones Ferry Messenger.

**POTENTIAL IMPACTS OR BENEFIT TO THE COMMUNITY:**

Depending on the outcome of the rate review process, City residents and businesses may end up paying higher Service Rates in 2026.

**ALTERNATIVES:**

N/A

**CITY MANAGER COMMENT:**

N/A

**ATTACHMENTS:**

Attachment A: Solid Waste Franchise Agreement and Administrative Rules