



**CITY COUNCIL MEETING  
STAFF REPORT**

<b>Meeting Date:</b> Oct. 21, 2024		<p><b>Subject:</b> Adoption of Resolution No. 3162, “A Resolution of the City of Wilsonville Adopting the Findings and Recommendations of the <i>Solid Waste Collection Rate Report, October 2024</i>, and Modifying the Republic Services Rate Schedule for Collection and Disposal of Solid Waste, Recyclables, Organic Materials and Other Materials, Effective January 1, 2025.”</p> <p><b>Staff Member:</b> Mark Ottenad, Public/Government Affairs Director</p> <p><b>Department:</b> Administration</p>	
<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 <p><b>Comments:</b> City Council work session to review Draft 2024 Solid Waste Collection Rate Report.</p>	
<b>Staff Recommendation:</b> NA			
<b>Recommended Language for Motion:</b> NA			
<b>Project / Issue Relates To:</b>			
<input type="checkbox"/> Council Goals/Priorities:	<input checked="" type="checkbox"/> Adopted Master Plan(s): Solid-Waste Franchise Ordinance No. 883 (2024)	<input type="checkbox"/> Not Applicable	

**ISSUE BEFORE COUNCIL:**

City Council review of the results of the *Draft Solid Waste Collection Rate Report, October 2024*, (“Report”) that discusses modifying the Republic Services Rate Schedule for Collection and Disposal of Solid Waste, Recyclables, Organic Materials and Other Materials, Effective January 1, 2025. Proposed rate changes are shown in Appendix 3 of the Report.

**EXECUTIVE SUMMARY:**

Solid-Waste Franchise Ordinance No. 883, effective Jan. 1, 2024 (“Franchise Agreement”), provides that collection rates are established to generate for franchisee Republic Services an operating margin of 10% on allowable expenses; however, rates are recalibrated by the City if the margin falls below 8% or above 12%. Article VIII of Ordinance No. 883 provides that if the operating margin, or Rate of Return (“ROR”), is 8% up to, but not including, 10%, then 100% of the CPI will be applied to the service rates.

The applicable CPI is 2.6%. As detailed in the Report, the projected ROR is 9.7%, which would justify applying 100% of the CPI (2.6%) to the service rates, pursuant to the terms of the Franchise Agreement. As explained more fully herein, the Report further examines significantly increasing disposal costs (Metro tipping fee, travel costs to Coffin Butte Landfill, and landfill disposal costs) to evaluate whether, in addition to the standard CPI, the City should consider factoring the projected impact of those increases into the service rate review. For further information comparing the standard CPI increase to the increases in the Report, see “Service Rate Comparison” herein. Staff seeks direction from Council whether the standard CPI should be applied to current service rates or if the service rates should be further adjusted to account for increased disposal costs.

**Overview of Solid Waste Collection Rate Report**

In addition to analyzing franchisee Republic Services’ financial data, consultant Bell & Associates and city staff conducted an on-site review of accounting practices. Specific line item expenses from the adjusted 2023 report were escalated to project the results for 2024-25 using assumptions based on the February 2024 adopted rate increase, increased disposal, labor agreement between Republic and the union drivers, administrative wages, health insurance, and estimated inflation rate.

Table 2 on page 2 summarizes the key expense assumptions for 2024:

- Union Driver Wages: 1.70% increase
- Health Insurance: 4.00% increase
- Waste Disposal: 6.02% increase
- CPI Inflation Rate: 2.60% increase
- Yard Debris Disposal: 2.60% increase

Table 3 on page 2, “Projected 2024 Financial Performance for Wilsonville,” illustrates adjusted and projected changes in revenue and expenses.

Composite revenue ROR is the combined ROR of Republic Services’ three lines or classes of business:

1. Roll Cart: Residential
2. Container: Commercial
3. Drop Box: Industrial

The Report finds that solid waste franchisee Republic Services operating margin adjusted for projected 2024 financial performance had a composite ROR of 9.7%, which is below the allowable range of 8% to 12%, with a target of 10% ROR; see Report page 3, Table 4, “Estimated 2024 Financial Results for Collection Services in Wilsonville.” Specifically, two of three lines or classes of business — Roll Cart Residential and Industrial Drop Box — fall below the 10% ROR target. Thus a general rate increase of 2.6% CPI is calculated into proposed 2025 rates in the Report; some rates that are more impacted by increased disposal costs increase at a greater rate, and so the Report accounts for those variances in the proposed rates as well.

Table 5 on page 3 compares the disposal costs at Willamette Resources, Inc. (WRI), a wholly-owned subsidiary of Republic Services, to the Metro disposal fee over the last three years.

Table 6 on page 4, “Proposed Rate Increase for Residential Collection Service” proposes rate increases that range from 3.4% for the smallest 20 gallon cart to 6.3% for the largest 95 gallon cart.

Table 7 on page 4, “Proposed Rate Increases for Commercial Container Service,” proposes rate increases that range from 4.34% for the 2 yard dumpster weekly pickup to 5.39% for the 8 yard dumpster. Commercial collection requires only an increase for disposal costs.

Two new cost-recovery fees are proposed that require City Council approval:

- A Drop Box Distance Fee is proposed to supplement the Haul Fee on page 5. When collected waste material requires disposal at distant locations, such as Coffin Butte Landfill near Corvallis or the Hillsboro Landfill, the drive time exceeds the allotted time embedded in the haul fee. For 2025, the proposed mileage fee for Wilsonville is \$4.70 (after the first 12 miles). The fee would be assessed for drop box/compactor hauls exceeding 12 miles from the point of collection to the disposal facility.
- Similarly, a Landfill Fee is proposed on page 5 when disposal is required at a landfill, the time expended on-site ranges from 20 to 30 minutes compared to an average dump time at WRI of 10 minutes. Because the drop box rate is calculated on average times, the cost of the additional time expended on site at the landfill over the average time at WRI is to be recovered by assessing a Landfill Fee of \$48.00.

**In the past, franchisee Republic Services had not segregated these additional expenses of Drop Box Distance Fee and Landfill Fee, and therefore was in effect subsidizing these costs. An increase in distance hauls for industrial customers triggered additional review. As a result of the review, City staff and Republic Services recommend adding a separate fee to the service rate chart.**

Table 8 on page 5, “Proposed Rate Increase for Drop Box / Roll-Off Compactor,” proposes a \$5.00 to the Haul Rate to accommodate a projected \$5.14 increase in the cost per haul.

In summary, the Report recommends modifying the current rates for all three classes of solid-waste customers, including residential, commercial and industrial customers; see Report pages 4-5:

- Table 6: Proposed Rate Increase for Residential Collection Service:
  - 20 gallon cart: 3.4% increase
  - 35 gallon cart: 3.7% increase
  - 65 gallon cart: 5.0% increase
  - 95 gallon cart: 6.3% increase
  
- Table 7: Proposed Rate Increases for Commercial Container Service
  - 2 yd. weekly dumpster: 4.34% increase
  - 4 yd. weekly dumpster: 4.93% increase
  - 6 yd. weekly dumpster: 5.32% increase
  - 8 yd. weekly dumpster: 5.39% increase
  
- Table 8: Proposed Rate Increase for Industrial Drop Box / Roll-Off Compactor
  - \$5.00 per haul rate increase

**Service Rate Comparison**

While the Report analyzes the impacts of significantly increasing disposal costs, Republic Services has **not** requested an extraordinary rate increase review under the Franchise Agreement. Rather, Republic Services has requested the standard CPI increase of 2.6% and adding the new service fees to the service rate chart, as mentioned in the Report. Below is an example comparing some of the service rates if the 2.6% CPI is applied to the variances in the Report.

Service	Current Monthly Rate	Current Rate + CPI ("CPI Rate")	Proposed Rate in Report	Difference b/t Rate in Report and CPI Rate
Residential 20 gallon	\$23.20	\$23.80	\$24.00	\$0.20
Residential 35 gallon	\$30.56	\$31.35	\$31.70	\$0.35
Residential 65 gallon	\$39.75	\$40.78	\$41.75	\$0.97
Commercial 1-yard, 1-day	\$116.26	\$119.28	\$120.55	\$1.27
Commercial 1-yard, 2-days	\$226.31	\$232.19	\$234.88	\$2.69
Commercial 2-yard, 3-days	\$555.86	\$570.31	\$581.58	\$11.27

***Staff seeks Council direction whether to move forward with the standard CPI rate increase or the rates discussed in the Report.***

### **Recent Prior Results of Solid Waste Collection Rate Reviews**

Since adoption of a modern Solid Waste Franchise in 2019 as Ordinance No. 814, and modified effective Jan. 1, 2024, as Ordinance No. 883, the City has conducted five prior rate reviews (2019, 2020, 2021, 2022 and 2023).

In December 2023, City Council adoption of Resolution No. 3091 for the 2023 solid waste rate review report resulted in an extraordinary rate increase with residential rates increasing an average 9.2% (range of 8.8% to 9.5%, depending on size of the cart), commercial rates increasing an average of 7.5% (range of 6.7% to 8.0%, depending on size of the container), and industrial drop-box rates increasing an average of 5.0%, effective Feb. 1, 2024. Subsequently, City Council adoption of Resolution No. 3124 corrected a scrivener's error to the solid waste rate review report rates appendix that had the effect of reducing certain commercial rates, as amended on Feb. 22, 2024.

In November 2022, City Council adoption of Resolution No. 3004 for the 2022 solid waste rate review report resulted in no modification of rates – all rates maintained the same as the prior year.

In November 2021, City Council adoption of Resolution No. 2931 for the 2021 solid waste rate review report resulted in elimination of the temporary recycling surcharge and across-the-board rate reductions for all classes of customers, with Residential Roll Cart service rates decreased an average of 4.7%, Commercial Container service rates reduced an average of 7.6%, and Industrial Roll Off / Drop Box service rates lowered an average of 10.1%, effective Jan. 1, 2022.

In December 2020, City Council adoption of Resolution No. 2865 for the 2020 solid waste rate review report resulted in no modification of rates – all rates maintained the same as the prior year.

In December 2019, City Council adoption of Resolution No. 2775 for the 2019 solid waste rate review report resulted in a 50% reduction of a temporary recycling surcharge, introduction of new recycling services, and no modification of rates – all rates maintained the same as the prior year.

### **EXPECTED RESULTS:**

Prospective adoption on Nov. 18, 2024, of Resolution No. 3162 has the effect of modifying current solid waste collection and disposal rates for all classes of customers effective Jan. 1, 2025.

### **TIMELINE:**

- Oct. 21, 2024: City Council reviews *Draft Solid Waste Collection Rate Report, October 2024*
- Nov. 18, 2024: Prospective Council adoption of Resolution No. 3162, which adopts the *Solid Waste Collection Rate Report, October 2024*, and modifies the current "Republic Services Rate Schedule for Collection and Disposal of Solid Waste, Recyclables, Organic Materials and Other Materials," effective January 1, 2025.
- Jan. 1, 2025: New rates become effective.

**CURRENT YEAR BUDGET IMPACTS:**

The Report, Attachment B – Projected 2024 Results, page 7, projects City solid waste franchisee revenue (at 5% of franchisee revenue) for calendar year 2024 of \$431,003.

**COMMUNITY INVOLVEMENT PROCESS:**

Adoption of the Solid-Waste Franchise Ordinance No. 883 in 2023 and prior Ordinance No. 814 in 2018 followed standard City public-outreach practices of public notices for an ordinance adoption. The 2024 Report is a by-product of the solid-waste franchise Ordinance No. 883, effective Jan. 1, 2024.

City information on solid waste matters may be found online at [www.ci.wilsonville.or.us/garbage](http://www.ci.wilsonville.or.us/garbage) or [www.ci.wilsonville.or.us/recycling](http://www.ci.wilsonville.or.us/recycling), including information about recycling services, the current rate sheet and a customer service complaint/issue form.

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

The community benefits by continuing to receive Republic Services solid waste collection and disposal services. The City benefits with a standard 5% franchise fee to account for administration expenses of the franchise.

**ALTERNATIVES:**

City Council could provide questions regarding the Draft Solid Waste Collection Rate Report.

**CITY MANAGER COMMENT:**

N/A

**ATTACHMENTS:**

1. Draft Solid Waste Collection Rate Report, October 2024