



**CITY COUNCIL MEETING
STAFF REPORT**

Meeting Date: December 2, 2024		<p>Subject: 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, November 2024</i>, and Modifying the Republic Services Rate Schedule for Collection and Disposal of Solid Waste, Recyclables, Organics and Other Materials, Effective February 1, 2025.”</p> <p>Staff Member: Mark Ottenad, Public/Government Affairs Director</p> <p>Department: Administration</p>	
Action Required		Advisory Board/Commission Recommendation	
<input checked="" type="checkbox"/> Motion <input type="checkbox"/> Public Hearing Date: <input type="checkbox"/> Ordinance 1 st Reading Date: <input type="checkbox"/> Ordinance 2 nd Reading Date: <input type="checkbox"/> Resolution <input 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>Comments: Report modified as requested by Council during October 21 work session and subsequently, providing three options for Council consideration and selection. Upon selecting the preferred Rate Modification Option, the Report and Rate Scheduled are to be modified as directed by Council.</p>	
<p>Staff Recommendation: City Council adopts Resolution No. 3162 with Rate Modification Option Number ____.</p>			
<p>Recommended Language for Motion: I move to adopt Resolution No. 3162 with Rate Modification Option Number ____.</p>			
<p>Project / Issue Relates To:</p>			
<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 adoption of Resolution No. 3162 that approves the *Solid Waste Collection Rate Report, November 2024*, (“Report”) and the accompanying “Republic Services Rate Schedule for Collection and Disposal of Solid Waste, Recyclables, Organics and Other Materials, Effective February 1, 2025.” The effect of the resolution is to increase overall rates that contribute to franchisee Republic Services margin or rate-of-return by the CPI rate of inflation of 2.6%.

In order to act on the Resolution, the City Council must first select a residential and condominium rate preference of three scenarios or options as listed in 2025 Solid Waste Rate Modification Options, Exhibit A to Resolution No. 3162.

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 inflation rate 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, Ordinance No. 883, Article VIII, Section 2, Subsection c, that calls for “If the expected Operating Margin in the next calendar year is equal to or greater than eight percent (8%) but less than ten percent (10%) of Gross Revenues, Service Rates will be adjusted to reflect one hundred percent (100%) of the percentage increase, if any, in the CPI.”

At the October 16 City Council work session to review the Draft Report, the City Council considered proposals to evaluate whether, in addition to the standard CPI, the City should consider factoring the projected impact of pending disposal cost increases into the service rate review. The City Council provided direction to staff to implement Ordinance No. 883 such that service rates are to be adjusted to reflect one hundred percent (100%) of the percentage increase in the CPI of 2.6%. However, subsequently, Council members indicated a concern over a uniform, across-the-board rate increase that did not take into account issues of rate equity and seeking to reward residents that generate less garbage for disposal on a per-pound basis.

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.

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” is blank, awaiting City Council direction on which 2025 Solid Waste Rate Modification Options (Exhibit A to Resolution No. 3162) that City Council has chosen. While City Council provided direction to staff on October 21 work session to provide for the 2.6% increase in rates as called for in Ordinance No. 883, Council members subsequently indicated trepidations over a uniform across-the-board rate increase over equity concerns and instead sought to see a differentiated rate increase that rewards residents that utilize smaller-size garbage carts.

Thus, 2025 Solid Waste Rate Modification Options (Exhibit A to Resolution No. 3162) provides three scenarios or options for Council consideration: a 2.6% uniform across-the-board CPI rate increase and two options for differentiated rate increases based on the size of the cart. Once the City Council agrees on a given option, the Report and Rate Schedule are to be amended to reflect Council’s preference.

The 2025 Solid Waste Rate Modification Options includes both the rate per gallon (Rate Per Gal) for just the specific Garbage cart size and the rate per all gallons (Rate Per ALL) of service, which includes a set size garbage cart (20, 35, 65, 90 gallon), as well as 65 gallon recycling cart and 18 gallon glass recycling bin, with some services including 65 gallon yard debris/organics cart service.

Table 7 on page 4, “Proposed Rate Increases for Commercial Container Service,” proposes rate increases of 2.6%.

Two new cost-recovery fees are proposed that require City Council approval; City Council members indicated during the October 16 work session that these fees provide for cost-recovery so that other classes of customers are not subsidizing these costs:

- A Drop Box Distance Fee is proposed to supplement the Haul Fee on page 5 of the Report. 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.

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.

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 Dec. 2, 2024, of Resolution No. 3162 has the effect of modifying current solid waste collection and disposal rates for all classes of customers effective Feb. 1, 2025.

TIMELINE:

- Oct. 21, 2024: City Council reviews *Draft Solid Waste Collection Rate Report, October 2024*
- Dec. 2, 2024: Prospective Council adoption of Resolution No. 3162, which adopts the *Solid Waste Collection Rate Report, November 2024*, and modifies the current “Republic Services Rate Schedule for Collection and Disposal of Solid Waste, Recyclables, Organics and Other Materials,” Effective February 1, 2025.
- Feb. 1, 2025: New rates become effective.

CURRENT YEAR BUDGET IMPACTS:

The Report, Exhibit B to Resolution No. 3162 – Projected 2024 Results, page 7, projects City solid waste franchise-fee revenue (at 5% of franchisee revenue) for calendar year 2024 of \$837,558.

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 or 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 as general fund revenue to account for administration expenses of the franchise.

ALTERNATIVES:

City Council could not adopt the resolution.

CITY MANAGER COMMENT:

N/A

ATTACHMENTS:

1. Resolution No. 3162, "A Resolution of the City of Wilsonville Adopting the Findings and Recommendations of the *Solid Waste Collection Rate Report, November 2024*, and Modifying the Republic Services Rate Schedule for Collection and Disposal of Solid Waste, Recyclables, Organics and Other Materials, Effective February 1, 2025."

Exhibits:

- A. 2025 Solid Waste Rate Modification Options
- B. Solid Waste Collection Rate Report, November 2024
- C. Republic Services Rate Schedule for Collection and Disposal of Solid Waste, Recyclables, Organics and Other Materials, Effective February 1, 2025