



WILSONVILLE
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City of Wilsonville

Solid Waste Collection Rate Report

Bell & Associates / October 2021



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Background of Solid Waste Review

The City of Wilsonville (City) contracted with Bell & Associates, a consulting firm with expertise in solid waste collection operations, to provide the City with solid waste and recycling consulting services. In March 2021, solid waste franchisee Republic Services (Republic) submitted its annual detailed cost reports to the City for the calendar year 2020.

Annual Cost Report

The collection of waste and recycling within Wilsonville is accomplished under an exclusive franchise agreement between Republic Services and the City. The annual report provides line-item costs and revenues associated with providing service within the City as well as combined line item totals for their non-Wilsonville operations. The format of the report provides the capacity to calculate the cost of service for each line of business (cart, container, and drop box). Cart collection is primarily for residential customers, whereas business customers are serviced with a container. Reported results were analyzed, and the following tasks were completed:

- a. Analyze reported route collection hours to the reported customer counts for each line of business.
- b. Using a predictive test of revenue for each line of business, ensure the reported revenues are reasonable for the number of reported customers.
- c. By thoroughly reviewing the reported direct cost line items, determine if the expense is reasonable in relation to the customer and operational data entered from the detailed cost report.
- d. Utilize a predictive test of disposal to determine if the reported disposal expense is reasonable.
- e. Using the reported administrative line items, determine if the expense is reasonable in relation to the operational data entered from the detailed cost report.
- f. Review the costs between the City and Republic's other franchised collection operations to determine if the allocations are reasonable.

Report adjustments were made to the submission by Republic from the application of the tasks above that reduced the reported costs and increased the profitability of services provided to Wilsonville customers.

Adjusted Report for 2020

Table 1 details the return for each collection service provided within the Wilsonville franchise collection system.

Table 1: Adjusted 2020 Wilsonville Results

Description	Roll Cart	Container	Drop Box	Composite
Revenues	2,091,199	2,775,970	2,500,518	7,367,687
Allowable Costs for Rates	1,806,130	2,363,290	2,007,727	6,177,147
Franchise Income	285,069	412,680	492,791	1,190,540
Margin (Income / Revenue)	13.6%	14.9%	19.7%	16.2%

Projected Results for 2021

Specific line item expenses from the adjusted 2020 report were escalated to project the results for 2021 using assumptions based on Metro's increased taxes and fees, contractual obligations such as the labor agreement between Republic and the union drivers, administrative wages, health insurance, recycling processing, fees, and estimated inflation. Table 2 summarizes the inflation assumptions.

The assumptions used for the 2021 projection include:

- January 1, 2020 rate decrease for the recycling surcharge for cart service (\$1.25 per customer per month) and commercial (\$0.75 per yard).
- Processing costs for collected commingled has decreased by 84.3% from January 2020 due to strong material markets. Republic paid \$438,995 to process recycling in 2020. The estimated cost to process recycling has decreased to \$103,623, which is a savings of \$335,372 to Wilsonville ratepayers.
- Driver wage increase is calculated on the hourly wage increase from the Teamster's contract, which increased from \$27.54 to \$28.19 for most drivers. The impact is an increase of 2.4%. Health insurance for union employees did not increase; however, health insurance for non-union employees increased by 5.0%.
- Inflation increased by 4.54% from June 2020 to June 2021. Management and administrative labor costs are projected to increase by the rate of inflation, which is 4.54%.
- Republic's front-line collection trucks use natural gas while the older trucks use diesel. The estimated increase for natural gas is 5%, while diesel is projected to increase by 35%. The blended increase in fuel is 10% for the current year.
- The disposal fee increased in January 2021 due to contractual increases. Additionally, the Regional System Fee (RSF) assessed by Metro increased by \$7.07 per ton on July 1, 2021. Metro assesses a per ton fee on every ton of waste generated and delivered to a licensed disposal facility within the Metro region. The total increase for disposal is calculated at 6.9% for 2021.

Expense	Change
Recycling Processing	-84.30%
Driver Wage	2.40%
Administrative Wage	4.54%
Health Insurance	5.00%
Inflation	4.54%
Fuel	10.00%
Solid Waste Disposal	3.13%

Projected 2021 Expenses

The estimated increases noted above were applied to the 2020 expenses and summarized in Table 3.

Table 3: Projected 2021 Financial Performance for Wilsonville

Description	Roll Cart	Container	Drop Box	Composite
Revenues	2,091,199	2,775,970	2,588,525	7,455,694
Allowable Costs for Rates	1,749,749	2,228,846	2,103,673	6,082,268
Franchise Income	341,450	547,124	484,852	1,373,426
Margin (Income / Revenue)	16.3%	19.7%	18.7%	18.4%

Additional Bulky Waste and Recycling Services During 2020

Republic Services provided the following additional services within the City of Wilsonville during 2020 based on City Council adoption in December 2019 of Resolution No. 2775, which included “adopting the findings of the solid waste collection rate report amended December 2019, creating new community recycling services and city street sweeping collection/disposal service and reducing the temporary recycling surcharge rate.”

1. Residential Food-Scraps Collection Program

In 2019, Exhibit B to Resolution No. 2775 created a permanent program to “allow food scraps to be collected with the yard-debris cart service. This would be an on-going, permanent program with an estimated first-year cost of \$21,521 and an estimated start in Q2 2020 (April).

Republic Services implemented the program in March 2020 and provided customers with educational material on food-scraps recycling using the yard-debris cart.



2. Senior Bulky Waste Collection

In 2019, Exhibit B to Resolution No. 2775 created a limited-edition program for Bulky Waste Pick-up for ADA/Senior Citizens for “Wilsonville residents who have a disability or are older senior citizens would be offered home pick-up of large/bulky waste items free of charge. This would be a limited-duration program of one year or less with a budget of \$10,000 that estimates 250 pick-ups at an average cost \$40 each, with an estimated start in Q1 2020 (February).”

Republic Services provided services to 96 Wilsonville residents through this program. The amount of material collected ranged from as little as a dog's bed to appliances and a few garage clean outs. Many of the collected items could have easily been set out with the weekly trash. When one of the customers was asked why they didn't just set it out, they replied that it was "free" if Republic made a special trip for the item. The estimated cost of this service was \$5,778 – the majority of the cost being incurred was to collect the items.

3. Business Battery and Fluorescent Tube Recycling

In 2019, Exhibit B to Resolution No. 2775 created a limited-edition program for Commercial/Industrial Fluorescent Tubes/Batteries Box Mail-Back Service for “Businesses would be to obtain at no charge for a limited duration of one year or less “recycling box mailback” service for 48" fluorescent tubes and batteries. Based on results and feedback to the successful 2017 Wilsonville-Metro Community Enhancement Program project, City staff could determine that greatest demand appears to be for standard 4-foot-long tubes and batteries. A total of \$15,000 is budgeted with an estimated start date in Q1 2020 (March).”

Republic Services purchased \$10,000 of battery containers and florescent tube packaging for City and County staff to distribute to local businesses, pending new Covid 19 pandemic procedures and staffing resource. Republic indicates that some distribution occurred; however, it was not tracked as to what businesses received. Republic also indicates that the West Linn-Wilsonville School District is interested in participating in the program.

4. Polystyrene Recycling

In 2019, Exhibit B to Resolution No. 2775 created a limited-edition program for Styrofoam Collection/Recycling with “a collection station at its WRI transfer facility for residents and commercial/industrial customers to deposit clean Styrofoam packaging for recycling. As a new pilot-program, total demand is uncertain; however, both industrial businesses and residents have indicated high interest. Program to be evaluated during next solid waste rate review process. A total of \$10,000 is budgeted with an estimated start date in Q1 2020 (March).”

Polystyrene, or Styrofoam™ as it is called by most people, was added to Republic's recycling depot in August 2020. The intent (hope) was that people would drop off clean material. However, no good deed goes unpunished as the amount of contamination mixed with the clean material has been significant enough that Republic is required to sort of contents of the container daily. Figure 1 provides a visual of the amount of material and contamination workers have to remove.

Clean Polystyrene is sorted, bagged, and stored in drop boxes for delivery to Agilyx in Tigard (Figure 2). As of May 2021, there were 7,980 pounds of material dropped off at the depot. The program's total cost from August 2020 through May 2021 was \$8,829, which averaged \$883 per month. Therefore, the per-pound diversion cost of this program is \$1.11.

5. Commercial Food-Scraps Collection Program

In August 2019, the City Council adopted Ordinance No. 837, which codified the Metro-mandated commercial food-scraps collection program that was to commence in Q1 2020. However, due to Covid-19 pandemic, Metro has delayed implementation of the commercial food-scraps collection program by two years, starting in Q1 2022. Some large Wilsonville businesses that generate food-scraps have commenced voluntary compliance in 2019.

6. Public Works Street-Sweepings and Leaf Collection and Disposal

In 2019, Exhibit B to Resolution No. 2775 indicated that the “City is need of collection and disposal services for street-sweepings and leaves, which is required by law. Republic Services is tentatively able to provide these services with DEQ permitting to the City at an estimated annual cost of approximately \$85,000. The staff recommendation allows for about \$75,000 of rate-of-return margin that would be credited to City for collection and disposal services for street-sweepings and leaves by Republic Services.

Figure 1: Material dropped off at the Polystyrene recycling depot



Figure 2: Bagged Foam waiting for delivery to Agilyx



Republic Services corporate headquarters indicated that the company was not willing to accept potential liability for collecting or processing street sweepings. This proposal did not advance.

Service Recommendations

It is not recommended that any of the three limited-edition programs (Senior Bulky Waste Collection, Business Battery and Fluorescent Tube Recycling, Polystyrene Recycling) be continued due to the high costs. However, if the Council should decide to retain all or some of the services, the estimated annual cost of each of these programs is estimated in Table 4.

Table 4: Limited Recycling Program Annual Cost and Rate Payer Impact

Recycling Programs	Annual Cost	Rate Payer Impact
Senior Bulky Waste Collection	\$7,500	\$1.40 per residential customer
Commercial Battery and Florescent Tube Recycling	\$7,500	\$0.05 per collected yard of commercial waste
Residential and Commercial Polystyrene Recycling	\$12,000	\$1.12 per residential customer and \$0.04 per collected yard of waste

Rate Recommendation

The current rates, combined with the decreased cost of processing collected recycling, will return Republic Services to a rate higher than the franchise ceiling margin of 12%. The adjusted rate of return in Wilsonville over the last four years is summarized in Table 5.

Table 5: Republic Services Financial Performance from 2018 to 2021

Year	Return	Revenue	Fran Income	Income over 12%	Income over 10%
Adjusted 2018	15.13%	\$7,049,692	\$1,066,698	\$250,835	\$401,921
Adjusted 2019	16.12%	\$7,294,475	\$1,176,230	\$341,924	\$496,425
Adjusted 2020	16.16%	\$7,367,687	\$1,190,540	\$348,202	\$504,190
Projected 2021	18.42%	\$7,455,694	\$1,373,426	\$544,026	\$697,618
Totals				\$1,484,987	\$2,100,154

Republic has generated \$1.48M over the high end of the rate range, which is 12%, and \$2.1M over at the 10% target range. Because the rates are generating returns over the 8% to 12% operating margin rates, it is recommended to the City Council consider decreasing rates to the 10% target margin. Taking into consideration a full year of the increased tipping fee, Table 6 on the following page summarizes the proposed adjustment for each line of business within Wilsonville.

Table 6: Proposed Rate Adjustments by Line of Business

Description	Roll Cart Service	Container	Roll Off
Revenue	\$2,091,199	\$2,775,970	\$2,759,531
Allowable Costs	\$1,794,259	\$2,316,595	\$2,233,516
Revenue @ 10%	\$1,993,621	\$2,573,994	\$2,481,684
Revenue Adjustment	\$(97,578)	\$(201,976)	\$(277,847)
% Decrease	-4.7%	-7.6%	-10.1%

Cart Service Adjustment

The recycling surcharge will be eliminated for all customers. Rates for cart customers with minimal service, such as the 20 gallon cart or monthly service, the elimination of the recycling surcharge will be the only adjustment. Customers with larger containers will have the recycling surcharge eliminated plus a decrease in the monthly collection rate. Rate details are summarized below.

Table 7: Proposed Rate Adjustment for Residential Cart Service

Service	Current Rate	Rate Adjustment	Proposed Rate	Recycling Surcharge
Res On Call	\$12.26	\$ 0	\$12.26	\$(1.25)
Res 20 gallon	\$21.32	\$ 0	\$21.32	\$(1.25)
Res 35 gallon	\$28.11	\$(0.07)	\$28.04	\$(1.25)
Res 60 gallon	\$36.89	\$(0.48)	\$36.41	\$(1.25)
Res 90 gallon	\$41.84	\$(0.72)	\$41.12	\$(1.25)

Container Rate Adjustment

The same method used for cart customers will be applied to the rate calculations for container customers. Table 8 summarizes the rate impact for commercial customers with one pick up per week.

Table 8: Proposed Rate Adjustment for Commercial Container Service

Service	Current Rate	Rate Adjustment	Proposed Rate	Recycling Surcharge
1 yard	\$108.96	\$ 0	\$108.96	\$(12.00)
2 yard	\$186.79	\$(1.64)	\$185.15	\$(12.00)
4 yard	\$337.04	\$(12.60)	\$324.44	\$(12.00)
6 yard	\$470.54	\$(22.35)	\$448.19	\$(12.00)
8 yard	\$623.92	\$(33.55)	\$590.37	\$(12.00)

Drop Box Rate Adjustment

With the exception of the 20 yard drop box and compactors, the remaining haul fees are reduced by 10.7% and rounded to the nearest \$1.

Table 9: Proposed Rate Adjustment for Drop Box and Compactor Service

Open Drop Box	Current Rate	Rate Adjustment	Proposed Rate
20 Yard Drop Box	\$123.66	\$ 0.34	\$124.00
30 Yard Drop Box	\$155.65	\$(15.65)	\$140.00
40 Yard Drop Box	\$176.97	\$(17.97)	\$159.00
10 to 19 Yard Compactor	\$123.66	\$ 0.34	\$124.00
20 to 29 Yard Compactor	\$155.65	\$(15.65)	\$140.00
30 to 39 Yard Compactor	\$219.61	\$(22.61)	\$197.00
40 to 49 Yard Compactor	\$294.23	\$(30.23)	\$264.00

Attachment A – Adjusted 2020 Results

Adjusted Return on Revenues City of Wilsonville January 1 to December 31, 2020

	Residential Service			Commercial Service			Drop Box	Grand Totals
	Solid Waste	Recycling	Yard Debris	Solid Waste	Recycling			
Collection & Service Revenues	2,091,199	0	0	2,775,970	0	2,500,518	7,367,687	
Direct Costs of Operations	821,026	425,992	294,751	1,328,260	683,377	1,908,601	5,462,007	
	Monthly \$ per Can/Cart	Monthly \$ per Can/Cart	Monthly \$ per Can/Cart	Monthly \$ per Yard	Monthly \$ per Yard	\$ per pull		
Disposal Expense	437,231 6.31	140,713 2.03	125,986 2.56	861,975 6.31	257,119 1.88	1,316,634 238.00	3,139,658	
Labor Expense	165,083 2.38	188,678 2.72	117,963 2.40	185,968 1.36	289,698 2.12	275,930 49.88	1,223,320	
Truck Expense	60,501 0.87	69,257 1.00	34,691 0.71	64,831 0.47	100,993 0.74	96,192 17.39	426,465	
Equipment Expense	30,046 0.43	17,588 0.25	9,971 0.20	36,118 0.26	20,562 0.15	54,764 9.90	169,049	
Franchise Fees	104,337 1.51	0 -	0 -	151,282 1.11	0 -	139,237 25.17	394,856	
Other Direct Expense	23,828 0.34	9,756 0.14	6,140 0.12	28,086 0.21	15,005 0.11	25,844 4.67	108,659	
Indirect Costs of Operations	264,361			351,653		99,126	715,140	
Management Expense	47,366 0.68			62,875 0.46		18,982 3.43	129,223	
Administrative Expense	14,543 0.21			19,305 0.14		5,833 1.05	39,681	
Other Overhead Expenses	202,452 2.92			269,473 1.97		74,311 13.43	546,236	
Total Cost	1,806,130			2,363,290		2,007,727	6,177,147	
Less Unallowable Costs	0			0		0	0	
Allowable Costs	1,806,130			2,363,290		2,007,727	6,177,147	
Franchise Income	285,069			412,680		492,791	1,190,540	
Carts/ Yards/ Drop Box Pulls	5,771		4,095	136,552	146,120	5,532		
Revenues	2,091,199			2,775,970		2,500,518	7,367,687	
	% of revenue			% of revenue				
Direct Costs of Operations	1,541,769 74%			2,011,637 72%		1,908,601	5,462,007	
Indirect Costs of Operations	264,361 13%			351,653 13%		99,126	715,140	
Total Cost	1,806,130			2,363,290		2,007,727	6,177,147	
Less Unallowable Costs	0 0%			0 0%		0	0	
Allowable Costs	1,806,130			2,363,290		2,007,727	6,177,147	
Franchise Income	285,069			412,680		492,791	1,190,540	
Return on revenues	13.63%			14.87%		19.71%	16.16%	

Attachment B – Projected 2021

Projected 2021 Results Return on Revenues City of Wilsonville

	Residential Service			Commercial Service			Drop Box	Grand Totals					
	Solid Waste	Recycling	Yard Debris	Solid Waste	Recycling								
		% ▲ from prior year	% ▲ from prior year		% ▲ from prior year	% ▲ from prior year	% ▲ from prior year						
Collection & Service Revenues	2,091,199	0.0%	0	0	2,775,970	0.0%	2,588,525	3.5%	7,455,694				
Surcharge Overage									0				
Direct Costs of Operations	864,845		314,114	298,968	1,390,043		477,212		2,001,867				
Disposal / Processing Expense	467,400	6.9%	22,092	-84.3%	125,986	0.0%	921,451	6.9%	40,368	-84.3%	1,404,641	6.7%	2,981,938
Labor Expense	168,921	2.3%	193,064	2.3%	120,702	2.3%	190,290	2.3%	296,431	2.3%	282,343	2.3%	1,251,751
Truck Expense	69,182	14.3%	71,602	3.4%	36,161	4.2%	74,102	14.3%	104,596	3.6%	103,097	7.2%	458,740
Equipment Expense	30,687	2.1%	17,588	0.0%	9,971	0.0%	37,048	2.6%	20,793	1.1%	56,498	3.2%	172,585
Franchise Fees	104,560	0.2%	0	0	0	0	138,798	-8.3%	0	0	129,426	-7.0%	372,784
Other Direct Expense	24,095	1.1%	9,768	0.1%	6,148	0.1%	28,354	1.0%	15,024	0.1%	25,862	0.1%	109,251
Indirect Costs of Operations	271,822	13%			361,591	13%			101,806	4%			735,219
Management Expense	49,534	4.6%			65,752	4.6%			19,850	4.6%			135,136
Administrative Expense	15,203	4.5%			20,182	4.5%			6,098	4.5%			41,483
Other Overhead Expenses	207,085	2.3%			275,657	2.3%			75,858	2.1%			558,600
Less Unallowable Costs	0				0				0				0
Revenues	2,091,199				2,775,970				2,588,525				7,455,694
		% ▲ from prior year				% ▲ from prior year							
Direct Costs of Operations	1,477,927	-4.1%			1,867,255	-7.2%			2,001,867				5,347,049
Indirect Costs of Operations	271,822	2.8%			361,591	2.8%			101,806				735,219
Total Cost	1,749,749	-3.1%			2,228,846	-5.7%			2,103,673				6,082,268
Less Unallowable Costs	0				0				0				0
Allowable Costs	1,749,749				2,228,846				2,103,673				6,082,268
Franchise Income	341,450				547,124				484,852				1,373,426
Projected Return on Revenues	16.33%				19.71%				18.73%				18.42%
2020 Return on Revenues	13.63%				14.87%				19.71%				16.16%