



City of Wilsonville

SOLID WASTE COLLECTION RATE REPORT | NOVEMBER 2020



Bell & Associates

SOLID WASTE & RECYCLING CONSULTANTS

City of Wilsonville

Solid Waste Collection Rate Report

November 2020
Bell & Associates

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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 2020, solid waste franchisee Republic Services (Republic) submitted its annual detailed cost reports to the City for the calendar year 2019.

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 2019

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

Table 1: Adjusted 2019 Wilsonville Results

Cost Component	Roll Cart	Container	Drop Box	Composite
Revenues	2,101,570	2,748,872	2,444,033	7,294,475
Allowable Costs for Rates	1,758,847	2,259,497	2,099,901	6,118,245
Franchise Income	342,723	489,375	344,132	1,176,230
Margin (Income / Revenue)	16.3%	17.8%	14.1%	16.1%

Projected Results for 2020

Projecting the financial performance for 2020 was complicated by the statewide shutdowns due to the covid virus. A monthly report was developed to assist the haulers and local jurisdictions with estimating the impact on the hauler finances and adjust the rates, if necessary, to keep the franchisees within the operational margins. That report was not submitted by Republic; therefore, an estimate based on the submissions from other franchisees was made to calculate the impact of the shut down in Wilsonville for the current year.

The line item expenses from 2019 were adjusted to project the results for 2020 using assumptions based on 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 2020 projection include:

The projection factors 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).
- The driver wage increase is calculated on the hourly wage increase from the Teamster's contract through 2020, which is 2.0% for most drivers. Health insurance for union and non-union employees increased by 4.35%.
- Disposal increased by \$0.90 per ton effective June 1, 2020, from the Metro excise tax.
- Inflation increased by 2.11% from June 2019 to June 2020. This was doubled to 4.08% to account for 2021. Management and administrative labor costs are projected to increase by 2.0%.
- Franchise fees were increased by two percentage points from 3% to 5% of projected revenue, which is a 40% increase when compared to 2019.
- Oregon's Corporate Activity Tax (CAT) was imposed on companies for the privilege of doing business within the State on January 1, 2020. The tax is measured on a business's commercial activity—the total amount a business realized from transactions and activity in Oregon. The CAT is applied to Oregon taxable commercial activity and is computed as \$250 plus 0.57% of a company's Oregon commercial activity of more than \$1 million. The composite tax rate for waste and recycling services within the Portland region is calculated at 0.50% of total revenue. The estimated expense is approximately \$35,700.

Expense	Change
Driver Wage	2.0%
Administrative Wage	2.0%
Health Insurance	4.35%
Inflation	2.11%
Franchise Fees	40.0%

Solid Waste Disposal

Metro assesses a Regional System Fee (RSF) on every ton of waste generated and delivered to a licensed disposal facility within the Metro region. The current RSF is \$18.58 per ton. Metro staff is proposing an increase of the RSF by \$2.65 effective January 1, 2021.

Metro typically adjusts their disposal rate on July 1 to coincide with the beginning of the fiscal year. This year's disposal rate increase was delayed by Metro due to adverse financial impact from the

reduction of disposal revenue from the statewide covid shutdown. Metro reported that waste tons are significantly lower than budgeted in their July presentation and that collected tons have shifted from commercial to residential customers.

What has not been clearly communicated by Metro staff is the need for the increase. Metro staff have provided initial high-level summarized financial data, but the specific details have not been provided to the numerous jurisdictions that have requested the information.

Metro’s current allocation of tonnages to private transfer stations is approximately 40% of all waste tons generated within the region. Willamette Resources Incorporated (WRI) is the transfer station that takes Wilsonville’s waste. WRI had a tonnage allocation of 74,606 for FY2020. The disposal rate charged to Wilsonville is dependent on WRI receiving 74,606 tons of waste. Metro has proposed decreasing WRI’s tonnage allocation from 74,606 to 71,491. Because a portion of WRI’s costs is fixed, the reduction of tons may trigger an increase in the rate charged by WRI for disposal, which will impact customers that have their waste disposed at WRI.

Commercial waste tons within the region are considerably lower, especially in Portland, due to business closures from the statewide shutdown, followed by the continued rioting. It is plausible that the tonnage allocation to WRI and other private transfer stations could decrease even further because Metro’s revenue is dependent on receiving 40% of all waste tons to their facility.

Projected 2019 to Actual 2019 Results

Table 3 compares the projected 2019 results from last year’s rate review—the Solid Waste Collection Rate Report, August 2019, adopted via Resolution No. 2768 on September 5, 2019—to the adjusted results.

Table 3: Projected 2019 Results to Actual Results		
Report Table	Projected 2019	Actual 2019
Total Revenue	\$ 7,546,437	\$ 7,294,475
SW and Yard Debris Disposal	2,810,123	2,605,488
Recycling Processing	414,707	378,504
Labor, Health Ins, & Payroll Taxes	1,046,272	1,368,448
Truck, Fuel, Repair & Maintenance	712,544	536,623
Equipment and Containers	99,964	119,410
Franchise Fees	229,632	254,494
Other Direct Expense / Food Waste	185,988	186,927
Management & Administration	673,356	670,581
Less: Unallowable Costs	(12,348)	(2,230)
Total Expenses	6,160,238	6,118,245
Income (Revenue – Expense)	\$ 1,386,199	\$ 1,176,230
Margin	18.4%	16.1%

Year-to-Year Comparison of Expenses

Projected decreases from the recycling surcharges and the business disruption combined with estimated line item costs for the current year are summarized in Table 4.

Table 4: Adjusted Results

Report Table	2019 Adjusted	2020 Projected	\$ ▲	% ▲
Collection Revenue	\$ 7,294,475	\$ 7,143,212	\$ (151,263)	-2.1%
SW and Yard Debris Disposal	2,605,488	2,639,425	33,937	1.3
Recycling Processing	378,504	378,504	0	0.0
Labor, Health Ins, & Taxes	1,368,448	1,400,421	31,973	2.3
Truck, Fuel, and Repairs	536,623	541,987	5,364	1.0
Equipment and Containers	119,410	119,847	437	0.4
Franchise Fees	254,494	357,059	102,565	40.3
Other Expense / Food Waste	186,927	225,079	38,152	20.4
Management & Administration	670,581	678,813	8,232	1.2
Less: Unallowable Costs	(2,230)	(2,230)	0	0.0
Total Expense	6,118,245	6,338,905	220,660	3.6
Income (Revenue – Expense)	\$ 1,176,230	\$ 804,307	\$ 319,501	-31.6
Margin (Income / Total Revenue)	16.1%	11.3%		-4.8%

Rate Recommendation

The current rates are sufficient to return Republic Services to a rate higher than the franchise target margin of 10% but below the 12% ceiling. Therefore, it is recommended to the City Council to keep the current rate schedules unchanged until the 2020 results are submitted and reviewed in the second quarter of 2021.

Attachment A

Reported
Return on Revenues
City of Wilsonville January 1 to December 31, 2019

	Residential Service			Commercial Service				Drop Box	Grand Totals				
	Solid Waste	Recycling	Yard Debris	Solid Waste	Recycling								
Collection & Service Revenues	2,099,655	1,915	0	2,748,772	100		2,444,033	7,294,475					
Direct Costs of Operations	729,693	% of revenue	516,401	% of revenue	292,538	% of revenue	1,326,449	% of revenue	598,156	% of revenue	2,214,393	% of revenue	5,677,630
Disposal Expense	339,606	16%	159,669	8%	71,117	3%	785,661	29%	218,835	218835%	1,636,840	67%	3,211,728
Labor Expense	210,988	10%	237,606	11%	147,481	7%	253,837	9%	219,133	219133%	299,403	12%	1,368,448
Truck Expense	73,035	3%	82,250	4%	51,051	2%	103,563	4%	89,403	89403%	137,321	6%	536,623
Equipment Expense	18,898	1%	21,282	1%	13,209	1%	21,297	1%	13,647	13647%	31,077	1%	119,410
Franchise Fees	73,321	3%	0	0%	0	0%	95,904	3%	0	0%	85,269	3%	254,494
Other Direct Expense	13,845	1%	15,594	1%	9,680	0%	66,187	2%	57,138	57138%	24,483	1%	186,927
Indirect Costs of Operations	288,136						268,812				118,024		674,972
Management Expense	41,970	2%					41,931	2%			17,407	1%	101,308
Administrative Expense	19,699	1%					19,680	1%			8,178	0%	47,557
Other Overhead Expenses	226,467	11%					207,201	8%			92,439	4%	526,107
Total Cost	1,826,768						2,193,417				2,332,417		6,352,602
Less Unallowable Costs	921						920				389		2,230
Allowable Costs	1,825,847						2,192,497				2,332,028		6,350,372
Franchise Income	275,723						556,375				112,005		944,103
Return on revenues	13.13%						20.24%				4.58%		12.94%
Revenues	2,101,570						2,748,872				2,444,033		7,294,475
		% of revenue						% of revenue					
Direct Costs of Operations	1,538,632	73%					1,924,605	70%			2,214,393		5,677,630
Indirect Costs of Operations	288,136	14%					268,812	10%			118,024		674,972
Total Cost	1,826,768						2,193,417				2,332,417		6,352,602
Less Unallowable Costs	921	0%					920	0%			389		2,230
Allowable Costs	1,825,847						2,192,497				2,332,028		6,350,372
Franchise Income	275,723						556,375				112,005		944,103
Return on revenues	13.12%						20.24%				4.58%		12.94%

Attachment B

**Adjusted
Return on Revenues
City of Wilsonville January 1 to December 31, 2019**

	Residential Service			Commercial Service			Drop Box	Grand Totals
	Solid Waste	Recycling	Yard Debris	Solid Waste	Recycling			
Collection & Service Revenues	2,099,655	1,915	0	2,748,772	100	2,444,033	7,294,475	
Direct Costs of Operations	729,693	491,401	292,538	1,326,449	623,156	1,986,657	5,449,894	
	Montly \$ per Can/Cart	Montly \$ per Can/Cart	Montly \$ per Can/Cart	Montly \$ per Yard	Montly \$ per Yard	\$ per pull		
Disposal Expense	339,606 5.18	134,669 2.05	71,117 1.14	785,661 6.04	243,835 1.87	1,409,104 240.79	2,983,992	
Labor Expense	210,988 3.22	237,606 3.62	147,481 2.36	253,837 1.95	219,133 1.68	299,403 51.16	1,368,448	
Truck Expense	73,035 1.11	82,250 1.25	51,051 0.82	103,563 0.80	89,403 0.69	137,321 23.47	536,623	
Equipment Expense	18,898 0.29	21,282 0.32	13,209 0.21	21,297 0.16	13,647 0.10	31,077 5.31	119,410	
Franchise Fees	73,321 1.12	0 -	0 -	95,904 0.74	0 -	85,269 14.57	254,494	
Other Direct Expense	13,845 0.21	15,594 0.24	9,680 0.15	66,187 0.51	57,138 0.44	24,483 4.18	186,927	
Indirect Costs of Operations	246,136			310,812		113,633	670,581	
Management Expense	41,970 0.64			41,931 0.32		16,758 2.86	100,659	
Administrative Expense	19,699 0.30			19,680 0.15		7,873 1.35	47,252	
Other Overhead Expenses	184,467 2.81			249,201 1.91		89,002 15.21	522,670	
Total Cost	1,759,768			2,260,417		2,100,290	6,120,475	
Less Unallowable Costs	921	(0.01)		920		389	2,230	
Allowable Costs	1,758,847			2,259,497		2,099,901	6,118,245	
Franchise Income	342,723			489,375		344,132	1,176,230	
Return on revenues	16.31%			17.80%		14.08%	16.12%	
Carts/ Yards/ Drop Box Pulls	5,463		5,211	130,156	146,120	5,852		
Revenues	2,101,570			2,748,872		2,444,033	7,294,475	
	% of revenue			% of revenue				
Direct Costs of Operations	1,513,632 72%			1,949,605 71%		1,986,657	5,449,894	
Indirect Costs of Operations	246,136 12%			310,812 11%		113,633	670,581	
Total Cost	1,759,768			2,260,417		2,100,290	6,120,475	
Less Unallowable Costs	921 0%			920 0%		389	2,230	
Allowable Costs	1,758,847			2,259,497		2,099,901	6,118,245	
Franchise Income	342,723			489,375		344,132	1,176,230	
Return on revenues	16.31%			17.80%		14.08%	16.12%	

Attachment C

Projected 2020 Results Return on Revenues City of Wilsonville

	Residential Service			Commercial Service			Drop Box	Grand Totals	
	Solid Waste	Recycling	Yard Debris	Solid Waste	Recycling	Drop Box			
		% ▲ from prior year		% ▲ from prior year		% ▲ from prior year			
Collection & Service Revenues	2,059,700	-1.9%	1,946	1.6%	0	#DIV/0!	2,465,170	0.9%	7,143,212
Surcharge Overage									0
Direct Costs of Operations	781,738		497,800		302,910		2,066,808		5,662,322
Disposal / Processing Expense	346,006	1.9%	134,669	0.0%	77,517	9.0%	1,430,241	1.5%	3,017,929
Labor Expense	215,837	2.3%	243,067	2.3%	150,871	2.3%	306,414	2.3%	1,400,421
Truck Expense	73,740	1.0%	83,044	1.0%	51,544	1.0%	138,617	0.9%	541,987
Equipment Expense	18,937	0.2%	21,326	0.2%	13,236	0.2%	31,302	0.7%	119,847
Franchise Fees	102,985	40.5%	0		0		123,259	44.6%	357,059
Other Direct Expense	24,233	75.0%	15,694	0.6%	9,742	0.6%	36,975	51.0%	225,079
Indirect Costs of Operations	249,587	12%					115,007	5%	678,813
Management Expense	42,901	2.2%					17,129	2.2%	102,892
Administrative Expense	20,093	2.0%					8,030	2.0%	48,196
Other Overhead Expenses	186,593	1.2%					89,848	1.0%	527,725
Less Unallowable Costs	921						389		2,230
Revenues	2,061,646						2,465,170		7,143,212
		% ▲ from prior year				% ▲ from prior year			
Direct Costs of Operations	1,582,448	4.5%				3.3%	2,066,808		5,662,322
Indirect Costs of Operations	249,587	1.4%				1.1%	115,007		678,813
Total Cost	1,832,035	4.1%				3.0%	2,181,815		6,341,135
Less Unallowable Costs	921	0.0%				0.0%	389		2,230
Allowable Costs	1,831,114						2,181,426		6,338,905
Franchise Income	230,532						283,744		804,307
Projected Return on Revenues	11.18%					11.09%	11.51%		11.26%
2019 Return on Revenues	16.31%					17.80%	14.08%		16.12%

Inflation Assumptions		Changes in Revenue	
Driver Wage	2.00%	Inflation	2.11%
Health Ins	4.35%	Fuel	0.00%
G&A Wage	2.00%	Rec Processing	0.00%
		Cart & Cont Revenue	Reduction of recycling surcharge by 50%

Residential Recycling Surcharge decreased revenue by \$81,948
 Commercial Recycling Surcharge decreased revenue by \$22,527
 Residential Revenue increased by 2% for increased extra charges from business lockdown - \$41,993
 Commercial Revenue decreased by 4% for business shutdown - \$109,951