

City of Tualatin 2019 Annual Report



Republic Services of Clackamas and
Washington Counties

FINANCIALS

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Historical Statement of Income with Rate Adjustment

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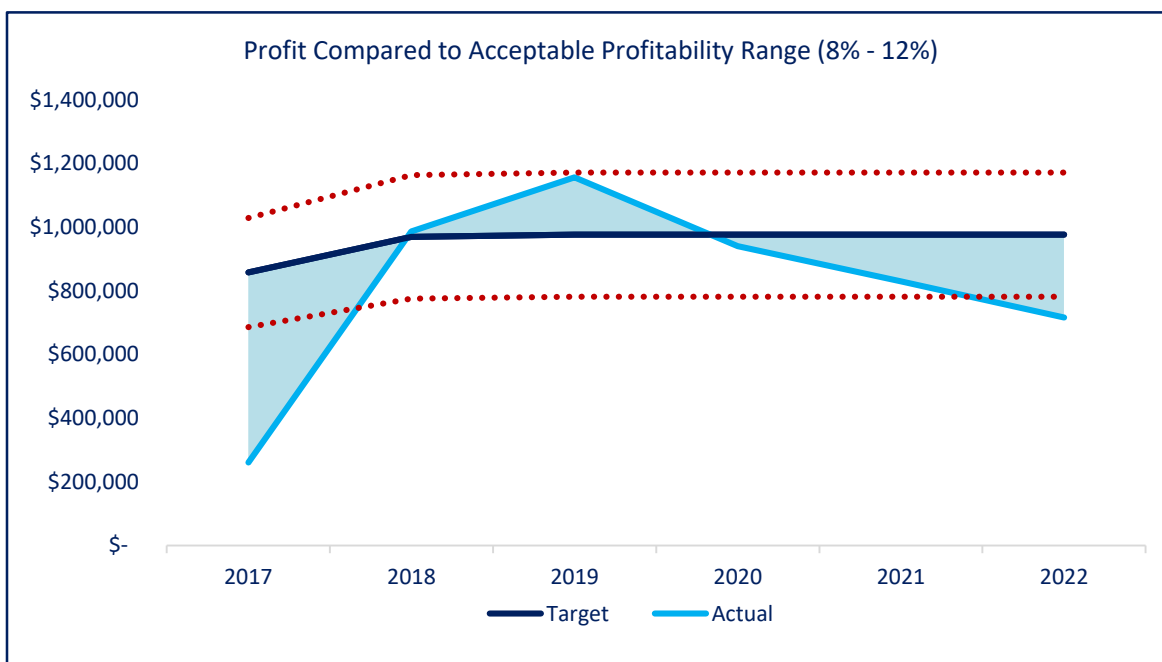
Financials



We'll handle it from here.™

Statement of Income (Without Requested Adjustment Included)
For Years Ended December 31, 2017 - 2022

6Y Financial (3Y Actuals / 3Y Forecasted)	2017	2018	% Δ	2019	% Δ	2020 *	% Δ	2021	% Δ	2022	% Δ
Revenue	8,574,339	9,693,679	13.1%	9,765,280	0.7%	9,765,280	0.0%	9,765,280	0.0%	9,765,280	0.0%
Cost of Operations	7,273,760	7,643,643	5.1%	7,777,811	1.8%	7,971,223	2.5%	8,059,508	1.1%	8,150,160	1.1%
Gross Profit	1,300,579	2,050,036	57.6%	1,987,469	-3.1%	1,794,057	-9.7%	1,705,772	-4.9%	1,615,120	-5.3%
Sales, General and Administrative	1,039,412	1,063,587	2.3%	831,027	-21.9%	853,225	2.7%	876,021	2.7%	899,317	2.7%
Operating Income	261,167	986,449	277.7%	1,156,442	17.2%	940,832	-18.6%	829,751	-11.8%	715,803	-13.7%
Op Income as a % of Revenue	3.0%	10.2%		11.8%		9.6%		8.5%		7.3%	
Income Taxes	111,257	282,124	153.6%	330,742	17.2%	274,441	-17.0%	250,336	-8.8%	216,172	-13.6%
Net Income	149,910	704,324	369.8%	825,700	17.2%	666,392	-19.3%	579,415	-13.1%	499,630	-13.8%
Net Income as a % of Revenue	1.7%	7.3%		8.5%		6.8%		5.9%		5.1%	



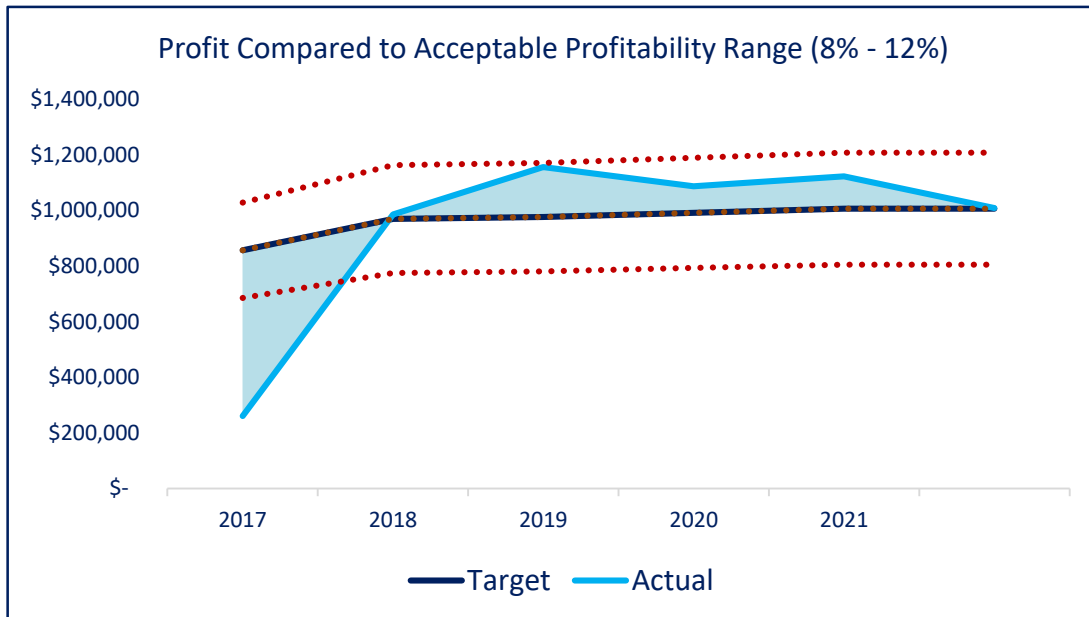
* 2020 does not include the estimated impacts of COVID-19 related costs. We are still in the process of estimating these impacts.

Overview

The light blue shaded area above represents the lost opportunity cost of not earning a 10% margin (10% is widely considered the mid-point of acceptable margins of 8% to 12%). The chart specifically shows profit for the three years prior and for the next two years projected assuming a price increase is not implemented.

Statement of Income (With Rate Adjustment Request Implemented)
For Years Ended December 31, 2017 - 2022

6Y Financial (3Y Actuals / 3Y Forecasted)	2017	2018	% Δ	2019	% Δ	2020 *	% Δ	2021	% Δ	2022	% Δ
Revenue	8,574,339	9,693,679	13.1%	9,765,280	0.7%	9,916,642	1.6%	10,068,004	1.5%	10,068,004	0.0%
Cost of Operations	7,273,760	7,643,643	5.1%	7,777,811	1.8%	7,975,764	2.5%	8,068,590	1.2%	8,159,242	1.1%
Gross Profit	1,300,579	2,050,036	57.6%	1,987,469	-3.1%	1,940,878	-2.3%	1,999,414	3.0%	1,908,762	-4.5%
Sales, General and Administrative	1,039,412	1,063,587	2.3%	831,027	-21.9%	853,225	2.7%	876,021	2.7%	899,317	2.7%
Operating Income	261,167	986,449	277.7%	1,156,442	17.2%	1,087,653	-5.9%	1,123,393	3.3%	1,009,445	-10.1%
Op Income as a % of Revenue	3.0%	10.2%		11.8%		11.0%		11.2%		10.0%	
Income Taxes	111,257	282,124	153.6%	330,742	17.2%	317,269	-4.1%	338,928	6.8%	304,852	-10.1%
Net Income	149,910	704,324	369.8%	825,700	17.2%	770,385	-6.7%	784,465	1.8%	704,592	-10.2%
Net Income as a % of Revenue	1.7%	7.3%		8.5%		7.8%		7.8%		7.0%	



* 2020 does not include the estimated impacts of COVID-19 related costs. We are still in the process of estimating these impacts.

Since recycle programs were implemented in the late 1980's recycle costs have been bundled with other services, and those costs of collecting and hauling recyclables from the curb have traditionally been subsidized by higher revenues from downstream customers (end markets). Throughout 2017 to 2019 the waste industry experienced global disruption in recycle markets following the implementation of the China Sword policy. This policy prohibits recycle bales with greater than 0.5% contamination from entering the country, forcing global recycle mills to seek new markets.

The requested adjustment would realign Republic with the mid-point of acceptable profitability (8% - 12%) during the 2021 and 2022 calendar years based on expected cost increases as indicated on the next slide.

Schedule of Expenses
For Years Ended December 31, 2017 - 2022

6 Year Financial (3Y Actuals / 3Y Forecasted)	2017	2018	% Δ	2019	% Δ	2020	% Δ	2021	% Δ	2022	% Δ
Cost of Operations											
Labor	1,769,334	1,902,649	7.5%	1,941,454	2.0%	1,989,990	2.5%	2,039,740	2.5%	2,090,734	2.5%
Repairs and Maintenance	285,401	294,460	3.2%	296,958	0.8%	305,867	3.0%	315,043	3.0%	324,494	3.0%
Vehicle Operating Costs	276,474	305,601	10.5%	233,515	-23.6%	240,520	3.0%	247,736	3.0%	255,168	3.0%
Facility	157,173	144,628	-8.0%	27,479	-81.0%	27,754	1.0%	28,031	1.0%	28,312	1.0%
Insurance	131,626	144,693	9.9%	135,634	-6.3%	138,347	2.0%	141,114	2.0%	143,936	2.0%
Disposal & Recycle	3,833,787	3,953,620	3.1%	4,297,232	8.7%	4,404,663	2.5%	4,404,663	0.0%	4,404,663	0.0%
Franchise Fees	227,434	206,266	-9.3%	227,434	10.3%	227,434	0.0%	227,434	0.0%	227,434	0.0%
Other Operating Costs	48,389	180,672	273.4%	177,182	-1.9%	182,497	3.0%	187,972	3.0%	193,612	3.0%
Depreciation	544,142	511,054	-6.1%	440,923	-13.7%	454,151	3.0%	467,775	3.0%	481,808	3.0%
Cost of Operations	7,273,760	7,643,643	5.1%	7,777,811	1.8%	7,971,223	2.5%	8,059,508	1.1%	8,150,160	1.1%
Sales, General and Administrative											
Salaries	562,511	509,789	-9.4%	180,027	-64.7%	184,528	2.5%	189,141	2.5%	193,869	2.5%
Rent and Office Expense	82,438	79,501	-3.6%	188,169	136.7%	193,814	3.0%	199,628	3.0%	205,617	3.0%
Travel and Entertainment	21,648	11,124	-48.6%	11,648	4.7%	11,997	3.0%	12,357	3.0%	12,728	3.0%
Professional Fees	5,416	7,664	41.5%	11,231	46.5%	11,568	3.0%	11,915	3.0%	12,272	3.0%
Bad Debt Expense	11,074	5,945	-46.3%	7,212	21.3%	7,324	1.6%	7,437	1.6%	7,437	0.0%
Management Services	261,561	347,823	33.0%	345,656	-0.6%	354,297	2.5%	363,155	2.5%	372,234	2.5%
Other Expenses	94,764	101,741	7.4%	87,084	-14.4%	89,697	3.0%	92,387	3.0%	95,159	3.0%
Sales, General, and Administrative	1,039,412	1,063,587	2.3%	831,027	-21.9%	853,225	2.7%	876,021	2.7%	899,317	2.7%

NOTE: This expense schedule is based on NO rate adjustment taking effect for 2020 - 2022. The only two line items that we would expect to see changed with a rate adjustment are Franchise Fees and Bad Debt.

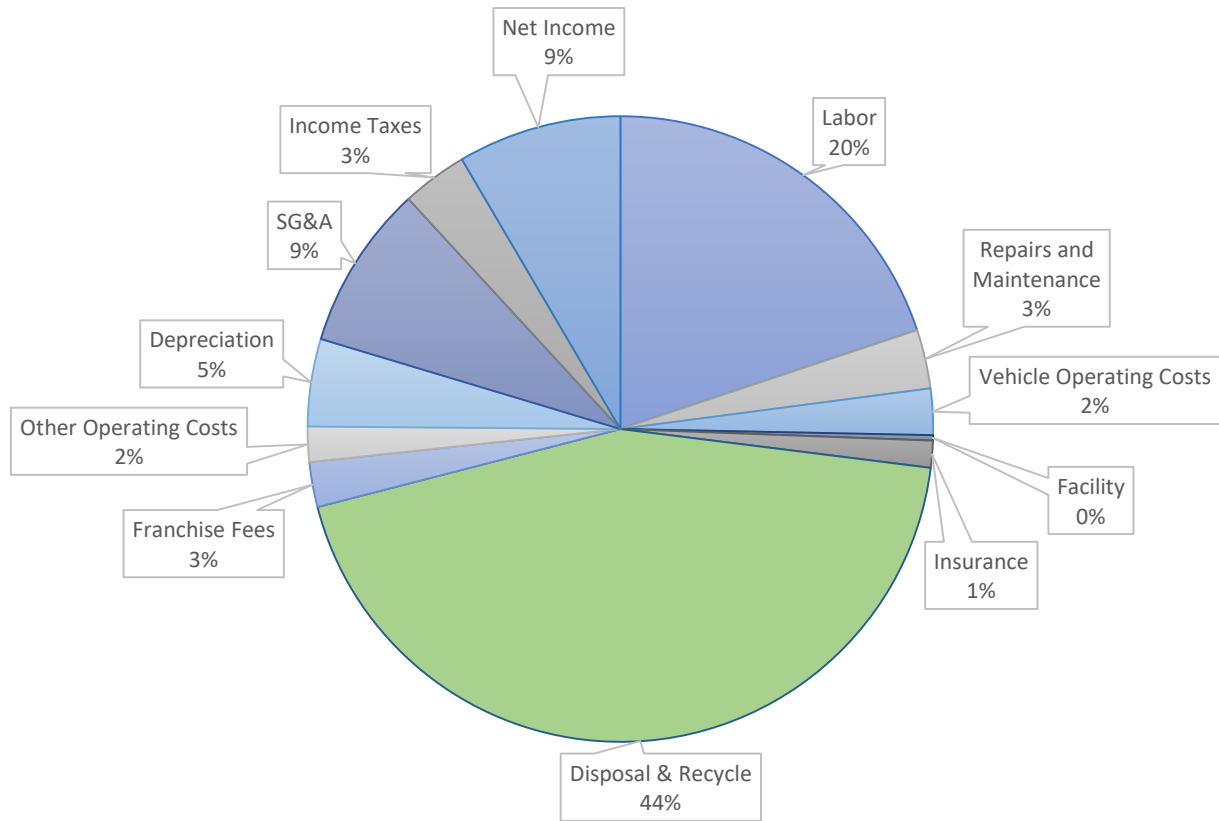
* Some Detail Cost Report (DCR) expense classifications have changed in our 2019 reporting , consequently some 2019 expense line items may not align precisely with how expenses were previously reported.

* 2020 does not include the estimated impacts of COVID-19 related costs. We are still in the process of estimating these impacts.



What does my monthly payment go towards?

(Based on 2019 figures for a 35 gallon customer)



Current and Proposed Rate Adjustment with Comparables For Year Ended December 31, 2019

	Clackamas Co. Urban	Clackamas Co. Rural	Wilsonville	Lake Oswego	Tualatin	Tualatin *	\$ Δ
Residential Rates							
20 gallon	29.15	26.25	21.32	21.20	23.00	23.71	0.71
35 gallon	33.15	30.20	28.11	30.05	27.00	27.84	0.84
65 gallon	42.80	41.95	36.89	46.77	36.00	37.12	1.12
90 gallon	49.90	47.80	-	49.21	-	-	-
Commercial Rates							
35 gallon	29.20	30.20	21.32	27.58	24.50	25.26	0.76
65 gallon	40.75	41.95	33.22	41.10	33.02	34.04	1.02
90 gallon	43.75	47.80	41.84	43.71	40.47	41.72	1.25
1 yard	-	-	108.96	-	105.01	108.27	3.26
1.5 yard	136.59	-	143.05	169.48	133.13	137.26	4.13
2 yard	173.47	208.13	186.79	211.80	175.76	181.21	5.45
3 yard	237.20	-	258.73	279.85	245.29	252.89	7.60
4 yard	303.08	381.46	337.05	351.51	311.11	320.75	9.64
5 yard	-	-	-	-	-	-	-
6 yard	423.13	553.39	470.53	475.50	438.72	452.32	13.60
8 yard	524.33	718.91	623.89	568.54	550.64	567.71	17.07
Industrial Rates							
10 yard	150.00	150.00	123.66	125.14	121.41	125.17	3.76
20 yard	150.00	150.00	123.66	125.14	121.41	125.17	3.76
30 yard	160.00	160.00	155.64	146.97	144.84	149.33	4.49

* Proposed Rates



Service

Services Available in Tualatin

Residential Collection Service

- Weekly curbside garbage cart service
- Curbside recycling cart services
- Multi-family recycling, trash and yard debris (yard debris is an extra cost and not included)
- Organics and yard debris cart collection service
- Oregon E-Cycles electronics waste collection center
- Number 6 Polystyrene collection at our Wilsonville depot

Commercial/Industrial Collection Services:

- Regular or as-needed waste collection (all trash is weekly and we try not to place any recycle carts/containers as On Call)
- Drop boxes for demolition and other extra large projects
- Recycling services tailored to specific business needs
- Food Scraps/Organic waste composting service
- Yard Debris collections service

Other Services available for all customers:

- Temporary container and drop box service
- Holiday collection, all weekdays, except Christmas and New Year's Day (455 Drivers do not work on Thanksgiving)
- Seasonal service stops for customers gone more than four weeks
- Convenient payment by *My Resources (is now called My Republic)*
- Christmas tree collection
- Recycling center
- Annual Fall and Spring Bulky waste days and other event services

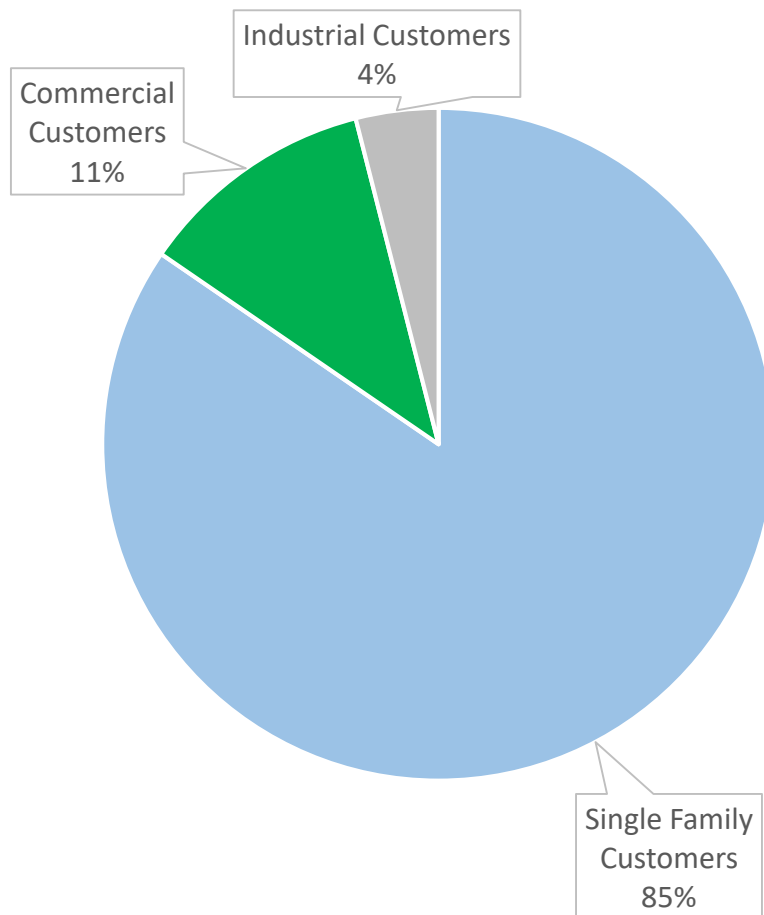


Tualatin Service Facts

- We have 20 drivers servicing the City of Tualatin
- Drivers are at the curbs of 5,902 Tualatin homes 5 days/week
- There are 920,712 residential containers picked up every year
- We have 19 collection vehicles serving customers 7 days/week
- 19 CNG trucks service the City of Tualatin



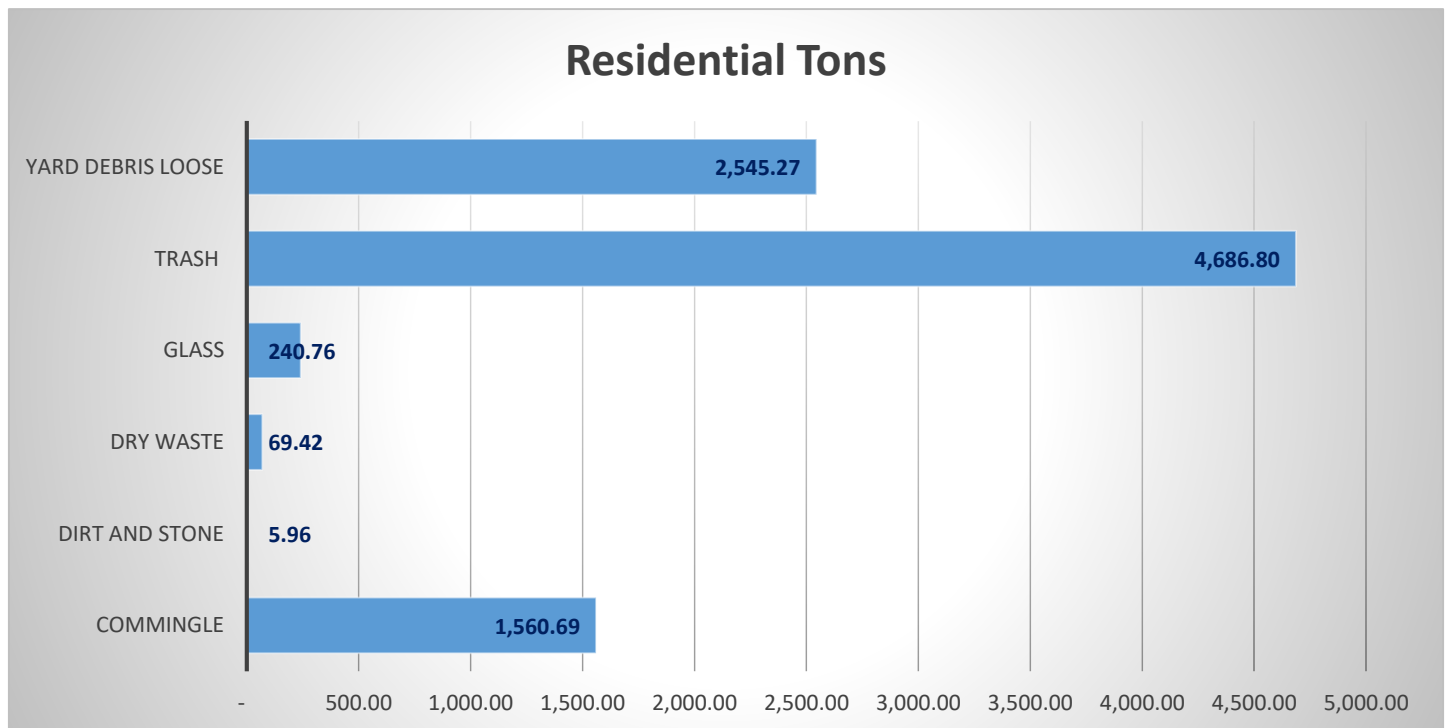
Customer Counts	
Single Family Customers	5,902
Multi Family Customers	24
Commercial Customers	776
Industrial Customers	277*
*only 111 of Tualatin's industrial customers are permanent customers	



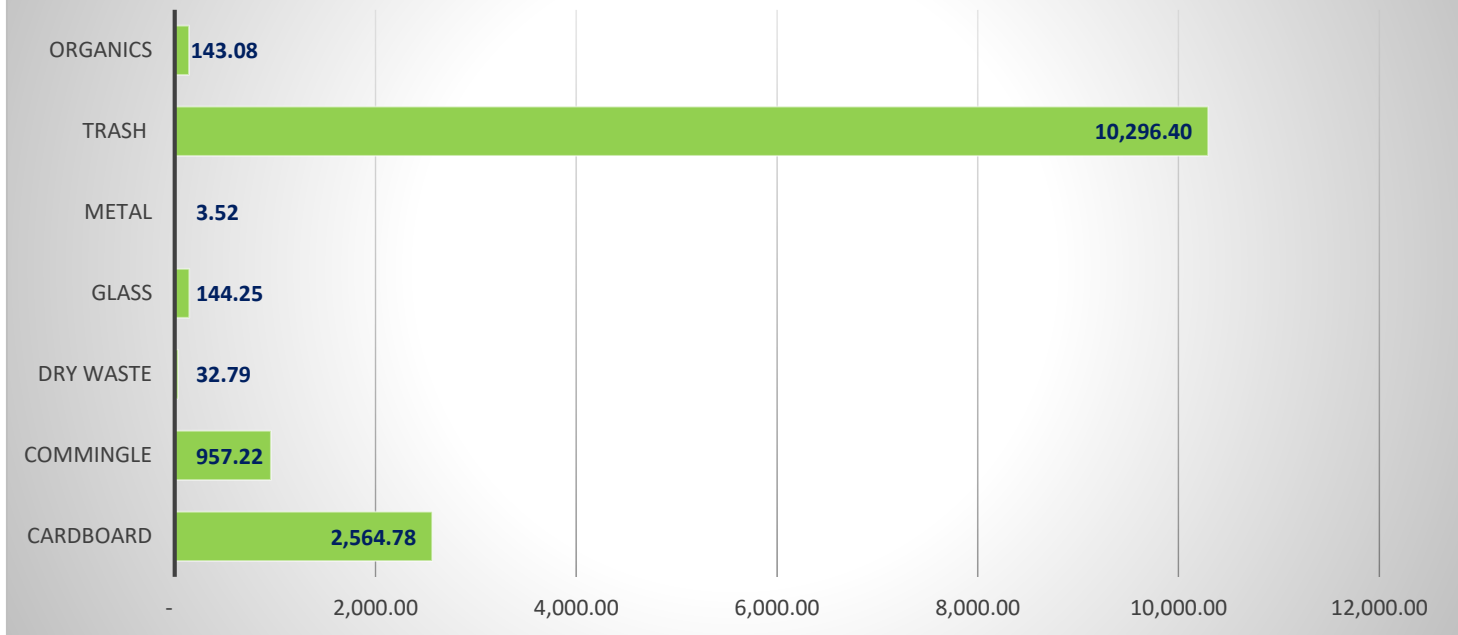
Tons Collected in 2019

Material	Residential	Commercial	Industrial
Cardboard	-	2,564.78	402.38
Commingle	1,560.69	957.22	268.62
Dirt and Stone	5.96	-	509.75
Dry Waste	69.42	32.79	10,293.54
Glass	240.76	144.25	645.73
Manure	-	-	39.00
Metal	-	3.52	31.76
Organics	-	143.08	-
Polymers Plastic	-	-	185.34
Special Waste	-	-	121.00
Trash	4,686.80	10,296.40	9,744.13
Wood	-	-	1,702.81
Yard Debris Compacted	-	-	80.00
Yard Debris Loose	2,545.27	-	65.72

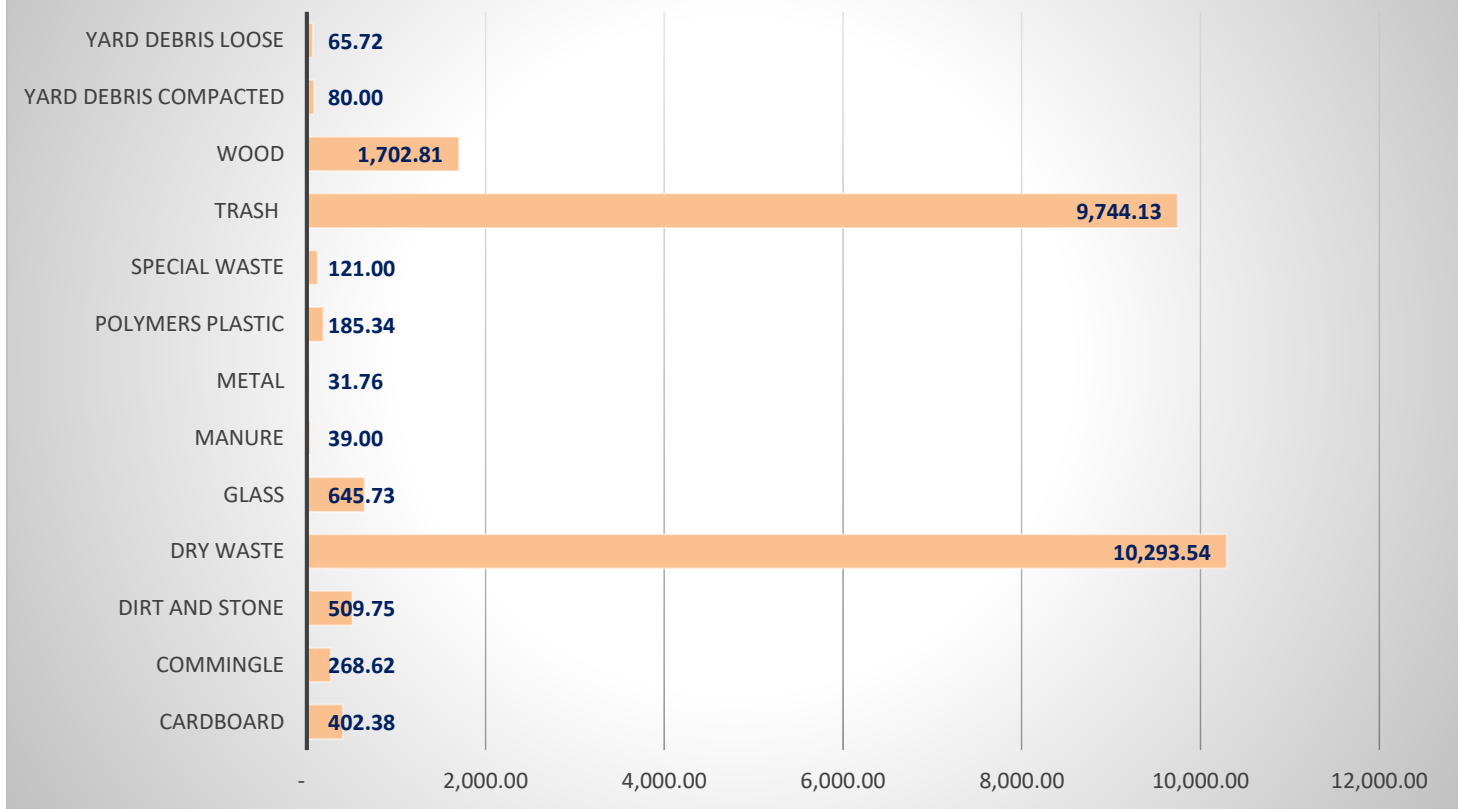
Residential and Commercial weight allocations are based upon customer percentage for Division 4455



Commercial Tons



Industrial Tons



Where Tualatin's Material Went

Site	Tons
Coffin Butte	121.00
Glass to Glass	114.40
Greenway	19.69
Grimms	2,240.09
Hillsboro	325.93
Metro South	2,630.54
NW Polymers	185.34
Pioneer	722.97
Pride Disposal	12,949.34
S&H Logging	1,542.24
WRI	27,127.83

* WRI compactor had to be replaced in 2019 and this caused a larger than average tonnage to Pride.



Customer Service Complaints

	Number of Customer	Number of Reported Complaints	%
Residential	5,902	40	.68%
Commercial	800	11	1.38%
Industrial	277*	3	1.08%

*only 111 of Tualatin's Industrial customers are permanent customers

We always strive to deliver the best customer service experience. A large part of this effort has been to develop an educated, local, customer service team. Republic currently has five agents at the Woodburn Call Center and 3 at the Corvallis Center. An expansion has been approved that will allow us to hire several more staff for each, before the end of the year. Call wait times averaged 16 seconds. The majority of complaints were resolved, on the same day. Republic staff tackle each complaint as soon as it arises and are proud to report the Percentage of Complaints by Customer Group above. As the City can see, our levels of complaints are low and we work to resolve them to the best of our ability and to the satisfaction of our customers.

COMMUNITY EDUCATION

Republic Services of Tualatin utilizes newsletter, local newspapers, bi-lingual recycling brochures, service calendars, and our website to educate the City of Tualatin residents and businesses regarding service availability, timing and programs, as well as to promote recycling efforts.

COMMUNITY OUTREACH EVENTS

In 2019, our company donated close to \$12,000 to the community of Tualatin in sponsorship, recycling education outreach and in-kind services such as drop boxes.

Tualatin Crawfish Festival

Boot Scootin Barn Dance

Annual Fall and Spring Bulky Waste Days

Ride Connection

Tualatin Youth Advisory Council

Police Foundation

Viva Tualatin

Tualatin Chamber

Tualatin Pumpkin Regatta





We'll handle it from here.®

Moving Forward 2020

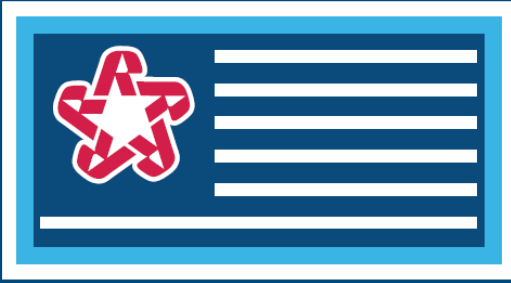
In 2020, Republic Services of Clackamas and Washington Counties will strive to maintain the level of service delivery that Tualatin has relied on. We do not know the full impacts of COVID-19 related costs or for how long this situation will last. In facing this challenge, Republic Services has taken many steps to maintain the health and productivity of its workforce, and to continue to provide steady, reliable service to the City of Tualatin. This is an unprecedented time and we will all get through this together.

During the COVID19 pandemic, we have:

- Sent any employees that are not essential to the frontline home with the equipment they need to do their jobs effectively. This includes our customer service representatives.
- Staggered starts for our frontline employees and siting tailgates outside to maintain social distancing.
- Created a systematic disinfecting of all office areas and vehicles.
- Instituted a policy to provide an extra ten days paid time off for any employee who is diagnosed with COVID19, or has to care for a family member who has fallen ill.
- Implemented eight weeks paid family leave for new parents – two weeks for secondary providers.
- Provided reimbursement for co-pays for any COVID19-related healthcare costs.
- Temporarily suspended bulky waste pickup and asked customers to bag any extra waste to improve route efficiency.

To support our communities and customers, we have:

- Communicated with customers through electronic media.
- Purchased meals for our frontline workers from locally-owned restaurants twice a week – one breakfast/lunch, one meal for the family which workers take home.
- Committed to Serve: frontline employees will receive \$100/every other week for the next two months in gift cards to spend at a locally-owned business in communities we serve.

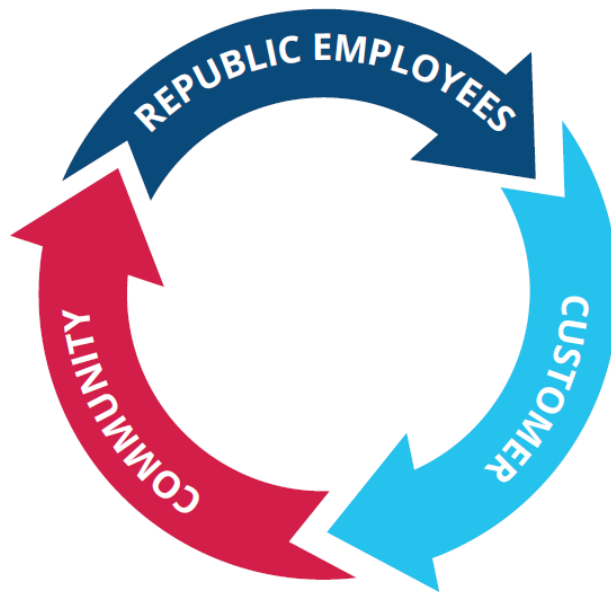


#CommittedToServe

We appreciate you.

Thank you for your commitment to serve the communities we live and work in through this difficult time.

We launched our “Committed to Serve” initiative to honor you by giving you dollars to spend with local, small business customers.



As a member of the Republic Services family, we hope you feel pride when representing our Company and spending your dollars with neighborhood shops and stores all over the country. Small business owners represent the heart and soul of our communities and neighborhoods, and we are honored to serve and support them through this time.

Thank you for all that you do and for your commitment to serve others.



#CommittedToServe

Nosotras lo apreciamos.

Gracias por su compromiso en este momento difícil por servir a las comunidades en las que vivimos y trabajamos.

Lanzamos nuestra iniciativa "Comprometidos a Servir" para honrarlo dándole dinero para usar con clientes locales que tienen negocios pequeños.



Como miembro de la familia de Republic Services, esperamos que se sienta orgulloso al representar a nuestra Compañía y gastar su dinero en tiendas locales, así como en tiendas de todo el país. Los propietarios de pequeñas empresas representan el corazón y el alma de nuestras comunidades y vecindarios, y nos sentimos honrados de servirlos y apoyarlos durante este tiempo.

Gracias por todo lo que hace y por su compromiso de servir a los demás.

Republic Services of Clackamas and Washington Counties

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Assembled by Travis Comfort, Municipal Contract Administrator



We'll handle it from here.™