

City of Tualatin 2020 Council Packet



Republic Services of Clackamas and
Washington Counties

Letter from our General Manager

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2020 and COVID-19 Response Update

May 11, 2020

Honorable Frank Bubenik, Mayor
Members of City Council
City of Tualatin
18880 SW Martinazzi Avenue
Tualatin, OR 97062

Dear Mayor Bubenik and Councilors:

Republic Services of Tualatin has 20 full-time employees and 19 Compressed Natural Gas (CNG) collection vehicles dedicated to serve your City's residential, commercial and industrial needs. Also supporting your City is a team of managers, mechanics, administrative support, and local customer service representatives.

Republic Services of Clackamas and Washington Counties is requesting a 3.1% rate adjustment, effective upon Council approval. The last rate adjustment approved by Council was 6.5% in 2018, since that time we have been able to maintain a flat rate structure. However, due to inflationary costs since 2018 and projected forward, we are requesting Council approval for a rate adjustment. Please note, the 2020 numbers do not include the estimated impacts of COVID-19 related costs. We will continue to keep you updated as the situation continues to move forward. As you may know, a majority (56%) of Tualatin's residents use 35-gallon roll carts. The monthly rate will be adjusted by \$0.84 for these customers.

While generally accepted returns are between 8%-12%, our Statement of Income indicates progressive margin erosion absent a 2020 adjustment (3.4% in 2017, 10.2% in 2018, 11.8% 2019, and 9.9% in 2020). The rationale behind this level of return is to recognize the capital-intensive nature of the solid waste industry. The goal is to compensate the franchisee with sufficient cash flow to allow for the routine purchase of replacement vehicles, state and local taxes, and containers provided to residents and businesses. Our 2020 rate adjustment request, if implemented July 1st, allows us to maintain our 10% margin through 2022.

On behalf of our local team who has served the Tualatin community for over 30 years, we are grateful for the continued partnership with the City, its residents and businesses.

Thank you,



Jason Jordan, General Manager

cc:

City of Tualatin

Maria Reyes, Position 1
Paul Morrison, Position 2
Bridget Brooks, Position 3
Robert Kellogg, Position 4
Nancy Grimes, Position 5 -Council President
Valerie Pratt, Position 6
Sherilyn Lombos, City Manager

Republic Service

John Olivares, Operations Manager
Will Mathias, Finance Manager
KJ Lewis, Municipal Manager
Travis Comfort, Municipal Contract Administrator

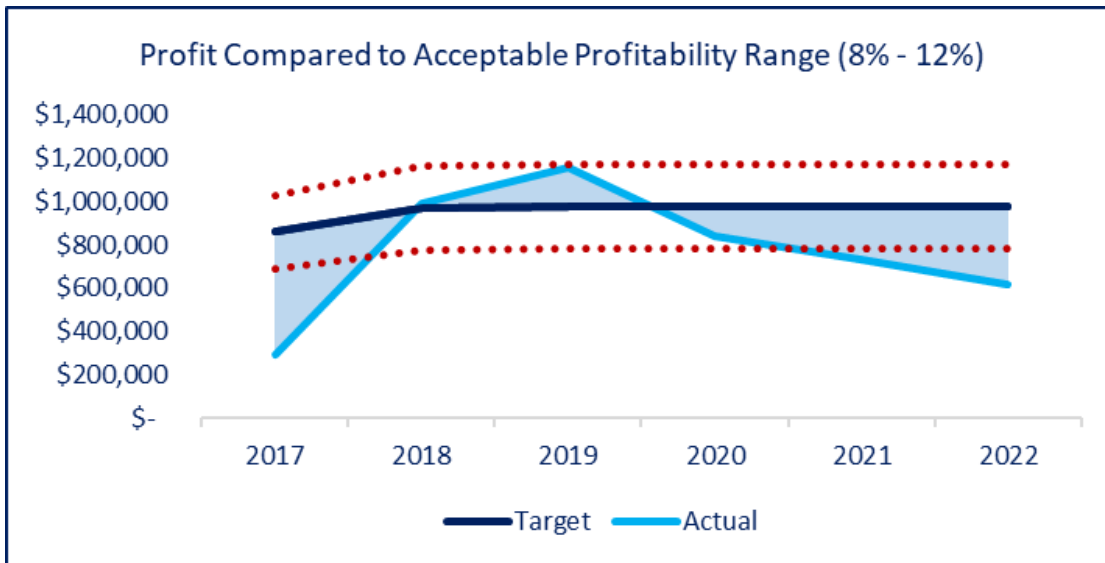
Financials



We'll handle it from here.™

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

	2017	2018	% Δ	2019	% Δ	2020 *	% Δ	2021	% Δ	2022	% Δ
	Actuals					Forecasted					
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	7,239,828	7,643,643	5.6%	7,777,811	1.8%	7,971,223	2.5%	8,059,508	1.1%	8,150,160	1.1%
Corporate Activity Tax	-	-	0.0%	-	0.0%	41,747	0.0%	41,747	0.0%	41,747	0.0%
Gross Profit	1,334,511	2,050,036	53.6%	1,987,469	-3.1%	1,752,311	-11.8%	1,664,025	-5.0%	1,573,374	-5.4%
Sales, General and Administrative	1,039,412	1,063,587	2.3%	831,027	-21.9%	911,969	9.7%	935,582	2.6%	959,816	2.6%
Operating Income	295,099	986,449	234.3%	1,156,442	17.2%	840,342	-27.3%	728,443	-13.3%	613,558	-15.8%
<i>Op Income as a % of Revenue</i>	<i>3.4%</i>	<i>10.2%</i>		<i>11.8%</i>		<i>8.6%</i>		<i>7.5%</i>		<i>6.3%</i>	
Income Taxes	125,712	282,124	124.4%	330,742	17.2%	245,128	-25.9%	219,771	-10.3%	185,294	-15.7%
Net Income	169,387	704,324	315.8%	825,700	17.2%	595,214	-27.9%	508,672	-14.5%	428,263	-15.8%
<i>Net Income as a % of Revenue</i>	<i>2.0%</i>	<i>7.3%</i>		<i>8.5%</i>		<i>6.1%</i>		<i>5.2%</i>		<i>4.4%</i>	



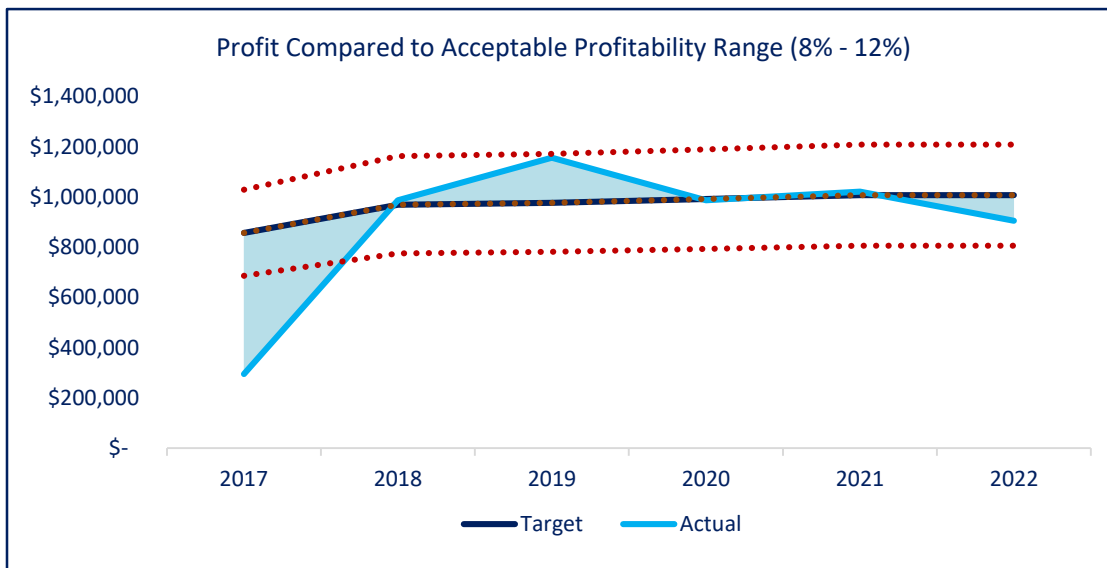
* 2020 does not include the estimated impacts of COVID-19 related costs. We are still in the process of estimating these impacts.

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

	2017	2018	% Δ	2019	% Δ	2020 *	% Δ	2021	% Δ	2022	% Δ
	Actuals					Forecasted					
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	7,239,828	7,643,643	5.6%	7,777,811	1.8%	7,975,764	2.5%	8,068,590	1.2%	8,159,242	1.1%
Corporate Activity Tax	-	-	0.0%	-	0.0%	42,394	0.0%	43,041	1.5%	43,041	0.0%
Gross Profit	1,334,511	2,050,036	53.6%	1,987,469	-3.1%	1,898,485	-4.5%	1,956,373	3.0%	1,865,721	-4.6%
Sales, General and Administrative	1,039,412	1,063,587	2.3%	831,027	-21.9%	911,969	9.7%	935,582	2.6%	959,816	2.6%
Operating Income	295,099	986,449	234.3%	1,156,442	17.2%	986,516	-14.7%	1,020,791	3.5%	905,905	-11.3%
<i>Op Income as a % of Revenue</i>	<i>3.4%</i>	<i>10.2%</i>		<i>11.8%</i>		<i>9.9%</i>		<i>10.1%</i>		<i>9.0%</i>	
Income Taxes	125,712	282,124	124.4%	330,742	17.2%	287,767	-13.0%	307,973	7.0%	273,583	-11.2%
Net Income	169,387	704,324	315.8%	825,700	17.2%	698,749	-15.4%	712,818	2.0%	632,322	-11.3%
<i>Net Income as a % of Revenue</i>	<i>2.0%</i>	<i>7.3%</i>		<i>8.5%</i>		<i>7.0%</i>		<i>7.1%</i>		<i>6.3%</i>	



** 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

	2017	2018	2019	2020	% Δ	2021	% Δ	2022	% Δ
	Actuals					Forecasted			
Cost of Operations									
Labor	1,769,334	1,902,649	1,941,454	1,989,990	2.5%	2,039,740	2.5%	2,090,734	2.5%
Repairs and Maintenance	285,401	294,460	296,958	305,867	3.0%	315,043	3.0%	324,494	3.0%
Vehicle Operating Costs	276,474	305,601	233,515	240,520	3.0%	247,736	3.0%	255,168	3.0%
Facility	157,173	144,628	27,479	27,754	1.0%	28,031	1.0%	28,312	1.0%
Insurance	131,626	144,693	135,634	138,347	2.0%	141,114	2.0%	143,936	2.0%
Disposal & Recycle	3,833,787	3,953,620	4,297,232	4,404,663	2.5%	4,404,663	0.0%	4,404,663	0.0%
Franchise Fees	193,502	206,266	227,434	227,434	0.0%	227,434	0.0%	227,434	0.0%
Other Operating Costs	48,389	180,672	177,182	182,497	3.0%	187,972	3.0%	193,612	3.0%
Depreciation	544,142	511,054	440,923	454,151	3.0%	467,775	3.0%	481,808	3.0%
Cost of Operations	7,239,828	7,643,643	7,777,811	7,971,223	2.5%	8,059,508	1.1%	8,150,160	1.1%
Sales, General and Administrative									
Salaries	562,511	509,789	285,027	351,533	23.3%	360,322	2.5%	369,330	2.5%
Rent and Office Expense	82,438	79,501	83,169	85,664	3.0%	88,234	3.0%	90,881	3.0%
Travel and Entertainment	21,648	11,124	11,648	11,997	3.0%	12,357	3.0%	12,728	3.0%
Professional Fees	5,416	7,664	11,231	11,568	3.0%	11,915	3.0%	12,272	3.0%
Bad Debt Expense	11,074	5,945	7,212	7,212	0.0%	7,212	0.0%	7,212	0.0%
Management Services	261,561	347,823	345,656	354,297	2.5%	363,155	2.5%	372,234	2.5%
Other Expenses	94,764	101,741	87,084	89,697	3.0%	92,387	3.0%	95,159	3.0%
Sales, General, and Administrative	1,039,412	1,063,587	831,027	911,969	9.7%	935,582	2.6%	959,816	2.6%

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.

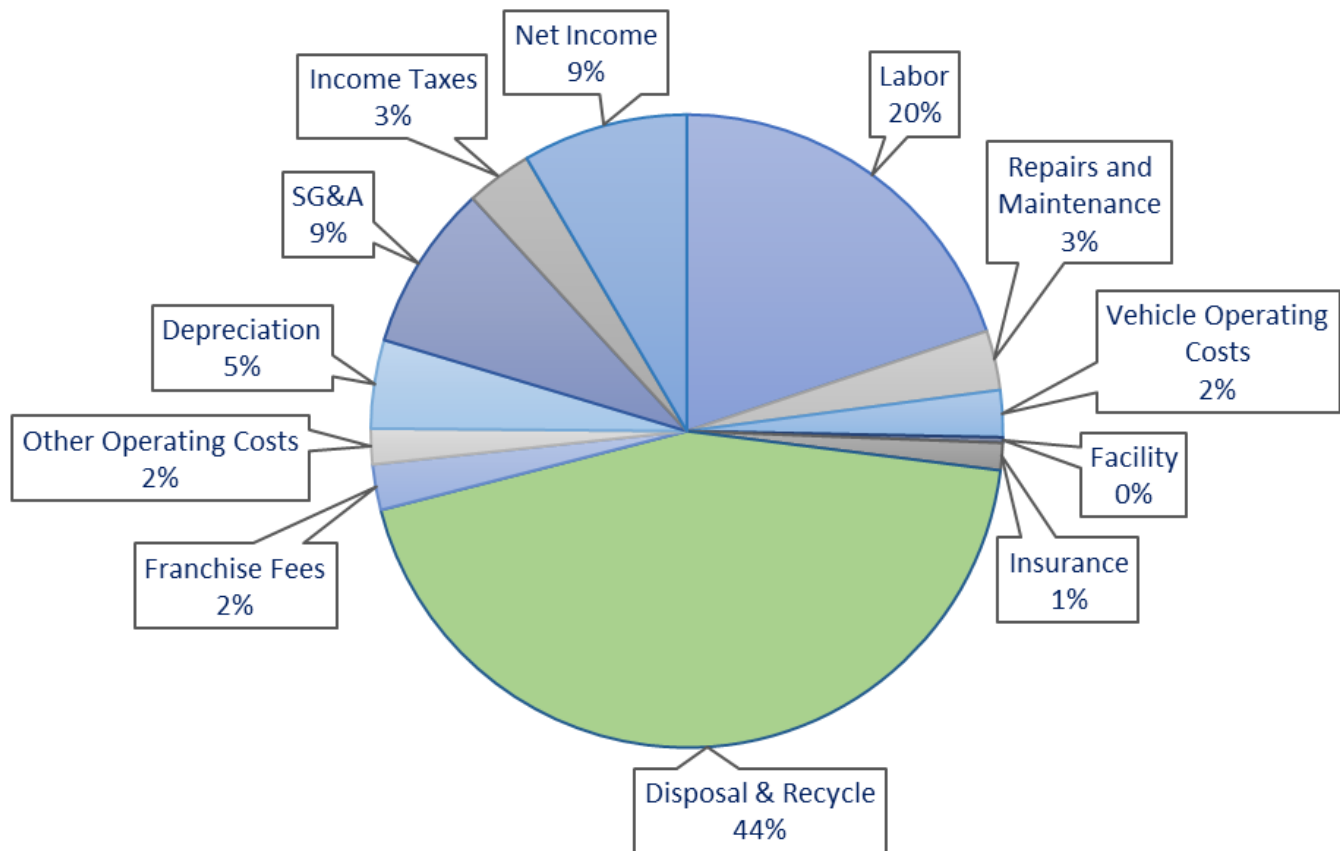
* Some DCR expense classifications have changed in our 2019 reporting , consequently some 2019 expense line items may not align precisely with how expenses were previously reported.

* 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)



35 Gallon Monthly Breakdown



Category	Amounts
Disposal & Recycle	\$ 10.91
Labor	\$ 6.28
SG&A	\$ 2.36
Net Income	\$ 1.60
Depreciation	\$ 1.45
Income Taxes	\$ 1.44
Repairs and Maintenance	\$ 0.93
Vehicle Operating Costs	\$ 0.65
Franchise Fees	\$ 0.53
Other Operating Costs	\$ 0.37
Insurance	\$ 0.30
Facility	\$ 0.17
Total:	\$ 27.00

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

	Clackamas Co. Urban	Clackamas Co. Rural	Wilsonville	Lake Oswego	Current	Proposed	\$ 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	30.06	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	-	49.27	-	-	-
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
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



Service

Services Available in Tualatin

Residential Collection Service

- Weekly, monthly and on-call curbside garbage cart service
- Curbside recycling cart services
- Multi-family recycling, trash and yard debris (yard debris is an extra cost and not included)
- 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
- Drop boxes for demolition and other extra large projects
- Recycling services tailored to specific business needs
- 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
- 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



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.

Republic Services of Clackamas and Washington Counties

10295 SW Ridder Road
Wilsonville, OR 97070

503.981.1278 • republicservices.com



Assembled by Travis Comfort, Municipal Contract Administrator



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