

City of Wilsonville Solid Waste and Recycling Rate Memo for City Council

The following memo addresses the direction from City Council regarding the development of an alternative rate schedule to provide Republic Services an operating margin of 10% on the estimated 2025 collection expenses.

Rate Objectives

1. Adjust rates to return a composite return of 10%
 - a. Set the rate of return to 10% for drop box / roll off compactor service.
 - b. Commercial container rates will not be changed as the estimated rate of return exceeds 12% - revenue generated over 10% will buy down cart service rates.
 - c. Utilize the excess income generated from commercial services to offset a portion of the collection costs for customers with a rollcart, which are primarily residential.
 - i. Provide two rate scenarios for residential customers with a 20-gallon roll cart.

Drop Box / Roll Off Compactor Service

The revenue shortfall for drop box/roll-off compactor service is \$104,500. This is the additional amount the hauling rates need to generate to return a 10% margin on hauling. The cost of disposal is not included in the service fee calculation, as it is a pass-through expense that varies with each haul. In addition, all waste and recycling delivered to WRI includes a margin embedded in the tipping fee charged by Republic Services.

Republic reported 5,910 drop box / compactor hauls in Wilsonville in 2024. Dividing the revenue shortfall by the hauls, the average increase is \$17.68 (\$104,500 / 5,910 hauls). Haul times vary between drop box and compactors. Compactor services require approximately 20 more minutes; therefore, the \$17.68 average cost per haul was adjusted to account for the time difference. The proposed increases are approximately \$16.00 for drop box service and approximately \$24 for roll off compactors. Table 1 details the cost and service calculations based on the average haul time for each service.

Table 1: Proposed Rate Increase for Drop Box / Roll Off Compactor Service

Service	Current Rate	Rate Increase	Proposed Rate 1	Percentage Increase
10-29 yard drop box	\$134.41	\$15.59	\$150.00	11.60%
30 yard drop box	\$150.82	\$16.18	\$167.00	10.73%
40 yard drop box	\$170.32	\$15.68	\$186.00	9.21%
10-19 yard compactor	\$134.41	\$23.59	\$158.00	17.55%
20-29 yard compactor	\$150.82	\$24.18	\$175.00	16.03%
30-39 yard compactor	\$209.30	\$23.70	\$233.00	11.32%
40+ yard compactor	\$278.05	\$23.95	\$302.00	8.61%

All other ancillary drop box rates would be increased by the CPI.

Note 1: Fees are rounded to the nearest dollar.

Commercial Subsidy

Revenue generated in excess of the 2025 estimated expenses is \$109,937, less the mid-year disposal increase of \$57,586. Therefore, the buy-down from commercial collection to cart collection is **\$52,351** (\$109,937 - \$57,586).

Roll Cart Service

Table 2 compares current rates in Wilsonville with those in neighboring Clackamas jurisdictions to provide the City Council with a barometer of the amounts its constituents pay. Table 2 is sorted from the lowest rate to the highest rate for the 20-gallon cart.

Table 2: Residential Collection Rates Within Clackamas County

Jurisdiction	20 gal	35 gal	65 gal
Wilsonville	\$23.20	\$31.45	\$40.90
Oregon City	\$28.74	\$37.66	\$52.78
Canby	\$28.83	\$34.34	\$54.97
Lake Oswego	\$29.20	\$39.54	\$58.90
Gladstone	\$30.02	\$37.03	\$50.34
West Linn	\$31.64	\$37.70	\$60.38
Clackamas Urban	\$33.45	\$39.05	\$51.25
Happy Valley	\$33.45	\$39.05	\$51.25
Milwaukie	\$34.72	\$40.43	\$52.72

Wilsonville has the lowest residential collection rates within the region. Table 3 is the residential customer count by cart volume.

Table 3: Wilsonville Residential Customers by Cart Volume

Cart Volume	20 gal	35 gal	65 gal	Total
Customers	736	2,875	2,095	5,706
Customer %	13%	50%	37%	

Note: Table 3 doesn't include commercial customers that have a roll cart for service.

The increase for cart collection services is comprised of two costs: collection and disposal. The collection cost is calculated in Table 4.

Table 4: Roll Cart Collection Increase

Description	Amount	Note / Calculation
Collection Costs	\$ 2,230,151	Estimated 2025 Collection Costs
Op Margin (10%) + Fran. Fees (5%)	\$ 393,556	Costs x (15%/(1- 15%))
Total Revenue Requirement	\$ 2,623,707	Collection Cost + Margin + Fran. Fees
2025 Revenue	\$ 2,477,138	2025 Cart Revenue
Rate Increase	\$ 146,569	Revenue Requirement – 2025 Revenue
Commercial Buy Down	\$ (52,351)	Commercial Revenue over 10%
Collection Increase	\$ 94,218	Rate Increase – Commercial Buy Down
Cost per Customer	\$1.38	Increase /12 months / 5,706 customers

Waste disposal increased from \$145.93 per ton to \$158.35, an increase of \$12.42 per ton or 8.5%. Table 5 applies the increased disposal cost to the three sizes of residential carts.

Table 5: Application of the Disposal Fee Increase to Residential Cart Service

Cart Collection Service	20 gal	35 gal	65 gal
Weekly Set Out Weight in Pounds	14.00	22.40	43.50
SW Disposal Increase	\$0.38	\$0.60	\$1.17
Op Margin (10%) & Fran. Fee (5%)	\$0.07	\$0.11	\$0.21
Total Disposal Increase	\$0.45	\$0.71	\$1.38

Table 6 combines the increased collection cost with the disposal cost to calculate the residential rate increase.

Table 6: Cost of Service Residential Rate Increase

Description	20 gal	35 gal	65 gal
Current Rate	\$23.20	\$31.45	\$40.90
Disposal	\$0.45	\$0.71	\$1.38
Collection Increase	\$1.38	\$1.38	\$1.38
Total Increase	\$1.83	\$2.09	\$2.76
Proposed Rate	\$25.03	\$33.54	\$43.66
% ▲	7.9%	6.6%	6.7%
Rate Spread	75%		130%

A second option for residential rates is to maintain a 30% spread between cart sizes; therefore, the base rate would be the 35-gallon cart, and the spread would be 30%. The total required increase for residential cart service is \$152,011. Table 7 applies the necessary increase to residential customers to achieve a 30% rate variance across the carts offered for residential service.

Table 7: Residential Rates with a 30% Rate Spread

Description	20 gal	35 gal	65 gal
Current Rate	\$23.20	\$31.45	\$40.90
Increase	\$0.32	\$2.15	\$3.33
Proposed Rate	\$23.52	\$33.60	\$44.23
% ▲	1.4%	6.8%	8.1%
Rate Spread to 35-gallon cart	70%		132%

The risk of this rate method is that the profitability burden is placed on customers with larger carts. Approximately 87% of customers are being assessed a higher fee to provide a price break for 13% of customers in the smaller cart. If a sizeable number of customers migrate to the 20-gallon cart, the rate subsidy will continue to increase.

Recommendation

The average weight of a 20-gallon cart is 14 pounds per set out; whereas, the average weight of a 35-gallon cart is 23 pounds, and 44 pounds for a 65-gallon cart. The garbage volume is the only difference between the service provided to residents, as recycling and yard debris are the same for all customers.

The difference in garbage disposal cost between the 20-gallon cart and the 35-gallon cart is only \$3.36 per month. However, the difference in the proposed rate in Table 6 between a 20-gallon cart and a 35-gallon cart is \$8.51.

Even with the proposed increase in Table 6, Wilsonville has the lowest residential rates in Clackamas County.

Applying the increased service cost to the respective cart sizes in Table 6 maintains a wide spread between the cart sizes without overburdening customers in the larger cart sizes.

Revenue Reconciliation

Table 8 calculates the increase necessary for drop box/ roll off compactor service to increase the margin from 2.46% to 10%

Table 8: Drop Box / Roll Off Compactor Revenue Reconciliation

Description	2025 Estimate	Increase	Change	Notes
Revenue	\$3,279,396	\$104,500	\$3,383,896	Increase haul revenue
Allowable Costs	\$1,215,432	\$0	\$1,215,432	Allowable Costs unchanged
Disposal	\$2,033,271	\$0	\$2,033,271	Unchanged Pass Through
Total Costs	\$3,248,703	\$0	\$3,248,703	Allowable Costs + Disposal
Income	\$30,693		\$135,193	Revenue - Total Costs
Return	2.46%		10.01%	Income / (Revenue - Disposal)

Table 9 calculates the impact of the increased revenues from Table 4 and Table 8.

Table 9: Return Impact on Rate Increases from Cart and Drop Box Service

	Cart	Container	Roll Off	Composite
Revenue	2,477,138	3,153,149	3,279,396	8,909,683
Disposal / Processing	869,643	1,157,496	2,033,271	4,060,410
Collection Costs	1,183,504	1,175,350	899,386	3,258,240
Indirect Costs	221,179	251,273	152,404	624,856
Franchise Fees	121,702	155,408	163,970	441,080
Less Unallowable Costs	-441	-622	-328	-1,391
Total Costs	2,395,587	2,738,905	3,248,703	8,383,195
Franchise Income	81,551	414,244	30,693	526,488
Return on Revenue	3.29%	13.14%	2.46%	7.66%
Revenue Increase	146,569	-52,351	104,500	198,718
Net Revenue Increase	94,218		104,500	198,718
Total Revenue	2,571,356	3,153,149	3,383,896	9,108,401
Income	175,769	414,244	135,193	725,206
ROR	6.8%	13.1%	10.0%	10.3%