



## City of Wilsonville

### Solid Waste Collection Rate Report

Bell & Associates / October 2022





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NOTE: Contents of this final Solid Waste Collection Rate Report, October 2022, is the same as the draft Solid Waste Collection Rate Report, September 2022 – Revised.

## 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 2022, solid waste franchisee Republic Services (Republic) submitted its annual detailed cost reports to the City for the calendar year 2021.

## 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 2021

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

**Table 1: Adjusted 2021 Wilsonville Results**

Description	Roll Cart	Container	Drop Box	Composite
Revenues	2,156,407	2,953,382	2,872,111	7,981,900
Allowable Costs for Rates	1,863,959	2,483,278	2,377,760	6,724,997
Franchise Income	292,448	470,104	494,351	1,256,903
<b>Margin (Income / Revenue)</b>	13.6%	15.9%	17.2%	<b>15.8%</b>

## Projected Results for 2022

Specific line item expenses from the adjusted 2021 report were escalated to project the results for 2022 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 2022 projection include:

- January 1, 2022, rate decrease for cart, container, and drop box service.
- Processing costs for collected commingled have increased due to reduced values from the recovered materials.
- Driver wage increase is calculated on the hourly wage increase from the Teamster's contract, which increased from \$29.14 to \$29.99 for most drivers. The impact is an increase of 2.9%. Health insurance for union employees increased by 3.3% in 2022.
- Administrative labor costs are projected to increase by 5.0%
- Inflation increased by 6.58% from 2021 to August 2022.
- Republic's front-line collection trucks use natural gas, while the older trucks use diesel. The blended increase in fuel is 10% for the current year.
- The disposal fee increased in January 2022 due to contractual increases. Additionally, Metro assessed Regional System Fee (RSF) increased by \$2.72 per ton on July 1, 2022. Therefore, the total increase for disposal is calculated at 9.0% for 2022.

Expense	Change
Cart Revenue	-2.70%
Container Revenue	-4.70%
Drop Box Haul Fees	-7.50%
Recycling Processing	52.00%
Driver Wage	2.90%
Administrative Costs	5.00%
Inflation	6.58%
Fuel	10.00%
Solid Waste Disposal	9.00%

## Projected 2022 Expenses

The estimated increases noted above were applied to the 2021 expenses and summarized in Table 3.

**Table 3: Projected 2022 Financial Performance for Wilsonville**

Description	Roll Cart	Container	Drop Box	Composite
Revenues	2,099,199	2,814,099	2,941,741	7,855,039
Allowable Costs for Rates	1,966,248	2,602,150	2,517,723	7,086,121
Franchise Income	132,951	211,949	424,018	768,918
Margin (Income / Revenue)	6.3%	7.5%	14.4%	<b>9.8%</b>

## Rate Recommendation

The current rates, combined with the expected changes previously detailed, are expected to generate a rate of return within the 8% to 12% operating range; therefore, no change is recommended to the current collection rates.

Attachment A – Adjusted 2021 Results

**Adjusted**  
**Return on Revenues**  
**City of Wilsonville January 1 to December 31, 2021**

	Residential Service			Commercial Service			Drop Box	Grand Totals
	Solid Waste	Recycling	Yard Debris	Solid Waste	Recycling			
<b>Collection &amp; Service Revenues</b>	<b>2,156,407</b>	<b>0</b>	<b>0</b>	<b>2,953,382</b>	<b>0</b>	<b>2,872,111</b>	<b>7,981,900</b>	
<b>Direct Costs of Operations</b>	<b>877,783</b>	<b>378,092</b>	<b>314,881</b>	<b>1,667,944</b>	<b>413,768</b>	<b>2,278,156</b>	<b>5,930,624</b>	
Disposal Expense	494,130	39,125	160,742	950,976	64,653	1,553,651	3,263,277	
Labor Expense	176,777	227,534	103,467	308,969	208,558	331,600	1,356,905	
Truck Expense	72,279	93,034	42,306	126,330	85,274	135,584	554,807	
Equipment Expense	2,247	2,892	1,315	63,150	41,069	54,456	165,129	
Franchise Fees	107,560	0	0	180,067	0	172,797	460,424	
Other Direct Expense	24,790	15,507	7,051	38,452	14,214	30,068	130,082	
<b>Indirect Costs of Operations</b>	<b>293,526</b>			<b>402,009</b>		<b>99,708</b>	<b>795,243</b>	
Management Expense	35,583			48,734		12,093	96,410	
Administrative Expense	29,424			40,300		10,000	79,724	
Other Overhead Expenses	228,519			312,975		77,615	619,109	
<b>Total Cost</b>	<b>1,864,282</b>			<b>2,483,721</b>		<b>2,377,864</b>	<b>6,725,867</b>	
<b>Less Unallowable Costs</b>	<b>323</b>			<b>443</b>		<b>104</b>	<b>870</b>	
<b>Allowable Costs</b>	<b>1,863,959</b>			<b>2,483,278</b>		<b>2,377,760</b>	<b>6,724,997</b>	
<b>Franchise Income</b>	<b>292,448</b>			<b>470,104</b>		<b>494,351</b>	<b>1,256,903</b>	
<b>Carts/ Yards/ Drop Box Pulls</b>	<b>5,754</b>		<b>4,223</b>	<b>140,192</b>	<b>128,180</b>	<b>5,826</b>		
<b>Revenues</b>	<b>2,156,407</b>			<b>2,953,382</b>		<b>2,872,111</b>	<b>7,981,900</b>	
<b>Direct Costs of Operations</b>	<b>1,570,756</b>	<b>73%</b>		<b>2,081,712</b>	<b>70%</b>	<b>2,278,156</b>	<b>5,930,624</b>	
<b>Indirect Costs of Operations</b>	<b>293,526</b>	<b>14%</b>		<b>402,009</b>	<b>14%</b>	<b>99,708</b>	<b>795,243</b>	
<b>Total Cost</b>	<b>1,864,282</b>			<b>2,483,721</b>		<b>2,377,864</b>	<b>6,725,867</b>	
<b>Less Unallowable Costs</b>	<b>323</b>	<b>0%</b>		<b>443</b>	<b>0%</b>	<b>104</b>	<b>870</b>	
<b>Allowable Costs</b>	<b>1,863,959</b>			<b>2,483,278</b>		<b>2,377,760</b>	<b>6,724,997</b>	
<b>Franchise Income</b>	<b>292,448</b>			<b>470,104</b>		<b>494,351</b>	<b>1,256,903</b>	
<b>Return on revenues</b>	<b>13.56%</b>			<b>15.92%</b>		<b>17.21%</b>	<b>15.75%</b>	

Attachment B – Projected 2022

**Projected 2022 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						
<b>Collection &amp; Service Revenues</b>	<b>2,099,199</b>	-2.7%	<b>0</b>	<b>0</b>	<b>2,814,099</b>	-4.7%	<b>0</b>	<b>2,941,741</b>	2.4%	<b>7,855,039</b>			
<b>Surcharge Overage</b>													
<b>Direct Costs of Operations</b>	<b>928,648</b>		<b>410,012</b>	<b>325,772</b>	<b>1,730,101</b>		<b>458,688</b>	<b>2,415,192</b>		<b>6,268,413</b>			
Disposal / Processing Expense	538,602	9.0%	59,470	52.0%	166,368	3.5%	1,036,564	9.0%	98,273	52.0%	1,696,223	9.2%	3,595,500
Labor Expense	182,242	3.1%	234,568	3.1%	106,666	3.1%	318,518	3.1%	215,005	3.1%	341,850	3.1%	1,398,849
Truck Expense	75,604	4.6%	97,313	4.6%	44,252	4.6%	132,140	4.6%	89,196	4.6%	141,820	4.6%	580,325
Equipment Expense	2,247	0.0%	2,892	0.0%	1,315	0.0%	64,216	1.7%	41,760	1.7%	57,762	6.1%	170,192
Franchise Fees	104,960	-2.4%	0		0		139,855	-22.3%	0		147,087	-14.9%	391,902
Other Direct Expense	24,993	0.8%	15,769	1.7%	7,171	1.7%	38,808	0.9%	14,454	1.7%	30,450	1.3%	131,645
<b>Indirect Costs of Operations</b>	<b>302,139</b>	14%			<b>413,804</b>	15%		<b>102,635</b>	3%		<b>818,578</b>		
Management Expense	35,583	0.0%			48,734	0.0%		12,093	0.0%		96,410		
Administrative Expense	30,898	5.0%			42,319	5.0%		10,502	5.0%		83,719		
Other Overhead Expenses	235,658	3.1%			322,751	3.1%		80,040	3.1%		638,449		
<b>Less Unallowable Costs</b>	<b>323</b>				<b>443</b>			<b>104</b>			<b>870</b>		
<b>Revenues</b>	<b>2,099,199</b>				<b>2,814,099</b>			<b>2,941,741</b>			<b>7,855,039</b>		
		% ▲ from prior year				% ▲ from prior year							
<b>Direct Costs of Operations</b>	1,664,432	6.0%			2,188,789	5.1%		2,415,192			6,268,413		
<b>Indirect Costs of Operations</b>	302,139	2.9%			413,804	2.9%		102,635			818,578		
<b>Total Cost</b>	<b>1,966,571</b>	<b>5.5%</b>			<b>2,602,593</b>	<b>4.8%</b>		<b>2,517,827</b>			<b>7,086,991</b>		
<b>Less Unallowable Costs</b>	<b>323</b>				<b>443</b>			<b>104</b>			<b>870</b>		
<b>Allowable Costs</b>	<b>1,966,248</b>				<b>2,602,150</b>			<b>2,517,723</b>			<b>7,086,121</b>		
<b>Franchise Income</b>	<b>132,951</b>				<b>211,949</b>			<b>424,018</b>			<b>768,918</b>		
<b>Projected Return on Revenues</b>	<b>6.33%</b>				<b>7.53%</b>			<b>14.41%</b>			<b>9.79%</b>		
<b>2021 Return on Revenues</b>	<b>13.56%</b>				<b>15.92%</b>			<b>17.21%</b>			<b>15.75%</b>		