



City of Wilsonville



Solid Waste Collection Rate Report

Bell & Associates / October 2023

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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. Republic Services (Republic) submitted the annual detailed cost report to their franchised jurisdictions, including Wilsonville.

Annual Cost Report

Waste and recycling collection within Wilsonville is accomplished under an exclusive franchise agreement between Republic and the City. An annual cost report is submitted to City managers by Republic to account for the adequacy of the collection rates. Collection rates are established to generate an operating margin of 10% on allowable expenses; however, rates are recalibrated by the City if the margin falls below 8% or above 12%. The annual report provides line-item costs and revenues associated with providing service within the City and financial information for their non-Wilsonville operations. The format of the report furnishes 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 by Bell & Associates, 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 compared to the operational data entered from the detailed cost report.
- f. Review the costs between Wilsonville and Republic's other franchised collection operations to determine reasonable allocations.
- g. Compare reported revenues and expenses to previous years' reviewed results.

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 2022

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

Table 1: Adjusted 2022 Wilsonville Results

Description	Roll Cart	Container	Drop Box	Composite
Revenues	2,121,950	2,941,637	3,139,850	8,203,437
Allowable Costs for Rates	1,991,411	2,550,121	2,842,719	7,384,251
Franchise Income	130,539	391,516	297,131	819,186
Margin (Income / Revenue)	6.2%	13.3%	9.5%	10.0%

Projected Results for 2023 and 2024

Specific line item expenses from the adjusted 2022 report were escalated to project the results for 2023-24 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.

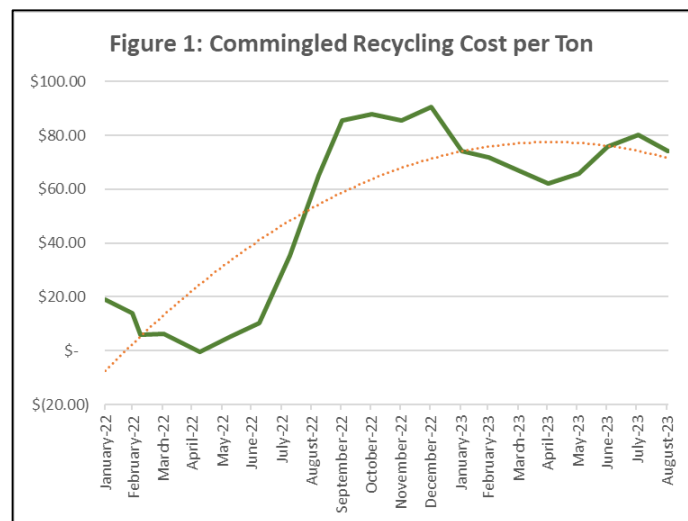
The assumptions used for the 2023 projection include:

- Two unions represent Republic drivers. The Clackamas County Sanitary Driver's Association, affiliated with Teamsters Local 305, represents drivers from the legacy company Rossman Sanitary, the collection company for Lake Oswego. The Teamsters also represent Keller Drop Box. Keller's contract doesn't expire until December 2023. The new contract between Republic and the drivers represented under the Keller legacy company is expected to be comparable to the agreement signed earlier this year. Hourly wages are expected to increase by 6.9% over the wages reported in 2022.
- The value of the collected materials offsets the cost of sorting and marketing the recycling. When the value of the collected materials is higher than the cost of sorting, the haulers receive payment for recycling. If the value of the materials is less than sorting, the haulers pay for recycling. Starting in August 2022, the decrease in the value of cardboard increased the amount that Republic was paying for collected recycling. Republic reported that the 2022 average cost of recycling was \$34.95 per ton. The estimated change included in the January 1, 2023 rates was an increase of 52% over the amount paid in 2022, which was \$53.12. The current market outlook is for the cost of processing recycling to increase to approximately \$74 per ton, an additional increase of 38% this year. Figure 1 charts the monthly cost of processing commingled recycling.

Expense	Change
Union Driver Wages	6.90%
Recycling Processing	27.1%
Waste Disposal	8.92%
Health Insurance	6.90%
Inflation	3.37%
Yard Debris Disposal	3.37%

Cardboard and mixed paper are the majority (approximately 73% by weight) of the material that comprises the commingled mix, followed by plastic and metal cans. Therefore, the value of commingled recycling is sensitive to changes in the demand for recycled paper. Over the last eight

months, the value of cardboard has increased from \$12.50 to \$38 per ton, while mixed paper has increased from -\$1.50 per ton to \$12.50 per ton. However, the value of recycled plastic has decreased since this summer as the cost of virgin plastic has diminished. The demand for recycled plastic has decreased as manufacturers choose virgin resin because of the lower price compared to recycled plastic flake. Figure 1 plots the average cost per commingled ton (green line) from January 22 through August 23, whereas the dotted line is the polynomial trend line of the cost.



- Inflation increased by 3.37% during the first eight months of 2023. Management and administrative labor costs are projected to grow at the inflation rate.
- The disposal fee for Republic will increase on January 1 due to contractual increases. Additionally, fees and taxes assessed by Metro increased by \$3.50 per ton on July 1, 2023. Metro assesses a per ton fee on every ton of waste generated and delivered to a licensed disposal facility within the Metro region. The total increase for disposal is calculated at 8.92% for 2023.
- Yard debris expense was increased by the rate of inflation, which is 3.37%.

Projected 2023 Expenses

The estimated increases noted above were applied to the 2022 expenses and summarized in Table 3 for all operations. Table 4 is the summarized impact of each collection service.

Table 3: Projected 2023 Financial Performance for Wilsonville

Revenue / Expense Description	Adjusted	Projected	\$ ▲	% ▲
Collection Revenue	\$8,203,437	\$8,363,322	\$159,885	1.9%
SW and Yard Debris Disposal	\$3,793,095	\$4,099,974	\$306,879	8.1%
Recycling Processing	\$228,932	\$290,908	\$61,976	27.1%
Labor Expenses	\$1,349,703	\$1,442,235	\$92,532	6.9%
Truck, Fuel, and Repair	\$683,800	\$694,894	\$11,094	1.6%
Equipment and Containers	\$138,295	\$147,097	\$8,802	6.4%
Franchise Fees	\$410,173	\$418,166	\$7,993	1.9%
Other Direct Expense	\$143,971	\$144,321	\$350	0.2%
Management & Administration	\$637,327	\$647,632	\$10,305	1.6%
Less: Unallowable Costs	\$(1,045)	\$(1,045)	\$-	0.0%
Total	\$7,384,251	\$7,884,182	\$499,931	6.8%
Franchise Income	\$819,186	\$479,140	\$340,046	41.5%
Margin	10.0%	5.7%		-4.3%

Table 4: Estimated 2023 Financial Results for Collection Services in Wilsonville

Description	Roll Cart	Container	Drop Box	Composite
Revenues	2,121,950	2,941,637	3,299,735	8,363,322
Allowable Costs for Rates	2,106,344	2,740,315	3,037,523	7,884,182
Franchise Income	15,606	201,322	262,212	479,140
Return on Revenues	0.74%	6.84%	7.95%	5.73%

Rate Recommendation

Residents are the primary customers with a roll cart for waste, recycling, and yard debris collection services. Table 5 summarizes the proposed increases for residential service for the most popular sizes of garbage carts chosen in Wilsonville.

Table 5: Proposed Rate Increase for Residential Collection Service

Garbage Cart Volume	20 gallon	35 gallon	65 gallon
Waste Disposal Increase	\$0.47	\$0.74	\$1.45
Commingled Recycling	\$0.73	\$0.73	\$0.73
Collection Increase	\$0.40	\$0.75	\$0.75
Total Increase	\$1.60	\$2.22	\$2.93
Margin & Franchise Fee	\$0.28	\$0.39	\$0.52
Subtotal	\$1.88	\$2.61	\$3.45
Current Rate	\$21.32	\$27.95	\$36.30
Increase	\$1.88	\$2.60	\$3.45
Proposed Rate	\$23.20	\$30.55	\$39.75
% Increase	8.8%	9.3%	9.5%

Commercial collection requires an increase in disposal and recycling only. Table 6 summarizes the increase for some of the most popular service levels in Wilsonville.

Table 6: Proposed Rate Increases for Commercial Container Service

	Cost per Yd.	2 yd. weekly	4 yd. weekly	6 yd. weekly	8 yd. weekly
Current Rate		\$186.79	\$337.05	\$470.53	\$623.89
Disposal	\$0.82	\$7.10	\$14.20	\$21.30	\$28.40
Recycling	\$0.40	\$3.46	\$6.93	\$10.39	\$13.86
Subtotal	\$1.22	\$10.56	\$21.13	\$31.69	\$42.26
Margin & FF	\$0.22	\$1.86	\$3.73	\$5.59	\$7.46
Total Increase	\$1.44	\$12.42	\$24.86	\$37.28	\$49.72
Proposed Rates		\$199.26	\$361.99	\$507.94	\$673.77
% Increase		6.7%	7.4%	8.0%	8.0%

Drop Box and Roll Off Compactor Service

Drop box and roll off compactor rates used primarily by industrial firms are established on the average time expended hauling the drop box or compactor. The increased collection cost for service is calculated at \$42,805. Table 7 details the rate calculation and the increase to the 30 yard drop box haul rate.

Table 7: Proposed Rate Increase for Drop Box / Roll Off Compactor

Description	Adjusted	Projected
Collection Cost	\$884,600	\$927,405
Increased Collection Cost		\$42,805
Annual Hauls	6,241	6,241
Increased Cost per Haul		\$6.86
Proposed Increase to the Haul Rates		\$7.00
30 Yard Haul Fee	\$140.00	\$147.00

Drop Box Distance Fee

The current and proposed fees for drop box service were set assuming a local haul with most of the waste collected in Wilsonville is disposed of at Willamette Resources on Ridder Road. The drive time exceeds the allotted time embedded in the haul fee when the collected waste material requires disposal at distant locations, such as Coffin Butte Landfill near Corvallis or the Hillsboro Landfill. Therefore, many local jurisdictions, such as Clackamas County, have a mileage charge to supplement the haul fee. For 2024, the proposed mileage fee for Wilsonville is **\$4.70**. The fee would be assessed for drop box / compactor hauls exceeding 18 miles roundtrip from Republic's truck yard at 10295 SW Ridder Road in Wilsonville.

Rate Impact on Composite Margin

The revenue increase required to reach a 10% margin on allowable cost is \$420,266; therefore, the combined rate adjustments in Tables 5 through 7 need to generate the total increase.

Table 8: Calculation of the Revenue Requirement

Description	Note	Amount
Allowable Expenses (Table 4)	A	\$ 7,884,182
Less Franchise Fees	B	\$ (418,166)
Allowable Expenses Net of Franchise Fees	C = A - B	\$ 7,466,016
Revenue Requirement (Allowable Costs w/ Margin & Franchise Fees) ¹	D = C / 85%	\$ 8,783,548
2023 Revenue (Table 4)	E	\$ 8,363,322
Revenue Increase	F = D - E	\$ 420,226
Percentage Increase for 2024	F / D	5.0%

Note 1: Revenue requirement is the allowable cost divided by the product of 1 – 10% margin and 5% franchise fee.

The following tables calculate the expected increases in revenue from the proposed rate adjustments.

Table 9: Expected Revenue from the Cart Collection Rate Increase

Cart Collection Service	20 gal	35 gal	65 gal	95 gal	Total
Customer Cart Count	777	2,952	2,021	90	
Increase	\$1.88	\$2.60	\$3.45	\$4.25	
Revenue Increase	\$17,529	\$92,102	\$83,669	\$4,590	\$197,890

Table 10: Expected Revenue from the Commercial Container Collection Rate Increase

Description	Amount
Total Increase per Yard (Table 6)	\$1.44
Annual Collected Commercial Waste Yards	221,489
Annual Revenue (Increase per Yard x Annual Collected Yards)	\$318,944

Table 11: Expected Revenue from the Drop Box Rate Increase

Description	Amount
Total Increase per Haul	\$7.00
Annual Hauls	6,241
Annual Revenue (Increase per Haul x Annual Hauls)	\$43,687

Table 12 combines the expected revenue generated from Tables 9 through 11 and compares it to the required revenue increase (\$420,226) in Table 8.

Table 12: Total Estimated Revenue Increase for 2024

Cart Revenue Increase (Table 9)	\$ 197,890
Container Revenue (Table 10)	\$ 318,944
R/O Revenue (Table 11)	\$ 43,687
Total Increase	\$ 560,521
Variance	\$ 140,295

The \$140,295 variance is the increase required to compensate for the Metro disposal fee and tax increase that will occur in July 2024. The estimated increase is 3.5% of the \$3,931,922 waste disposal expense.

Wilsonville Customer Information

Description	Amount
Single Family Customers	5,542
20 Gal. Can	777
35 Gal Cart	2,816
65 Gal. Cart	1,949
95 Gal Cart	none
Monthly Customers	17
On-Call Customers	24
Multi-Family Customers	
20 gallon	
35 Gal Cart	2
65 Gal. Cart	5
95 Gal Cart	4
Commercial Customers	
35 Gal Cart	12
65 Gal. Cart	27
95 Gal Cart	72
Annual Extra Bags Collected	2,707
Yard Debris Extras Collected	659
Tons of Refuse	3,588
Cart Recycling Customers	5,705
Yard Debris Customers	4,342
Commercial Container Customers	324
Weekly Collected Yards of Garbage	2,797
Annual Collected Tons of Refuse	6,883
Weekly Collected Yards of Recycling	3,153
Drop Box Hauls	5,107
Compactor Hauls	1,130
Civic Hauls	4
Collected Drop Box Waste Tons	22,318

Attachment A – Adjusted 2022 Results

**Adjusted
Return on Revenues
City of Wilsonville January 1 to December 31, 2022**

	Residential Service			Commercial Service			Drop Box	Grand Totals					
	Solid Waste	Recycling	Yard Debris	Solid Waste	Recycling								
Collection & Service Revenues	2,121,950			2,941,637			3,139,850	8,203,437					
Direct Costs of Operations	940,034	Montly \$ per Can/Cart	Montly \$ per Can/Cart	326,284	Montly \$ per Can/Cart	1,735,072	Montly \$ per Yard	Montly \$ per Yard	2,674,497	\$ per pull	6,747,969		
Disposal Expense	529,236	7.55	118,027	1.68	162,369	2.44	1,143,371	7.86	110,905	0.76	1,958,119	313.75	4,022,027
Labor Expense	176,158	2.51	249,935	3.57	96,177	1.45	261,067	1.79	259,054	1.78	307,312	49.24	1,349,703
Truck Expense	91,967	1.31	130,485	1.86	50,212	0.76	124,069	0.85	123,112	0.85	163,955	26.27	683,800
Equipment Expense	15,868	0.23	18,813	0.27	10,941	0.16	26,301	0.18	24,825	0.17	41,547	6.66	138,295
Franchise Fees	106,098	1.51	0	-	0	-	147,082	1.01	0	-	156,993	25.16	410,173
Other Direct Expense	20,707	0.30	17,093	0.24	6,585	0.10	33,182	0.23	19,833	0.14	46,571	7.46	143,971
Indirect Costs of Operations	191,037					277,798			168,492		637,327		
Management Expense	32,159	0.46				35,755	0.25		26,537	4.25	26,537	4.25	94,451
Administrative Expense	16,342	0.23				18,169	0.12		13,479	2.16	13,479	2.16	47,990
Other Overhead Expenses	142,536	2.03				223,874	1.54		128,476	20.59	128,476	20.59	494,886
Total Cost	1,991,708					2,550,599			2,842,989		7,385,296		
Less Unallowable Costs	297	-				478			270		1,045		
Allowable Costs	1,991,411					2,550,121			2,842,719		7,384,251		
Franchise Income	130,539					391,516			297,131		819,186		
Carts / Yards / Drop Box Pulls	5,840			5,542		145,496		163,956	6,241				
Revenues	2,121,950					2,941,637			3,139,850		8,203,437		
		% of revenue					% of revenue						
Direct Costs of Operations	1,800,671	85%				2,272,801	77%		2,674,497		6,747,969		
Indirect Costs of Operations	191,037	9%				277,798	9%		168,492		637,327		
Total Cost	1,991,708					2,550,599			2,842,989		7,385,296		
Less Unallowable Costs	297	0%				478	0%		270		1,045		
Allowable Costs	1,991,411					2,550,121			2,842,719		7,384,251		
Franchise Income	130,539					391,516			297,131		819,186		
Return on revenues	6.15%					13.31%			9.46%		10.0%		

Attachment B – Projected 2023

Projected 2023 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						
Collection & Service Revenues	2,121,950	0.0%	0	0	0	2,941,637	0.0%	0	3,299,735	5.1%	8,363,322		
Surcharge Coverage													
Direct Costs of Operations	1,000,754		572,247		339,344	1,857,492		601,248	2,866,510		7,237,595		
Disposal / Processing Expense	576,444	8.9%	136,750	15.9%	168,052	3.5%	1,245,360	8.9%	154,158	39.0%	2,110,118	7.8%	4,390,882
Labor Expense	188,221	6.8%	267,049	6.8%	102,762	6.8%	278,983	6.9%	276,833	6.9%	328,387	6.9%	1,442,235
Truck Expense	93,416	1.6%	132,541	1.6%	51,003	1.6%	126,362	1.8%	125,387	1.8%	166,185	1.4%	694,894
Equipment Expense	15,869	0.0%	18,814	0.0%	10,942	0.0%	26,413	0.4%	24,928	0.4%	50,131	20.7%	147,097
Franchise Fees	106,097	0.0%	0	0	0	0	147,082	0.0%	0	0	164,987	5.1%	418,166
Other Direct Expense	20,707	0.0%	17,093	0.0%	6,585	0.0%	33,292	0.3%	19,942	0.5%	46,702	0.3%	144,321
Indirect Costs of Operations	194,296	9%				282,053	10%		171,283	5%	647,632		
Management Expense	33,297	3.5%				37,021	3.5%		27,477	3.5%	97,795		
Administrative Expense	16,926	3.6%				18,818	3.6%		13,960	3.6%	49,704		
Other Overhead Expenses	144,073	1.1%				226,214	1.0%		129,846	1.1%	500,133		
Less Unallowable Costs	297					478			270		1,045		
Revenues	2,121,950					2,941,637			3,299,735		8,363,322		
		% ▲ from prior year					% ▲ from prior year						
Direct Costs of Operations	1,912,345	6.2%				2,458,740	8.2%		2,866,510		7,237,595		
Indirect Costs of Operations	194,296	1.7%				282,053	1.5%		171,283		647,632		
Total Cost	2,106,641	5.8%				2,740,793	7.5%		3,037,793		7,885,227		
Less Unallowable Costs	297					478			270		1,045		
Allowable Costs	2,106,344					2,740,315			3,037,523		7,884,182		
Franchise Income	15,606					201,322			262,212		479,140		
Projected Return on Revenues	0.74%					6.84%			7.95%		5.73%		
2022 Return on Revenues	6.15%					13.31%			9.46%		10.00%		