



To: Mark Ottenad, Director of Government Affairs, City of Wilsonville
From: Jason Jordan, General Manager, Republic Services
Date: October 3, 2022
Sent via email

Dear Mr. Ottenad:

As you are aware, the rate consultant on contract with the City (Chris Bell) and the Republic Services' Finance Manager (Akimi Murata-Chambers) have been working through the consultant's questions regarding expenses and operations. Mr. Bell, provided the City with a memo detailing his analysis, without fully working through details with Ms. Murata-Chambers. We have understanding that, as a result of this, the rate report has had to be updated several times.

Several of the discrepancies identified by Republic Services have been corrected in the memo Mr. Bell has resubmitted this morning. However, we would like to detail them for the record:

Labor Wages and Health Insurance: In analyzing future anticipated labor costs/health insurance impacts, Mr. Bell initially used information from the wrong Collective Union Bargaining Agreement from Clackamas County. Mr. Bell assumed that Republic Services used the same CBA, which is incorrect. This information was provided for correction after this discrepancy was identified by our company upon the review of the submitted report.

Commodity/Recycling Impacts: The original submitted report stated a forecasted increase of recycling costs for 2022 at only 10%. This was incorrect and was again brought to Mr. Bell's attention after reviewing the report. Republic Services provided details and explanation that our current forecasted increase in recycling costs, mostly based on uncontrollable commodity market pricing impacts, should be around 60%. The response our company received was that Mr. Bell did not understand the information provided so changed the forecasted increase from his original 10% to 52% based on another city's assessment.

Disposal: These assessments made by Mr. Bell appear to be an attempt at regulating what the rates should be at a private transfer station. Mr. Bell, in his attempt at regulating the disposal rate at the private transfer station, omits important facts such as volume is crucial to offset or help maintain costs of operation. As an example, five years ago Willamette Resources Inc. (WRI) received approximately 75,000 tons of MSW. Due to Metro's tonnage allocation methodology, the allotted tonnage was reduced by 7% to approximately 70,000 tons. Therefore, less revenue is allowed from previous years, while fixed costs have remained the same or even increased as the world has experienced inflationary costs due to many factors. There was also an initial discrepancy with Mr. Bell's predictive modeling using outdated cart/container weights. This was found by our company and the request was made to adjust these weights to the latest data. From a contractual standpoint, the definition of Allowable Costs includes the costs of disposal, which we provided to Mr. Bell. The disposal cost at WRI meets all of the parameters



referenced in the introductory paragraph of Article IV Section 2 and the Franchise Agreement does not contemplate a process of making adjustments to a provided disposal rate at a private transfer station through the use of various assumptions.

The points detailed above are not made by our company in an attempt to affect future rates, which the city should be proud are roughly lower than the average of the surrounding cities with comparable services. We believe we have continued to provide high-quality services at a responsible price for the citizens and businesses of Wilsonville. The purpose of this letter is to highlight the complex nature of our industry and that we seek better partnership with the city's hired consultant to ensure the information provided to Council and the community are accurate and properly vetted. Per the terms of the Franchise Agreement, we would ask that the City and Mr. Bell continue to work with us to resolve any discrepancies with respect to our expenses so that we can ensure that the final information provided to the city in the future is accurate and fair.

Sincerely,

Jason Jordan
General Manager
Republic Services

Cc: Brian Cosgrove, City Manager
Amanda Guile-Hinman, City Attorney
Julie Fitzgerald, Mayor
Kristin Akervall, Council President
Charlotte Lehan, City Councilor
Ben West, City Councilor
Dr. Joann Linville, City Councilor