



City of Wilsonville

Solid Waste Collection Rate Report

Bell & Associates / September 2022 - REVISED



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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. 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
Margin (Income / Revenue)	13.6%	15.9%	17.2%	15.8%

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.

Table 2: Line Item Inflation Assumptions 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%	9.8%

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			
Collection & Service Revenues	2,156,407	0	0	2,953,382	0	2,872,111		7,981,900
Direct Costs of Operations	877,783	378,092	314,881	1,667,944	413,768	2,278,156		5,930,624
Disposal Expense	494,130	39,125	160,742	950,976	64,653	1,553,651	266.68	3,263,277
Labor Expense	176,777	227,534	103,467	308,969	208,558	331,600	56.92	1,356,905
Truck Expense	72,279	93,034	42,306	126,330	85,274	135,584	23.27	554,807
Equipment Expense	2,247	2,892	1,315	63,150	41,069	54,456	9.35	165,129
Franchise Fees	107,560	0	0	180,067	0	172,797	29.66	460,424
Other Direct Expense	24,790	15,507	7,051	38,452	14,214	30,068	5.16	130,082
Indirect Costs of Operations	293,526			402,009		99,708		795,243
Management Expense	35,583	0.52		48,734	0.35	12,093	2.08	96,410
Administrative Expense	29,424	0.43		40,300	0.29	10,000	1.72	79,724
Other Overhead Expenses	228,519	3.31		312,975	2.23	77,615	13.32	619,109
Total Cost	1,864,282			2,483,721		2,377,864		6,725,867
Less Unallowable Costs	323	-		443		104		870
Allowable Costs	1,863,959			2,483,278		2,377,760		6,724,997
Franchise Income	292,448			470,104		494,351		1,256,903
Carts/ Yards/ Drop Box Pulls	5,754		4,223	140,192	128,180	5,826		
Revenues	2,156,407			2,953,382		2,872,111		7,981,900
Direct Costs of Operations	1,570,756	73%		2,081,712	70%	2,278,156		5,930,624
Indirect Costs of Operations	293,526	14%		402,009	14%	99,708		795,243
Total Cost	1,864,282			2,483,721		2,377,864		6,725,867
Less Unallowable Costs	323	0%		443	0%	104		870
Allowable Costs	1,863,959			2,483,278		2,377,760		6,724,997
Franchise Income	292,448			470,104		494,351		1,256,903
Return on revenues	13.56%			15.92%		17.21%		15.75%

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