

Resolution No. 2775

2019 Solid-Waste Franchise Rate Review

Wilsonville City Council

December 16, 2019

- Conducted by City-retained consultant Chris Bell, CPA, Bell & Associates, Inc.
- Assistance from City Staff:
 - Amanda Guile-Hinman, Assistant City Attorney
 - Mark Ottenad, Public Affairs Director



Background

Chris Bell, CPA

- 20 years waste and recycling experience
- Rates, Cost of Service, and Planning
- Rate analysis for Clackamas County since 2001

Rate Review Process

- Performed audit procedures on the submitted report
- Tests of revenue and expenses
- On-site review of source documents at Republic Service's office
- Several meetings with Republic Services and City

Adjusted 2018 Wilsonville Results

Cost Component	Residential Roll Cart	Commercial – Industrial Container	Industrial Drop Box	Composite/ Total
Revenues	1,929,273	2,689,503	2,430,916	7,049,692
Allowable Costs for Rates	1,693,762	2,212,371	2,076,861	5,982,994
Franchise Income	235,511	477,132	354,055	1,066,698
Margin (Income / Revenue)	12.2%	17.7%	14.6%	15.1%

Rate Review Results Summary

Financial Metric	2018 Adjusted	2019 Projected	\$ ▲	% ▲
Revenue	\$7,049,692	\$7,546,437	\$496,745	7.0%
Expense	\$5,982,994	\$6,147,764	\$164,770	2.8%
Income (Revenue – Expense)	\$1,066,698	\$1,398,529	\$331,831	31.1%
Margin (Income / Total Revenue)	15.1%	18.5%		3.4%

Solid Waste Franchise Operating Margin Rate Review Results Summary

- **2018:** 15.1% actual
- **2019:** 18.4% inflated in part by incorrect commercial recycling-surcharge rate
- **2020:** 12.9% assuming status quo with no service/rate modifications
- **2020:** 10.0% assuming implementation of staff recommendation for new recycling services, City street sweepings and recycling-surcharge rate reduction

Temporary Recycling Surcharge

- Commercial customer per-yard surcharge was applied to all collected yards, using the Clackamas County methodology.
- Surcharge approved by City Council was customer's solid waste container size multiplied by \$1.50.
- Customer was invoiced \$51.96 (8 yards x \$1.50 x 4.33 pickups per month) — 4.33 higher than intended or \$161,673 total for refund/credit.

Let's Talk Wilsonville Survey

Proposed Recycling Service	Priority (1=Highest)	Variation- Average	Variation- Median
✓ Residential Food Waste Program	2.2	1.36	1.22
✓ Styrofoam Collection/Recycling	2.23	1.34	1.21
✓ Free Bulky Waste Pick-up for ADA/Seniors	2.69	1.11	1
Fluorescent Tubes Collection/ Recycling	3.43	0.87	0.78
Wood Pallet Collection/Recycling	4.44	0.68	0.61
Average	3.00	1	
Median	2.69		1

Options to Reach Target Operating Margin

- **Rate Reduction**
- **New Service Improvements:**
 1. Residential Food Waste Program
 2. Bulky Waste Pick-up for ADA/Senior Citizens
 3. Styrofoam Collection / Recycling
 4. Commercial / Industrial Fluorescent Tubes / Batteries Box Mail-Back Service
 5. Commercial Food Waste Program (mandatory)
 6. Public Works Street-Sweepings and Leaf Collection and Disposal

Options to Reach Target Operating Margin

Temporary Recycling-Surcharge 50% Rate Reduction

- *Residential: \$1.25/month reduction*
- *Commercial: correct assessment method;
\$0.75/yard/number of pick-ups per week*
- *Surcharge modification start Jan. 1, 2020*

Options to Reach Target Operating Margin

New Service Improvements

1. Residential Food Waste Program:

Allow food scraps to be collected with yard debris.

- \$21,521 cost
- Could start in Q2 2020

Options to Reach Target Operating Margin

New Service Improvements

2. Bulky Waste Pick-up for ADA/Senior Citizens

- 250 pick-ups each estimated at \$40
- \$10,000 cost
- Could start in Q1 2020

Options to Reach Target Operating Margin

New Service Improvements

3. Styrofoam Collection / Recycling

- Styrofoam collection station at WRI for residents and businesses
- Pilot program to evaluate demand
- \$10,000 cost
- Could start in Q1 2020

Options to Reach Target Operating Margin

New Service Improvements

4. Commercial / Industrial Fluorescent Tubes / Batteries Box Mail-Back Service

Limited duration “recycling box mail-back” service for 48” fluorescent tubes and batteries

- \$15,000 cost
- Could start in Q1 2020

Options to Reach Target Operating Margin

New Service Improvements

5. Commercial Food Waste Program

Mandated by Metro; City Council enacted July 2019 to start July 2020

- \$7,752 cost
- Scheduled to start in Q1 2020 for Group 1 largest food-scrap producers

Options to Reach Target Operating Margin

New Service Improvements

6. Public Works Street-Sweepings and Leaf Collection and Disposal

- Arrangements being made to use Republic Services' WRI facility for DEQ-permitted street-sweepings
- Est. \$75,000 cost
- \$100,000 City budget savings

Options to Reach Target Operating Margin

<i>New Service Improvements</i>	<i>Cost</i>
1. Residential Food Waste Program	\$ 21,521
2. Bulky Waste Collection ADA/Senior Citizens	10,000
3. Styrofoam Collection Station	10,000
4. Commercial Florescent Tubes / Batteries	15,000
5. Commercial Food Waste Costs	7,752
6. City Public Works Street-Sweepings	<u>75,000</u>
Total New Program Costs	<u>\$ 131,521</u>

**Net Reduction by 2.9 Percentage Points for
10% Target Operating Margin**



Options to Reach Target Operating Margin

50% Across-the-Board Reduction to the Temporary Recycling-Surcharge Rate

- **Residential** – reduce from \$2.50/mo. to \$1.25
- **Commercial** – correcting surcharge and cut in half

**Net Reduction by 1.8 Percentage Points for
10% Target Operating Margin**

Projected Results in 2020

- **2020:** 12.9% assuming status quo with no service/rate modifications.
- **2020:** 10.0% assuming implementation of staff recommendation for new recycling services, City Public Works street-sweepings and recycling-surcharge rate reduction.

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Estimated Commercial Performance with the Additional Food Waste Costs

Year	Revenue	Expense	Income	ROR
2020	\$2,752,040	\$2,456,365	\$295,675	10.7%
2021	\$2,752,040	\$2,520,648	\$231,392	8.4%
2022	\$2,752,040	\$2,588,017	\$164,023	6.0%