

DM (Murrey's) Disposal Company's Savings Assertion Financial Analysis

During the June 15, 2015 City of Pacific Council Meeting, Murrey's commented that they believed their bid for solid waste collection and recycling services was approximately \$1.9M less over the 10-year contract than the other bidder, Waste Management, Inc. Murrey's later submitted an *Independent Accountant's Report on Agreed-Upon Procedures* prepared by McGladrey, LLC, dated July 6, 2015, in support of their assertion.

This analysis has been prepared to review the assertion that Murrey's contract for solid waste services would cost approximately \$1.9M less than that proposed by Waste Management over the next ten years (the term of the contract).

In addition to the McGladrey report, I reviewed information and rates provided in response to the RFP, an Excel spreadsheet emailed from Mark Gingrich on June 9, 2015, and an Excel spreadsheet provided by Waste Management. Considering the multiple data sources Murrey's used in reporting the numbers of services, this task was impossible to perform with any sense of accuracy, which to an accountant is anathema. Four sources of information have been submitted; of which none reconcile. However, the following issues were identified during the review:

- The first source of data that Murrey's used (the Excel spreadsheet) to calculate the 10-year rate variance was received by the City on June 9th.
- The second source of data that was used by McGladrey (received on July 6th) in their analysis was from the RFP document and was inconsistent in quantity counts from the Excel spreadsheet data source dated June 9th, by approximately 3%.
- The third data source that was used by McGladrey was not consistent with either of the first two sources and was off by 5%, approximately. McGladrey points out that they did not agree with Murrey's numbers, though I cannot identify how they calculated their variances.
- The fourth and final data source that I identified, comes from Waste Management (prepared by WM on February 19, 2015) does not agree with any of Murrey's sources. I estimate that the difference is over 7% comparatively.
- The only data sources that I have that hold any integrity are those found in the RFP responses, which are still inconclusive as they rely on quantity counts which have yet to be audited by an outside source.
- King County strongly recommends that cities go to recycling to reduce the amount of solid waste and to achieve its Zero Waste of Resources by 2030 initiative. The question needs to be asked whether or not Murrey's assertion include this in their considerations, as they make no mention of the cost savings that the businesses in Pierce County will see if they go to recycling. Waste Management has stated that Pierce County businesses will see significant savings when they go to recycling. Waste Management identifies in their RFP response that they have a plan to educate all business and multifamilies about the value of recycling. I have not seen nor heard the same emphasis from Murrey's. This has economic value though as yet to be identified by either service provider.

Murrey's asserts that they can save the City's residents \$1.9M but this is calculated on data that lacks consistency and therefore credibility, due to the variance percentages from the numerous sources provided. The percentage variances that I calculated in the findings could be quite significant over a ten year period that the agreement covers. In addition to this, the potential of the recycling savings for the business community may not have been factored into the comparisons with Waste Management. The scoring on Community & Environmental Stewardship which encompasses recycling was weighted at 20%, the financial scoring was

weighted at 25%. These recycling savings do have economical value and are being promoted by King County. Finally, some businesses may see an increase in their rates under the new agreement, however the majority of the customers in the City will see decreases as is reflected in the utility taxes and franchise fees projected losses to the General Fund of nearly \$420K over the life of the contract (10 years).

Thank You.

Richard A. Gould
City Administrator