



Yamhill County Solid Waste
401 NE Evans Street
McMinnville, OR 97128
YCSW Hotline: (503) 434-7445
Fax: 503-434-7544
www.ycsw.org

Re: CPI Adjustment for Recology Western Oregon

To: Board of Commissioners

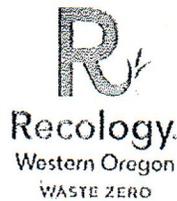
A rate review for Recology Western Oregon shows a CPI rate adjustment will keep the garbage service within their 85% to 91% operating ratio. The rates shall be adjusted in a percentage amount equal to the percent change in the Consumer Price Index for all Urban Consumers for West-C, All Items (1982-84=100) published by the Bureau of Labor Statistics (the "Index") that occurred between the months of May and April of the previous year and the months of May and April of the current year provided however, that the adjustment shall not exceed 4 percent in any year. The adjusted rates shall become effective on July 1, 2016.

Section 8.1.f (1) states "...a cost of living adjustment shall be made annually according to procedures."

The projected rate increase for a residential 65 gal cart picked up weekly will be \$

Staff and the Solid Waste Advisory Committee recommend approval of this CPI increase.

Accepted by Yamhill County
Board of Commissioners on
5-26-16 by Board Order
16-206



Ms. Sherrie Mathison
Solid Waste Coordinator
Yamhill County Solid Waste Dept.
525 NW 4th Street
McMinnville, OR 97128

March 31st, 2016

Dear Sherrie:

Enclosed are the schedules that make up the Rate Review Report and Annual Financial Report as outlined in our Solid Waste Collection Franchise Agreement. They are as follows:

1. The Rate Review Report (attached), which includes the following:
 - a. All the actual expenses incurred in the preceding calendar year, and all allowable expenses that we reasonably anticipate will be incurred in the current year
 - b. The allocation factors and percentages used to allocate shared expenses
 - c. The actual and expected Operating Ratios for the preceding and current year
2. The 2015 Reviewed Financial Statement for RWO – Valley (attached)
3. Rate sheets showing current and proposed rates (to be provided by 6/1/16)
4. An explanation of any changes to rates or services offered
5. A summary of recent operational changes and improvements

PROPOSED CHANGES TO RATES AND/OR SERVICES

The calculated projections indicate our operating ratio will be within the Operating Ratio Range of 85% to 91%, as detailed in the Agreement. As a result, we are proposing to apply the contracted CPI-based adjustment. This figure will be released in mid-May, and a confirmation letter and rate sheets will be delivered to the City by June 1st, 2016, with the new rates to be effective on July 1st, 2016.

There will be a separate increase to medical waste collection rates to reflect an increase in the disposal rates charged to us by our vendor.

We are also recommending a 20% surcharge be added to debris box compactor haul fees. This is to account for the additional time required to provide service for these customers compared to traditional debris boxes. These customers are charged separately for disposal, so while load weights vary, the haul fee is usually less than half of the total charge for service. As a result, the adjustment will result in a smaller change in the customers' overall charge for the service.

OPERATIONAL CHANGES & IMPROVEMENTS

While operations are generally moving forward as projected and expected, we continue to make changes in the interest of improved customer service. Our phone systems have reached the end of their useful lives and we have been actively working with our IT department to replace the system. Due to the complex nature of the system, the transition requires the work



of several different equipment manufacturers, service providers, and technicians. This project requires several months of preparation and planning to ensure the transition is both smooth and successful. We are scheduled to complete this project by the end of the summer and look forward to the improved communications with our communities and customers.

Safety is an on-going annual priority and we have also embarked on a company-wide push to minimize incidents and accidents. In this effort, we utilize a combination of equipment, training, and adjustments to routing to ensure our crews are operating as safely as possible. We are seeing positive results and have set ambitious goals for 2016.

I would appreciate the opportunity to discuss any questions you may have before we make our presentation to the Solid Waste Advisory Committee and the Board of Commissioners. Please call my office at 503-474-4856 at your convenience.

Respectfully,

Fred Stemmler, CPA
General Manager

Recology Western Oregon - Valley 2015-16 Results of Operations and Projections



	RWO - Valley Total			Yamhill County		
	2015 Calendar Year Actual	2016 Projected Rate Year	Allocation Method	2015 Calendar Year Actual	Adjustments and Projected Changes	2016 Projected Rate Year
REVENUE						
Collection Services	\$ 9,291,267	\$ 9,402,181	Actual	\$ 1,705,400	\$ 51,548	\$ 1,756,948
Rate Adjustment					\$ 18,500	\$ 18,500
Other Franchised Revenue	\$ 157,806	\$ 160,045	Actual	\$ 4,595	\$ 69	\$ 4,664
Non-Franchised Revenue	\$ 629,631	\$ 697,696	Actual			
Total Revenue	\$ 10,078,704	\$ 10,259,922		\$ 1,709,996	\$ 70,117	\$ 1,780,113
LABOR EXPENSES						
Operational Personnel	\$ 1,243,732	\$ 1,273,951	Labor Hours	\$ 234,711	\$ 5,703	\$ 240,414
Payroll Taxes	\$ 107,028	\$ 116,473	Labor Hours	\$ 20,198	\$ 1,782	\$ 21,980
Medical Insurance	\$ 249,883	\$ 313,988	Labor Hours	\$ 47,157	\$ 12,098	\$ 59,254
Other Benefits	\$ 68,317	\$ 181,858	Labor Hours	\$ 12,892	\$ 21,427	\$ 34,319
Total Labor Expense	\$ 1,668,960	\$ 1,886,270		\$ 314,958	\$ 41,010	\$ 355,967
DISPOSAL						
Disposal Charges	\$ 1,222,885	\$ 1,368,427	Vessel Weights	\$ 221,716	\$ 26,387	\$ 248,103
Yard Debris/Wood & Other Funding	\$ 555,705	\$ 573,229	Program	\$ 4,616	\$ 146	\$ 4,761
Medical Waste & Supplies	\$ 50,341	\$ 52,520	Med. Waste	\$ 451	\$ 19	\$ 470
Total Disposal Expense	\$ 1,828,931	\$ 1,994,175		\$ 226,782	\$ 26,553	\$ 253,335
OPERATIONAL EXPENSES						
Fuel	\$ 298,477	\$ 221,373	Franchised Labor	\$ 66,776	\$ (17,250)	\$ 49,526
Fuel - Non-Franchised (N/F)	\$ 111,512	\$ 82,705	Actual			
Repairs and Maintenance	\$ 1,244,580	\$ 1,270,377	Franchised Labor	\$ 278,439	\$ 5,771	\$ 284,210
Repairs and Maintenance - N/F	\$ 113,842	\$ 118,013	Actual			
Business Taxes and PUC	\$ 99,207	\$ 101,357	Franchised Labor	\$ 22,195	\$ 481	\$ 22,676
Business Taxes and PUC - N/F	\$ 42,095	\$ 40,000	Actual			
Franchise Fees	\$ 222,236	\$ 251,064	Actual	\$ 29,174	\$ 1,196	\$ 30,370
Supplies & Uniforms	\$ 10,311	\$ 13,125	Labor Hours	\$ 1,946	\$ 531	\$ 2,477
Operational Supplies/Safety	\$ 24,187	\$ 28,559	Labor Hours	\$ 4,564	\$ 825	\$ 5,390
Contract Labor	\$ 12,273		Labor Hours	\$ 2,316	\$ (2,316)	
Depreciation and Amortization	\$ 9,967	\$ 131,578	Franchised Labor	\$ 2,230	\$ 27,207	\$ 29,437
Depreciation and Amortization N/F	\$ 26,901	\$ 26,852	Actual			
Operational Lease and Rent	\$ 496,845	\$ 560,702	Franchised Labor	\$ 111,155	\$ 14,286	\$ 125,441
Operational Lease and Rent - N/F	\$ 3,750	\$ 3,750	Actual			
Insurance Expense	\$ 106,167	\$ 130,356	Labor Hours	\$ 20,035	\$ 4,565	\$ 24,600
Recycling Expense	\$ 695,446	\$ 704,626	Recycling	\$ 122,025	\$ 1,611	\$ 123,636
Purchase Recyclables			Recycling			
Other Operational	\$ 30,835	\$ 11,860	Labor Hours	\$ 5,819	\$ (3,581)	\$ 2,238
Total Operations Expense	\$ 3,548,631	\$ 3,696,297		\$ 666,674	\$ 33,327	\$ 700,001
SUBTOTAL	\$ 3,032,182	\$ 2,683,179		\$ 501,582	\$ (30,772)	\$ 470,810
ADMINISTRATIVE EXPENSES						
Management Services	\$ 302,361	\$ 307,798	Computed	\$ 51,300	\$ 2,104	\$ 53,403
Administrative Services	\$ 907,083	\$ 923,393	Computed	\$ 153,900	\$ 6,311	\$ 160,210
Non-Admin. Labor	\$ 43,512	\$ 45,327	Franchised Labor	\$ 9,735	\$ 406	\$ 10,141
Office Supplies	\$ 24,029	\$ 24,296	Customers	\$ 4,878	\$ 54	\$ 4,933
Postage	\$ 15,801	\$ 16,020	Customers	\$ 3,208	\$ 44	\$ 3,252
Billing services	\$ 50,958	\$ 61,628	Customers	\$ 10,346	\$ 2,166	\$ 12,512
Dues and Subscriptions	\$ 24,003	\$ 24,535	Customers	\$ 4,873	\$ 108	\$ 4,981
Telephone	\$ 70,128	\$ 77,351	Customers	\$ 14,238	\$ 1,466	\$ 15,704
Bank Service Charges	\$ 33,968	\$ 35,031	Customers	\$ 6,896	\$ 216	\$ 7,112
Professional fees	\$ 169,869	\$ 86,001	Customers	\$ 34,487	\$ (17,027)	\$ 17,460
Travel	\$ 13,488	\$ 13,602	Customers	\$ 2,738	\$ 23	\$ 2,762
Advertising and Promotions	\$ 6,244	\$ 7,970	Customers	\$ 1,268	\$ 350	\$ 1,618
Business Meals & Entertainment	\$ 6,216	\$ 7,291	Customers	\$ 1,262	\$ 218	\$ 1,480
Education & Training	\$ 6,038	\$ 11,215	Customers	\$ 1,226	\$ 1,051	\$ 2,277
Contributions	\$ 28,443	\$ 21,916	Customers	\$ 5,775	\$ (1,325)	\$ 4,449
Bad Debt	\$ 128,440	\$ 53,510	Customers	\$ 26,076	\$ (15,213)	\$ 10,864
Other Administrative	\$ (46)	\$ 3,480	Customers	\$ (9)	\$ 716	\$ 706
Total Admin Expense	\$ 1,830,535	\$ 1,720,362		\$ 332,195	\$ (18,331)	\$ 313,864
EARNINGS FROM OPERATIONS	\$ 1,201,647	\$ 962,817		\$ 169,387	\$ (12,441)	\$ 156,946
Interest Income	\$ (14,212)	\$ (9,325)	Not Allocated			
Loss on Asset Disposal	\$ 3,500		Not Allocated			
NET INCOME BEFORE TAX	\$ 1,212,359	\$ 972,142		\$ 169,387	\$ (12,441)	\$ 156,946
Operating Margin	12.03%	9.48%		9.91%	1.50%	8.82%
Calculated Operating Ratio	87.52%	90.16%		89.58%	est CPI	90.78%



	RWO - Valley Total			Yamhill County		
	2015 Calendar Year Actual	2016 Projected Rate Year	Allocation Method	2015 Calendar Year Actual	Adjustments and Projected Changes	2016 Projected Rate Year
Allocation Data:						
Revenue (Coll. Svcs)	\$ 9,291,267	\$ 9,402,181		\$ 1,705,400		\$ 1,756,948
Revenue Percent	100.00%	100.00%		18.35%		18.69%
Labor Hours	100.00%	100.00%		18.87%		18.87%
Disposal	100.00%	100.00%		18.13%		18.13%
Recycling	100.00%	100.00%		17.55%		17.55%
Customer Count	100.00%	100.00%		20.30%		20.30%
Yard Debris	100.00%	100.00%		0.83%		0.83%
Medical Waste	100.00%	100.00%		0.89%		0.89%
Franchised Labor	100.00%	100.00%		22.37%		22.37%
Operating Ratio Calculation						
Total Expenses:						
Total Labor	\$ 1,668,960	\$ 1,886,270		\$ 314,958		\$ 355,967
Total Disposal	\$ 1,828,931	\$ 1,994,175		\$ 226,782		\$ 253,335
Total Operational	\$ 3,548,631	\$ 3,696,297		\$ 666,674		\$ 700,001
Total Administrative	\$ 1,830,535	\$ 1,720,362		\$ 332,195		\$ 313,864
Total	\$ 8,877,057	\$ 9,297,105		\$ 1,540,609		\$ 1,623,167
Less Non Allowable Expenses:						
Interest on Purchase of routes	\$ -	\$ -		\$ -		\$ -
Contributions	\$ (28,443)	\$ (21,916)		\$ (5,775)		\$ (4,449)
Amortization	0	0				
Less "Pass Through Expenses:						
Franchise Fees	\$ (222,236)	\$ (251,064)		\$ (29,174)		\$ (30,370)
Allowable Expenses	\$ 8,626,378	\$ 9,024,125		\$ 1,505,661		\$ 1,588,347
Revenue						
Revenue	\$ 10,078,704	\$ 10,259,922		\$ 1,709,996		\$ 1,760,113
Less "Pass Through Expenses:						
Franchise Fees	\$ (222,236)	\$ (251,064)		\$ (29,174)		\$ (30,370)
Revenue (net of Pass Through)	\$ 9,856,468	\$ 10,008,857		\$ 1,680,822		\$ 1,749,743
Operating Ratio:						
Allowable Expenses divided by	\$ 8,626,378	\$ 9,024,125		\$ 1,505,661		\$ 1,588,347
Revenue (net of Pass Through)	\$ 9,856,468	\$ 10,008,857		\$ 1,680,822		\$ 1,749,743
Calculated Operating Ratio	<u>87.52%</u>	<u>90.16%</u>		<u>89.58%</u>	1.50% est CPI	<u>90.78%</u>

B.O. 16-206