

Recology Western Oregon

Can Elimination Proposal

We currently offer our customers a variety of service options, including customer-supplied 32 gallon cans. For curbside service, our rate have encouraged customers to use our carts by providing a small discount in the rate for our carts vs. customer-supplied cans. We have also offered service credits of up to \$15.00 (depending on service level) to encourage can customers to switch to carts. The largest segment of our customers who have stayed with can service have been those with sideyard service. Our current rate model penalizes cart customers for the added work of walking in for the cart, then walking in again to return the cart. However, after talking to our operations team, they feel that the added walking is less of a safety risk than the lifting/carrying of cans, and the bungee cords that some homeowners use to keep the wind from blowing off the lid and/or to keep critters from getting into the cans. We have safer options available for carts, including wind latches and “critter carts” that are compatible with our trucks’ equipment. We are not aware of any cans that are wind/critter resistant that available or compatible with our equipment.

In addition, when we service cans with our automated collection equipment (an extending arm/gripper mechanism), we have a good chance of losing the can into the truck’s hopper along with the trash. Since we cannot easily retrieve the can, we end up having to replace the can at our cost, which is more difficult and frustrating for the homeowner than if the same event occurred with one of our carts.

We also realize that some communities have required vacation rental properties to subscribe to sideyard service, which has led to an increased demand for these service options.

With these thoughts in mind, we are proposing a four-step approach to converting to a cart-only system:

<u>Step#</u>	<u>Timeline</u>	<u>Description</u>
Step 1	eff. 7/1/18	No new customers started in cans (curbside or sideyard)
Step 2	eff. 7/1/18	Reduce sideyard 32 gal cart rates to 95% of sideyard can rates
Step 3	7/1 – 12/31/18	Send notice letters, offer one-time incentives, migrate willing can customers to carts.
Step 4	eff. 12/31/18	Eliminate curbside & sideyard can service (second notice letter, deliver cart, refuse to service cans if customer sets out for collection).

RATE EXAMPLES – Yamhill County

Jurisdiction: Yamhill County (unincorporated)

YC Rural Zone Service Description	Current Rate	Proposed Rate	Var \$	Var %	Current Can Rate (for reference)
32 gal cart weekly	\$ 33.02	\$ 22.41	\$ (10.61)	-32%	\$ 23.59
32 gal cart every-other-week	\$ 21.46	\$ 14.56	\$ (6.90)	-32%	\$ 15.33
32 gal cart once-a-month	\$ 11.56	\$ 7.84	\$ (3.72)	-32%	\$ 8.25
32 gal cart on-call service	\$ 11.56	\$ 7.84	\$ (3.72)	-32%	\$ 8.25

Customer Counts	RURAL Zone		SUBURBAN Zone	
	32 gal cans		32 gal cans	
	Curb	Side	Curb	Side
Weekly	0	0	0	0
Every-Other-Week	0	0	0	0
Once-A-Month	0	0	0	0
On-Call Service	0	0	0	0
TOTAL	0	0	0	0

RECOLOGY WESTERN OREGON

SUMMARY RATE SHEET

YCS YAMILL COUNTY (UNINCORPORATED, SUBURBAN ZONE)

EFF. DATE: 7/1/2018

CODE	DESCRIPTION	CURRENT RATE	INC %	INC \$\$	NEW RATE
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CAN & CART SERVICES - CURBSIDE

CURBSIDE: WITHIN 4 FEET OF THE CURB OR ROAD, AND AWAY FROM ALL CARS, MAIL BOXES, OR OTHER ITEMS.

32 GALLON CAN SERVICE (CUSTOMER PROVIDES CAN)

MONTHLY RATES

CNGWC	32G CAN-CURB	\$ 21.27			See Can Elimination Plan
CNGEC	32G CAN EOW-CURB	\$ 13.82			
CNGMC	32G CAN OAM-CURB	\$ 7.46			
OCCC	CAN ON CALL CURB	\$ 7.46			

32 GALLON CART SERVICE

MONTHLY RATES

32GWC	32G CART-CURB	\$ 20.14	3.50%	\$ 0.70	\$ 20.84
32GEC	32G CART EOW-CURBSIDE	\$ 13.09	3.50%	\$ 0.46	\$ 13.55
32GMC	32G CART MONTHLY-CURB	\$ 7.05	3.50%	\$ 0.25	\$ 7.30
OC3C	32 GAL CART ON CALL CURB	\$ 7.05	3.50%	\$ 0.25	\$ 7.30

90 GALLON CART SERVICE

MONTHLY RATES

90GWC	90G CART-CURB	\$ 33.56	3.50%	\$ 1.17	\$ 34.73
90GEC	90G CART EOW-CURB	\$ 21.83	3.50%	\$ 0.76	\$ 22.59
90GMC	90G CART OAM-CURB	\$ 11.76	3.50%	\$ 0.41	\$ 12.17
OC9C	90 GAL CART ON CALL CURB	\$ 11.76	3.50%	\$ 0.41	\$ 12.17

MONTHLY CART RENT (FOR ON-CALL SERVICE)

90GOC	90G CART WILL CALL-CURB	\$ 2.70	0.00%	\$ -	\$ 2.70
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SPECIAL PICK-UP (FOR OFF-SCHEDULE COLLECTION)

RATE PER EACH

SP32C	SPEC P/U 32G CART CURBSIDE	\$ 6.14	2.00%	\$ 0.12	\$ 6.26
SP90C	SPEC P/U 90G CART CURBSIDE	\$ 10.23	2.00%	\$ 0.20	\$ 10.43

Note: Recycle carts dumped as trash due to contamination may be charged the special pick-up rate.

CAN & CART SERVICES - NON-CURBSIDE (SIDEYARD)

NON-CURBSIDE: VISIBLE FROM THE STREET, OUTSIDE OF GARAGES AND FENCED AREAS.

32 GALLON CAN SERVICE (CUSTOMER PROVIDES CAN)

MONTHLY RATES

CNGWS	32G CAN-SIDE	\$ 22.38			See Can Elimination Plan
CNGES	32G CAN EOW-SIDE	\$ 14.56			
CNGMS	32G CAN OAM-SIDE	\$ 7.84			
OCCS	CAN ON CALL SIDE	\$ 7.84			

32 GALLON CART SERVICE

MONTHLY RATES

32GWS	32G CART-SIDE	\$ 31.33	-32.14%	\$ (10.07)	\$ 21.26
32GES	32G CART EOW-SIDEYARD	\$ 20.39	-32.16%	\$ (6.56)	\$ 13.83
32GMS	32G CART MONTHLY-SIDE	\$ 10.98	-32.17%	\$ (3.53)	\$ 7.45
OC3S	32 GAL CART ON CALL SIDE	\$ 10.98	-32.17%	\$ (3.53)	\$ 7.45

90 GALLON CART SERVICE

MONTHLY RATES

90GWS	90G CART-SIDE	\$ 51.49	3.50%	\$ 1.80	\$ 53.29
90GES	90G CART EOW-SIDE	\$ 33.45	3.50%	\$ 1.17	\$ 34.62
90GMS	90G CART OAM-SIDE	\$ 18.03	3.50%	\$ 0.63	\$ 18.66
OC9S	90 GAL CART ON CALL SIDE	\$ 18.03	3.50%	\$ 0.63	\$ 18.66

MONTHLY CART RENT (FOR ON-CALL SERVICE)

90GOS	90G CART WILL CALL-SIDE	\$ 2.70	0.00%	\$ -	\$ 2.70
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SPECIAL PICK-UP (FOR OFF-SCHEDULE COLLECTION)

RATE PER EACH

SP32S	SPEC P/U 32G CART NON CURBSIDE	\$ 10.98	3.50%	\$ 0.38	\$ 11.36
SP90S	SPEC P/U 90G CART NON CURBSIDE	\$ 18.03	3.50%	\$ 0.63	\$ 18.66

Note: Recycle carts dumped as trash due to contamination may be charged the special pick-up rate.

RECOLOGY WESTERN OREGON

SUMMARY RATE SHEET

YCS YAMILL COUNTY (UNINCORPORATED, SUBURBAN ZONE)

EFF. DATE: 7/1/2018

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OTHER SERVICES & FEES

EXTRAS - PER UNIT CHARGES (APPROX. 32 GALLONS PER UNIT)

RATE PER EACH

XBAG	EXTRA BAG(S)	\$ 5.33	3.50%	\$ 0.19	\$ 5.52
XBOX	EXTRA BOX	\$ 5.33	3.50%	\$ 0.19	\$ 5.52
XCAN	EXTRA CAN(S)	\$ 5.33	3.50%	\$ 0.19	\$ 5.52
XMISC	EXTRA MISC	\$ 5.33	3.50%	\$ 0.19	\$ 5.52
X32	EXTRA 32G CART(S)	\$ 5.33	3.50%	\$ 0.19	\$ 5.52
X90	EXTRA 90G CART(S)	\$ 8.40	3.50%	\$ 0.29	\$ 8.69

BULKY ITEM COLLECTION (SVC CHARGE + CHARGE PER ITEM)

RATES LISTED ARE FOR COLLECTION AT CURB. ADDITIONAL CHARGES MAY APPLY FOR RETRIEVAL.

RATE PER EACH

APF	REFRIGERATOR/FREEZER	\$ 29.29	0.00%	\$ -	\$ 29.29
APL	APPLIANCE	\$ 11.72	0.00%	\$ -	\$ 11.72
FURN	FURNITURE CHARGE	\$ 17.57	0.00%	\$ -	\$ 17.57
TREE	EXTRA CHRISTMAS TREE	\$ 10.64	3.50%	\$ 0.37	\$ 11.01
IRSC	IN ROUTE SERVICE CHARGE	\$ 21.54	3.50%	\$ 0.75	\$ 22.29
SC	SERVICE CHARGE	\$ 64.65	3.50%	\$ 2.26	\$ 66.91

RELATED FEES

RATE PER EACH

CRIR	CART REDELIVERY IN ROUTE	\$ 10.00	0.00%	\$ -	\$ 10.00
CROR	CART REDELIVER OUT OF ROUTE	\$ 20.00	0.00%	\$ -	\$ 20.00
CORDF	CONTAINER RE-DELIVERY FEE	\$ 95.63	3.50%	\$ 3.35	\$ 98.98

Note: Re-Delivery fees apply for resume service after suspend.

RATE PER EACH

CCF	CART CLEANING FEE	\$ 10.00	0.00%	\$ -	\$ 10.00
CRF	CART REPLACEMENT FEE	\$ 65.00	0.00%	\$ -	\$ 65.00

Note: Replacement fee is used for loss/damage beyond normal wear and tear.

RATE PER EACH

WLI	WIND LATCH INSTALLATION	\$ 15.00	0.00%	\$ -	\$ 15.00
RF	REINSTATEMENT FEE	\$ 15.00	0.00%	\$ -	\$ 15.00
NSFCF	RETURNED CHECK FEE	\$ 25.00	0.00%	\$ -	\$ 25.00

FRONT-LOAD CONTAINER SERVICE

1 YARD CONTAINERS

MONTHLY RATES

1GW	1YD TRASH	\$ 144.81	3.50%	\$ 5.07	\$ 149.88
1GE	1YD TRASH EOW	\$ 85.83	3.50%	\$ 3.00	\$ 88.83
1GM	1YD TRASH MONTHLY	\$ 54.10	3.50%	\$ 1.89	\$ 55.99
1OC	ON CALL-1YD TRASH	\$ 29.98	3.50%	\$ 1.05	\$ 31.03
1XP	EXTRA PICK UP-1YD TRASH	\$ 29.98	3.50%	\$ 1.05	\$ 31.03

1.5 YARD CONTAINERS

MONTHLY RATES

1HGW	1.5YD TRASH	\$ 180.17	3.50%	\$ 6.31	\$ 186.48
1HGE	1.5YD TRASH EOW	\$ 103.50	3.50%	\$ 3.62	\$ 107.12
1HGM	1.5YD TRASH MONTHLY	\$ 62.26	3.50%	\$ 2.18	\$ 64.44
1HOC	ON CALL-1.5YD TRASH	\$ 38.95	3.50%	\$ 1.36	\$ 40.31
1HXP	EXTRA PICK UP-1.5YD TRASH	\$ 38.95	3.50%	\$ 1.36	\$ 40.31

RECOLOGY WESTERN OREGON

SUMMARY RATE SHEET

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EFF. DATE: 7/1/2018

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2 YARD CONTAINERS

MONTHLY RATES

2GW	2YD TRASH	\$ 215.52	3.50%	\$ 7.54	\$ 223.06
2GE	2YD TRASH EOW	\$ 121.17	3.50%	\$ 4.24	\$ 125.41
2GM	2YD TRASH MONTHLY	\$ 70.40	3.50%	\$ 2.46	\$ 72.86
2OC	ON CALL-2YD TRASH	\$ 47.94	3.50%	\$ 1.68	\$ 49.62
2XP	EXTRA PICK UP-2YD TRASH	\$ 47.94	3.50%	\$ 1.68	\$ 49.62

3 YARD CONTAINERS

MONTHLY RATES

3GW	3YD TRASH	\$ 286.18	3.50%	\$ 10.02	\$ 296.20
3GE	3YD TRASH EOW	\$ 156.52	3.50%	\$ 5.48	\$ 162.00
3GM	3YD TRASH MONTHLY	\$ 86.73	3.50%	\$ 3.04	\$ 89.77
3OC	ON CALL-3YD TRASH	\$ 65.89	3.50%	\$ 2.31	\$ 68.20
3XP	EXTRA PICK UP-3YD TRASH	\$ 65.89	3.50%	\$ 2.31	\$ 68.20

4 YARD CONTAINERS

MONTHLY RATES

4GW	4YD TRASH	\$ 356.88	3.50%	\$ 12.49	\$ 369.37
4GE	4YD TRASH EOW	\$ 191.86	3.50%	\$ 6.72	\$ 198.58
4GM	4YD TRASH MONTHLY	\$ 103.06	3.50%	\$ 3.61	\$ 106.67
4OC	ON CALL-4YD TRASH	\$ 83.86	3.50%	\$ 2.94	\$ 86.80
4XP	EXTRA PICK UP-4YD TRASH	\$ 83.86	3.50%	\$ 2.94	\$ 86.80

5 YARD CONTAINERS

MONTHLY RATES

5GW	5YD TRASH	\$ 427.59	3.50%	\$ 14.97	\$ 442.56
5GE	5YD TRASH EOW	\$ 227.22	3.50%	\$ 7.95	\$ 235.17
5GM	5YD TRASH MONTHLY	\$ 119.40	3.50%	\$ 4.18	\$ 123.58
5OC	ON CALL-5YD TRASH	\$ 101.81	3.50%	\$ 3.56	\$ 105.37
5XP	EXTRA PICK UP-5YD TRASH	\$ 101.81	3.50%	\$ 3.56	\$ 105.37

6 YARD CONTAINERS

MONTHLY RATES

6GW	6YD TRASH	\$ 498.27	3.50%	\$ 17.44	\$ 515.71
6GE	6YD TRASH EOW	\$ 262.56	3.50%	\$ 9.19	\$ 271.75
6GM	6YD TRASH MONTHLY	\$ 135.72	3.50%	\$ 4.75	\$ 140.47
6OC	ON CALL-6YD TRASH	\$ 119.75	3.50%	\$ 4.19	\$ 123.94
6XP	EXTRA PICK UP-6YD TRASH	\$ 119.75	3.50%	\$ 4.19	\$ 123.94

8 YARD CONTAINERS

MONTHLY RATES

8GW	8YD TRASH	\$ 585.29	3.50%	\$ 20.49	\$ 605.78
8GE	8YD TRASH EOW	\$ 306.06	3.50%	\$ 10.71	\$ 316.77
8GM	8YD TRASH MONTHLY	\$ 155.80	3.50%	\$ 5.45	\$ 161.25
8OC	ON CALL-8YD TRASH	\$ 141.87	3.50%	\$ 4.97	\$ 146.84
8XP	EXTRA PICK UP-8YD TRASH	\$ 141.87	3.50%	\$ 4.97	\$ 146.84

CONTAINER MONTHLY RENT (CHARGED TO WILL-CALL CUSTOMERS, SAME FOR ALL SIZES)

RNT1	1YD RENT - TRASH	\$ 20.00	0.00%	\$ -	\$ 20.00
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FRONT-LOAD COMPACTOR RATE FACTORS - For all compacted material, including pre-compacted waste.

Compactor Rating	4 : 1	3 : 1	2 : 1
Factor applied to container rate of same size	1.5	1.3	1.12

RECOLOGY WESTERN OREGON

SUMMARY RATE SHEET

YCS YAMILL COUNTY (UNINCORPORATED, SUBURBAN ZONE)

EFF. DATE: 7/1/2018

CODE	DESCRIPTION	CURRENT RATE	INC %	INC \$\$	NEW RATE
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DEBRIS BOX SERVICES

SET HAUL FEES (BASED ON AVERAGE TRUCK TIMES)

RATE PER HAUL

DEL	DELIVERY CHARGE	\$ 86.92	3.50%	\$ 3.04	\$ 89.96
10HG	TRASH BOX HAUL FEE (ALL SIZES)	\$ 150.34	3.50%	\$ 5.26	\$ 155.60
40CG	COMPACTOR HAUL FEE (ALL SIZES)	\$ 179.51	3.50%	\$ 6.28	\$ 185.79

DEBRIS BOX DISPOSAL FEES

RATE PER UNIT

DFDM	DISPOSAL FEE - DEMOLITION (\$\$/TON)	\$ 41.92	2.00%	\$ 0.84	\$ 42.76
DFG	DISPOSAL FEE - GARBAGE (\$\$/TON)	\$ 41.92	2.00%	\$ 0.84	\$ 42.76
DFYD	DISPOSAL FEE - YARD DEBRIS (\$\$/YD ³)	\$ 7.95	0.00%	\$ -	\$ 7.95

Note: Recycling ton fees will be equal to or less than trash fees, based on current market pricing.

TEMPORARY DEBRIS BOXES - COD RATES (INCLUDES HAUL & AVERAGE DISPOSAL FOR BOX SIZE)

10DG	10 YARD BOX W/DISPOSAL	\$ 280.07	3.50%	\$ 9.80	\$ 289.87
20DG	20 YARD BOX W/DISPOSAL	\$ 393.10	3.50%	\$ 13.76	\$ 406.86
30DG	30 YARD BOX W/DISPOSAL	\$ 506.13	3.50%	\$ 17.71	\$ 523.84

RELATED FEES

RATE PER DAY

RENTD	DAILY RENTAL FEE	\$ 10.41	3.50%	\$ 0.36	\$ 10.77
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Note: Daily Rent applies after 48 hours, excluding evenings and weekends.

RATE PER MONTH

RENTM	MONTHLY RENTAL FEE	\$ 146.73	3.50%	\$ 5.14	\$ 151.87
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Note: Monthly rent applies for customers who keep a box for a year or longer.

RATE PER HOUR

TIME	TRUCK TIME FEE	\$ 115.93	3.50%	\$ 4.06	\$ 119.99
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Note: Hourly Truck Time is used for hauls to destinations outside our normal operating areas.

TEMPORARY RENTAL CONTAINERS

RATE PER EACH

3YRGD	DELV 3 YD RENTAL FOR TRASH	\$ 112.55	3.50%	\$ 3.94	\$ 116.49
3YRGP	SERVICE 3 YD RENTAL FOR TRASH	\$ 83.86	3.50%	\$ 2.94	\$ 86.80
3YRXD	ADDL DAY - 3YD RENT CONTAINER	\$ 2.00	0.00%	\$ -	\$ 2.00

Note: Temporary = not longer than 30 days, with 45 days between projects. Rent included for first 7 days.

BULKY ITEMS - DEBRIS BOX

STANDARD FEES APPLY FOR THESE ITEMS IF DECLARED & SEPARATED ACCORDING TO INSTRUCTIONS.

ADDITIONAL FEES MAY APPLY FOR ITEMS FOUND IN LOADS.

RATE PER EACH

TOFFR	TIRE CHARGE NO RIM	\$ 4.69	0.00%	\$ -	\$ 4.69
TONR	TIRE CHARGE ON RIM	\$ 9.37	0.00%	\$ -	\$ 9.37
APPL	APPLIANCE	\$ 11.72	0.00%	\$ -	\$ 11.72
APF	REFRIGERATOR/FREEZER	\$ 29.29	0.00%	\$ -	\$ 29.29

MEDICAL WASTE COLLECTION SERVICES

RATE PER EACH

M4HSC	4.7 QT SHARPS CONTAINER	\$ 34.68	0.00%	\$ -	\$ 34.68
M10SC	10 QT SHARPS CONTAINER	\$ 37.60	0.00%	\$ -	\$ 37.60
M23SC	23 QT SHARPS CONTAINER	\$ 57.71	0.00%	\$ -	\$ 57.71
9CDBC	9GAL CONFIDENTIAL DOCUMENT BOX	\$ 31.23	0.00%	\$ -	\$ 31.23
M21BX	21 GAL MEDICAL WASTE BOX	\$ 48.21	0.00%	\$ -	\$ 48.21
M48BX	48 GAL MEDICAL WASTE BOX	\$ 54.17	0.00%	\$ -	\$ 54.17
M8GBP	RX MED WASTE TUB	\$ 97.47	0.00%	\$ -	\$ 97.47

Note: Additional fees may apply for overweight tubs. Improperly prepared materials cannot be collected.

Finance Charges (0.75% monthly, 9% annually) will be assessed on any past due amount (excluding amounts in dispute over billing or service issues).
Billing Terms: Commercial Accounts are billed on a monthly basis.
Residential accounts are billed once every three months, in advance.



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

March 31st, 2018

Dear Kim:

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 2017 Reviewed Financial Statement for RWO – Valley (attached)
3. Rate sheets showing current and proposed rates (attached)
4. An explanation of any changes to rates or services offered (appears below)
5. A summary of recent operational changes and improvements (appears below)

RECYCLING MARKETS

As of the first of this year, China has imposed new regulations on imported recyclable materials. Previously, a contamination level of 5% was acceptable, and many of the Material Recovery Facilities (MRFs) on the West Coast were designed to meet this standard. The new standard of 0.5% is beyond the capabilities of the available technology. Our local MRFs have added sorters, slowed down the feeder belts, and made other changes to how they process materials to get closer to the new standards. Many MRFs have turned to other countries in Asia to find new markets. In addition, there are many items no longer being accepted by end markets. These factors have combined to reduce the value of mixed curbside recyclables by over 90% since 2017. Until recently, mixed recycling carried a small positive value, but now we are having to pay MRFs over \$70 a ton. This decrease in market value has impacted the processing fees our transfer station charges for each ton we collect and deliver for recycling. We remain committed to providing the opportunity to recycle to our customers and have no plans for any landfilling of collected recyclable materials in the foreseen future. It is possible that the ability to market some materials may disappear entirely in the future. In the short term, our focus is on reducing contamination through customer education. We distribute information to our customers by mail, on our website, and via social media. Our drivers also file feedback reports when they see carts with unwanted materials. The drivers report to our Customer Service Reps, who reach out to the customer and explain the nature of the problem.

PROPOSED CHANGES TO COLLECTION RATES & SERVICES

The calculated projections indicate the operating ratio will be outside the range of 85% to 91% specified in our Franchise Agreement, due primarily to the changes in recycling markets. With that in mind, we are proposing to increase collection rates by 3.5% for most rates, effective July 1st, 2018.



PROPOSED CHANGES TO MEDICAL WASTE AND DISPOSAL RATES

We are not proposing to increase medical waste collection rates this year, as we do not expect to see an adjustment in the disposal rates charged to us by our vendor.

We are not expecting a major change in the disposal rates we pay at Riverbend Landfill. The rate sheets include an adjustment of 2.0% for the debris box garbage ton rate. The expenses we projected for disposal of the garbage we collect from our cart and container customers include a similar estimate.

ENVIRONMENTAL

We actively monitor our sites to ensure we are in compliance with DEQ regulations and best management practices. As these rules and recommendations change, we commit the capital necessary to keep these properties in compliance. In 2017, we spent over \$700,000 to ensure our McMinnville site would be in compliance with updated DEQ regulations. We regularly train our drivers on spill response so they can react appropriately to incidents on-route.

CAPITAL EXPENSES

We regularly replace older equipment with a combination of new and gently used equipment obtained from our California-based sister companies. The cost savings we realize from obtaining used equipment is significant, though we do have higher repair and maintenance costs than we would experience with all new equipment. We are fortunate to have excellent shop staff who work hard to keep our fleet on the road every day so we can meet the needs of all our customers.

OPERATIONAL CHANGES & IMPROVEMENTS

We use software and the expertise of our drivers to make changes as needed to optimize our routing. This practice ensures that we are operating as efficiently as possible. Our new phone system allows us to better track and monitor our reps in real time, to ensure that every customer has the best possible experience. Our drivers get safety reminders during weekly team meetings, incidents and near misses are reviewed at monthly safety meetings. We have posters around our offices and ads on the view-screens in the Ops ready room that remind our crew to work safely every day. We work as a team to ensure we are doing everything possible to get to our goal of zero accidents.

We appreciate the opportunity to serve our customers and neighbors in Yamhill County. I would appreciate the opportunity to discuss any questions you may have before we make our presentation to the Solid Waste Advisory Committee or Board of Commissioners. Feel free to give me a call at 503-474-4839 if you have any questions, or if you require any additional information.

Respectfully,

A handwritten signature in black ink, appearing to read 'Carl Peters', is written over a light blue horizontal line.

Carl Peters
General Manager

Accepted by Yamhill County
Board of Commissioners on
4/26/18 by Board Order
18-128

Recology Western Oregon - Valley 2017 Results of Operations and 2018-19 Projections



	RWO - Valley Total			Yamhill County		
	2017 Calendar Year Actual	2018-19 Projected Rate Year	Allocation Method	2017 Calendar Year Actual	Adjustments and Projected Changes	2018-19 Projected Rate Year
REVENUE				Rate Adj. % >>>	3.50%	Op. Adj.
Collection Services - Residential	\$ 5,684,474	\$ 6,307,743	Actual	\$ 1,134,978	\$ 28,102	\$ 1,163,079
Collection Services - Commercial	\$ 3,146,328	\$ 3,572,346	Actual	\$ 446,873	\$ 11,312	\$ 458,185
Collection Services - Debris Box	\$ 1,165,333	\$ 1,263,584	Actual	\$ 269,381	\$ 7,093	\$ 276,474
COLLECTION SERVICES:	\$ 9,996,135	\$ 11,143,674	Actual	\$ 1,851,231		\$ 1,897,738
Proposed Rate Adjustment			Actual		\$ 66,421	\$ 66,421
Revenue - DB Disposal	\$ 615,903	\$ 639,222	Actual	\$ 122,675	\$ 3,230	\$ 125,905
Revenue - Medical Waste	\$ 140,443	\$ 144,683	Actual	\$ 2,410	\$ (297)	\$ 2,113
Revenue - Other (fees & related)	\$ 28,887	\$ 32,915	Actual	\$ 5,018	\$ 75	\$ 5,093
Non-Franchised Revenue	\$ 1,165,678	\$ 1,375,189	Actual	\$ -	\$ -	\$ -
Total Revenue	\$ 11,947,046	\$ 13,335,683		\$ 1,981,335	\$ 115,935	\$ 2,097,270
LABOR EXPENSES						
Operational Personnel	\$ 1,551,932	\$ 1,583,000	Labor Hours	\$ 259,173	\$ 5,188	\$ 264,361
Payroll Taxes	\$ 132,335	\$ 134,984	Labor Hours	\$ 22,100	\$ 442	\$ 22,542
Medical Insurance	\$ 332,663	\$ 341,777	Labor Hours	\$ 55,555	\$ 1,522	\$ 57,077
Other Benefits	\$ 195,307	\$ 201,480	Labor Hours	\$ 32,616	\$ 1,031	\$ 33,647
Total Labor Expense	\$ 2,212,237	\$ 2,261,241		\$ 369,444	\$ 8,184	\$ 377,627
DISPOSAL						
Disposal Charges - Outside Source	\$ 1,468,832	\$ 638,377	Vessel Weights	\$ 286,569	\$ 145	\$ 286,714
Disposal Charges - Inter-Company		\$ 1,446,654	Vessel Weights	\$ -	\$ -	\$ -
Yard Debris/wood & Other Funding	\$ 1,020,589	\$ 1,084,304	Program	\$ 5,795	\$ 362	\$ 6,157
Medical Waste & Supplies	\$ 64,176	\$ 64,500	Med. Waste	\$ 1,149	\$ 6	\$ 1,155
Total Disposal Expense	\$ 2,553,597	\$ 3,233,835		\$ 293,513	\$ 513	\$ 294,026
OPERATIONAL EXPENSES						
Fuel	\$ 275,615	\$ 313,926	Franchised Labor	\$ 63,888	\$ 8,881	\$ 72,768
Repairs and Maintenance	\$ 1,336,888	\$ 1,377,481	Franchised Labor	\$ 309,891	\$ 9,409	\$ 319,300
Business Taxes and PUC	\$ 143,847	\$ 147,019	Franchised Labor	\$ 33,344	\$ 735	\$ 34,079
Franchise Fees	\$ 295,825	\$ 413,373	Actual	\$ 34,790	\$ 2,036	\$ 36,826
Supplies & Uniforms	\$ 27,599	\$ 28,188	Labor Hours	\$ 4,609	\$ 98	\$ 4,707
Operational Supplies/Safety	\$ 46,772	\$ 46,797	Labor Hours	\$ 7,811	\$ 4	\$ 7,815
Contract Labor	\$ 4,435	\$ -	Labor Hours	\$ 741	\$ (741)	\$ -
Depreciation and Amortization	\$ -	\$ -	Franchised Labor	\$ -	\$ -	\$ -
Operational Lease and Rent	\$ 686,008	\$ 825,852	Franchised Labor	\$ 159,017	\$ 32,416	\$ 191,432
Insurance Expense	\$ 140,000	\$ 150,690	Labor Hours	\$ 23,380	\$ 1,785	\$ 25,165
Recycling Expense	\$ 800,585	\$ 1,158,783	Recycling	\$ 127,381	\$ 56,993	\$ 184,374
Purchase Recyclables	\$ -	\$ -	Recycling	\$ -	\$ -	\$ -
Operational Lease and Rent - N/F	\$ 63,293	\$ 63,972	Actual	\$ -	\$ -	\$ -
Fuel - Non-Franchised (N/F)	\$ 220,008	\$ 250,590	Actual	\$ -	\$ -	\$ -
Repairs and Maintenance - N/F	\$ 365,343	\$ 347,076	Actual	\$ -	\$ -	\$ -
Business Taxes and PUC - N/F	\$ 57,771	\$ 60,000	Actual	\$ -	\$ -	\$ -
Depreciation and Amortization N/F	\$ 26,864	\$ 13,426	Actual	\$ -	\$ -	\$ -
Other Operational	\$ 28,509	\$ 17,212	Labor Hours	\$ 4,761	\$ (1,887)	\$ 2,874
Total Operations Expense	\$ 4,519,362	\$ 5,214,385		\$ 769,612	\$ 109,730	\$ 879,342
SUBTOTAL	\$ 2,661,850	\$ 2,626,221		\$ 548,767	\$ (2,492)	\$ 546,275
ADMINISTRATIVE EXPENSES						
Management Services	\$ 369,939	\$ 400,070	Computed	\$ 59,440	\$ 3,478	\$ 62,918
Administrative Services	\$ 1,063,704	\$ 1,200,211	Computed	\$ 178,320	\$ 10,434	\$ 188,754
Non-Admin. Labor	\$ 11,529	\$ 10,601	Franchised Labor	\$ 2,672	\$ (215)	\$ 2,457
Office Supplies	\$ 18,710	\$ 18,803	Customers	\$ 3,922	\$ 19	\$ 3,941
Postage	\$ 16,495	\$ 16,966	Customers	\$ 3,458	\$ 99	\$ 3,556
Billing services	\$ 70,243	\$ 72,713	Customers	\$ 14,724	\$ 518	\$ 15,242
Dues and Subscriptions	\$ 16,629	\$ 17,112	Customers	\$ 3,486	\$ 101	\$ 3,587
Telephone	\$ 94,151	\$ 96,300	Customers	\$ 19,735	\$ 450	\$ 20,186
Bank Service Charges	\$ 43,954	\$ 45,064	Customers	\$ 9,213	\$ 233	\$ 9,446
Professional fees	\$ 32,745	\$ 23,394	Customers	\$ 6,864	\$ (1,960)	\$ 4,904
Travel	\$ 13,551	\$ 13,858	Customers	\$ 2,840	\$ 64	\$ 2,905
Advertising and Promotions	\$ 4,151	\$ 4,645	Customers	\$ 870	\$ 104	\$ 974
Business Meals & Entertainment	\$ 6,801	\$ 7,018	Customers	\$ 1,426	\$ 46	\$ 1,471
Education & Training	\$ 7,898	\$ 10,300	Customers	\$ 1,656	\$ 504	\$ 2,159
Contributions	\$ 24,555	\$ 25,225	Customers	\$ 5,147	\$ 141	\$ 5,288
Bad Debt	\$ 84,511	\$ 93,807	Customers	\$ 17,714	\$ 1,949	\$ 19,663
Other Administrative	\$ 4,677	\$ 4,923	Customers	\$ 980	\$ 52	\$ 1,032
Total Admin Expense	\$ 1,884,243	\$ 2,061,011		\$ 332,467	\$ 16,015	\$ 348,482
EARNINGS FROM OPERATIONS	\$ 777,607	\$ 565,211		\$ 216,300	\$ (18,507)	\$ 197,793
Interest Income	\$ 12,079	\$ (12,883)	Not Allocated	\$ -	\$ -	\$ -
Loss on Asset Disposal	\$ 2,012	\$ -	Not Allocated	\$ -	\$ -	\$ -
NET INCOME BEFORE TAX	\$ 791,698	\$ 578,094		\$ 216,300	\$ (18,507)	\$ 197,793
Operating Margin	6.63%	4.33%		10.92%	3.50%	9.43%
Calculated Operating Ratio	93.12%	95.43%		88.62%	Op. Adj.	90.14%

2017 Results of Operations and 2018-19 Projections



	RWO - Valley Total			Yamhill County		
	2017 Calendar Year Actual	2018-19 Projected Rate Year	Allocation Method	2017 Calendar Year Actual	Adjustments and Projected Changes	2018-19 Projected Rate Year
Allocation Data:						
Revenue (All RWO-VAL)	\$ 11,947,046	\$ 13,335,683		\$ 1,981,335		\$ 2,097,270
Revenue Percent	100.00%	100.00%		16.58%		15.73%
Labor Hours	100.00%	100.00%		16.70%		16.70%
Disposal - Outside Source	100.00%	100.00%		19.51%		39.90%
Disposal - Inter-Company	100.00%	100.00%		0.00%		0.00%
Recycling	100.00%	100.00%		15.91%		15.91%
Customer Count	100.00%	100.00%		20.96%		20.96%
Yard Debris	100.00%	100.00%		0.57%		0.57%
Medical Waste	100.00%	100.00%		1.79%		1.79%
Franchised Labor	100.00%	100.00%		23.18%		23.18%
Operating Ratio Calculation						
Total Expenses:						
Total Labor	\$ 2,212,237	\$ 2,261,241		\$ 369,444		\$ 377,627
Total Disposal	\$ 2,553,597	\$ 3,233,835		\$ 293,513		\$ 294,026
Total Operational	\$ 4,519,362	\$ 5,214,385		\$ 769,612		\$ 879,342
Total Administrative	\$ 1,884,243	\$ 2,061,011		\$ 332,467		\$ 348,482
Total	\$ 11,169,439	\$ 12,770,473		\$ 1,765,035		\$ 1,899,476
Less Non Allowable Expenses:						
Interest on Purchase of routes	\$ -	\$ -		\$ -		\$ -
Contributions	\$ (24,555)	\$ (25,225)		\$ (5,147)		\$ (5,288)
Amortization	\$ -	\$ -				
Less "Pass Through Expenses:						
Franchise Fees	\$ (295,825)	\$ (413,373)		\$ (34,790)		\$ (36,826)
Allowable Expenses	\$ 10,849,059	\$ 12,331,875		\$ 1,725,098		\$ 1,857,363
Revenue						
Revenue	\$ 11,947,046	\$ 13,335,683		\$ 1,981,335		\$ 2,097,270
Less "Pass Through Expenses:						
Franchise Fees	\$ (295,825)	\$ (413,373)		\$ (34,790)		\$ (36,826)
Revenue (net of Pass Through)	\$ 11,651,221	\$ 12,922,310		\$ 1,946,544		\$ 2,060,444
Operating Ratio:						
Allowable Expenses divided by	\$ 10,849,059	\$ 12,331,875		\$ 1,725,098		\$ 1,857,363
Revenue (net of Pass Through)	\$ 11,651,221	\$ 12,922,310		\$ 1,946,544		\$ 2,060,444
Calculated Operating Ratio	<u>93.12%</u>	<u>95.43%</u>		<u>88.62%</u>	proposed adjustment 3.50% Op. Adj.	<u>90.14%</u>

Recology Western Oregon - Valley Inc.
(A Wholly - Owned Subsidiary of Recology Inc.)

Financial Statements

December 31, 2017
(With Independent Accountant's Review Report)



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Accountant's Review Report	1
Balance Sheet	2
Statement of Earnings and Stockholder's Investment	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 11
Supplementary Information	
Schedule of Expenses	12



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Recology Western Oregon - Valley Inc.
McMinnville, Oregon

We have reviewed the accompanying financial statements of Recology Western Oregon - Valley Inc., which comprise the balance sheet as of December 31, 2017 and the related statements of earnings and stockholder's investment and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information included in the Schedule of Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Armanino LLP

Armanino^{LLP}
San Ramon, California

March 23, 2018

An independent firm associated with
Moore Stephens International Limited
MOORE STEPHENS

RECOLOGY WESTERN OREGON - VALLEY INC.

(A Wholly - Owned Subsidiary of Recology Inc.)

Balance Sheet

December 31, 2017

Assets

Current assets:

Accounts receivable, net of allowance for doubtful accounts of \$51,684	\$ 1,686,368
Prepaid expenses	<u>66,085</u>
Total current assets	<u>1,752,453</u>

Property and equipment:

Machinery and equipment	2,341,392
Less accumulated depreciation	<u>(2,253,458)</u>
Property and equipment, net	<u>87,934</u>
Total assets	<u>\$ 1,840,387</u>

Liabilities and Stockholder's Investment

Current liabilities:

Accounts payable	\$ 69,333
Accrued liabilities	354,812
Deferred revenues	<u>976,685</u>
Total current liabilities	<u>1,400,830</u>

Other liabilities

Due to parent	<u>22,125</u>
Total other liabilities	<u>22,125</u>

Stockholder's investment, net

	<u>417,432</u>
Total liabilities and stockholder's investment	<u>\$ 1,840,387</u>

See accompanying notes to financial statements and independent accountant's review report.

RECOLOGY WESTERN OREGON - VALLEY INC.

(A Wholly - Owned Subsidiary of Recology Inc.)

Statement of Earnings and Stockholder's Investment

For the Year Ended December 31, 2017

		<u>Percent</u>
Revenues	\$ 11,947,046	<u>100.0</u>
Cost of operations		
Disposal costs	1,533,008	12.8
Labor costs	2,212,237	18.5
Operational expenses	<u>5,539,951</u>	<u>46.4</u>
Total cost of operations	<u>9,285,196</u>	<u>77.7</u>
 Gross profit	 2,661,850	 22.3
 General and administrative expenses	 <u>1,884,243</u>	 <u>15.8</u>
Earnings from operations	<u>777,607</u>	<u>6.5</u>
Other income		
Interest income	12,079	0.1
Gain on asset disposal	<u>2,012</u>	<u>0.0</u>
	<u>14,091</u>	<u>0.1</u>
 Net earnings	 791,698	 6.6
 Stockholder's investment, net, beginning of year	 261,723	
Net distributions to parent and affiliates	<u>(635,989)</u>	
Stockholder's investment, net, end of year	<u>\$ 417,432</u>	

See accompanying notes to financial statements and independent accountant's review report.

RECOLOGY WESTERN OREGON - VALLEY INC.

(A Wholly - Owned Subsidiary of Recology Inc.)

Statement of Cash Flows

For the Year Ended December 31, 2017

Cash flows from operating activities:	
Net earnings	\$ 791,698
Adjustments to reconcile net earnings to net cash provided by operating activities:	
Depreciation	26,864
Gain on sale of equipment	(2,012)
Provision for bad debts	84,511
Changes in assets and liabilities:	
Accounts receivable	(487,038)
Prepaid expenses	(1,860)
Due to parent	143,405
Accounts payable	50,124
Accrued liabilities	(5,900)
Deferred revenues	100,476
Net cash provided by operating activities	<u>700,268</u>
Cash flow used in investing activities:	
Property and equipment funded by parent	<u>(66,291)</u>
Cash flows used in financing activities:	
Net contributions from parent and affiliates	<u>(633,977)</u>
Net change in cash	-
Cash, beginning of year	-
Cash, end of year	<u>\$ -</u>

See accompanying notes to financial statements and independent accountant's review report.

RECOLOGY WESTERN OREGON - VALLEY INC.
(A Wholly - Owned Subsidiary of Recology Inc.)

Notes to Financial Statements

December 31, 2017

(1) Accounting Policies

(a) Organization

Recology Oregon Waste - Valley Inc. (the "Company"), is a wholly - owned subsidiary of Recology Oregon Inc., which is a wholly - owned subsidiary of Recology Inc. (the "Parent" or "Recology"), which in turn is wholly - owned by the Recology Employee Stock Ownership Plan (the "Recology ESOP" or the "ESOP").

(b) Revenue Recognition and Accounts Receivable

The Company recognizes revenue on an accrual basis when services are performed. Deferred revenues primarily consist of revenues billed in advance that are recorded as revenue in the period in which the related services are rendered. The majority of the Company's revenue is subject to rate regulation by the municipalities in which it operates.

The Company's receivables are recorded when billed and represent claims against third parties that will be settled in cash. The carrying value of the Company's receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The Company estimates its allowance for doubtful accounts based on several factors, including historical collection trends, type of customer, existing economic conditions and other factors.

(c) Property and Equipment

Property and equipment, including major renewals and betterments, are stated at cost. It is the Company's policy to periodically review the estimated useful lives of its property and equipment. Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

	<u>Estimated useful lives</u>
Buildings	20-40 years
Leasehold improvements	Shorter of lease or useful life
Machinery and equipment	6-8 years
Furniture and fixtures	8 years
Vehicles	9 years
Containers	10 years

Depreciation expense on the above amounted to \$26,864 for the year ended December 31, 2017. The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized.

RECOLOGY WESTERN OREGON - VALLEY INC.
(A Wholly - Owned Subsidiary of Recology Inc.)

Notes to Financial Statements

December 31, 2017

(1) Accounting Policies (continued)

(d) Environmental Remediation Liabilities

The Company accrues for environmental remediation costs when they become probable and based on its best estimate within a range. If no amount within the range appears to be a better estimate than any other, the low end of such ranges is used. Remediation costs are estimated by environmental remediation professionals based upon site remediation plans they develop and on their experience working with regulatory agencies and the Company's environmental staff and legal counsel. All estimates require assumptions about future events due to a number of uncertainties, including the nature and extent of any contamination, the appropriate remedy or remedies, the final apportionment of responsibility among the potentially responsible parties, if any are identified, the financial viability of other potentially responsible parties, and regulatory agency requirements. Thus, actual costs incurred may differ from the Company's initial estimate. These estimates do not take into account discounts for the present value of total estimated future costs, as the timing of cash payments is not reliably determinable. The Company regularly evaluates the recorded liabilities when additional information becomes available or regulatory changes occur to ascertain whether the accrued amounts are accurate. The Company does not recognize recoverable amounts from other responsible parties or insurance carriers until receipt is deemed probable. No environmental liabilities were accrued at December 31, 2017.

(e) Impairment of Long-Lived Assets

The Company's policy is to review estimated undiscounted future cash flows and other measures of asset value for its operations when events or changes in circumstances indicate the carrying value of an asset may not be fully recoverable. If an asset is deemed impaired, a loss is recognized.

During the year ended December 31, 2017, there were no events or changes in circumstances that indicated the carrying value of an asset was not fully recoverable.

(f) Income Taxes

Effective October 1, 1998, the Parent elected to become an S corporation with the Company electing to be treated as a Qualified Subchapter S corporation subsidiary. Under S corporation rules, the Parent's taxable income and losses are passed through to the ESOP, the Parent's sole stockholder, which is exempt from income tax, and the Company is treated as a division of the Parent having no separate income tax obligations. The Parent has not allocated any income tax expense to the Company.

The Company recognizes income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that has a greater than 50% likelihood of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company's accounting policy for evaluating uncertain tax positions is to accrue estimated benefits or obligations relating to those positions.

RECOLOGY WESTERN OREGON - VALLEY INC.
(A Wholly - Owned Subsidiary of Recology Inc.)

Notes to Financial Statements

December 31, 2017

(1) Accounting Policies (continued)

(f) Income Taxes (continued)

The Company records interest related to unrecognized tax benefits as interest expense and penalties as an administrative expense. For the year ended December 31, 2017, there was no interest or penalties recorded because the Company has no uncertain tax positions that meet the more likely than not threshold.

(g) Cash Concentration Account

The Company's bank account is linked to the Parent's concentration account. Cash balances (or deficits) at the end of each day are automatically transferred to (or from) the concentration account, so that at the end of any particular day, as well as at year-end, the Company's bank account has a zero balance, with related amounts debited or credited to the underlying intercompany account.

(h) Allocations

The Company includes allocated charges from the Parent and affiliates in operating expenses. The charges are allocated by applying activity appropriate factors to direct and indirect costs of the Parent and affiliates or based upon established fees.

(i) Use of Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. The more significant estimates requiring the judgment of management include the valuation of the allowance for doubtful accounts and accrued franchise fees. Actual results could differ from those estimates.

(j) Stockholder's Investment

The Company has 1,000 shares of common stock authorized and 500 shares issued and outstanding with no par value as of December 31, 2017. Stockholder's investment, net is comprised of the legal capital plus cumulative contributions net of distributions.

(k) Fair Value of Financial Instruments

The carrying amounts reported in the balance sheet of the assets and liabilities, which are considered to be financial instruments (such as receivables, accounts payable, and accrued liabilities), approximate their fair value based upon current market indicators.

RECOLOGY WESTERN OREGON - VALLEY INC.
(A Wholly - Owned Subsidiary of Recology Inc.)

Notes to Financial Statements

December 31, 2017

(2) Operations

The Company collects refuse and recyclables in the City of McMinnville and surrounding municipalities in Yamhill and Polk Counties. The Company's refuse collection rates are set by these municipalities. The rate setting process may result in the disallowance of certain costs and/or delays in cost recovery, as well as differences in the timing of when revenues and expenses are recognized.

During the year ended December 31, 2017, the Company disposed of the yard debris and other recyclable commodities collected by its operations at a material recovery and composting facility owned and operated by an affiliate.

(3) Commitments and Contingencies

Substantially all of the assets of the Company are pledged to secure obligations of the Parent. The Company, along with the Parent and the Parent's wholly - owned subsidiaries, has guaranteed the repayment, on a joint and several basis, of any and all obligations under the Parent's Revolving Credit Agreement. The Company could be required to honor the guarantee upon an uncured default event, as defined in the Parent's Revolving Credit Agreement. The Parent's Revolving Credit Agreement expires on April 21, 2022. At September 30, 2017, there was no outstanding balance on the Parent's Revolving Credit Agreement and there were standby letters of credit issued for \$182.4 million. The Parent has represented to the Company that it is in compliance with all covenants of the Revolving Credit Agreement.

The Company, along with the Parent and the Parent's wholly - owned subsidiaries, has guaranteed the payment of amounts owed to unrelated third parties, which provided the equipment financing to affiliates of the Company. The affiliates are obligated to the unrelated third parties with various expiration dates through June 2024. At September 30, 2017, the outstanding principal on the financed equipment recorded by the affiliates was \$62.7 million.

The Company and the Parent are involved in various legal actions arising in the normal course of business. It is the Company's opinion that these matters are adequately provided for or that the resolution of such matters will not have a material adverse impact on the financial position or results of operations of the Company or the Parent.

RECOLOGY WESTERN OREGON - VALLEY INC.

(A Wholly - Owned Subsidiary of Recology Inc.)

Notes to Financial Statements

December 31, 2017

(4) Property and Equipment Obligations

The Company has cancelable agreements with an affiliate whereby it pays for the use of certain operating equipment. Future annual payments for continued use of the property and equipment, and in aggregate, as of December 31, 2017 are as follows:

Year ending December 31:

2018	\$ 733,823
2019	665,459
2020	467,262
2021	467,208
2022	447,217
Thereafter	<u>696,151</u>
Total Payments	<u>\$3,477,120</u>

Rental expense for the year ended December 31, 2017 was \$749,301 including amounts under short-term rental agreements with third parties and affiliates.

Under the terms of the equipment lease agreement with an affiliate, and in accordance with existing rate policies, the Company may continue to use certain equipment under operating leases without a related payment once the affiliate's equipment cost and related interest have been funded through operating lease payments.

RECOLOGY WESTERN OREGON - VALLEY INC.

(A Wholly - Owned Subsidiary of Recology Inc.)

Notes to Financial Statements

December 31, 2017

(5) Transactions with Related Parties

During the year ended December 31, 2017, operating and other expenses of the Company included allocated charges from the Parent and affiliates. Such charges are based upon the direct and indirect costs of the Parent and affiliates, or established fees, and allocated based on specific activities. The allocated charges are as follows:

Parent:

Health insurance	\$ 6,779
Worker's compensation	41,829
401(k) employer portion	25,088
General and vehicle insurance	<u>140,000</u>
	<u>213,696</u>

Affiliates:

Collection revenue	(733,338)
Freight	-
Rental of equipment	600,530
Property rental	12,540
Disposal costs	1,020,589
Processing fees	800,585
General and administration allocation	1,075,233
Truck and garage	906,716
Regional management and accounting fees	<u>369,939</u>
	<u>4,052,794</u>

Total \$ 4,266,490

During the year ended December 31, 2017, amounts due from or payable to Parent and affiliates were accumulated by the Company and, as of the Parent's fiscal year-end, September 30, 2017, the net amount was settled by way of capital contributions or distributions. Changes in amounts due from or payable to Parent or affiliates are presented as a financing activity in the statement of cash flows, except as related to expenditures attributable to property and equipment. For the three months from October 1, 2017 to December 31, 2017, the net amount was not settled by way of capital contributions or distributions.

RECOLOGY WESTERN OREGON - VALLEY INC.
(A Wholly - Owned Subsidiary of Recology Inc.)

Notes to Financial Statements

December 31, 2017

(6) Employee Stock Ownership Plan

In 1986, the Parent established an employee stock ownership plan and trust, which purchased all of the Parent's outstanding stock. The ESOP is a noncontributory plan that covers substantially all of the employees of the Company and other Recology subsidiaries. Employees, except under certain conditions, become fully vested after a requirement of three years of service. No vesting occurs until the full service requirement is satisfied.

The Parent's common stock is not traded on an established market. Presently, all shares are held by the ESOP. All distributions will be made from the ESOP in cash, which is received from Recology, or shares, subject to immediate repurchase by Recology. A participant who is vested is entitled to begin receiving a distribution from his or her ESOP account at a future date following his or her termination of employment. Distributions may be made in a lump-sum, equal annual installments over a period generally not to exceed five years, or a combination of the foregoing, generally as determined by the ESOP Administrative Committee (the Committee). The Committee also generally determines the timing and manner of distributions, subject to the following limitations: (i) in the event of a participant's retirement, disability, or death, distribution must begin prior to September 30 of the plan year following the plan year in which employment terminates; and (ii) if a participant's employment terminates for any other reason, distribution must begin prior to September 30 of the sixth plan year following the plan year in which employment terminates, although the Committee may further defer distributions that are not attributable to post-1986 shares until the participant reaches the age that he or she would be required to reach in order to qualify for retirement under the ESOP. Each participant who has attained age 55 and has participated in the ESOP for at least 10 years may elect to receive cash distributions for in-service withdrawals attributable to post-1986 shares allocated to his or her account. An eligible participant is entitled to elect payment attributable to as much as 25% of his or her eligible shares during the first five years of election and up to 50% of eligible shares in the sixth year. The cash distributions are based upon the appraised value of Recology stock and other assets, if any, as of the most recent valuation of the participant's account.

The Parent makes contributions to the ESOP to make benefit payments to eligible participants under the Plan.

(7) Subsequent Events

The Company has evaluated its subsequent events through March 23, 2018, which is the date the financial statements were available for issuance. As a result of the evaluation, the Company is not aware of any modifications that should be made to these financial statements for them to be in conformity with generally accepted accounting principles.

SUPPLEMENTARY INFORMATION

RECOLOGY WESTERN OREGON - VALLEY INC.

(A Wholly - Owned Subsidiary of Recology Inc.)

Schedule of Expenses

For the Year Ended December 31, 2017

Operational expenses	
Contract labor	\$ 4,435
Depreciation	26,864
Franchise fees	295,825
Fuel	495,623
Insurance	140,000
Supplies	74,371
Operational lease expense	749,301
Recycling processing costs	800,585
Repair and maintenance	1,702,231
Taxes and licenses	201,618
Yard debris funding	1,020,589
Other operational expenses	28,509
Total operational expenses	<u>\$ 5,539,951</u>

General and administrative expenses	
General administration allocation	\$ 1,075,233
Regional management and accounting fees	369,939
Advertising and promotion	4,151
Bad debt	84,511
Contributions	24,555
Billing services	70,243
Dues and subscriptions	16,629
Education and training	7,898
Bank service charges	43,954
Meals and entertainment	6,801
Office supplies	18,710
Postage	16,495
Professional services	32,745
Telephone	94,151
Travel	13,551
Other administration	4,677
Total general and administrative expenses	<u>\$ 1,884,243</u>

See independent accountant's review report.