

RESOLUTION NO. 10-30

**A RESOLUTION ADJUSTING SOLID WASTE COLLECTION AND DISPOSAL RATES
APPROPRIATIONS FOR FISCAL YEAR 2010-11**

WHEREAS, Ordinance No. 06-1001 was adopted February 1, 2006, and under said Ordinance, an agreement was entered into between the City Of Oregon City and Oregon City Garbage Company, Inc. (dba B&B Leasing) for a Solid Waste Collection and Disposal Franchise; and

WHEREAS, Chapter 8.20.130 of the Oregon City Municipal Code of 2006, provides that rates shall be approved by the City Commission and established by resolution; and


WHEREAS, the Franchisee is currently requesting a rate increase due to increased costs of service; and

WHEREAS, the Franchisee is currently requesting a revenue adjustment of four point zero percent (4.00%).

NOW, THEREFORE, BE IT RESOLVED that the Rate for Solid Waste Service provided by Oregon City Garbage Company, Inc. (dba B&B Leasing), and Oregon Corporation shall be set forth in the attached Exhibit B and said rates shall be the maximum rates chargeable by the Franchisee.

BE IT FURTHER RESOLVED that the new Rate Schedule set forth in Exhibit B shall be effective December 1, 2010.

Adopted, signed and approved this 1st day of December 2010.

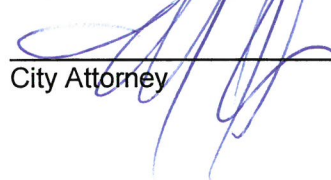


Alice Norris, Mayor

Attested to this 1st day of December 2010


Nancy Ide, City Recorder

Approved as to legal sufficiency:


City Attorney

OREGON CITY GARBAGE COMPANY, INC.

RATE ADJUSTMENT PROPOSAL

PREPARED: OCTOBER 29, 2010

EFFECTIVE: DECEMBER 1, 2010

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Section A

October 29, 2010

Mr. David Frasher
City Manager
625 Center Street.
Oregon City, OR 97045

Re: Oregon City Garbage Company, Inc.
Rate Adjustment

Dear David:

Introduction:

We appreciate the confidence the City of Oregon City has placed in Oregon City Garbage Company, Inc. Throughout our history with the City, we have made every effort to provide the highest level of service possible. In addition, we appreciate the opportunity to participate in the various community programs as we believe our relationship goes beyond that of a normal service provider.

Rationale for Rate Increase:

We have already automated the City for solid waste, yard debris, and recycling collections, and have gained substantial efficiencies by acquiring and implementing varying sizes of roll carts. These roll carts have made it easier for the citizens of Oregon City to recycle more and thereby dispose less garbage. Automating our recycling goals has indeed furthered our efficiency as well as assisted in diverting recyclable materials from the solid waste stream. Unfortunately, much of the gains from these improvements have been consumed by adding a necessary glass collection route. Due to the fact that recyclable glass needs to be separate from other recyclable material, we had to add an entire additional route for the recycling of glass. This of course was a negative in terms of overall efficiency. In summary, despite the addition of the new glass collection service line, we have endeavored to reduce the need for rate adjustments by effective and efficient operations.

Clackamas County currently manages 22 garbage disposal franchises. These franchises are held by locally owned Subchapter C corporations and by publicly traded corporations. Some of the franchises consolidate their annual reports, resulting in fewer reports than franchisees. The County has a contract with an outside consulting group specializing in solid waste financial analysis to perform an analysis of the data submitted. The data submitted by the individual franchises is consolidated to create a composite 'franchisee.' Costs are adjusted to eliminate those allowed for tax purposes but not allowed for determining collection fees. This composite is used to analyze the financial health of the entire system.

The County determines the systems' health based on return of revenues. The County's policy is to measure the health of the solid waste collection system within a range of 8-12% return on revenues. When the system falls within this range typically neither an increase nor decrease in fees is deemed necessary. Special circumstances, such as the addition of new programs or anticipated increases in expenses outside the control of the companies, may cause exceptions.

Metro Council has approved an increase in the disposal fee by \$5.10 per ton on August 1, 2010; raising the tip fee to \$85.85 per ton. The 'transaction fee' of \$3.00 for account customers is to remain the same. For analytical purposes when calculating disposal cost it is assumed by Clackamas County that each transaction is a five (5) ton load; therefore an additional \$0.60 (to account for the transaction fee at the transfer station) is added to the disposal fee to arrive at an effective disposal fee of \$86.45 beginning August 1, 2010. This 6.32% increase has been factored into the projections calculated in the financial review. 61% of Oregon City Garbage Company Inc.'s projected rate increase is due directly to this disposal fee increase. It is important to note that other expenses are rising as well, but at a lower pace in the recent past than in prior years; e.g. driver wages are increasing by 3.23% and health insurance for all employees is increasing by 9.83%.

As the global recession continues, the recycling markets remain depressed and the demand for recyclables continues to be diminished. In setting rates for our waste collection franchise, proceeds from the sale of recyclables are used to offset the costs associated with the recycling program. As the sale of recyclables continues to be at historically low levels, the rates for solid waste collection must increase in order to make up for the loss of revenues associated with recycling. Recyclables are a commodity that are often exported to other countries around the world. The supply of recyclables is increasing and as a result, the decreasing demand causes the price for these recyclables to decrease.

In determining the necessary rate adjustment we have researched other jurisdictions with primary reliance upon the Clackamas County Solid Waste Rate Study which recommended that rates be adjusted effective August 1, 2010. In light of this study and the increasing costs as described above, we are proposing a rate change for Oregon City effective December 1, 2010.

Summary of Allowable Expenses:

The Clackamas County Solid Waste Rate Study uses financial information supplied by the various jurisdictions. The allowed return on revenues range between 8% and 12%. In calculating rates, the data that the haulers provide to the County include both allowable and unallowable expenses. Allowable expenses include but are not limited to:

- Disposal costs
- Cost of containers & roll carts
- Equipment acquisitions
- Wages
- Union benefits
- Fuel costs
- Legal & accounting services
- Office leases
- Other expenses directly related to the cost of service

The County eliminates unallowable costs in calculating a return on revenues for the haulers. Examples of unallowable costs include:

- Charitable contributions
- Political contributions
- Excessive officers' salaries as determined by the County
- Certain membership dues
- Excessive legal expenses
- And other costs not directly related to the hauling activities

Enclosed please find the following information that will be useful in reviewing the Oregon City Garbage Company, Inc.'s request for rate adjustment. Should you have any questions about the schedules, we would be pleased to answer them.

Very truly yours,

Michael E. McCoy, CPA, CBA, CVA, CFF

Section B

Oregon City Garbage Company, Inc.
Summary of Proposed Rate Adjustments
Effective December 1, 2010

The purpose of this analysis is to illustrate the proposed adjustment and percentage change to regular services. The rate structure is based upon a comparative market study of rates and a cost of service adjustment.

Service	Current Monthly Rate	Proposed Adjustment	Proposed Monthly Rate	Proposed Adjustment %
Residential Weekly Pickup				
20 Gal. Cart	\$19.10	\$0.75	\$19.85	4%
35 Gal. Cart	\$23.90	\$0.95	\$24.85	4%
60 Gal. Cart	\$32.90	\$1.30	\$34.20	4%
90 Gal. Cart	\$35.50	\$1.40	\$36.90	4%
35 Gal. Cart - Will Call	\$10.15	\$0.40	\$10.55	4%
Residential Multifamily Weekly Pickup				
35 Gal. Cart	\$21.50	\$0.85	\$22.35	4%
Residential Monthly Pickup				
35 Gal. Cart	\$11.30	\$0.45	\$11.75	4%

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Service	Current Monthly Rate	Proposed Adjustment	Proposed Monthly Rate	Proposed Adjustment %
Commercial Weekly Pickup				
35 Gal. Cart	\$23.90	\$0.95	\$24.85	4%
60 Gal. Cart	\$32.90	\$1.30	\$34.20	4%
90 Gal. Cart	\$35.50	\$1.40	\$36.90	4%
Containers				
1-1/2 Yard	\$141.50	\$5.65	\$147.15	4%
2 Yard	\$188.15	\$7.55	\$195.70	4%
3 Yard	\$258.10	\$10.30	\$268.40	4%
4 Yard	\$337.50	\$13.50	\$351.00	4%
5 Yard	\$416.90	\$16.70	\$433.60	4%
6 Yard	\$496.30	\$19.85	\$516.15	4%
8 Yard	\$634.40	\$25.40	\$659.80	4%

Section C

**SUMMARY OF COMPARATIVE RATES
TRI-COUNTY PORTLAND METRO AREA
Fiscal Year 2010- 2011**

Service	Proposed Oregon City 4% Increase	Clackamas County	Beaverton	Canby	Proposed Gladstone	Gresham	Lake Oswego	Milwaukie	Portland	Tigard	Tualatin	West Linn
Residential Weekly Pickup												
20 Gal. Can/Cart	19.85	23.90	18.00	18.30	22.71	23.95	18.08	23.90	27.25	17.80	19.75	18.95
32-35 Gal. Cart	24.85	27.45	21.00	21.79	26.08	27.55	23.92	27.45	32.05	20.60	23.05	22.59
60-65 Gal. Cart	34.20	36.10	34.00	34.88	34.30	36.40	38.16	36.10	37.40	31.75	30.25	36.15
90-95 Gal. Cart	36.90	42.20	40.00	38.67	40.09	40.80	40.24	42.20	44.10	38.35	-	39.77
Franchise Fee	4%	5%	4%	3%	\$360	5%	5%	5%	5%	4%	3%	5%