



Staff Report

For City Council Meeting - 5/5/2021

Subject - Visitors - Recology Rate Changes

Synopsis - Recology has provided garbage service rate change information per the attached. A Representative from Recology will be available for questions.

Recommendation: N/A

Legal Analysis: N/A

Financial Analysis: N/A

Respectfully Submitted,

A handwritten signature in black ink, appearing to be the name "Chad", written in a cursive style.

Chad

**Recology Western Oregon -
North Coast Collections Inc.**
(A Wholly - Owned Subsidiary of Recology Inc.)

Financial Statements

December 31, 2020

(With Independent Accountant's Review Report)



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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Recology Western Oregon - North Coast Collections Inc.
McMinnville, Oregon

We have reviewed the accompanying financial statements of Recology Western Oregon – North Coast Collections Inc., which comprise the balance sheet as of December 31, 2020, 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 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 accompanying supplementary information 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}
San Ramon, California

March 25, 2021

RECOLOGY WESTERN OREGON - NORTH COAST COLLECTIONS INC.
(A Wholly - Owned Subsidiary of Recology Inc.)
Balance Sheet
December 31, 2020

ASSETS

Current assets:

Accounts receivable, net of allowance for doubtful accounts of \$18,478	\$ 1,316,109
Prepaid expenses	63,901
Due from Parent	<u>317,586</u>
Total current assets	<u>1,697,596</u>

Property and equipment:

Building and improvements	2,642
Machinery and equipment	11,903
Less accumulated depreciation	<u>(14,435)</u>
Property and equipment, net	<u>110</u>
Total assets	<u>\$ 1,697,706</u>

LIABILITIES AND STOCKHOLDER'S INVESTMENT

Current liabilities:

Accounts payable	\$ 53,082
Accrued liabilities	187,614
Deferred revenues	<u>266,658</u>
Total current liabilities	<u>507,354</u>

Stockholder's investment, net	<u>1,190,352</u>
Total liabilities and stockholder's investment	<u>\$ 1,697,706</u>

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

RECOLOGY WESTERN OREGON - NORTH COAST COLLECTIONS INC.
(A Wholly - Owned Subsidiary of Recology Inc.)
Statement of Earnings and Stockholder's Investment
For the Year Ended December 31, 2020

Revenues	<u>\$ 11,417,708</u>
Cost of operations	
Intercompany disposal	2,525,529
Third party refuse disposal	611,751
Labor costs	1,967,334
Operational expenses	<u>3,659,181</u>
Total cost of operations	<u>8,763,795</u>
Gross profit	2,653,913
General and administrative expenses	<u>1,742,224</u>
Earnings from operations	<u>911,689</u>
Other income	
Interest income	<u>12,602</u>
Net earnings	924,291
Stockholder's investment, net, beginning of year	1,048,100
Net distributions to Parent and affiliates	<u>(782,039)</u>
Stockholder's investment, net, end of year	<u>\$ 1,190,352</u>

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

RECOLOGY WESTERN OREGON - NORTH COAST COLLECTIONS INC.
(A Wholly - Owned Subsidiary of Recology Inc.)
Statement of Cash Flows
For the Year Ended December 31, 2020

Cash flows from operating activities:	
Net earnings	\$ 924,291
Adjustments to reconcile net earnings to net cash provided by operating activities:	
Depreciation	264
Provision for bad debts	(6,290)
Changes in assets and liabilities:	
Accounts receivable	(271,047)
Prepaid expenses	473
Due from Parent	49,432
Accounts payable	30,366
Accrued liabilities	18,772
Deferred revenues	35,778
Net cash provided by operating activities	<u>782,039</u>
Cash flows used in financing activities:	
Net distributions to Parent and affiliates	<u>(782,039)</u>
Net change in cash	-
Cash, beginning of year	<u>-</u>
Cash, end of year	<u><u>\$ -</u></u>

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

RECOLOGY WESTERN OREGON - NORTH COAST COLLECTIONS INC.
(A Wholly - Owned Subsidiary of Recology Inc.)
Notes to Financial Statements
December 31, 2020

1. ORGANIZATION AND ACCOUNTING POLICIES

Organization

Recology Western Oregon - North Coast Collections 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").

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.

In accordance with the Company's adoption of the new revenue recognition standard during 2019, municipal franchise fees were presented as a reduction to revenue for the year ended December 31, 2020.

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 \$264 for the year ended December 31, 2020. The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized.

RECOLOGY WESTERN OREGON - NORTH COAST COLLECTIONS INC.
(A Wholly - Owned Subsidiary of Recology Inc.)
Notes to Financial Statements
December 31, 2020

1. ACCOUNTING POLICIES (continued)

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 range 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 adequate. 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, 2020.

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, 2020, there were no events or changes in circumstances that indicated the carrying value of an asset was not fully recoverable.

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 shareholder, 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 the 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.

The Company records interest related to unrecognized tax benefits as interest expense and penalties as an administrative expense. For the year ended December 31, 2020, there was no interest or penalties recorded because the Company has no uncertain tax positions that meet the more likely than not threshold.

RECOLOGY WESTERN OREGON - NORTH COAST COLLECTIONS INC.
(A Wholly - Owned Subsidiary of Recology Inc.)
Notes to Financial Statements
December 31, 2020

1. ACCOUNTING POLICIES (continued)

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. 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.

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.

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.

Stockholder's investment

The Company has 100,000 shares of common stock authorized and 1,000 shares issued and outstanding with no par value as of December 31, 2020. Stockholder's investment, net is comprised of the legal capital plus cumulative contributions net of distributions.

Fair value of financial instruments

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

Concentration of credit risk

Cash and accounts receivable are financial instruments that potentially expose the Company to credit risk. 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. Management believes that the Company is not exposed to any significant risk on cash. As of December 31, 2020, three jurisdictions accounted for approximately 71% of accounts receivable.

RECOLOGY WESTERN OREGON - NORTH COAST COLLECTIONS INC.
(A Wholly - Owned Subsidiary of Recology Inc.)
Notes to Financial Statements
December 31, 2020

2. OPERATIONS

The Company collects refuse and recyclables in Northwest Oregon and along the Northern Oregon coast. 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, 2020, the Company disposed of yard debris and other recyclables collected by its operations at both a transfer station owned and operated by an affiliate and an independent third party. All refuse was disposed at an affiliate and an independent third party.

3. COMMITMENTS AND CONTINGENCIES

Substantially all of the assets of the Company are pledged to secure the 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, 2020, the Parent's fiscal year-end, there was an outstanding balance of \$267.0 million on the Parent's Revolving Credit Agreement and there were standby letters of credit issued for \$102.8 million.

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 2027. At September 30, 2020, the outstanding principal on the financed equipment recorded by the affiliates was \$51.5 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 - NORTH COAST COLLECTIONS INC.
(A Wholly - Owned Subsidiary of Recology Inc.)
Notes to Financial Statements
December 31, 2020

4. PROPERTY AND EQUIPMENT OBLIGATIONS

The Company has cancelable agreements with an affiliate whereby it pays for the use of certain operating equipment. Future payments for continued use of the property and equipment, by year-end and in aggregate, as of December 31, 2020 are as follows:

Year ending December 31:	<u>Property</u>	<u>Vehicles and Equipment</u>	<u>Total</u>
2021	\$ 52,056	\$ 853,950	\$ 906,006
2022	52,055	701,333	753,388
2023	52,055	603,588	655,643
2024	8,710	491,724	500,434
2025	-	343,015	343,015
Thereafter	<u>-</u>	<u>177,707</u>	<u>177,707</u>
Total future payments	<u>\$164,876</u>	<u>\$3,171,317</u>	<u>\$3,336,193</u>

Rental expense for the year ended December 31, 2020 was \$875,766 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 - NORTH COAST COLLECTIONS INC.
(A Wholly - Owned Subsidiary of Recology Inc.)
Notes to Financial Statements
December 31, 2020

5. TRANSACTIONS WITH RELATED PARTIES

During the year ended December 31, 2020, 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	\$ 367,716
Worker's compensation	56,504
401(k) employer portion	55,873
General and vehicle insurance	<u>153,434</u>
	<u>633,527</u>
Affiliates:	
Collection revenue	(487,415)
Rental of equipment	777,018
Disposal costs	2,525,529
Processing fees	525,291
General administration allocation	1,067,485
Truck and garage	854,809
Regional management and accounting fees	<u>416,963</u>
	<u>5,679,680</u>
Total	<u>\$6,313,207</u>

During the year ended December 31, 2020, 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, 2020, 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, 2020 to December 31, 2020, the net amount was not settled by way of capital contributions or distributions.

RECOLOGY WESTERN OREGON - NORTH COAST COLLECTIONS INC.
(A Wholly - Owned Subsidiary of Recology Inc.)
Notes to Financial Statements
December 31, 2020

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, distributions 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. RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the outbreak of a new strain of coronavirus ("COVID-19") a global pandemic. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains, and created significant volatility and disruption of financial markets. Both national and local government agencies have implemented steps with the intent to slow the spread of the virus, including shelter-in-place orders and the mandatory shutdown of certain businesses. During this time, the Company continued to provide essential services to customers. In mid-March 2020, certain customers began adjusting their service levels, which included a decrease in the frequency of pickups or a temporary pause in service. As service levels decreased, the Company also experienced a decrease in certain costs of operations which are variable in nature. This decline in service activity gradually improved thereafter as local economies began to gradually reopen and customers began to resume service. The full extent of the impact of the COVID-19 pandemic on the Company's operations and financial performance will depend on future developments, including the duration and spread of the pandemic, all of which are uncertain and cannot be predicted at this time.

RECOLOGY WESTERN OREGON - NORTH COAST COLLECTIONS INC.
(A Wholly - Owned Subsidiary of Recology Inc.)
Notes to Financial Statements
December 31, 2020

8. SUBSEQUENT EVENTS

Users of these financial statements should consult recent events in the public domain relating to the Parent's March 2021 settlement with the City and County of San Francisco and also the Parent's sale of certain assets in San Francisco to Amazon in December 2020.

The Company has evaluated subsequent events through March 25, 2021, the date the financial statements were available to be issued. No other subsequent events have occurred that would have a material impact on the presentation of the Company's financial statements.

SUPPLEMENTARY INFORMATION

RECOLOGY WESTERN OREGON - NORTH COAST COLLECTIONS INC.

(A Wholly - Owned Subsidiary of Recology Inc.)

Schedule of Expenses

For the Year Ended December 31, 2020

Operational expenses	
Contract labor	\$ 5,640
Depreciation	264
Fuel	318,778
Insurance	153,434
Supplies	43,423
Freight	2,492
Operational lease expense	875,766
Recycling processing costs	525,291
Repair and maintenance	1,483,772
Taxes and licenses	231,631
Other operational expenses	18,690
Total operational expenses	<u>\$ 3,659,181</u>
General and administrative expenses	
General administration allocation	\$ 1,067,485
Regional management and accounting fees	416,963
Advertising and promotion	12,288
Bad debt recoveries	(6,290)
Contributions	2,704
Billing services	59,042
Dues and subscriptions	11,726
Education and training	2,262
Bank service charges	39,324
Meals	7,552
Office supplies	7,266
Postage	13,646
Professional services	25,661
Telephone	70,377
Travel	5,889
Other administration	6,329
Total general and administrative expenses	<u>\$ 1,742,224</u>

RWO-NCC 2020-2021 Cost of Service Report



REVENUE

	2020 Calendar Year Actual	2021-22 Projected Rate Year	Allocation Method
Collection Services - Residential	\$ 5,811,315	\$ 5,921,696	Actual
Collection Services - Commercial	\$ 3,854,409	\$ 3,950,020	Actual
Collection Services - Debris Box Svcs	\$ 709,161	\$ 731,017	Actual
SUBTOTAL: CS (RA % applies)	\$ 10,374,885	\$ 10,602,733	Actual
Proposed Rate Adjustment	\$ -	\$ -	
Collection Services - DB Disposal	\$ 914,062	\$ 940,775	Actual
Collection Services - Medical Waste	\$ 138,528	\$ 145,215	Actual
Collection Services - Other	\$ 15,193	\$ 30,381	Actual
Non-Franchised Revenue	\$ 501,680	\$ 254,903	Actual
Total Revenue	\$ 11,944,349	\$ 11,974,007	
Franchise Fees	\$ (527,756)	\$ (537,980)	
Revenue w/o Franchise Fees	\$ 11,416,593	\$ 11,436,027	

RWO - North Coast Collection Total				Gearhart		
2020 Calendar Year Actual	2021-22 Projected Rate Year	Allocation Method	2020 Calendar Year Actual	Adjustments and Projected Changes	2021-22 Projected Rate Year	
			Rate Adj. % >>>	0.00%		
Collection Services - Residential	\$ 5,811,315	\$ 5,921,696	Actual	\$ 338,198	\$ 1,111	\$ 339,310
Collection Services - Commercial	\$ 3,854,409	\$ 3,950,020	Actual	\$ 195,735	\$ 2,552	\$ 198,287
Collection Services - Debris Box Svcs	\$ 709,161	\$ 731,017	Actual	\$ 6,842	\$ 811	\$ 7,652
SUBTOTAL: CS (RA % applies)	\$ 10,374,885	\$ 10,602,733	Actual	\$ 540,775	\$ 4,474	\$ 545,249
Proposed Rate Adjustment	\$ -	\$ -		\$ -	\$ -	\$ -
Collection Services - DB Disposal	\$ 914,062	\$ 940,775	Actual	\$ 9,389	\$ 1,112	\$ 10,501
Collection Services - Medical Waste	\$ 138,528	\$ 145,215	Actual	\$ 273	\$ 259	\$ 532
Collection Services - Other	\$ 15,193	\$ 30,381	Actual	\$ 745	\$ 155	\$ 900
Non-Franchised Revenue	\$ 501,680	\$ 254,903	Actual	\$ -	\$ -	\$ -
Total Revenue	\$ 11,944,349	\$ 11,974,007		\$ 551,182	\$ 6,000	\$ 557,182
Franchise Fees	\$ (527,756)	\$ (537,980)		\$ (16,393)	\$ -	\$ (16,938)
Revenue w/o Franchise Fees	\$ 11,416,593	\$ 11,436,027		\$ 534,789	\$ -	\$ 540,244
LABOR EXPENSES						
Operational Personnel	\$ 1,224,658	\$ 1,271,374	Labor Hours	\$ 69,181	\$ 2,639	\$ 71,820
Non-Franchised Labor & Related	\$ 144,715	\$ 120,631	Labor Hours	\$ -	\$ -	\$ -
Health Insurance	\$ 370,084	\$ 396,500	Labor Hours	\$ 20,906	\$ 1,492	\$ 22,398
Payroll Taxes	\$ 113,950	\$ 118,297	Labor Hours	\$ 6,437	\$ 246	\$ 6,683
Labor Overhead	\$ 113,927	\$ 127,470	Labor Hours	\$ 6,436	\$ 765	\$ 7,201
Total Labor Expenses	\$ 1,967,334	\$ 2,034,273		\$ 102,960	\$ 5,142	\$ 108,102
DISPOSAL EXPENSES						
Disposal Charges - Outside Source	\$ 523,695	\$ 542,833	O/S Disposal	\$ 24,249	\$ 886	\$ 25,135
Disposal-Medical Waste	\$ 88,056	\$ 90,697	MW Disposal	\$ 315	\$ 9	\$ 325
Disposal - Free Dump Vouchers (Astoria)	\$ 22,389	\$ 23,000	Actual	\$ -	\$ -	\$ -
Inter-Company Disposal - Yard Debris	\$ 275,886	\$ 277,542	Program Yards	\$ 29,523	\$ 177	\$ 29,700
Inter-Company Disposal - Garbage	\$ 2,227,254	\$ 2,240,145	I/C Disposal	\$ 93,609	\$ 542	\$ 94,151
Total Disposal Expenses	\$ 3,137,280	\$ 3,174,216		\$ 147,696	\$ 1,615	\$ 149,311
OPERATIONAL EXPENSES						
Fuel	\$ 241,360	\$ 280,431	Labor Hours	\$ 13,634	\$ 2,207	\$ 15,842
Non-Franchised Fuel	\$ 77,418	\$ 51,612	Actual	\$ -	\$ -	\$ -
Repairs & Maintenance	\$ 1,338,970	\$ 1,303,337	Labor Hours	\$ 75,638	\$ (2,013)	\$ 73,626
Repairs & Maint - Non-Franchised Hauling	\$ 132,552	\$ 67,625	Actual	\$ -	\$ -	\$ -
Repairs and Maint. - 3rd Party Shop	\$ 12,250	\$ 12,500	Actual	\$ -	\$ -	\$ -
Contract Labor	\$ 5,640	\$ -	Labor Hours	\$ 298	\$ (298)	\$ -
Business Licenses and Fees	\$ 191,064	\$ 192,580	Labor Hours	\$ 10,793	\$ 86	\$ 10,879
Non-Franchised Business Licenses and Fees	\$ 40,567	\$ 20,034	Actual	\$ -	\$ -	\$ -
Depreciation and Amortization	\$ 264	\$ 154	Labor Hours	\$ 14	\$ (6)	\$ 8
Operational Lease and Rent	\$ 797,525	\$ 818,554	Labor Hours	\$ 45,052	\$ 1,188	\$ 46,240
Non-Franchised Ops Lease/Rent	\$ 60,421	\$ 75,763	Actual	\$ -	\$ -	\$ -
Op. Lease and Rent - (Seaside Depot)	\$ 17,820	\$ 17,820	Actual	\$ -	\$ -	\$ -
Supplies	\$ 43,423	\$ 46,457	Labor Hours	\$ 2,295	\$ 160	\$ 2,455
Insurance Expense	\$ 153,434	\$ 188,878	Labor Hours	\$ 8,109	\$ 1,873	\$ 9,983
Recycling Processing	\$ 525,291	\$ 533,533	Program Hours	\$ 33,247	\$ 522	\$ 33,769
Freight	\$ 2,492	\$ 130	Labor Hours	\$ 141	\$ (133)	\$ 7
Other Operational	\$ 18,690	\$ 6,714	Labor Hours	\$ 988	\$ (633)	\$ 355
Total Operational Expenses	\$ 3,659,181	\$ 3,616,122		\$ 190,210	\$ 2,953	\$ 193,163
			\$ 8,824,611			
SUBTOTAL	\$ 2,652,798	\$ 2,611,416		\$ 93,922	\$ (4,254)	\$ 89,668
ADMINISTRATIVE EXPENSES						
Administrative Services	\$ 1,067,485	\$ 1,077,661	3% of Rev	\$ 49,606	\$ 540	\$ 50,146
Management Services	\$ 416,963	\$ 417,547	9% of Rev	\$ 16,535	\$ 180	\$ 16,715
Postage	\$ 13,646	\$ 14,671	Cust Counts	\$ 821	\$ 62	\$ 883
Billing Services	\$ 59,042	\$ 59,612	Cust Counts	\$ 3,553	\$ 34	\$ 3,587
Bank Service Charges	\$ 39,324	\$ 38,601	Cust Counts	\$ 2,366	\$ (43)	\$ 2,323
Dues and Subscriptions	\$ 11,726	\$ 13,262	Cust Counts	\$ 706	\$ 92	\$ 798
Contributions	\$ 2,704	\$ 13,336	Cust Counts	\$ 163	\$ 640	\$ 803
Office Supplies	\$ 7,266	\$ 12,940	Cust Counts	\$ 437	\$ 341	\$ 779
Advertising & Promotions	\$ 12,288	\$ 12,756	Cust Counts	\$ 739	\$ 28	\$ 768
Professional Services	\$ 25,661	\$ 25,967	Cust Counts	\$ 1,544	\$ 18	\$ 1,563
Business Meals	\$ 7,552	\$ 8,975	Cust Counts	\$ 454	\$ 86	\$ 540
Travel	\$ 5,889	\$ 10,553	Cust Counts	\$ 354	\$ 281	\$ 635
Bad Debts	\$ (6,290)	\$ 32,781	Cust Counts	\$ (379)	\$ 2,351	\$ 1,973
Telephone	\$ 70,377	\$ 70,873	Cust Counts	\$ 4,235	\$ 30	\$ 4,265
Education & Training	\$ 2,262	\$ 6,308	Cust Counts	\$ 136	\$ 243	\$ 380
Miscellaneous	\$ 6,329	\$ 10,651	Cust Counts	\$ 381	\$ 260	\$ 641
Total Administrative Expenses	\$ 1,742,224	\$ 1,826,495		\$ 81,654	\$ 5,144	\$ 86,798
Interest Income, Loss on Sale of Assets	\$ (12,602)	\$ (12,148)	Cust Counts	\$ (758)	\$ 27	\$ (731)
NET INCOME BEFORE TAX	\$ 923,176	\$ 797,070		\$ 13,027	\$ (9,425)	\$ 3,602



Operating Margin
Calculated Operating Ratio

Allocation Data:

		RWO - North Coast Collection Total			Gearhart		
		2020 Calendar Year Actual	2021-22 Projected Rate Year	Allocation Method	2020 Calendar Year Actual	Adjustments and Projected Changes	2021-22 Projected Rate Year
		8.09%	6.97%		2.44%	0.00%	0.67%
		93.38%	93.22%		97.68%		99.32%
Revenue		\$ 11,944,349	\$ 11,974,007		\$ 551,182		\$ 557,182
Revenue Percent		100.00%	100.00%		4.62%		4.64%
2019	All Labor %	100%	100%		5.29%		5.29%
2019	Franchised Labor %	100%	100%		5.65%		5.65%
2019	Outside Source (O/S) Disposal %	100%	100%		4.63%		4.63%
2019	Inter-Company (I/C) Disposal %	100%	100%		4.20%		4.20%
2019	Medical Waste %	100%	100%		0.36%		0.36%
2019	Yard Debris (I/C) %	100%	100%		10.70%		10.70%
2019	Recycling %	100%	100%		6.33%		6.33%
2019	Customer Count %	100%	100%		6.02%		6.02%

Operating Ratio Calculation:

Total Expenses:							
Total Labor		\$ 1,967,334	\$ 2,034,273		\$ 102,960		\$ 108,102
Total Disposal		\$ 3,137,280	\$ 3,174,216		\$ 147,696		\$ 149,311
Total Operational		\$ 3,659,181	\$ 3,616,122		\$ 190,210		\$ 193,163
Total Administrative		\$ 1,742,224	\$ 1,826,495		\$ 81,654		\$ 86,798
Total		\$ 10,506,019	\$ 10,651,106		\$ 522,520		\$ 537,373
Less Non Allowable Expenses:							
Interest on Purchase of routes		\$ -	\$ -		\$ -		\$ -
Non-Franchised Ops Costs		\$ (310,958)	\$ (215,034)		\$ -		\$ -
Amortization		\$ -	\$ -		\$ -		\$ -
Contributions		\$ (2,704)	\$ (13,336)		\$ (163)		\$ (803)
Allowable Expenses		\$ 10,192,357	\$ 10,422,736		\$ 522,358		\$ 536,571
Revenue							
Revenue w/o Franchise Fees		\$ 11,416,593	\$ 11,436,027		\$ 534,789		\$ 540,244
Less Non-Franchised Revenue		\$ (501,680)	\$ (254,903)				
Revenue (w/o Non-Franchised Revenue)		\$ 10,914,913	\$ 11,181,124		\$ 534,789		\$ 540,244
Operating Ratio:							
Allowable Expenses divided by		\$ 10,192,357	\$ 10,422,736		\$ 522,358		\$ 536,571
Revenue (net of Pass Through)		\$ 10,914,913	\$ 11,181,124		\$ 534,789		\$ 540,244
Calculated Operating Ratio		93.4%	93.2%		97.7%		99.3%