



CITY OF  
GEARHART

**Staff Report**

For City Council Meeting - 6/5/2024

***Subject - Visitors - Chris Carey & Dan Blue- Recology Rate Review***

***Synopsis*** - Recology will be in attendance tonight to take us through their annual Financial Review and proposed rate documents.

***Recommendation:*** N/A

***Legal Analysis:*** N/A

***Financial Analysis:*** N/A

Respectfully Submitted,

A handwritten signature in blue ink, consisting of stylized, overlapping loops and lines, positioned below the text 'Respectfully Submitted,'.

Chad



Chad Sweet  
City Manager  
City of Gearhart  
698 Pacific Way  
PO Box 2510  
Gearhart, OR 97138

April 29, 2024

RE: Gearhart Solid Waste Collection Franchise

Dear Chad:

In compliance with the terms of our franchise agreement, please find enclosed the following documents that make up the annual financial report:

1. Rate Review Report, which includes the following:
  - a. 2023 calendar year actual expenses, and all allowable expenses that we reasonably anticipate will be incurred in the upcoming rate year beginning July 1, 2024,
  - b. The allocation method used to allocate shared expenses,
  - c. The Operating Ratios for the preceding calendar year and the upcoming rate year, and
  - e. Projected Ratio with new proposed rates.
2. Proposed Rates for the City of Gearhart

One additional document, the third-party Financial Review, is not yet available but will be sent separately in the coming days. *(received)*

Thank you for your patience and for the extra time to submit these documents to you as we have worked through lingering impacts of a cyber security incident that impacted all Recology sites during the last six months. We are happy to report that all systems are back online and Recology has taken considerable steps to prevent future incidents from occurring.

Despite the setbacks we incurred, on the ground services continued without noticeable impact to customers. We want to recognize our Coast operations teams who utilized both memory and experience to continue to provide safe and uninterrupted services over the past months.

Regarding the current rate review, inflationary and other pressures continued through 2023 and projections indicate that we will continue to see increasing costs in key areas that affect our collections operations. Here are some key drivers:

- Labor costs are up at the coast due to filling remaining vacancies and also for employee retention
- Disposal is up due to both increased labor costs and pass through disposal costs at Astoria Transfer Station
- Fuel is up from the previous year (though there has been some softening lately in fuel prices)



- Supply chain issues continue to impact access to parts and equipment in addition to labor increases in our shop/maintenance service areas

Based on our projections for the upcoming rate year (July 1, 2024 – June 30, 2025), and to maintain the target Operating Ratio of 90% going forward, Recology is proposing a 3.2% increase across all service rates.

We appreciate the opportunity to provide these essential services to our neighbors in Gearhart. We take this obligation seriously, and we are committed to keeping our operations running as expected. We look forward to attending an upcoming council meeting, either in person or virtually. Dan Blue will be reaching out to you soon to coordinate scheduling.

Please let us know if you have any questions or need any additional information. You can reach out to me at (503) 803-4984 or by email at [ccarey@recology.com](mailto:ccarey@recology.com) or to Dan Blue at 503-405-0261 or [dblue@recology.com](mailto:dblue@recology.com).

Respectfully,

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

Chris Carey  
General Manager



RWO-NCC 2023-2024 Cost of Service Report



REVENUE

Collection Services - Residential	\$ 7,060,779	\$ 7,343,746	Actual
Collection Services - Commercial	\$ 4,887,005	\$ 5,102,407	Actual
Collection Services - Debris Box Svcs	\$ 890,595	\$ 958,531	Actual
<b>SUBTOTAL: CS (RA % applies)</b>	<b>\$ 12,838,379</b>	<b>\$ 13,404,684</b>	<b>Actual</b>
Proposed Rate Adjustment	\$ -	\$ 571,394	
Collection Services - DB Disposal	\$ 880,167	\$ 880,167	Actual
Collection Services - Medical Waste	\$ 160,496	\$ 165,922	Actual
Collection Services - Other	\$ 30,289	\$ 28,631	Actual
Non-Franchised Revenue	\$ 81,189	\$ 119,771	Actual
<b>Total Revenue</b>	<b>\$ 13,990,520</b>	<b>\$ 15,170,570</b>	
Franchise Fees	\$ (623,725)	\$ (649,289)	
<b>Revenue w/o Franchise Fees</b>	<b>\$ 13,366,795</b>	<b>\$ 14,521,281</b>	

RWO - North Coast Collection Total				Gearhart		
2023 Calendar Year Actual	2024-25 Projected Rate Year	Allocation Method		2023 Calendar Year Actual	Adjustments and Projected Changes	2024-25 Projected Rate Year
				Rate Adj. % >>>	3.20%	
					5.2%	
Collection Services - Residential	\$ 7,060,779	\$ 7,343,746	Actual	\$ 397,958	\$ 17,071	\$ 415,029
Collection Services - Commercial	\$ 4,887,005	\$ 5,102,407	Actual	\$ 264,234	\$ 8,304	\$ 272,538
Collection Services - Debris Box Svcs	\$ 890,595	\$ 958,531	Actual	\$ 39,070	\$ 10,874	\$ 49,943
<b>SUBTOTAL: CS (RA % applies)</b>	<b>\$ 12,838,379</b>	<b>\$ 13,404,684</b>	<b>Actual</b>	<b>\$ 701,261</b>	<b>\$ 36,249</b>	<b>\$ 737,510</b>
Proposed Rate Adjustment	\$ -	\$ 571,394				\$ 23,600
Collection Services - DB Disposal	\$ 880,167	\$ 880,167	Actual	\$ 3,305	\$ -	\$ 3,305
Collection Services - Medical Waste	\$ 160,496	\$ 165,922	Actual	\$ 197	\$ 450	\$ 647
Collection Services - Other	\$ 30,289	\$ 28,631	Actual	\$ 831	\$ (298)	\$ 533
Non-Franchised Revenue	\$ 81,189	\$ 119,771	Actual	\$ -	\$ -	\$ -
<b>Total Revenue</b>	<b>\$ 13,990,520</b>	<b>\$ 15,170,570</b>		<b>\$ 705,595</b>	<b>\$ 36,401</b>	<b>\$ 765,597</b>
Franchise Fees	\$ (623,725)	\$ (649,289)		\$ (21,190)	\$ -	\$ (22,991)
<b>Revenue w/o Franchise Fees</b>	<b>\$ 13,366,795</b>	<b>\$ 14,521,281</b>		<b>\$ 684,406</b>	<b>\$ -</b>	<b>\$ 742,605</b>
<b>LABOR EXPENSES</b>						
Operational Personnel	\$ 1,585,737	\$ 1,752,573	Labor Hours	\$ 75,299	\$ 7,922	\$ 83,222
Non-Franchised Labor & Related	\$ -	\$ 80,222	Labor Hours	\$ -	\$ -	\$ -
Health Insurance	\$ 399,071	\$ 514,346	Labor Hours	\$ 18,950	\$ 5,474	\$ 24,424
Payroll Taxes	\$ 134,726	\$ 148,901	Labor Hours	\$ 6,398	\$ 673	\$ 7,071
Labor Overhead	\$ 143,859	\$ 199,999	Labor Hours	\$ 6,831	\$ 2,666	\$ 9,497
<b>Total Labor Expenses</b>	<b>\$ 2,263,392</b>	<b>\$ 2,696,041</b>		<b>\$ 107,478</b>	<b>\$ 16,735</b>	<b>\$ 124,213</b>
<b>DISPOSAL EXPENSES</b>						
Disposal Charges - Outside Source	\$ 639,337	\$ 670,665	O/S Disposal	\$ 37,313	\$ 1,828	\$ 39,142
Disposal-Medical Waste	\$ 74,366	\$ 76,597	MW Disposal	\$ 26	\$ 1	\$ 27
Disposal - Free Dump Vouchers (Astoria)	\$ 28,176	\$ 29,585	Actual	\$ -	\$ -	\$ -
Inter-Company Disposal - Yard Debris	\$ 396,543	\$ 398,567	Program Yards	\$ 44,611	\$ 228	\$ 44,839
Inter-Company Disposal - Garbage	\$ 2,604,906	\$ 2,745,165	I/C Disposal	\$ 110,704	\$ 5,961	\$ 116,665
<b>Total Disposal Expenses</b>	<b>\$ 3,743,328</b>	<b>\$ 3,920,578</b>		<b>\$ 192,655</b>	<b>\$ 8,018</b>	<b>\$ 200,672</b>
<b>OPERATIONAL EXPENSES</b>						
Fuel	\$ 472,569	\$ 583,159	Labor Hours	\$ 22,440	\$ 5,251	\$ 27,692
Non-Franchised Fuel	\$ 37,958	\$ 46,841	Actual	\$ -	\$ -	\$ -
Repairs & Maintenance	\$ 1,914,062	\$ 2,007,851	Labor Hours	\$ 90,890	\$ 4,454	\$ 95,344
Repairs & Maint - Non-Franchised Hauling	\$ 26,644	\$ 27,950	Actual	\$ -	\$ -	\$ -
Repairs and Maint. - 3rd Party Shop	\$ -	\$ -	Actual	\$ -	\$ -	\$ -
Contract Labor	\$ 6,887	\$ -	Labor Hours	\$ 313	\$ (313)	\$ -
Business Licenses and Fees	\$ 233,629	\$ 242,561	Labor Hours	\$ 11,094	\$ 424	\$ 11,518
Non-Franchised Business Licenses and Fees	\$ 13,356	\$ 13,356	Actual	\$ -	\$ -	\$ -
Depreciation and Amortization	\$ -	\$ -	Labor Hours	\$ -	\$ -	\$ -
Operational Lease and Rent	\$ 751,149	\$ 749,507	Labor Hours	\$ 35,669	\$ (78)	\$ 35,591
Non-Franchised Ops Lease/Rent	\$ 64,865	\$ 64,865	Actual	\$ -	\$ -	\$ -
Op. Lease and Rent - (Seaside Depot)	\$ 4,000	\$ 4,000	Actual	\$ -	\$ -	\$ -
Supplies	\$ 39,084	\$ 80,999	Labor Hours	\$ 1,775	\$ 1,904	\$ 3,679
Insurance Expense	\$ 109,458	\$ 114,821	Labor Hours	\$ 4,972	\$ 244	\$ 5,215
Recycling Processing	\$ 491,131	\$ 525,019	Program Hours	\$ 47,885	\$ 3,304	\$ 51,189
Freight	\$ 12,179	\$ 12,776	Labor Hours	\$ 578	\$ 28	\$ 607
Other Operational	\$ 30,689	\$ 32,193	Labor Hours	\$ 1,394	\$ 68	\$ 1,462
<b>Total Operational Expenses</b>	<b>\$ 4,207,660</b>	<b>\$ 4,505,897</b>		<b>\$ 217,010</b>	<b>\$ 15,287</b>	<b>\$ 232,297</b>
<b>SUBTOTAL</b>	<b>\$ 3,152,415</b>	<b>\$ 3,398,766</b>		<b>\$ 167,263</b>	<b>\$ 18,160</b>	<b>\$ 185,423</b>
<b>ADMINISTRATIVE EXPENSES</b>						
Administrative Services	\$ 1,403,930	\$ 1,365,351	Computed	\$ 63,504	\$ 3,331	\$ 66,834
Management Services	\$ 402,375	\$ 455,117	Computed	\$ 21,168	\$ 1,110	\$ 22,278
Postage	\$ 8,653	\$ 9,077	Cust Counts	\$ 522	\$ 26	\$ 547
Billing Services	\$ 43,488	\$ 45,619	Cust Counts	\$ 2,622	\$ 128	\$ 2,750
Bank Service Charges	\$ 61,718	\$ 64,742	Cust Counts	\$ 3,720	\$ 182	\$ 3,903
Dues and Subscriptions	\$ 13,818	\$ 14,495	Cust Counts	\$ 833	\$ 41	\$ 874
Contributions	\$ 13,279	\$ 13,930	Cust Counts	\$ 800	\$ 39	\$ 840
Office Supplies	\$ 13,815	\$ 14,492	Cust Counts	\$ 833	\$ 41	\$ 874
Advertising & Promotions	\$ 8,072	\$ 8,467	Cust Counts	\$ 487	\$ 24	\$ 510
Professional Services	\$ 8,376	\$ 8,786	Cust Counts	\$ 505	\$ 25	\$ 530
Business Meals	\$ 8,591	\$ 9,012	Cust Counts	\$ 518	\$ 25	\$ 543
Travel	\$ 12,053	\$ 12,643	Cust Counts	\$ 727	\$ 36	\$ 762
Bad Debts	\$ 23,736	\$ 28,530	Cust Counts	\$ 1,431	\$ 289	\$ 1,720
Telephone	\$ 32,407	\$ 33,995	Cust Counts	\$ 1,954	\$ 96	\$ 2,049
Education & Training	\$ 7,213	\$ 7,567	Cust Counts	\$ 435	\$ 21	\$ 456
Miscellaneous	\$ 19,596	\$ 20,556	Cust Counts	\$ 1,181	\$ 58	\$ 1,239
<b>Total Administrative Expenses</b>	<b>\$ 2,081,119</b>	<b>\$ 2,112,380</b>		<b>\$ 101,237</b>	<b>\$ 5,472</b>	<b>\$ 106,709</b>
Interest Income, Loss on Sale of Assets	\$ (12,098)	\$ (15,637)	Cust Counts	\$ (729)	\$ (213)	\$ (943)
<b>NET INCOME BEFORE TAX</b>	<b>\$ 1,083,394</b>	<b>\$ 1,302,023</b>		<b>\$ 66,754</b>	<b>\$ 12,902</b>	<b>\$ 79,656</b>
Operating Margin	8.11%	8.97%		9.75%	3.20%	10.73%
Calculated Operating Ratio	91.37%	90.74%		90.24%		89.29%



RWO-NCC 2023-2024 Cost of Service Report



**Allocation Data:**

RWO - North Coast Collection Total			Gearhart			
	2023 Calendar Year Actual	2024-25 Projected Rate Year	Allocation Method	2023 Calendar Year Actual	Adjustments and Projected Changes	2024-25 Projected Rate Year
Revenue	\$ 13,990,520	\$ 15,170,570		\$ 705,595		\$ 765,597
Revenue Percent	100.00%	100.00%		4.92%		5.05%
2023 All Labor %	100.00%	100%		4.54%		4.54%
2023 Franchised Labor %	100.00%	100%		4.75%		4.75%
2023 Outside Source (O/S) Disposal %	100.00%	100%		5.84%		5.84%
2023 Inter-Company (I/C) Disposal %	99.99%	100%		4.25%		4.25%
2023 Medical Waste %	100.00%	100%		0.04%		0.04%
2023 Yard Debris (I/C) %	100.00%	100%		11.25%		11.25%
2023 Recycling %	100.00%	100%		9.75%		9.75%
2023 Customer Count %	100.00%	100%		6.03%		6.03%

OpR Range: 88-92% have CPI

**Operating Ratio Calculation:**

<b>Total Expenses:</b>						
Total Labor	\$ 2,263,392	\$ 2,696,041		\$ 107,478		\$ 124,213
Total Disposal	\$ 3,743,328	\$ 3,920,578		\$ 192,655		\$ 200,672
Total Operational	\$ 4,207,660	\$ 4,505,897		\$ 217,010		\$ 232,297
Total Administrative	\$ 2,081,119	\$ 2,112,380		\$ 101,237		\$ 106,709
<b>Total</b>	<b>\$ 12,295,499</b>	<b>\$ 13,234,895</b>		<b>\$ 618,380</b>		<b>\$ 663,892</b>
<b>Less Non Allowable Expenses:</b>						
Interest on Purchase of routes	\$ -	\$ -		\$ -		\$ -
Non-Franchised Ops Costs	\$ (142,824)	\$ (153,012)		\$ -		\$ -
Amortization	\$ -	\$ -		\$ -		\$ -
Contributions	\$ (13,279)	\$ (13,930)		\$ (800)		\$ (840)
<b>Allowable Expenses</b>	<b>\$ 12,139,396</b>	<b>\$ 13,067,953</b>		<b>\$ 617,580</b>		<b>\$ 663,052</b>
<b>Revenue</b>						
Revenue w/o Franchise Fees	\$ 13,366,795	\$ 14,521,281		\$ 684,406		\$ 742,605
Less Non-Franchised Revenue	\$ (81,189)	\$ (119,771)				
<b>Revenue (w/o Non-Franchised Revenue)</b>	<b>\$ 13,285,606</b>	<b>\$ 14,401,510</b>		<b>\$ 684,406</b>		<b>\$ 742,605</b>
<b>Operating Ratio:</b>						
Allowable Expenses	\$ 12,139,396	\$ 13,067,953		\$ 617,580		\$ 663,052
divided by						
Revenue (net of Pass Through)	\$ 13,285,606	\$ 14,401,510		\$ 684,406		\$ 742,605
<b>Calculated Operating Ratio</b>	<b>91.4%</b>	<b>90.7%</b>		<b>90.2%</b>		<b>89.3%</b>

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

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

**32 GALLON CART SERVICE**

**MONTHLY RATES**

32GWC	32G CART-CURB	\$ 23.45	3.20%	\$ 0.75	\$ 24.20
32GEC	32G CART EOW-CURBSIDE	\$ 15.25	3.20%	\$ 0.49	\$ 15.74
32GMC	32G CART MONTHLY-CURB	\$ 8.20	3.20%	\$ 0.26	\$ 8.46
OC3C	32 GAL CART ON CALL CURB	\$ 7.99	3.20%	\$ 0.26	\$ 8.25

**90 GALLON CART SERVICE**

**MONTHLY RATES**

90GWC	90G CART-CURB	\$ 39.15	3.20%	\$ 1.25	\$ 40.40
90GEC	90G CART EOW-CURB	\$ 25.41	3.20%	\$ 0.81	\$ 26.22
90GMC	90G CART OAM-CURB	\$ 13.69	3.20%	\$ 0.44	\$ 14.13
OC9C	90 GAL CART ON CALL CURB	\$ 13.27	3.20%	\$ 0.42	\$ 13.69

**MONTHLY CART RENT (FOR ON-CALL SERVICE)**

90GOC	90G CART WILL CALL-CURB	\$ 2.81	3.20%	\$ 0.09	\$ 2.90
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**SPECIAL PICK-UP (FOR OFF-SCHEDULE COLLECTION)**

**RATE PER EACH**

SP32C	SPEC P/U 32G CART CURBSIDE	\$ 7.99	3.20%	\$ 0.26	\$ 8.25
SP90C	SPEC P/U 90G CART CURBSIDE	\$ 13.27	3.20%	\$ 0.42	\$ 13.69

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

**CART SERVICES - NON-CURBSIDE (SIDEYARD)**

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

**32 GALLON CART SERVICE**

**MONTHLY RATES**

32GWS	32G CART-SIDE	\$ 23.94	3.20%	\$ 0.77	\$ 24.71
32GES	32G CART EOW-SIDEYARD	\$ 15.56	3.20%	\$ 0.50	\$ 16.06
32GMS	32G CART MONTHLY-SIDE	\$ 8.37	3.20%	\$ 0.27	\$ 8.64
OC3S	32 GAL CART ON CALL SIDE	\$ 8.12	3.20%	\$ 0.26	\$ 8.38

**90 GALLON CART SERVICE**

**MONTHLY RATES**

90GWS	90G CART-SIDE	\$ 59.99	3.20%	\$ 1.92	\$ 61.91
90GES	90G CART EOW-SIDE	\$ 38.97	3.20%	\$ 1.25	\$ 40.22
90GMS	90G CART OAM-SIDE	\$ 21.01	3.20%	\$ 0.67	\$ 21.68
OC9S	90 GAL CART ON CALL SIDE	\$ 20.35	3.20%	\$ 0.65	\$ 21.00

**MONTHLY CART RENT (FOR ON-CALL SERVICE)**

90GOS	90G CART WILL CALL-SIDE	\$ 2.81	3.20%	\$ 0.09	\$ 2.90
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**SPECIAL PICK-UP (FOR OFF-SCHEDULE COLLECTION)**

**RATE PER EACH**

SP32S	SPEC P/U 32G CART NON CURBSIDE	\$ 8.12	3.20%	\$ 0.26	\$ 8.38
SP90S	SPEC P/U 90G CART NON CURBSIDE	\$ 20.35	3.20%	\$ 0.65	\$ 21.00

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



CODE	DESCRIPTION	CURRENT RATE	INC %	INC \$\$	NEW RATE
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**OTHER SERVICES & FEES**

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

**RATE PER EACH**

XBAG	EXTRA BAG(S)	\$ 6.21	3.20%	\$ 0.20	\$ 6.41
XBOX	EXTRA BOX	\$ 6.21	3.20%	\$ 0.20	\$ 6.41
XCAN	EXTRA CAN(S)	\$ 6.21	3.20%	\$ 0.20	\$ 6.41
XMISC	EXTRA MISC	\$ 6.21	3.20%	\$ 0.20	\$ 6.41
X32	EXTRA 32G CART(S)	\$ 6.21	3.20%	\$ 0.20	\$ 6.41
X90	EXTRA 90G CART(S)	\$ 9.78	3.20%	\$ 0.31	\$ 10.09

**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	\$ 53.73	3.20%	\$ 1.72	\$ 55.45
APPL	APPLIANCE	\$ 11.94	3.20%	\$ 0.38	\$ 12.32
FURN	FURNITURE CHARGE	\$ 17.91	3.20%	\$ 0.57	\$ 18.48
TREE	EXTRA CHRISTMAS TREE	\$ 12.40	3.20%	\$ 0.40	\$ 12.80
IRSC	IN ROUTE SERVICE CHARGE	\$ 30.28	3.20%	\$ 0.97	\$ 31.25
SC	SERVICE CHARGE	\$ 68.92	3.20%	\$ 2.21	\$ 71.13

**RELATED FEES**

**RATE PER EACH**

CRIR	CART REDELIVERY IN ROUTE	\$ 10.40	3.20%	\$ 0.33	\$ 10.73
CROR	CART REDELIVER OUT OF ROUTE	\$ 20.80	3.20%	\$ 0.67	\$ 21.47
CORDF	CONTAINER RE-DELIVERY FEE	\$ 68.92	3.20%	\$ 2.21	\$ 71.13

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

**RATE PER EACH**

CCF	CART CLEANING FEE	\$ 10.40	3.20%	\$ 0.33	\$ 10.73
CRF	CART REPLACEMENT FEE	\$ 67.60	3.20%	\$ 2.16	\$ 69.76

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

**RATE PER EACH**

WLI	WIND LATCH INSTALLATION	\$ 15.60	3.20%	\$ 0.50	\$ 16.10
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	\$ 240.81	3.20%	\$ 7.71	\$ 248.52
1GE	1YD TRASH EOW	\$ 139.50	3.20%	\$ 4.46	\$ 143.96
1GM	1YD TRASH MONTHLY	\$ 84.96	3.20%	\$ 2.72	\$ 87.68
1OC	ON CALL-1YD TRASH	\$ 51.47	3.20%	\$ 1.65	\$ 53.12
1XP	EXTRA PICK UP-1YD TRASH	\$ 51.47	3.20%	\$ 1.65	\$ 53.12

**1.5 YARD CONTAINERS**

**MONTHLY RATES**

1HGW	1.5YD TRASH	\$ 308.69	3.20%	\$ 9.88	\$ 318.57
1HGE	1.5YD TRASH EOW	\$ 173.44	3.20%	\$ 5.55	\$ 178.99
1HGM	1.5YD TRASH MONTHLY	\$ 100.66	3.20%	\$ 3.22	\$ 103.88
1HOC	ON CALL-1.5YD TRASH	\$ 68.70	3.20%	\$ 2.20	\$ 70.90
1HXP	EXTRA PICK UP-1.5YD TRASH	\$ 68.70	3.20%	\$ 2.20	\$ 70.90

CODE	DESCRIPTION	CURRENT RATE	INC %	INC \$\$	NEW RATE
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**2 YARD CONTAINERS**

**MONTHLY RATES**

2GW	2YD TRASH	\$ 376.62	3.20%	\$ 12.05	\$ 388.67
2GE	2YD TRASH EOW	\$ 207.40	3.20%	\$ 6.64	\$ 214.04
2GM	2YD TRASH MONTHLY	\$ 116.33	3.20%	\$ 3.72	\$ 120.05
2OC	ON CALL-2YD TRASH	\$ 85.99	3.20%	\$ 2.75	\$ 88.74
2XP	EXTRA PICK UP-2YD TRASH	\$ 85.99	3.20%	\$ 2.75	\$ 88.74

**3 YARD CONTAINERS**

**MONTHLY RATES**

3GW	3YD TRASH	\$ 510.01	3.20%	\$ 16.32	\$ 526.33
3GE	3YD TRASH EOW	\$ 275.33	3.20%	\$ 8.81	\$ 284.14
3GM	3YD TRASH MONTHLY	\$ 147.70	3.20%	\$ 4.73	\$ 152.43
3OC	ON CALL-3YD TRASH	\$ 120.49	3.20%	\$ 3.86	\$ 124.35
3XP	EXTRA PICK UP-3YD TRASH	\$ 120.49	3.20%	\$ 3.86	\$ 124.35

**4 YARD CONTAINERS**

**MONTHLY RATES**

4GW	4YD TRASH	\$ 648.30	3.20%	\$ 20.75	\$ 669.05
4GE	4YD TRASH EOW	\$ 343.22	3.20%	\$ 10.98	\$ 354.20
4GM	4YD TRASH MONTHLY	\$ 179.09	3.20%	\$ 5.73	\$ 184.82
4OC	ON CALL-4YD TRASH	\$ 155.01	3.20%	\$ 4.96	\$ 159.97
4XP	EXTRA PICK UP-4YD TRASH	\$ 155.01	3.20%	\$ 4.96	\$ 159.97

**5 YARD CONTAINERS**

**MONTHLY RATES**

5GW	5YD TRASH	\$ 784.12	3.20%	\$ 25.09	\$ 809.21
5GE	5YD TRASH EOW	\$ 411.12	3.20%	\$ 13.16	\$ 424.28
5GM	5YD TRASH MONTHLY	\$ 210.45	3.20%	\$ 6.73	\$ 217.18
5OC	ON CALL-5YD TRASH	\$ 189.52	3.20%	\$ 6.06	\$ 195.58
5XP	EXTRA PICK UP-5YD TRASH	\$ 189.52	3.20%	\$ 6.06	\$ 195.58

**6 YARD CONTAINERS**

**MONTHLY RATES**

6GW	6YD TRASH	\$ 919.97	3.20%	\$ 29.44	\$ 949.41
6GE	6YD TRASH EOW	\$ 479.07	3.20%	\$ 15.33	\$ 494.40
6GM	6YD TRASH MONTHLY	\$ 241.81	3.20%	\$ 7.74	\$ 249.55
6OC	ON CALL-6YD TRASH	\$ 224.01	3.20%	\$ 7.17	\$ 231.18
6XP	EXTRA PICK UP-6YD TRASH	\$ 224.01	3.20%	\$ 7.17	\$ 231.18

**8 YARD CONTAINERS**

**No new customers at this size - safety issues**

8GW	8YD TRASH	\$ 1,118.50	3.20%	\$ 35.79	\$ 1,154.29
8GE	8YD TRASH EOW	\$ 578.33	3.20%	\$ 18.51	\$ 596.84
8GM	8YD TRASH MONTHLY	\$ 287.67	3.20%	\$ 9.21	\$ 296.88
8OC	ON CALL-8YD TRASH	\$ 274.45	3.20%	\$ 8.78	\$ 283.23
8XP	EXTRA PICK UP-8YD TRASH	\$ 274.45	3.20%	\$ 8.78	\$ 283.23

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

RNT1	1YD RENT - TRASH	\$ 20.80	3.20%	\$ 0.67	\$ 21.47
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**FRONT-LOAD COMPACTOR RATE FACTORS - For all compacted material, including pre-compacted waste.**

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



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	\$ 61.66	3.20%	\$ 1.97	\$ 63.63
10HG	TRASH BOX HAUL FEE (ALL SIZES)	\$ 181.37	3.20%	\$ 5.80	\$ 187.17
40CG	COMPACTOR HAUL FEE (ALL SIZES)	\$ 216.56	3.20%	\$ 6.93	\$ 223.49

**DEBRIS BOX DISPOSAL FEES**

**RATE PER UNIT**

DFDM	DISPOSAL FEE - DEMOLITION (\$\$/TON)	\$ 123.72	3.20%	\$ 3.96	\$ 127.68
DFG	DISPOSAL FEE - GARBAGE (\$\$/TON)	\$ 122.37	3.20%	\$ 3.92	\$ 126.29
DFYD	DISPOSAL FEE - YARD DEBRIS (\$\$/YD <sup>3</sup> )	\$ -	3.20%	\$ -	\$ -

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

**RELATED FEES**

**RATE PER DAY**

RENTD	DAILY RENTAL FEE	\$ 16.59	3.20%	\$ 0.53	\$ 17.12
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Note: Daily Rent applies after 48 hours, excluding evenings and weekends.

**RATE PER MONTH**

RENTM	MONTHLY RENTAL FEE	\$ 196.98	3.20%	\$ 6.30	\$ 203.28
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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	\$ 181.37	3.20%	\$ 5.80	\$ 187.17
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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	\$ 40.06	3.20%	\$ 1.28	\$ 41.34
3YRGP	SERVICE 3 YD RENTAL FOR TRASH	\$ 168.69	3.20%	\$ 5.40	\$ 174.09
3YRXD	ADDL DAY - 3YD RENT CONTAINER	\$ 2.08	3.20%	\$ 0.07	\$ 2.15

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	\$ 4.77	3.20%	\$ 0.15	\$ 4.92
TONR	TIRE CHARGE ON RIM	\$ 9.55	3.20%	\$ 0.31	\$ 9.86
APPL	APPLIANCE	\$ 11.94	3.20%	\$ 0.38	\$ 12.32
APF	REFRIGERATOR/FREEZER	\$ 53.73	3.20%	\$ 1.72	\$ 55.45

**MEDICAL WASTE COLLECTION SERVICES**

**RATE PER EACH**

M4HSC	4.7 QT SHARPS CONTAINER	\$ 22.92	3.20%	\$ 0.73	\$ 23.65
M10SC	10 QT SHARPS CONTAINER	\$ 26.66	3.20%	\$ 0.85	\$ 27.51
M23SC	23 QT SHARPS CONTAINER	\$ 51.89	3.20%	\$ 1.66	\$ 53.55
9CDBC	9GAL CONFIDENTIAL DOCUMENT BOX	\$ 40.39	3.20%	\$ 1.29	\$ 41.68
MW17G	MEDICAL WASTE 17 GAL	\$ 23.40	3.20%	\$ 0.75	\$ 24.15
MW31G	MEDICAL WASTE 31 GAL	\$ 30.16	3.20%	\$ 0.97	\$ 31.13
MW43G	MEDICAL WASTE 43 GAL	\$ 36.40	3.20%	\$ 1.16	\$ 37.56
MWTCB	MEDICAL WASTE TRACE CHEMO BOX	\$ 53.04	3.20%	\$ 1.70	\$ 54.74

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 two months; one in advance and one in arrears.

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

Financial Statements  
and Supplementary Information

December 31, 2023





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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of Recology Western Oregon - North Coast Collection Inc. (the "Company"), which comprise the balance sheet as of December 31, 2023, and the related statements of income 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; and for 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.

We are required to be independent of Recology Western Oregon - North Coast Collection Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### **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 on page 14 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. We have not audited or reviewed such information and do not express an opinion, a conclusion, nor provide any assurance on such supplementary information.

*Armanino LLP*

Armanino<sup>LLP</sup>  
San Ramon, California

May 10, 2024

**RECOLOGY WESTERN OREGON - NORTH COAST COLLECTION INC.**

(A Wholly Owned Subsidiary of Recology Inc.)

Balance Sheet

December 31, 2023

ASSETS

Current assets:

Accounts receivable, net of allowance for credit losses of \$10,767	\$	1,186,617
Prepaid expenses		39,193
Due from parent		<u>780,440</u>
Total current assets		<u>2,006,250</u>

Property and equipment:

Building and improvements		2,642
Machinery and equipment		14,031
Construction in progress		86,699
Less accumulated depreciation		<u>(16,673)</u>
Property and equipment, net		<u>86,699</u>
Total assets	\$	<u>2,092,949</u>

LIABILITIES AND STOCKHOLDER'S INVESTMENT

Current liabilities:

Accounts payable	\$	66,376
Accrued liabilities		486,502
Deferred revenues		<u>189,358</u>
Total current liabilities		742,236

Stockholder's investment, net

		<u>1,350,713</u>
Total liabilities and stockholder's investment	\$	<u>2,092,949</u>

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



**RECOLOGY WESTERN OREGON - NORTH COAST COLLECTION INC.**

(A Wholly Owned Subsidiary of Recology Inc.)  
Statement of Income and Stockholder's Investment  
For the year ended December 31, 2023

Revenues, net	\$ 13,366,796
Cost of operations	
Intercompany disposal	3,029,625
Third party refuse disposal	713,703
Labor costs	2,263,392
Operational expenses	<u>4,207,661</u>
Total cost of operations	<u>10,214,381</u>
Gross profit	3,152,415
General and administrative expenses	<u>2,081,119</u>
Income from operations	<u>1,071,296</u>
Other income	
Interest income	<u>12,098</u>
Net income	1,083,394
Stockholder's investment, net, beginning of year	1,585,239
Net distributions to parent	<u>(1,317,920)</u>
Stockholder's investment, net, end of year	<u>\$ 1,350,713</u>

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

**RECOLOGY WESTERN OREGON - NORTH COAST COLLECTION INC.**

(A Wholly Owned Subsidiary of Recology Inc.)

Statement of Cash Flows

For the year ended December 31, 2023

Cash flows from operating activities:	
Net income	\$ 1,083,394
Adjustments to reconcile net income to net cash provided by operating activities:	
Provision for bad debts	23,736
Property and equipment funded by parent	(86,699)
Changes in operating assets and liabilities:	
Accounts receivable	117,749
Prepaid expenses	23,296
Accounts payable	(3,859)
Accrued liabilities	257,522
Deferred revenues	24,313
Net cash provided by operating activities	<u>1,439,452</u>
Cash flows from financing activities:	
Due from parent	(121,532)
Net distribution to parent	<u>(1,317,920)</u>
Net cash used in financing activities	<u>(1,439,452)</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 COLLECTION INC.**

(A Wholly Owned Subsidiary of Recology Inc.)

Notes to Financial Statements

December 31, 2023

(1) NATURE OF BUSINESS

Recology Western Oregon - North Coast Collection 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").

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, 2023, 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.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

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 credit losses, represents their estimated net realizable value. The Company estimates its allowance for credit losses based on several factors, including historical collection trends, current economic conditions, reasonable and supportable forecasts, and other factors.

In accordance with Accounting Standards Codification Topic 606 – *Revenue from Contracts with Customers* municipal franchise fees totaling \$623,725 were presented as a reduction to revenue for the year ended December 31, 2023.



**RECOLOGY WESTERN OREGON - NORTH COAST COLLECTION INC.**

(A Wholly Owned Subsidiary of Recology Inc.)

Notes to Financial Statements

December 31, 2023

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 \$0 for the year ended December 31, 2023. The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized.

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 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, 2023.

**RECOLOGY WESTERN OREGON - NORTH COAST COLLECTION INC.**

(A Wholly Owned Subsidiary of Recology Inc.)

Notes to Financial Statements

December 31, 2023

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

During the year ended December 31, 2023, there were no events or changes in circumstances that indicated the carrying value of an asset was not fully recoverable.

Leases

The Company leases certain land, buildings, vehicles, and equipment used in the Company's operations under lease agreements. The Company is responsible for all maintenance costs, taxes, and insurance on the buildings, vehicles, and equipment under lease agreements.

The Company accounts for leases in accordance with Accounting Standards Codification Topic 842, Leases. The Company determines if an arrangement is or contains a lease at contract inception. The Company recognizes a right-of use ("ROU") asset and a lease liability at the lease commencement date.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received.

The Company may enter into lease agreements with varying terms which may include renewal or escalation clauses which would be considered in determining minimum lease payments. Lease terms include the noncancelable period of the lease in addition to any additional periods covered by either an option by the Company to extend (or not to terminate) the lease that the Company is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor. The Company has cancelable one-year lease agreements with an affiliate that do not include any renewal or other extension provisions for the use of certain operating equipment and property. The Company has elected not to include these leases with an initial term of 12 months or less in the balance sheet and payments associated with these short term-leases are recognized as an operating expense on a straight-line basis over the lease term. Leases are classified as either operating leases or finance leases at inception.

**RECOLOGY WESTERN OREGON - NORTH COAST COLLECTION INC.**  
(A Wholly Owned Subsidiary of Recology Inc.)

Notes to Financial Statements

December 31, 2023

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023, there was no interest or penalties recorded because the Company has no uncertain tax positions that meet the more likely than not threshold.

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.

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 credit losses 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 322 shares issued and outstanding with no par value as of December 31, 2023. Stockholder's investment, net is comprised of the legal capital plus cumulative contributions net of distributions.



**RECOLOGY WESTERN OREGON - NORTH COAST COLLECTION INC.**  
(A Wholly Owned Subsidiary of Recology Inc.)

Notes to Financial Statements

December 31, 2023

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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, 2023, three jurisdictions accounted for approximately 72% of accounts receivable.

Adoption of new accounting standard

In June 2016, the FASB issued Accounting Standards Update 2016-13, Financial Instruments - Credit Losses ("Topic 326"): Measurement of Credit Losses on Financial Instruments ("ASC 326"). ASC 326 changed how companies measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. Most prominent among the changes in the standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to meet the objective of enabling users of the financial statements to assess a company's exposure to credit risk and the measurement of credit losses. The financial assets held by the Company that are subject to this guidance were accounts receivable.

The Company adopted the standard effective January 1, 2023 using the modified retrospective approach. The impact of the adoption was not considered material to the financial statements.

Subsequent events

The Company has evaluated subsequent events through May 10, 2024, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the financial statements.

(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 in December 2026. At December 31, 2023, there was an outstanding balance of \$344.0 million on the Parent's Revolving Credit Agreement and there were standby letters of credit issued for \$123.0 million. The Parent has represented to the Company that it is in compliance with all covenants of the Revolving Credit Agreement.

**RECOLOGY WESTERN OREGON - NORTH COAST COLLECTION INC.**

(A Wholly Owned Subsidiary of Recology Inc.)

Notes to Financial Statements

December 31, 2023

(3) **COMMITMENTS AND CONTINGENCIES**

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 December 31, 2023, the outstanding principal on the financing equipment owed by the affiliates was \$11.5 million.

The Parent and its subsidiaries, including the Company, are subject to various laws and regulations relating to the protection of the environment. It is not possible to quantify with certainty the potential impact of actions regarding environmental matters, particularly any future remediation, and other compliance efforts. The Parent has environmental impairment liability insurance, which covers the sudden or gradual onset of environmental damage to third parties, on all owned and operated facilities. In the opinion of management, compliance with present environmental protection laws will not have a material adverse effect on the results of operations of the Company provided costs are substantially covered in the Company's rates on a timely basis.

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.

(4) **LEASES**

The Company's main office facility and storage yard, located in Western Oregon Valley, are leased under 12 month fully cancelable leases ranging from \$750 to \$5,145 per month. The Company also leases all equipment under 12 month fully cancelable annually renegotiated leases, ranging from \$5 to \$2,268 per month. The annual rent expense for both facilities totaled \$169,037 and for all equipment totaled \$650,977 for the year ended December 31, 2023.

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 COLLECTION INC.**

(A Wholly Owned Subsidiary of Recology Inc.)

Notes to Financial Statements

December 31, 2023

(5) TRANSACTIONS WITH RELATED PARTIES

During the year ended December 31, 2023, 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:

<b>Parent:</b>	
Health Insurance	\$ 397,571
Worker's Compensation	37,895
401(k) Employer Portion	105,964
General and Vehicle Insurance	109,458
	<u>650,888</u>
<b>Affiliates:</b>	
Collection Revenue	(78,886)
Rental of Equipment	649,019
Disposal Costs	3,029,625
Processing Fees	491,131
General and Administration Allocation	1,215,744
Truck and Garage	1,259,649
Regional Management and Accounting Fees	590,561
	<u>7,156,843</u>
	<u>\$ 7,807,731</u>

During the year ended December 31, 2023, amounts due from or payable to the Parent and affiliates were accumulated by the Company and as of the Parent's fiscal year-end, September 30, 2023, the net amount was settled by way of capital contributions or distributions. Changes in amounts due from or payable to the 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, 2023 to December 31, 2023, the net amount was not settled by way of capital contributions or distributions. The financial position and results of operations of the Company could be significantly different absent the transactions with the Parent and affiliates.



**RECOLOGY WESTERN OREGON - NORTH COAST COLLECTION INC.**  
(A Wholly Owned Subsidiary of Recology Inc.)

Notes to Financial Statements

December 31, 2023

(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 time 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.

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SUPPLEMENTARY INFORMATION

**RECOLOGY WESTERN OREGON - NORTH COAST COLLECTION INC.**

(A Wholly Owned Subsidiary of Recology Inc.)

Schedule of Operational and General and Administrative Expenses

For the year ended December 31, 2023

Operational expenses	
Contract labor	\$ 6,887
Fuel	510,528
Insurance	109,458
Supplies	39,084
Operational lease expense	820,014
Recycling processing costs	491,131
Repair and maintenance	1,940,706
Taxes and licenses	246,985
Other operational expenses	42,868
Total operational expenses	<u>\$ 4,207,661</u>
General and administrative expenses	
General administrative allocation	\$ 1,215,744
Regional management and accounting fees	590,561
Advertising and promotion	8,071
Bad debt	23,736
Contributions	10,879
Billing services	43,488
Dues and subscriptions	13,818
Donations	2,400
Education and training	7,213
Bank service charges	61,718
Meals	8,591
Office supplies	13,815
Postage	8,653
Professional services	8,376
Telephone	32,407
Travel	12,053
Other administrative expenses	19,596
Total general and administrative expenses	<u>\$ 2,081,119</u>

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