

RESOLUTION

NO. 98

A RESOLUTION AUTHORIZING INCREASE IN RATES UNDER GARBAGE FRANCHISE CONTRACT WITH UNITED DISPOSAL SERVICE, INC.

WHEREAS, Wilsonville City Ordinance No. 4 entitled "An Ordinance Providing for the Collection and Disposal of Garbage; Authorizing a Contract Therefor; and Relating Generally to the Health and Sanitation of the City of Wilsonville and the Inhabitants Thereof" was enacted April 7, 1969, and provides among other things for authority of the Mayor to enter into contracts as may first be approved by the City Council for collection and disposal of garbage in the City of Wilsonville; and

WHEREAS, the last Franchise contract for garbage collection in the City of Wilsonville was made by the City and United Disposal Service, Inc. of Woodburn, Oregon, on the 8th day of April, 1974; and

WHEREAS, said contract provides that fees to be charged and collected for servcies under the Contract shall be changed from time to time to reflect changes in the cost of living, and the increase or decrease in the cost of doing business, or an increased cost of additional, better, or more comprehensive service; and

WHEREAS, the Wilsonville City Council has considered the request of United Disposal Service, Inc. of Woodburn, Oregon, for a rate increase and the City Council has found the following:

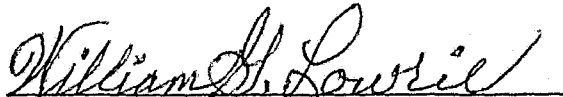
1. That the last Rate Increase was approved by the City Council on December 1, 1975.
2. That there have been substantial increases in the cost of doing business for the garbage franchisee since the last increase.
3. That the Rate Increase requested is fair and reasonable and needed to give the contract franchisee a reasonable rate of return so as to provide good and efficient service.

THEREFORE, IT IS HEREBY RESOLVED BY THE WILSONVILLE CITY COUNCIL THAT UNITED DISPOSAL SERVICE, INC. OF WOODBURN, OREGON, IS ENTITLED TO CHARGE THE RATES ON THE ATTACHED EXHIBIT "A" AFTER DECEMBER 31, 1977,


AND THE COUNCIL FINDS THAT THE COLLECTION SERVICE CHARGES ARE  
REASONABLE AND IN THE BEST INTEREST OF THE CITY OF WILSONVILLE  
AND ITS RESIDENTS IN ORDER THAT THE CONTRACTOR BE ABLE TO CONTINUE  
THE PRESENT GOOD SERVICE TO THE CITY OF WILSONVILLE AND ITS RESIDENTS.

ADOPTED by the Wilsonville City Council on the 19th day of  
December, 1977.

DATED this 19th day of December, 1977.

  
William Lowrie - Mayor

ATTEST:

  
Deanna Thom City Recorder

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WHEREAS, the Wilsonville City Council has considered the request of United Disposal Service, Inc. of Woodburn, Oregon, for a rate increase and the City Council has found the following:

1. That the last Rate Increase was approved by the City Council on December 1, 1975.
2. That there have been substantial increases in the cost of doing business for the garbage franchisee since the last increase.
3. That the Rate Increase requested is fair and reasonable and needed to give the contract franchisee a reasonable rate of return so as to provide good and efficient service.

THEREFORE, IT IS HEREBY RESOLVED BY THE WILSONVILLE CITY COUNCIL THAT UNITED DISPOSAL SERVICE, INC. OF WOODBURN, OREGON, IS ENTITLED TO CHARGE THE RATES ON THE ATTACHED EXHIBIT "A" AFTER DECEMBER 31, 1977,

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ADOPTED by the Wilsonville City Council on the \_\_\_ day of  
December, 1977.

DATED this \_\_\_ day of December, 1977.

William Lowrie - Mayor

ATTEST:

Deanna Thom - City Recorder

December 13, 1977

TO THE MAYOR AND COUNCIL, CITY OF WILSONVILLE;

On behalf of your Franchisee, United Disposal Service, Inc., and its representative, Richard Brentano, I am submitting a proposed Wilsonville Rate Schedule that hopefully can be made effective Midnight, December 31, 1977.

In addition to the usual inflationary factors that have affected your Franchisee since the last Rate Increase request in late 1975, Solid Waste Collectors throughout the nation have had increases in the cost of doing business that do not show up in the usual Consumer Price Index figures. Part of such additional costs occur because of the nature of the business requiring the use of equipment of a specialized nature, and part of it is due to federal and state regulations. Any firm in the Solid Waste field is subject to particularly heavy costs because of the general environmental emphasis in this country, and perhaps in the world at this time.

For your particular Solid Waste Collector, both this request and the request for the last Rate Increase were based on fiscal year end accountant's figures. The fiscal year of the firm ends June 30th. Thus, even though the figures are already outdated by further increases in costs since the end of the fiscal year, we will give you some of the major changes in the cost of doing business since the last request was filed and received your favorable consideration.

Some of the major factors justifying this request are as follows:

1. In the 12 months ended 6/30/77 some of the major increases for just that one year were as follows:

<u>Category</u>	<u>From</u>	<u>To</u>	<u>Percent Increase</u>
<u>Payroll</u>	\$221,002	\$274,668	24.9%
Payroll Taxes & Benefits	54,735	78,348	43.2%
Equipment Rental	22,396	31,394	40.2%
Insurance and Damages	11,918	24,024	101.7%

2. The heavy cash flow pinch of your collector holds down any efforts to set aside funds to replace equipment as it wears out or as technological changes occur. Stockholders Equity fell in the year ending 6/30/77. This is not a good state of affairs for a firm that requires ready access to borrowing. The business has substantial assets without counting goodwill or any sort of nebulous asset. But when it comes right down to obtaining financing, cash flow and stockholders equity is all important.

3. A comparison of income and expenses for United Disposal Service, Inc. for years ending on June 30th for the last three years shows the following:

Item	Year Ended 6/30/75	Year Ended 6/30/76	Year Ended 6/30/77
Sales Income	\$536,217	\$678,129	\$800,686
Expenses	<u>513,645</u>	<u>702,668</u>	<u>805,146</u>
Net Operating Income (Before Corporate Income Taxes)	\$ 22,568 (4.2%)	\$[24,539] (-3.7%)	\$[ 4,460] (-2.1%)

4. The only expansion for a small business such as this one in a regulated field is by the growth occurring in the area served. Because of the importance of this type of service to the people in various jurisdictions, the service is invariably Franchised and there is not the opportunity to expand into other areas and turn over dollars faster with a smaller rate of return on each dollar but with a greater profit as a result of greatly expanded volume of business. Most of the major counties and cities in the state do Franchise Solid Waste collection. As a result, there have been many studies by rate making authorities, and a rate of return of somewhere between 15-20% before income taxes is generally thought necessary to warrant the investment in this ever-changing field. The requested rate increase would in no way bring

this firm's rate of return up to that range; but we feel what we are requesting is what is necessary and feasible at this time.

5. United Disposal Service, Inc. has already submitted this Rate Increase Request and received approval for the rates requested in Gervais, Mt. Angel, and Woodburn. The request is a 15% increase in the first item of each category of service with the increase carried through to additional types of service under each category, but with some changes in the concept for container and drop box rates.

6. Some examples would perhaps be of interest to the council. For instance, the request to your City is that the residential one stop per week, one can rate go from \$3.25 to \$3.75. That rate has been raised in the last week in Washington County, effective December 1st, to \$4.60. The rate in surrounding areas of Clackamas, Marion, and Washington Counties had been a minimum of about \$4.25 with probably an average of \$4.50-\$4.60. The maximum rate for that service in Washington County is now \$5.45.

Another example would be the second can for residential service. Washington County now authorizes from \$3.50-\$4.25 for that second can. Your Franchisee is asking only that the second can cost \$2.50 per month.

I have compared the entire rate sheet requested, which would only update the rates approved in 1975 by the 15%, and I find similar substantial savings in your Franchisee's request as compared to Washington County and as compared to many other areas.

Your Franchisee apparently operates a very efficient service and business, and I would guess he has, also, been satisfied with a much lower rate of return than many other Solid Waste businesses.

7. We referred earlier to the fact that the figures we are submitting are for the three fiscal years past, and that those fiscal

years end on June 30th. Since that time, there have been substantial cost increases that will show up in the current fiscal year. In the nature of a regulated business, or in any business, we can only guess as to what the actual result of the increased costs will be. We do know that they will substantially off-set the benefits from the requested Rate Increase. We anticipate substantial additional costs in this fiscal year on equipment acquisition and upkeep, labor, insurance, modification of equipment to meet EPA and other federal standards, etc.

I do believe that we have justified the full Rate Requested based on the past financial history, without even considering the current fiscal year's increased costs.

I am attaching the proposed Rate Schedule that we ask be approved and which I have discussed in this Memorandum. In addition, I have prepared a Resolution along the lines that City Attorney Wade Bettis instructed me on when we were in for the last increase, and I am sending a copy of the Resolution to Mr. Bettis as well as to the City Recorder, Dee Thom.

Respectfully submitted,



DALE M. HARLAN

DH:e