

**CITY COUNCIL WORK SESSION  
JUNE 6, 2011  
6:00 P.M.  
NEWBERG PUBLIC SAFETY BUILDING  
401 EAST THIRD STREET**

WORK SESSIONS ARE INTENDED FOR DISCUSSION. NO ACTION WILL BE TAKEN ON THE AGENDA ITEMS AND NO DECISIONS WILL BE MADE. NO ORAL OR WRITTEN TESTIMONY WILL BE HEARD OR RECEIVED FROM THE PUBLIC.

**I. CALL MEETING TO ORDER**

**II. ROLL CALL**

**III. REVIEW OF COUNCIL AGENDA AND MEETING**

**IV. COUNCIL HOUSEKEEPING ITEMS**

PRESENTATION FROM WASTE MANAGEMENT REGARDING A RATE INCREASE REQUEST

**V. ADJOURNMENT**

**ACCOMMODATION OF PHYSICAL IMPAIRMENTS:**

*In order to accommodate persons with physical impairments, please notify the City Recorder's Office of any special physical accommodations you may need as far in advance of the meeting soon as possible and no later than 48 hours prior to the meeting. To request these arrangements, please contact the city recorder, at (503) 537-1283. For TTY service please call (503) 554-7793.*

● City Manager's Office: e-mail: [dan.danicic@newbergoregon.gov](mailto:dan.danicic@newbergoregon.gov) Fax: 537-5013 ●  
Admin: 537-1261 ● Building: 537-1240 ● Public Works: 537-1273 ● Finance: 538-9421 ● Fire: 537-1230  
Library: 538-7323 ● Municipal Court: 537-1203 ● Police: 538-8321 ● Maintenance: 537-1234 ● Utilities: 537-1205  
Municipal Court Fax: 538-5393 ● Public Works Fax: 537-1277 ● Library Fax: 538-9720

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# REQUEST FOR COUNCIL ACTION

DATE ACTION REQUESTED: June 6, 2011

Order ___ No.	Ordinance ___ No.	Resolution ___ No.	Motion ___	Information <u>XX</u>
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**SUBJECT: Request by Waste Management for a rate increase in respect to the solid waste franchise**

Contact Person (Preparer) for this  
Item: Dawn Wilson  
Dept.: City Attorney's Office  
File No.:

**EXECUTIVE SUMMARY:** Solid waste and recycling collection rates are required to be reviewed every two (2) years pursuant to Resolution No. 99-2160, which was adopted on January 19, 1999. As such, the last rate review and thus increase was done in June of 2009 pursuant to Resolution No. 2009-2852 for a 4.23% rate increase effective July 1, 2009.

Please see the attached Rate Review Report prepared by Waste Management in which they request a 5.47% increase in collection rates effective July 1, 2011.

### Status of Franchise:

The City is currently in franchise negotiations with Waste Management pursuant to their request. Waste Management acquired Newberg Garbage and Recycling Service, Inc. in the latter part of 2009. The Council approved the Consent to Transfer the franchise on January 18, 2010, pursuant to Resolution 2010-2882.

Waste Management has proposed a new franchise agreement that follows their business model and incorporates additional business and operating details that the current franchise (from approximately 30 years ago) does not. More specifically, Waste Management is also requesting a considerable change to the rate language in the franchise agreement for guaranteed rate of returns.

Additionally, in prior council sessions on the current franchise negotiations, the Council indicated that they were in favor of increasing the current franchise fee from 3% to 5%. The City Attorney's Office is currently researching other cities' franchise language with Waste Management and their rate setting methodologies.

### Process

On June 6, 2011, the Council will hear a presentation from Waste Management during the work session regarding their report and rate request. No action is requested of the Council. Formal deliberation and adoption will occur at a subsequent Council meeting.

**FISCAL IMPACT:** Transparent to City. A 5.47% rate increase would be passed on directly to solid waste and recycling customers. A single-family residential customer's rate, with a medium sized cart, would increase \$.99 per month.

**STRATEGIC ASSESSMENT:** To retain operations at a status quo of efficiency and thus continue to provide outstanding service to its Newberg customers, an increase in collection rates is simply a necessary cost of doing business.

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Original to Franchise Coord.  
Copy to City Manager



**WASTE MANAGEMENT INC.**

P.O. Box 1000  
Newberg, OR 97132  
(503) 538-1388 Phone  
(503) 538-1383 Fax



April 25, 2011

Mr. Dan Danicic, City Manager  
City of Newberg  
414 East 1st Street  
Newberg, Oregon 97132

Re: Waste Management Newberg Operations  
City of Newberg Solid Waste & Recycling Rate Review

Dear Mr. Danicic:

Enclosed is Waste Management Newberg Hauling's every-other-year rate review report for calendar year 2010 (10 months), and Newberg Garbage Service, Inc. for the calendar year 2009. Based on the results for 2010 the Company is requesting a general cost of doing business rate increase of 5.47%. The effective date of the increase is requested for July 1, 2011.

After your review, we can discuss the procedures and timing of proceeding with the request.

Sincerely,

A handwritten signature in blue ink that reads 'Sharon Bjorn'.

Sharon Bjorn, District Manager

Enclosure

# **WASTE MANAGEMENT NEWBERG HAULING**

**Presentation To The City Of Newberg's  
City Staff  
On Review of Solid Waste & Recycling Rates  
July 1, 2011**

Prepared by:

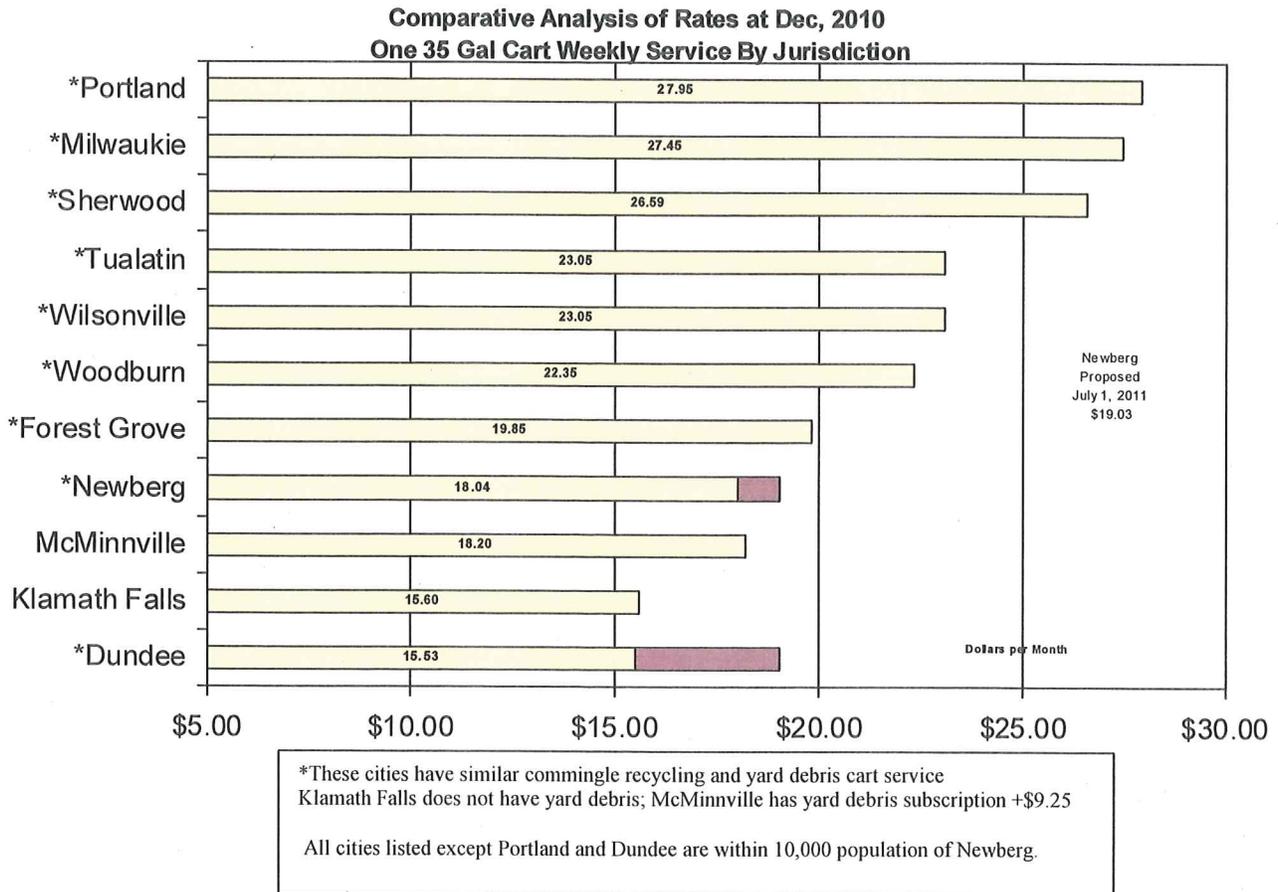
Waste Management Newberg Hauling  
Post Office Box 1000  
Newberg, Oregon 97132  
538-1388

**Executive Summary**

Waste Management Newberg Hauling (the Company) is requesting a 5.47% increase in collection rates in the City of Newberg to be effective July 1, 2011. This increase is the net result of a general increase in the cost of doing business, principally fuel costs. The last cost of doing business rate increase in the City of Newberg was 4.23% effective July 1, 2009.

This request will result in raising monthly rates on one 35-gallon roll cart, once-a-week service from the current \$18.04 to \$19.03. The net effect of this proposed rate increase on the average single-family residential customer in Newberg is \$0.99 per month.

Shown in the following chart, is a comparison of residential collection rates in selected jurisdictions to the current and proposed rates for the City of Newberg customers.



**Background**

A review of rates every two years is called for by City of Newberg Resolution No. 99-2160 effective January 1, 1999. The purpose of this report is to provide information to support the administration of solid waste and recycling collection rates. This report covers calendar years 2009 and 2010. The objective of reviewing rates every two years is to avoid large, infrequent adjustments.

The cost of service model used in the reviews has been consistently applied. The model provides an objective basis for the allocation of allowable costs to jurisdictions serviced by common labor, vehicles and administrative services. The operating ratio range, used in the model, is a means of tracking performance against a set of predetermined limits. An operating ratio (O/R) expresses, as a percent, the relationship of operating expenses to operating revenue. The upper limit of 91.5 % and the lower limit of

85.5% provide a 6 percentage point window, allowing 3 percentage points above or below the operating ratio target of 88.5%. When operations result in a current O/R outside the window, this triggers a rate adjustment upon review of the contributing factors.

**Current Operating Results**

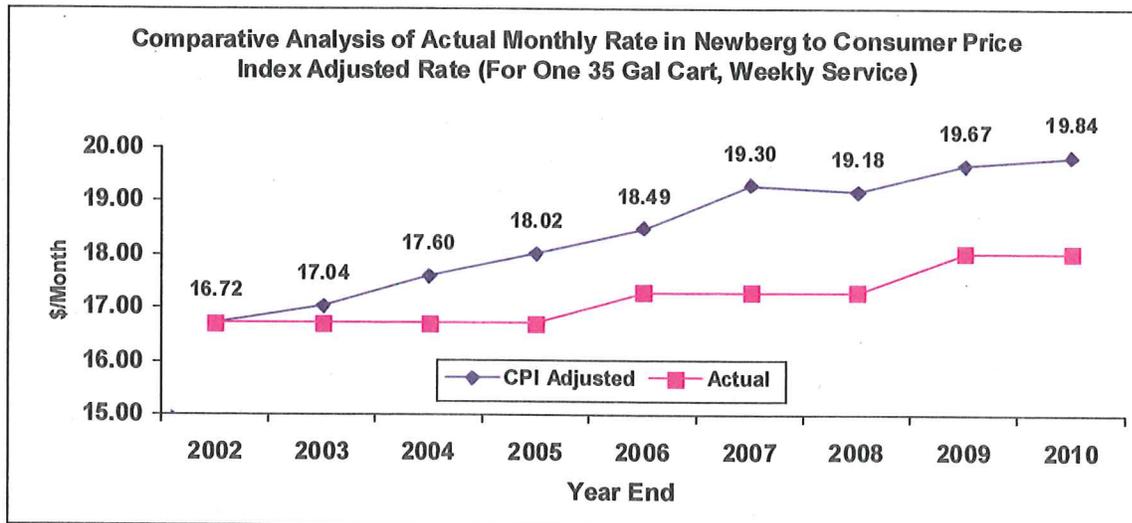
The following table shows the Company operated at an O/R of 93.47% and 94.22% for the years 2010 and 2009, respectively. Both years fall outside the established range discussed above. The model results form the basis for this 5.47% rate increase request.

<b>Rate Review - Operating Ratio Calculation</b>	2010 <u>Actual</u>	2009 <u>Actual</u>
Allowable Expenses		
Disposal Costs	\$736,024	\$841,277
Labor Costs	\$680,395	\$752,698
Operational Costs	\$550,872	\$625,859
General and Administrative	<u>\$373,882</u>	<u>\$413,992</u>
Allowable Expenses	\$2,341,173	\$2,633,826
Subtract Franchise Fees	<u>(\$62,586)</u>	<u>(\$78,464)</u>
Total Allowable Expenses with OR Applicable	\$2,278,587	\$2,555,362
Actual Revenue	\$2,500,472	\$2,790,526
Current Operating Ratio	93.47%	94.22%
Revenue Required for 88.5% OR	\$2,574,675	\$2,887,415
Add Franchise Fees	\$62,586	\$78,464
Total Revenue Required	\$2,637,261	\$2,965,879
Percentage Increase	5.47%	6.28%

**Review of Contributing Factors**

**1. Inflation:**

The following chart illustrates the time value of money over the period 2002 to 2010. The last rate adjustment in this period of 4.23% is reflected in the year 2009.



As the chart above shows, from 2002 to the end of 2010, an inflation-adjusted rate as measured by the Pacific Cities Consumer Price Index (i.e., CPI-U West-B/C) would equate to a monthly rate of \$19.84 versus the actual current Newberg rate of \$18.04. The difference of \$1.80 (\$19.84 less \$18.04) represents a 10 percent increase over the eight-year period.

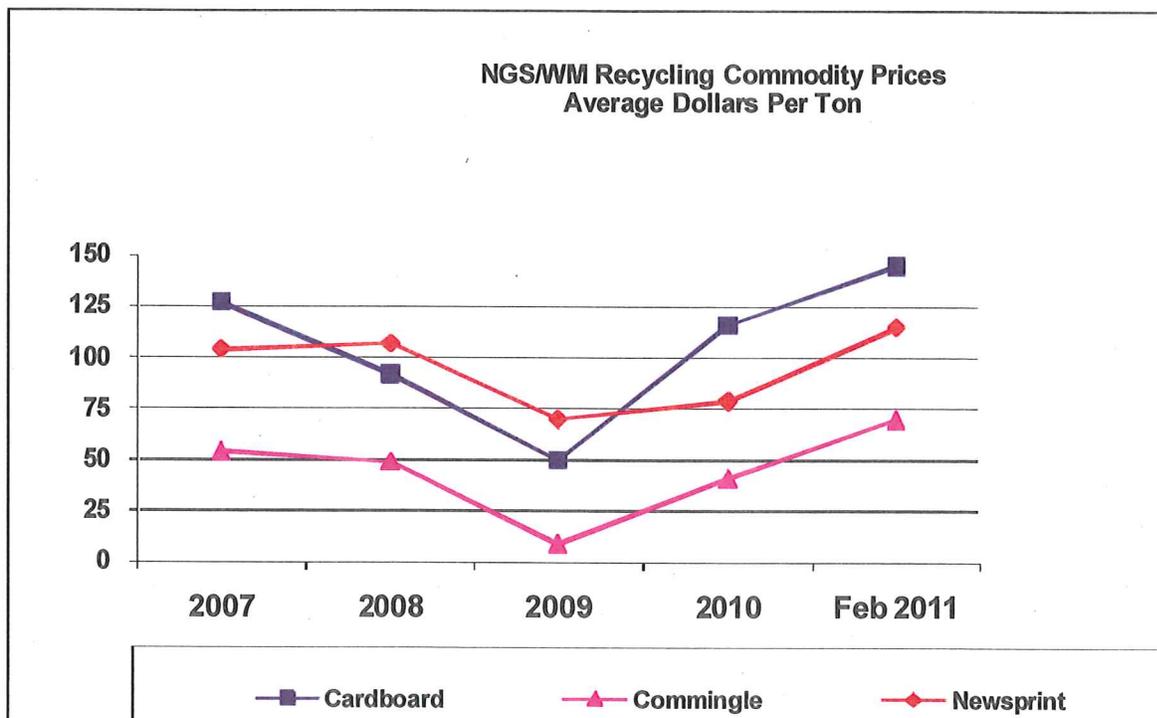
**2. Customer Growth & Continued Efficiencies:**

In 2009 the growth rate increased to 2.6% (from 1.7% in 2008), and dropped down again in 2010 to 1.5%.

The acquisition of Newberg Garbage Service, Inc. by Waste Management on March 1, 2010 has brought all of the NGS employees into WM employment with a continuity that meant our community was largely unaware that there was a change in the company until the billing change a few months later. There has been a period of rebranding, working through a billing change with our customers, getting NGS up to the safety standards of Waste Management, changing our web site and continuing to provide excellent and efficient service to the Newberg community. In December we expanded the plastics that could be recycled in the curbside roll carts.

**3. Recycling Commodities Market Collapse**

Domestic and foreign recycling markets declined in 2008 and continued to be flat through 2009 with the beginning of a rebound in 2010. The following chart displays the decline and rebound using average prices per ton by commodity.



**Conclusion:**

Based on the results of the cost of service model, the Company is requesting a 5.47% general cost of doing business rate increase to be effective July 1, 2011. It should be noted that funding for any new programs would be considered during the development of the program.

**Attachments to this Rate Review:**

**Appendix A** - The current & proposed schedule of rates for collection services provided in the City of Newberg, Oregon.

Current rates effective July 1, 2009 per Resolution 2009-2852 dated 06/18/09.

Proposed rates to be effective July 1, 2011 upon approval of this request for a 5.47% rate increase.

**Current & Proposed  
Schedule of Rates  
For City of Newberg Collection Services  
Requested to be Effective  
July 1, 2011**

Appendix A

<b>NEWBERG GARBAGE SERVICE, INC.</b>	<b>Current</b>	<b>Proposed</b>	<b>Proposed</b>
City of Newberg Current Rates Approved on June 18, 2009 by Resolution No. 2009-2852	<b>Rates</b>	<b>Adjustment</b>	<b>Rates</b>
	<b>Jul 1, 2009</b>	<b>5.47%</b>	<b>Jul 1, 2011</b>
<b>Residential Rates - Monthly</b>			
One Minican Weekly (20 Gal) Curbside	\$16.73	\$0.92	\$17.65
One Can Weekly (32 Gal) Curbside	\$18.04	\$0.99	\$19.03
Each Additional Can	\$10.62	\$0.58	\$11.20
One Can Weekly ( Non-Curbside)	\$19.82	\$1.08	\$20.90
Each Additional Can	\$12.29	\$0.67	\$12.96
One Can Monthly ( Curbside)	\$13.21	\$0.72	\$13.93
65 Gallon Cart Weekly (Curbside)	\$22.19	\$1.21	\$23.40
95 Gallon Cart Weekly (Curbside)	\$24.38	\$1.33	\$25.71
Recycling-Only Service	\$6.71	\$0.37	\$7.08
Additional Recycling Cart	\$2.82	\$0.15	\$2.97
<b>Multiple Residential Units and Mobile Parks (Single Billing) Monthly</b>			
One Minican Weekly (20 Gal) Curbside	\$15.06	\$0.82	\$15.88
One Can Weekly (32 Gal) Curbside	\$16.43	\$0.90	\$17.33
Each Additional Can	\$9.31	\$0.51	\$9.82
One Can Weekly ( Non-Curbside)	\$18.04	\$0.99	\$19.03
Each Additional Can	\$10.80	\$0.59	\$11.39
One can weekly (Enclosed Cans)	\$18.52	\$1.01	\$19.53
Each Additional Can	\$10.80	\$0.59	\$11.39
One Can Monthly (Curbside)	\$13.21	\$0.72	\$13.93
Recycling - Only Service	\$6.71	\$0.37	\$7.08
<b>Call Rates (In Route)</b>			
Regular customer - additional can curbside	\$2.69	\$0.15	\$2.84
Regular customer - additional can non-curbside	\$3.28	\$0.18	\$3.46
Cash customer - per can (will call) on route	\$6.62	\$0.36	\$6.98
Bill customer - per can (will call) on route	\$7.21	\$0.39	\$7.60
<b>Call Rates (Outside Route)</b>			
Call-back charge	\$6.39	\$0.35	\$6.74
Appliances -	Hourly plus disposal		
One packer truck - One man (Hourly Rate)	\$71.60	\$3.92	\$75.52
One packer truck - Two men (Hourly Rate)	\$89.50	\$4.90	\$94.40
<b>Additional Rate Information</b>			
Weekly Walk-in rate:one cent per foot after the first fifty feet.			
Extra - 32 gal can equivalent - curbside	\$2.74	\$0.15	\$2.89
Extra - 32 gal can equivalent - non-curbside	\$3.35	\$0.18	\$3.53
Recycling Contamination Charge	\$9.71	\$0.53	\$10.24
Triple Change of Service Charge	\$10.79	\$0.59	\$11.38
Overweight charge (taking 2 men to lift weight safely)	\$2.39	\$0.13	\$2.52
Oversized can charge (taking 2 men to lift bulk)	\$2.39	\$0.13	\$2.52
Restart - Service stopped for Nonpayment	\$10.79	\$0.59	\$11.38
	\$20.00		\$20.00
<b>Commercial Services</b>			
35 Gallon Cart Weekly	\$20.91	\$1.14	\$22.05
65 Gallon Cart Weekly	\$23.26	\$1.27	\$24.53
95 Gallon Cart Weekly	\$25.46	\$1.39	\$26.85
95 Gallon Yard Debris Cart - New Rate			\$7.08
<b>Commercial Container - Weekly Service</b>			
1 Yard	\$74.17	\$4.06	\$78.23
1-1/2 Yard	\$100.76	\$5.51	\$106.27
2 Yard	\$128.55	\$7.03	\$135.58
3 Yard	\$183.17	\$10.02	\$193.19
4 Yard	\$240.55	\$13.16	\$253.71
5 Yard	\$294.88	\$16.13	\$311.01
6 Yard	\$382.26	\$20.91	\$403.17

<b>NEWBERG GARBAGE SERVICE, INC.</b>	<b>Current</b>	<b>Proposed</b>	<b>Proposed</b>
City of Newberg Current Rates Approved on June 18, 2009 by Resolution No. 2009-2852	<b>Rates</b>	<b>Adjustment</b>	<b>Rates</b>
	<b>Jul 1, 2009</b>	<b>5.47%</b>	<b>Jul 1, 2011</b>
<b>Commercial Container - Each Additional Weekly Stop</b>			
1 Yard	\$56.11	\$3.07	\$59.18
1-1/2 Yard	\$88.52	\$4.84	\$93.36
2 Yard	\$114.76	\$6.28	\$121.04
3 Yard	\$162.15	\$8.87	\$171.02
4 Yard	\$205.49	\$11.24	\$216.73
5 Yard	\$246.38	\$13.48	\$259.86
6 Yard	\$292.14	\$15.98	\$308.12
<b>Commercial Container - Short Term Service</b> (Includes delivery, pickup, one week rental, and first stop)			
1-1/2 Yard	\$34.43	\$1.88	\$36.31
2 Yard	\$42.59	\$2.33	\$44.92
3 Yard	\$56.96	\$3.12	\$60.08
4 Yard	\$71.00	\$3.88	\$74.88
<b>Commercial Container - Short Term Service - Each Add'l Wkly Stop</b>			
1-1/2 Yard	\$24.09	\$1.32	\$25.41
2 Yard	\$32.48	\$1.78	\$34.26
3 Yard	\$46.09	\$2.52	\$48.61
4 Yard	\$60.81	\$3.33	\$64.14
Cardboard recycling container only (non solid waste customer) - 40% of published rates			
<b>Medical Waste Rates - per Tub or Box</b>			
<b>Large Generator (3 or more containers per stop)</b>			
48 Gallon Steri-Tub	\$37.16	\$2.03	\$39.19
21 Gallon Steri-Tub	\$31.61	\$1.73	\$33.34
35 Gallon Box with liner	\$32.24	\$1.76	\$34.00
19 Gallon Box with liner	\$27.18	\$1.49	\$28.67
<b>Small Generator (2 or fewer containers per stop)</b>			
48 Gallon Steri-Tub	\$47.95	\$2.62	\$50.57
21 Gallon Steri-Tub	\$42.40	\$2.32	\$44.72
35 Gallon Box with liner	\$43.03	\$2.35	\$45.38
19 Gallon Box with liner	\$37.97	\$2.08	\$40.05
<b>Miscellaneous Rates - All Customers</b>			
<b>Sharps Container and Disposal at NGS Office</b>			
4.7 quart - per container	\$10.79	\$0.59	\$11.38
10 quart	\$16.19	\$0.89	\$17.08
23 quart	\$21.58	\$1.18	\$22.76
<b>Sharps Container and Disposal on Route</b>			
4.7 quart - NGS container	\$21.58	\$1.18	\$22.76
10 quart	\$26.97	\$1.48	\$28.45
23 quart	\$32.36	\$1.77	\$34.13
<b>Sharps Container and Disposal on Route</b>			
4.7 quart - per Others container	\$10.79	\$0.59	\$11.38
10 quart	\$13.49	\$0.74	\$14.23
23 quart	\$16.19	\$0.89	\$17.08
<b>Sharps Container Purchase Only</b>			
4.7 quart - per container	\$5.40	\$0.30	\$5.70
10 quart	\$10.79	\$0.59	\$11.38
23 quart	\$16.19	\$0.89	\$17.08
Special Service Fee - per hour	\$71.60	\$3.92	\$75.52
Spill Kit - Small Volume	\$16.19	\$0.89	\$17.08
Misc medical supplies billed separately at cost			

<b>NEWBERG GARBAGE SERVICE, INC.</b>	Current	Proposed	Proposed	
City of Newberg Current Rates Approved on June 18, 2009 by Resolution No. 2009-2852	Rates Jul 1, 2009	Adjustment 5.47%	Rates Jul 1, 2011	
<b>Dropbox Rates - Loose Rate</b>				
10 Yard	\$177.94	\$9.73	\$187.67	
20 Yard	\$293.54	\$16.06	\$309.60	
30 Yard	\$432.71	\$23.67	\$456.38	
40 Yard	\$564.22	\$30.86	\$595.08	
50 Yard	\$705.28	\$38.58	\$743.86	
Delivery charge - first box	\$17.90	\$0.98	\$18.88	
<b>Dropbox Rates - Compactor Rate</b>				
10 Yard	\$284.15	\$15.54	\$299.69	
15 Yard	\$379.71	\$20.77	\$400.48	
20 Yard	\$467.18	\$25.55	\$492.73	
25 Yard	\$586.29	\$32.07	\$618.36	
30 Yard	\$673.76	\$36.85	\$710.61	
40 Yard	\$872.69	\$47.74	\$920.43	
<b>Additional Rate Information</b>				
One dropbox truck - (one man) hourly rate	\$77.57	\$4.24	\$81.81	
One dropbox truck & trailer - (one man) hourly rate	\$95.47	\$5.22	\$100.69	
Mileage - per mile over 10 miles round trip	\$1.97	\$0.11	\$2.08	
<b>Permanent Dropbox Rental Rates</b>				
Permanent rent - per \$1,000 box value	\$29.00	\$1.59	\$30.59	
20 yard dropbox	\$48.28	\$2.64	\$50.92	
30 yard dropbox	\$60.62	\$3.32	\$63.94	
40 yard dropbox	\$64.62	\$3.53	\$68.15	
50 yard dropbox	\$75.13	\$4.11	\$79.24	
Screen lid	\$11.60	\$0.63	\$12.23	
Metal covered lid	\$14.61	\$0.80	\$15.41	
Container enclosure charge for large containers	\$23.86	\$1.31	\$25.17	
Demurrage - daily charge	\$4.76	\$0.26	\$5.02	
<b>Description - Additional Service &amp; Rate Information</b>				
Tires:				
Car tires off rim	Plus NTRC Disposal	\$2.74	\$0.15	\$2.89
Car tires on rim	Plus NTRC Disposal	\$2.74	\$0.15	\$2.89
Truck tires off rim	Plus NTRC Disposal	\$2.74	\$0.15	\$2.89
Truck tires on rim	Plus NTRC Disposal	\$2.74	\$0.15	\$2.89
<b>Other Special Rates and Charges</b>				
Note: compactor or other dropboxes must not be compacted or loaded to the point where the loaded vehicle will exceed truck weight laws, or to the point where the compactor or other dropbox cannot be dumped by normal dumping methods.				
Fees mean the mileage charge plus costs or penalties that may be incurred due to overweight dropboxes.				
<b>Other Services Subject to Fees and Charges</b>				
Weekend service for dropboxes shall be 1.5 times the regular rate and shall be arranged with the collector prior to service.				
Tenants are responsible for waste collection fees (unless separate payment arrangements are made by the landlord).				
<b>Definition of Extra</b>				
Bundles, boxes, sacks and other - based on volume, securely tied and limited to 60 lbs; 1.5 X 1.5 X4 feet will be equivalent to a full garbage can:				
Plastic bags securely tied and limited to 30 lbs will be equivalent to a full garbage can. Plastic bags to be used for occasional additional garbage, not as full-time garbage cans.				