

BEFORE THE METRO COUNCIL

| | | |
|------------------------------------|---|----------------------------|
| FOR THE PURPOSE OF APPROVING THE |) | ORDINANCE NO. 97-701 |
| TRANSFER RATE FOR AMBROSE |) | |
| CALCAGNO, JR., dba A. C. TRUCKING, |) | Introduced by Mike Burton, |
| OPERATOR OF THE FOREST GROVE |) | Executive Officer |
| TRANSFER STATION |) | |

WHEREAS, Ambrose Calcagno, Jr., dba A. C. Trucking (collectively "A. C. Trucking"), operator of the Forest Grove Transfer Station ("FGTS"), is the holder of Metro Solid Waste Franchise No. 4, which Metro originally granted in 1984 and has subsequently renewed in 1988 and 1994; and

WHEREAS, the A. C. Trucking franchise agreement authorizes A. C. Trucking to charge a rate of no more than \$75 per ton for each ton of solid waste disposed of at the FGTS Facility, which rate includes a transfer rate; and

WHEREAS, the A. C. Trucking franchise agreement provides that, beginning in 1995, A. C. Trucking "shall submit to rate review annually, following or at the time of Metro's adoption of disposal rates for Metro owned facilities"; and

WHEREAS, on December 21, 1995, the Regional Environmental Management Department staff notified A. C. Trucking of the initiation of the review of the company's rate; and

WHEREAS, on November 7, 1996, pursuant to Resolution No. 96-2411, the Metro Council directed the initiation of the review of the company's rate by the Metro Rate Review Committee for the A. C. Trucking franchise and its FGTS operations; and

WHEREAS, a review by Regional Environmental Management staff has concluded that the appropriate transfer rate per ton of solid waste at the Forest Grove Transfer station is \$19.25; and

WHEREAS, the Executive Officer has reviewed the staff recommendation and recommends in the accompanying staff report that the Council adopt the Department of Regional Environmental Management staff recommendation as the appropriate transfer rate; now therefore,

THE METRO COUNCIL ORDAINS AS FOLLOWS:

1. A transfer rate of \$19.25 per ton for the Forest Grove Transfer Station operated by A. C. Trucking is hereby approved.

ADOPTED by the Metro Council this _____ day of _____, 1997.

WITHDRAWN

Jon Kvistad, Presiding Officer

ATTEST:

Approved as to Form:

Recording Secretary

Daniel B. Cooper, General Counsel

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METRO

DATE: February 28, 1997

TO: Mike Burton, Executive Officer

FROM: Councilor Don Morrisette, Rate Review Committee Chair

RE: A.C. Trucking, Inc.
Rate Review Committee Recommendation

The Rate Review Committee completed its review of the information provided by Metro Staff and A.C. Trucking, Inc. on February 5, 1997. The Committee recommends a rate of \$23.03 per ton for the transfer of waste from the Forest Grove Transfer Station to the Riverbend Landfill.

The Committee recommended that financial data from 1995 be utilized to set rates since it was the last year for which complete financial records were available. Costs from 1995 were adjusted to reflect expected costs in 1997.

An after tax rate of return of 15.25 percent on equity capital was recommended along with a return of 10.06% on debt capital. The Committee disallowed expenses for charitable contributions and for equipment that was not yet placed in service. The remainder of adjustments to the rate were based on the Committee's determinations of the reasonableness of specific costs.

Attached is a spreadsheet which shows the details of the Rate Review Committee recommendation.

A C TRUCKING RATE REVIEW
SUMMARY OF COMMITTEE ACTION
FEBRUARY 5, 1997

| Expense Category | Rate Review Comm Recommendation | Rate Per Ton |
|--------------------------------------|------------------------------------|-----------------|
| Trucking Management | \$7,877 | \$ 0.11 |
| Recycling Transportation | \$0 | - |
| Other: | | |
| Equipment Repairs | \$130,000 | \$ 1.75 |
| Equipment Leases | \$58,479 | \$ 0.79 |
| Truck Rent | \$53,597 | \$ 0.72 |
| Bldg. & Other Equip | \$84,597 | \$ 1.14 |
| Operating Expenses not in dispute | \$596,661 | \$ 8.02 |
| TOTAL OPERATING EXPENSES | \$931,211 | \$ 12.52 |
| Data Processing | \$14,268 | \$ 0.19 |
| Rental of Facility | \$129,120 | \$ 1.74 |
| Accounting | \$16,965 | \$ 0.23 |
| Public Relations | \$12,006 | \$ 0.16 |
| Utilities | \$20,626 | \$ 0.28 |
| Travel & Entertainment | \$7,830 | \$ 0.11 |
| Other: | | |
| Legal & Consulting | \$127,919 | \$ 1.72 |
| Admin Expenses not in dispute | \$261,352 | \$ 3.51 |
| TOTAL ADMINISTRATIVE EXPENSES | \$590,086 | \$ 7.93 |
| Rate Base | | |
| Net Fixed Assets | \$ 344,244 | |
| Working Capital | \$ 240,448 | |
| Total | \$ 584,692 | |
| Capital Structure | | |
| \$ Debt | \$ 161,238 | |
| \$ Equity | \$ 423,454 | |
| Total | \$ 584,692 | |
| Capital Structure | | |
| % Debt | 28% | |
| % Equity | 72% | |
| Total | 100% | |
| Rate of Return | | |
| Interest Rate on Debt | 10.06% | |
| Profit Rate on Equity | 15.25% | |
| Capital Recovery | \$ 90,061 | \$ 1.21 |
| Return on Rate Base - Debt | \$ 16,221 | \$ 0.22 |
| Return on Rate Base - Equity | \$ 64,577 | \$ 0.87 |
| Adjustment for Taxes | \$ 21,120 | \$ 0.28 |
| SubTotal | \$ 191,979 | \$ 2.58 |
| Transfer/Transport Rate | | \$ 23.03 |

STAFF REPORT

IN CONSIDERATION OF ORDINANCE NO. 97-701 FOR THE PURPOSE OF APPROVING THE TRANSFER RATE FOR AMBROSE CALCAGNO, JR., dba A. C. TRUCKING, OPERATOR OF THE FOREST GROVE TRANSFER STATION

Date: May 8, 1997

Presented by: Bruce Warner
Paul Ehinger

PROPOSED ACTION

Adopt Ordinance No. 97-701, which will set the transfer rate for solid waste at the Forest Grove Transfer Station at \$19.25 per ton.

FACTUAL BACKGROUND AND ANALYSIS

Metro Council Ordinance No. 92-468 established a \$25.50 per ton transfer rate for the A. C. Trucking franchise. Ordinance No. 94-527A states that "Franchisee is authorized to charge no more than \$75 per ton for each ton of solid waste disposed of at the Facility, until such time as Franchisee obtains a different rate through the rate review process of the Metro Code. Franchisee may automatically pass through any increase in Metro fees or DEQ fees without rate review, subject to the \$75 per ton cap. Beginning in 1995, Franchisee shall submit to rate review annually, following or at the time of Metro's adoption of disposal rates for Metro owned facilities." The franchisee's current transfer rate of \$27.34 per ton is thus embedded in the \$75 per ton tipping fee.

Acting pursuant to Resolution No. 96-2411, Metro's Solid Waste Rate Review Committee conducted an extensive examination of the financial data made available by A.C. Trucking in order to determine and recommend an appropriate per-ton transfer rate for solid waste delivered to the Forest Grove Transfer Station. The Rate Review Committee examined the REM staff's analysis and recommendations, and further examined data provided by A. C. Trucking representatives at various meetings between November, 1996, and February, 1997. As a result of this examination, Metro's Rate Review Committee recommended a rate of \$23.03 per ton of solid waste for the transfer of waste from the Forest Grove Transfer Station to the Riverbend Landfill. (See attached memo entitled "A.C. Trucking, Inc., Rate Review Committee Recommendation.").

In conducting the primary investigation and analysis, REM staff recommended, and continues to recommend as a more appropriate rate, \$19.25 per ton of solid waste as the transfer rate to be charged by A.C. Trucking. REM Department management and staff believe this lower rate to be the more appropriate transfer rate. Thus, \$19.25 per ton is the transfer rate recommended by the REM Department.

BUDGET IMPACT

The FY 1997-98 REM Department budget as proposed and approved by the Council assumes \$464,609 in added revenue from the Forest Grove Transfer Station based on the Rate Review Committee's recommendation of a transfer rate of \$23.03 per ton. The added revenue has been calculated as an offset to total solid waste system costs and is reflected in the FY 1997-98 solid waste tip fee reduction.

Alternatively, using the REM staff's recommendation of a transfer rate of \$19.25 per ton would result in added revenue of \$354,958 from the Forest Grove Transfer Station.

The added revenues factored into the REM Department budget derive from an assumption that Metro would implement an "equalization fee" upon A.C. Trucking in order to minimize a probable disparity between the tipping fee at Metro transfer stations and the Forest Grove Transfer Station. In the event that such an equalization fee is not implemented following the change in transfer fee, the added revenue under either the Rate Review Committee or staff recommendation would not occur.

EXECUTIVE OFFICE RECOMMENDATION

The Executive Officer concurs with the REM Department staff recommendation of \$19.25 per ton as the maximum transfer rate to be charged by A. C. Trucking as part of its Metro franchise.

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