

**AGENDA SUMMARY**

**RE: ANNUAL REVIEW OF SERVICE RATE  
ADJUSTMENT FOR SOLID WASTE COLLECTION**

**FOR AGENDA DATE: JULY 21, 2009**  
**AGENDA ITEM NO.:** 5  
*Page 1*

**RECOMMENDATION:**

Adopt Resolution approving a phased solid waste collection rate increase by City Garbage Company of Eureka effective July 1, 2009 for commercial, debris box and residential customers, and effective September 1, 2009 for residential customers to reflect the new mandatory curbside recycling collection program.

**SUMMARY OF THE ISSUE:**

At the July 7, 2009 Council meeting, Council postponed a decision on this year's rate adjustment to further assess the rate proposals and provide additional opportunity for public comment. Since the July 7 Council meeting, staff has worked closely with City Garbage Company to refine a rate schedule that minimizes the financial impact upon Eureka businesses and residents.

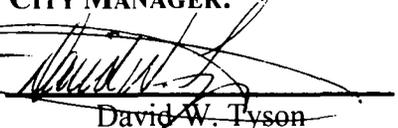
Staff's July 7 recommendation included a 7.9% increase in rates to reflect:

- increased costs associated with the implementation of the new mandatory curbside recycling collection program, and a revenue projection differential from implementation of the mandatory curbside garbage collection program, and
- potential imposition of a recycling tip fee by Arcata Community Recycling Center (ACRC) due to continuing poor markets/revenues for recyclable materials, and
- standard contracted franchise fee, profit compensation and pass through costs.

After discussion with City Garbage, staff now recommends that the costs associated with the recycling tip fee not be included in the rates unless ACRC actually imposes a tip fee. This will reduce the rate increase by 2.1% this fiscal year and result in a revised increase of 5.8% for  
*(continued on next page)*

**FISCAL IMPACT:**

The City receives a Franchise Fee from City Garbage Co. (5% of gross revenues derived by the company from the provision of services within the City) which totals \$341,959 for fiscal year 2009/10, an increase of \$3,337 from the previous rate review of January 2009. These funds are placed into the General Fund.

<p><b>MANAGEMENT ANALYST:</b></p>  <p>Miles Slattery Project Manager</p>	<p><b>DEPARTMENT HEAD:</b></p>  <p>Michael R. Knight Assistant City Manager - Operations</p>	<p><b>CITY MANAGER:</b></p>  <p>David W. Tyson City Manager</p>
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<p><b>REVIEWED BY:</b> City Attorney Finance</p>	<p><b>DATE:</b> <u>16 July 09</u> <u>7/7/09</u></p>	<p><b>INITIALS:</b> <u>S</u> <u>VW</u></p>
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**Council Action:**  
Ordinance No. \_\_\_\_\_ Resolution No. \_\_\_\_\_

**SUMMARY OF THE ISSUE (CONTINUED):**

commercial and debris box customers retroactive to July 1, 2009. Residential customers will then see a 1% increase effective retroactively on July 1, 2009, and a 4.8% increase for residential customers effective September 1, 2009.

The reason for the phased increases for residential customers is because of the timing in implementing the mandatory residential recycling program. Staff felt it would be appropriate to have the rate increase coincide with the implementation of the new service. Residential customers will not receive their recycling bins until the third week of August. Billing for the service will begin in September. Since residential customers are billed quarterly, they will not receive the adjustment for September's recycling until the next quarterly bill in October.

Therefore, staff does recommend that Council approve a 7.9% increase, but require City Garbage Co. to only charge a 5.8% increase until/if a recycling tip fee is established. If a recycling tip fee is established this fiscal year, then City Garbage will be able to raise the rates toward meeting the tip fee costs based on Council's previous direction.

**ANNUAL RATE ADJUSTMENT**

Per terms of the City's Solid Waste Franchise Agreement with the City Garbage Company, the City Council performs a rate adjustment review each year to ensure (in protecting the public's interest) that rates do not exceed the reasonable cost of providing services. The Agreement allows for an annual adjustment of City Garbage's contracted Revenue Requirement. The Revenue Requirement represents City Garbage's full compensation for all labor, equipment, materials and supplies, overhead, profit and all other costs necessary to perform the services required by the Franchise Agreement.

As compensation, City Garbage is authorized to collect service rates sufficient to meet its authorized Revenue Requirement. Service costs generally increase each year because of higher insurance and fuel costs, allowable cost-of-living increases, and increases related to the contracted disposal tonnage rates through the Humboldt Waste Management Authority (HWMA). The franchise fee percentage and allowable profit compensation percentage remain the same, and are calculated on the increased baseline costs. The proposed rate increase of 7.9% includes the recycling tip fee of \$60 per ton and represents an increase of \$500,770 for FY 2009-10. However, rates will actually increase only 5.8% which represents an increase of \$367,525. This will allow City Garbage Company to increase the rates another 2.1% if and when a recycling tip fee is imposed without staff having to return to Council.

Cost Items

Included in the proposed annual service rate are the following cost items and adjustments:

1. Total Allowable Costs. These costs include non-escalating costs such as equipment leases, escalating costs such as health insurance costs, labor costs and fuel costs, and escalating CPI costs such as administrative overhead, computer services, property rentals, freight and repairs. The Total Allowable Costs resulted in an increase of \$237,207 from the previous rate review of January 2009. Increased labor costs alone account for the majority of the Total Allowable Costs increase.
2. Total Pass Through Costs. These costs include items such as insurance costs (other than health), property taxes, licenses and fees. The cumulative Total Pass Through Costs resulted in an estimated increase of \$25,810 from the previous rate review of January 2009. This represents a higher increase than usual and is related to the extra licensing and insurance related to vehicles for the recycling program.
3. Disposal Costs
  - a. Without a Recycling Tip Fee. The disposal costs this year are estimated to **decrease** by \$379,526. This is due to an overestimate of tonnage in the previous rate review of January 2009 from the mandatory residential curbside garbage program and an even further projected decrease in tonnage due to the implementation of the recycling program.
  - b. With a Recycling Tip Fee. The disposal costs this year are estimated to **decrease** by \$246,281. This is due to an overestimate of tonnage in the previous rate review of January 2009 from the mandatory residential curbside garbage program and an even further projected decrease in tonnage due to the implementation of the recycling program. It also factors an anticipated recycling tip fee of \$60 per ton because the City's recycling processor (Arcata Community Recycling Center) has expressed an interest in implementing a tip fee for recyclables to cover their processing costs due to declining revenues during the current economic downturn.
4. Franchise Fee. The Agreement includes a price factor for the City's franchise fee. As the contract amounts are adjusted, so is the franchise fee amount, which is calculated as 5% of gross receipts. The Franchise Fee estimate for FY 2009-10 represents an increase of \$3,337 over the previous rate review of January 2009.
5. Profit Compensation. The Agreement provides for an annual adjustment to City Garbage's profit, which pursuant to the Agreement is 20% of all Allowable Costs. The Profit Compensation estimate for FY 2009-10 represents an increase of \$47,442 over the previous rate review of January 2009.

6. *Projected Revenue Differential.* The revenue expected from the previous rate review of January 1, 2009 is lower than projected. Due to vacant properties and lots, there is a shortfall of 1,338 customers. Also, more of the new customers opted for smaller bins than was expected. And finally, the economic downturn contributed to a decrease in revenue from commercial accounts and debris boxes. This resulted in a revenue differential of \$433,255 than what was projected.

**Rate Adjustment Summary**

Please note that all cost factor amounts are close approximations:

*1. Without a Recycling Tip Fee*

<b>COST FACTOR</b>	<b>AMOUNT</b>
1. Total Allowable Costs (including fuel)	\$ 237,207
2. Total Pass Through Costs	\$ 25,810
3. Disposal Costs	\$-379,526
4. Franchise Fee	\$ 3,337
5. Profit Compensation	\$ 47,442
6. Projected Revenue Differential	<u>\$ 433,255</u>
<b>Total Increased Costs</b>	<b>\$367,525</b>
<b>TOTAL COST INCREASE</b>	<b>\$367,525 (5.8%)</b>
<b>Effective July 1, 2009</b>	
<i>Increase for average commercial customer (1 yard bin)</i>	\$7.53 per month
<i>Increase for average residential customer (30 gallon can)</i>	\$0.21 per month
<i>Increase for residential customer w/recycling (30 gallon can)</i>	\$0.25 per month
<b>Effective September 1, 2009</b>	
<i>Increase for average commercial customer (1 yard bin)</i>	\$0.00 per month
<i>Increase for average residential customer (30 gallon can)</i>	\$1.03 per month
<i>Decrease for residential customer w/recycling (30 gallon can)</i>	\$2.55 per month

**Rate Adjustment Summary(continued)**

Please note that all cost factor amounts are close approximations:

*2. With a Recycling Tip Fee*

<b>COST FACTOR</b>	<b>AMOUNT</b>
7. Total Allowable Costs (including fuel)	\$ 237,207
8. Total Pass Through Costs	\$ 25,810
9. Disposal Costs	\$-246,281
10. Franchise Fee	\$ 3,337
11. Profit Compensation	\$ 47,442
12. Projected Revenue Differential	<u>\$ 433,255</u>
<b><i>Total Increased Costs</i></b>	<b><i>\$500,770</i></b>
<b><i>TOTAL COST INCREASE</i></b>	<b><i>\$500,770 (7.9%)</i></b>
<b><i>INCORPORATED RECYCLING TIP FEE INCREASE</i></b>	<b><i>\$133,245 (2.1%)</i></b>
<b><i>Increased Amount with Recycling Tip Fee</i></b>	
<i>Increase for average commercial customer (1 yard bin)</i>	\$2.73 per month
<i>Increase for residential customer (30 gallon can)</i>	\$0.46 per month

**RECOMMENDATION**

Staff recommends adoption of the attached Resolution for a solid waste collection rate increase effective July 1, 2009 for commercial, debris box and residential customers and September 1, 2009 for residential customers only.

**ATTACHMENTS**

1. Resolution
2. City Garbage Company Rate Sheets and Cost Calculations

ATTACHMENT 1  
**Resolution**



**RESOLUTION NO. 09 - \_\_\_\_\_**  
**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EUREKA**  
**APPROVING RATE INCREASE FOR THE CITY GARBAGE COMPANY OF EUREKA**

**WHEREAS**, on December 19, 1997, the City of Eureka entered into a Franchise Agreement with the City Garbage Company of Eureka (Contractor) for collection of garbage and refuse in the City of Eureka; and,

**WHEREAS**, the Franchise Agreement provides that the City may adjust the garbage collection rates as deemed advisable; and,

**WHEREAS**, the Contractor has incurred additional operational and disposal costs, and agrees to continue programs intended to remove blight and assist the City in meeting our State-mandated waste diversion requirements (AB 939).

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Eureka as follows:

**SECTION 1**

Effective July 1, 2009 for commercial, debris box and residential customers and September 1, 2009 for residential customers only, the authorized garbage and collection rates that may be charged by City Garbage Company of Eureka within the corporate limits of the City of Eureka be set forth in Attachment 2, attached hereto, and made a part hereof by reference.

**THIS RESOLUTION IS HEREBY PASSED, APPROVED AND ADOPTED** by the City Council of the City of Eureka in the County of Humboldt, State of California, on the \_\_\_\_\_ day of \_\_\_\_\_, 2009, by the following vote:

AYES:	COUNCILMEMBERS:
NOES:	COUNCILMEMBERS:
ABSENT:	COUNCILMEMBERS:
ABSTAIN:	COUNCILMEMBERS:

\_\_\_\_\_  
VIRGINIA BASS  
*Mayor*

**Attest:**

\_\_\_\_\_  
PAMELA J. POWELL  
*City Clerk*

**Approved as to form:**

**Approved for Administration:**

\_\_\_\_\_  
SHERYL SHAFFNER  
*City Attorney*

\_\_\_\_\_  
DAVID W. TYSON  
*City Manager*

ATTACHMENT 2

***City Garbage Company of Eureka  
Rate Sheets and Cost Calculations***



*People • Service • Environment*  
CITY GARBAGE COMPANY OF EUREKA

April 1, 2009

**HAND DELIVERED**

Mr. David W. Tyson  
City Manager  
CITY OF EUREKA  
531 K Street  
Eureka, CA 95501

**RE: Annual Rate Adjustment – Rate Year July 1, 2009 through June 30, 2010**

Dear Mr. Tyson,

Thank you for this opportunity to present our rate application and background documentation in accordance with the terms of the franchise contract agreement between the City of Eureka and City Garbage Company of Eureka, Inc.

This year's rate package, which includes the addition of a new recycling program, shows the need for an additional \$500,770, an increase of 7.90% over the previous rate package.

This year's annual rate adjustment is, as you are aware, more complex than previous adjustment packages. The data reflect the base rate package of January 1, 2009, the rate adjustment package submitted to become effective October 1, 2008 (for pass-through adjustments) and the July 1, 2008 rate adjustment package for disposal expense increase. These packages reflected increases in the disposal fees charged by the Humboldt Waste Management Authority (HWMA) and the addition of a new mandatory collection program which became effective January 1, 2009.

To provide some perspective for the magnitude of this year's increase, a year ago we anticipated a 7% increase above the normal cost of living and disposal fee adjustments to start the new recycling program.

Below is a summary of the factors that impact this year's changes:

**Expense Impact:** Allowing for the impacts of 1) the delayed implementation of the new recycling program, 2) shoring up pass-through costs, 3) including the allowed cost of living adjustments and 4) adjusting for a \$60.00 per ton recycled material processing expense rather

A NORCAL WASTE SYSTEMS COMPANY  
949 WEST HAWTHORNE STREET • EUREKA, CA 95501 • TELEPHONE 707/442-5711 • FAX 707/442-7485

*An Employee-Owned Company*

PRINTED ON RECYCLED PAPER

than a \$10.00 per ton recycled material processing revenue. the periodic review expenses increased by only \$67,556 or (1.0%) over the January 1, 2009 rate package.

For the next rate year (2010 – 2011) the recycling program will be in operation for a full twelve months. Accordingly, this year's delay credit of approximately \$125,000 will not be available.

The HWMA is not expected to finalize its disposal fee adjustment, if any, until May 2009. However, the Waste Authority has indicated there is not expected to be an increase this year; therefore, this rate application does not include any increase in disposal fees. Should there be an approved disposal fee increase we would need to submit an updated rate package.

**Revenue Impact:** Projected revenue from the January 1, 2009 mandatory service is lower than expected for several reasons:

1. Residential customers were expected to increase to 8,888 customers. The current total is 7,550, a shortfall of 1,338 customers.
2. Additionally, the residential customer base migrated, more than expected, to smaller containers. As a result, the average revenue per customer is lower than expected.
3. Commercial and debris box revenue is down due to the weak economy.
4. As a result, the annualized revenue was about \$433,214 less than anticipated.

All of the above are detailed in the attached data.

Please feel free to call me at (707) 442-4501 if you have any questions, or need additional information.

Very truly yours,

**CITY GARBAGE COMPANY OF EUREKA**



Michael Leggins  
General Manager

Enclosures

cc:	Gary Bird	City of Eureka	w/ Attachments
	Bruce Gondry	Norcal Waste Systems, Inc.	w/ Attachments
	Jon Braslaw	Norcal Waste Systems, Inc.	w/o Attachments
	Bryce Herbst	Norcal Waste Systems, Inc.	w/o Attachments

# CITY OF EUREKA

## Annual Rate Review & Adjustment

FISCAL YEAR 2009 – 2010

City Garbage Company of Eureka  
949 West Hawthorne Street  
Eureka, California 95501

Prepared: April 2009

# FORM 1

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<b>SUMMARY SHEET ANNUAL COSTS RESIDENTIAL and COMMERCIAL COLLECTION CONTRACT</b>
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	1-Jan-2009 Rate Package	Effective 1-Jul-2009
TOTAL ALLOWABLE COSTS	\$ 2,753,517	\$ 2,990,724
TOTAL PASS-THROUGH COSTS	133,784	159,594
TOTAL DISPOSAL COSTS (Includes Adjustments)	2,995,048	2,748,767
MARGIN (20% of Allowable Costs)	<u>550,703</u>	<u>598,145</u>
SUBTOTAL	\$ 6,433,051	\$ 6,497,230
DEDUCT: Revenue from Commodity Sales	\$ -	\$ -
FRANCHISE FEE @ 5%	<u>338,582</u>	<u>341,959</u>
TOTAL COST	<u>\$ 6,771,633</u>	<u>\$ 6,839,189</u>
Projected Revenue		\$ 6,338,419
Required Revenue (from above)		<u>6,839,189</u>
Difference: Surplus / (Shortfall)		(\$500,770)
Periodic Rate Review & Adjustment: Rate Increase / (Decrease)		<u>7.90%</u>

FORM 2

ANNUAL COST ALLOCATION  
RESIDENTIAL and COMMERCIAL COLLECTION CONTRACT  
City Garbage Company of Eureka

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Item & Description	Effective: 01 July 2009					Adjusted Cost
	1-January-09 Rate Package	Add New Programs	Revised Annual Cost	Escalate Factor	Sub Total	
<b>Allowable Costs</b>						
Non Escalating						
Amortization	\$ -	\$ -	\$ -	1.0000	\$ -	\$ -
Depreciation	979	0	979	1.0000	979	979
Inter-Company Equipment Leases	308,008	238,066	546,074	1.0000	546,074	498,184
Interest	0	0	0	1.0000	0	0
Non-I/C Equip Rent / Lease	0	0	0	1.0000	0	0
Other Expenses (Itemized)	(326)	0	(326)	1.0000	(326)	(326)
Subtotal: Non-escalating Allowable Costs	\$ 308,661	\$ 238,066	\$ 546,727		\$ 546,727	\$ 498,837
<b>Labor Escalating Payroll</b>						
Manager	\$ 116,575	\$ -	\$ 116,575	1.0245	\$ 119,431	\$ 119,431
Office & Administrative Staff	144,951	0	144,951	1.0245	148,502	148,502
Commercial Collection Drivers & Crew	67,201	0	67,201	1.0245	68,847	68,847
Roll Off Collection Drivers & Crew	63,535	0	63,535	1.0245	65,092	65,092
Residential Collection Drivers & Crew	157,260	0	157,260	1.0245	161,113	161,113
Mechanics & Maintenance Crew	87,811	0	87,811	1.0245	89,962	89,962
Other Employees (Curbside Recycling)	18,585	0	18,585	1.0245	19,040	19,040
Other - New Programs Incremental Labor Expense	0	0	0	1.0245	0	0
<b>Total Payroll</b>	\$ 655,918	\$ -	\$ 655,918		\$ 671,987	\$ 671,987
Payroll Taxes	56,499	0	56,499	1.0245	57,883	57,883
Health Insurance	242,390	0	242,390	1.0245	248,329	248,329
Pension Plan	101,647	0	101,647	1.0245	104,137	104,137
Workers Compensation	50,182	0	50,182	1.0245	51,411	51,411
Other Benefits	0	0	0	1.0245	0	0
Other - New Programs Labor Expense	233,047	160,722	393,769	1.0245	403,416	277,182

**FORM 2**

**ANNUAL COST ALLOCATION  
RESIDENTIAL and COMMERCIAL COLLECTION CONTRACT  
City Garbage Company of Eureka**

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Item & Description	1-January-09	Effective: 01 July 2009						
	Rate	Add		Revised	Escalate	Sub Total	Other	Adjusted Cost
	Package	New Programs	Adjustments	Annual Cost	Factor			
Subtotal labor Escalating Allowable Cost	\$ 1,339,683	\$ 160,722	\$ -	\$ 1,500,405		\$ 1,537,163	(\$126,234)	\$ 1,410,929
<b>Fuel Escalating</b>								
Fuel	\$ 251,917	\$ 65,186	\$ -	\$ 317,102	0.5777	\$ 183,190	(\$21,328)	\$ 161,862
Oil & Lubricants	9,644	0		9,644	0.5777	5,571		5,571
Other Expenses	0	0		0	0.5777	0		0
Subtotal Fuel Escalating Allowable Costs	\$ 261,561	\$ 65,186	\$ -	\$ 326,746		\$ 188,761	(\$21,328)	\$ 167,433
<b>C P I Escalating</b>								
Administrative Overhead	\$ 213,996	\$ 31,278	\$ -	\$ 245,273	0.9942	\$ 243,851	(\$5,213)	\$ 238,638
Advertising & Promotion	16,383	1,500		17,883	0.9942	17,779	(250)	17,529
Bad Debt & Collection Costs	14,878	0		14,878	0.9942	14,792		14,792
Building & Facility Repairs	8,381	0		8,381	0.9942	8,332		8,332
Business Dinners	2,451	0		2,451	0.9942	2,437		2,437
Business Travel & Meals	6,698	0		6,698	0.9942	6,659		6,659
Contract Services	399	0		399	0.9942	397		397
Dues & Subscriptions	4,362	0		4,362	0.9942	4,337		4,337
Employee Training	2,412	0		2,412	0.9942	2,398		2,398
Freight	4,701	0		4,701	0.9942	4,674		4,674
Property Rent	76,541	0		76,541	0.9942	76,097		76,097
Office Equipment	0	0		0	0.9942	0		0
Office Supplies	12,181	0		12,181	0.9942	12,110		12,110
Parts	48,467	0		48,467	0.9942	48,186		48,186
Postage	12,820	0		12,820	0.9942	12,746		12,746
Professional Services	14,790	0		14,790	0.9942	14,704		14,704
Repairs				0				
Repairs, N.O.S.	95,640	67,600		163,240	0.9942	162,293	(38,307)	123,986
Special: Ca. Air Resources Bd. Diesel Engines Retrofit	15,526	0		15,526	0.9942	15,436		15,436

FORM 2

ANNUAL COST ALLOCATION  
RESIDENTIAL and COMMERCIAL COLLECTION CONTRACT

City Garbage Company of Eureka

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Item & Description	Effective: 01 July 2009						Adjusted Cost	
	1-January-09 Rate Package	New Programs	Add	Revised Annual Cost	Escalate Factor	Sub Total		Other
Supplies	45,427	2,700		48,127	0.9942	47,848	(1,650)	46,198
Telephone	8,417	0		8,417	0.9942	8,368		8,368
Tires & Tubes	37,845	8,200		46,046	0.9942	45,779	(6,957)	38,822
Utilities	9,961	0		9,961	0.9942	9,903		9,903
Other Vehicles / Project Costs	0	0		0	0.9942	0		0
Waste Oil / Solvent Services for Vehicles	0	0		0	0.9942	0		0
Other Expense (Itemize)	0	0		0				0
\$1,000,000 Bond & B.I.T. Inspection	15,223	0		15,223	0.9942	15,135		15,135
Computer Services: GL-AR-PR-A-P, etc.	106,116	0		106,116	0.9942	105,501		105,501
Driver Medical Exams (Annually)	2,380	0		2,380	0.9942	2,366		2,366
Regional Mgt. & Acctg. Expense	0	0		0	0.9942	0		0
Corporate Services	0	0		0	0.9942	0		0
Miscellaneous Expenses	24,863	19,998		44,861	0.9942	44,600	(3,333)	41,267
Landfill Expenses	0	0		0	0.9942	0		0
Other - Employee Recognition	0	0		0	0.9942	0		0
New Programs	0	0		0	0.9942	0		0
Recycling to Sanoa	42,754	0		42,754	0.9942	42,506		42,506
<b>Subtotal CPI Escalating Allowable Costs</b>	<b>\$ 843,612</b>	<b>\$ 131,276</b>	<b>\$ -</b>	<b>\$ 974,888</b>		<b>\$ 969,234</b>	<b>(\$55,709)</b>	<b>\$ 913,525</b>
<b>Total Allowable Costs</b>	<b>\$ 2,753,517</b>	<b>\$ 595,250</b>	<b>\$ -</b>	<b>\$ 3,348,766</b>		<b>\$ 3,241,885</b>	<b>(\$251,161)</b>	<b>\$ 2,990,724</b>
<b>Pass-Through Costs</b>								
Non Escalating	\$ -	\$ -	\$ -	\$ -	1.0000	\$ -	\$ -	\$ -
<b>Subtotal Non-Escalating Pass-Through Costs</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>CPI Escalating</b>								
Insurance (other than health insurance)	\$ 91,279	\$ 18,135	\$ -	\$ 109,414	0.9942	\$ 108,779	(\$681)	\$ 108,098
Pass-Through Adjustment	8,477	0	5,701	\$ 5,701		5,701	0	5,701

FORM 2

ANNUAL COST ALLOCATION  
RESIDENTIAL and COMMERCIAL COLLECTION CONTRACT  
City Garbage Company of Eureka

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Item & Description	1-January-09	Effective: 01 July 2009						
	Rate Package	Add New Programs	Add Adjustments	Revised Annual Cost	Escalate Factor	Sub Total	Other	Adjusted Cost
Licenses	32,921	10,409		43,329	0.9942	43,078	(3,300)	39,778
Pass-Through Adjustment	1,401	0	(1,683)	(1,683)		(1,683)	0	(1,683)
Permits & Regulatory Fees	0	0		0	0.9942	0		0
Pass-Through Adjustment	0	0	0	0		0	0	0
Property Taxes	9,706	0		9,706	0.9942	9,650		9,650
Pass-Through Adjustment	(10,000)	0	(1,950)	(1,950)		(1,950)	0	(1,950)
Subtotal C P I Escalating Pass-through Costs	\$ 133,784	\$ 28,544	\$ 2,068	\$ 164,517		\$ 163,575	(\$3,981)	\$ 159,594
Other Escalating Pass-Through Costs	0	0	0	0	0.9942	0	0	0
Total Pass-Through Costs (Excluding Disposal)	\$ 133,784	\$ 28,544	\$ 2,068	\$ 164,517		\$ 163,575	(\$3,981)	\$ 159,594
Disposal								
Disposal	\$ 3,027,146	\$ 0	\$ -	\$ 2,799,183		\$ 2,799,183	\$ 0	\$ 2,799,183
Pass-Through Adjustment	(32,098)	0	(50,416)	(50,416)		(50,416)		(50,416)
Total Disposal Cost	\$ 2,995,048	\$ -	\$ (50,416)	\$ 2,748,767		\$ 2,748,767	\$ 0	\$ 2,748,767
Margin - 20% of Allowable Costs	20.0%	\$ 550,703	\$ 119,050	\$ -	\$ 669,753	\$ 648,377	(\$50,232)	\$ 598,145
Deduct: Revenue from Sale of Commodities	\$ -	\$ -		\$ -	1.0000	\$ -		\$ -
City Franchise Fee - 5% of Gross Receipts	5.0%	\$ 338,582	\$ 39,097	\$ (2,545)	\$ 364,832	\$ 358,032	(\$16,072)	\$ 341,959
Total Costs	\$ 6,771,633	\$ 781,941	\$ (50,893)	\$ 7,296,635		\$ 7,160,635	(\$321,446)	\$ 6,839,189
						\$389,002		\$67,556
						5.74%		1.00%

City Garbage Company of Eureka  
City of Eureka - Annual Rate Adjustment & Rate Application

**Cost of Living Indices**

Rates to Become Effective July 1, 2009

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**Labor Escalating Costs**

Employment Cost Index for Total Compensation, Private Industry Workers, All Workers

Index: Quarter 4 - 2008 108.9

Index: Quarter 4 - 2007 106.3

Change in Index: 2.6

% Change in Index  $2.6 / 106.3 = 2.4459\%$

**Factor for Labor Escalating Costs**  $1.0000 + 0.0245 = 1.0245$

**Fuel Escalating Costs**

Motor Fuel Index, All Urban Consumers, U.S. City Average (CPI-U)

Index: December 2008 149.1

Index: December 2007 258.1

Change in Index: (109.0)

% Change in Index  $-109 / 258.132 = -42.2265\%$

**Factor for Fuel Escalating Costs**  $1.0000 + = 0.5777$

**Other Escalating Costs**

Consumer Price Index - All Urban Consumers , West-B/C

Index: December 2008 129.7

Index: December 2007 130.5

Change in Index: (0.8)

% Change in Index  $-0.756 / 130.481 = -0.5794\%$

**Factor for Other Escalating Costs**  $1.0000 + = 0.9942$

City Garbage Company of Eureka  
**Reconciliation of Pass-Through Items**  
 For Period July 1, 2008 through June 30, 2009

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**Summary of Pass-through Items**

	<u>Actual</u> <u>Expenses</u>	<u>2008-2008</u> <u>Adj. Cost</u>	<u>Adjustment to</u> <u>Rate Package</u>
Insurance	\$87,172	\$81,471	\$5,701
License Fees	20,882	22,565	(1,683)
Permits & Regulatory Fees	0	0	0
Property Tax	7,349	9,299	(1,950)
<b>Total Adjustment</b>	<b><u>\$115,403</u></b>	<b><u>\$113,335</u></b>	<b><u>\$2,068</u></b>

**Insurance Reconciliation**  
City Garbage Company of Eureka  
**City of Eureka (EIC) Only**  
For Period July 1, 2007 through June 30, 2008

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Total Allocated Insurance Expense	<b>\$118,888</b>
Allocation of Expense	
Other Areas	5.98%    \$7,110
<b>City of Eureka</b>	<b>61.12%</b> n / a
County of Humboldt	32.90%    39,114
Total	<u>100.00%</u>
Total Allocated General Liability Ins Exp to City of Eureka	<u>\$72,665</u>
<i>Add: City of Eureka Contract Performance Bond (Acct 6420)</i>	<u>14,507</u>
Total General Liability Insurance Exp Allocated to City of Eureka:	<b>\$87,172</b>
Less:	
2007 - 2008 Adjusted Cost	<u>81,471</u>
<b>Adjustment to Rate Package</b>	<b><u><u>\$5,701</u></u></b>

**Insurance Reconciliation**  
**City Garbage Company of Eureka**  
**City of Eureka (EIC) Only**  
For Period July 1, 2007 through June 30, 2008

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**General Liability Insurance**

Account: 0600510.6430 - I/C Insurance

Month	Amount
July 2007	\$4,043
August 2007	4,043
September 2007	(724)
October 2007	2,086
November 2007	2,086
December 2007	2,086
January 2008	2,086
February 2008	2,086
March 2008	2,086
April 2008	3,128
May 2008	3,128
June 2008	3,128
<b>Total</b>	<b>\$29,264</b>
Add: Insurance per Lease Agreement	<u>1,949</u>
<b>Total I / C Insurance Expense</b>	<b><u><u>\$31,213</u></u></b>

**General Insurance (Bonds)**

Account: 0601020.6420 - Insurance

City of Eureka

Month	Amount
July 2007	\$1,154
August 2007	1,154
September 2007	1,154
October 2007	1,154
November 2007	1,154
December 2007	1,154
January 2008	1,209
February 2008	1,209
March 2008	1,209
April 2008	1,209
May 2008	1,209
June 2008	1,209
<b>Total</b>	<b><u><u>\$14,177</u></u></b>

**Insurance Department Fee**

Account: 0600810.8906 - Insurance Dep. Fee

**Insurance Reconciliation**  
City Garbage Company of Eureka  
**City of Eureka (EIC) Only**  
For Period July 1, 2007 through June 30, 2008

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Month	Amount
July 2007	\$6,446
August 2007	6,446
September 2007	6,331
October 2007	7,893
November 2007	7,893
December 2007	7,893
January 2008	7,893
February 2008	7,893
March 2008	7,893
April 2008	7,030
May 2008	7,030
June 2008	7,030
Total	<u>\$87,676</u>

Total Allocated Insurance Expense:

I/C Ins. Expense (6430) + Ins. Dept. Fee (8906)

\$ 118,888

City Garbage Company of Eureka  
Reconciliation of Pass-Through Items

**City of Eureka (EIC) Only**

**License Fees & Expense**

For Period July 1, 2007 through June 30, 2008

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**License Fees**

Total License Expense (EIC Only)	\$20,882
Deduct:	
2007 - 2008 Projected Cost	<u>22,565</u>
<b>Adjustment to Rate package</b>	<b><u><u>(\$1,683)</u></u></b>

City Garbage Company of Eureka  
 Reconciliation of Pass-Through Items  
**City of Eureka (EIC) Only**  
**License Fees & Expense**

For Period July 1, 2007 through June 30, 2008

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Month	Amount
July 2007	\$ 4,450
August 2007	4,054
September 2007	2,550
October 2007	1,207
November 2007	1,509
December 2007	0
January 2008	2,747
February 2008	0
March 2008	0
April 2008	1,994
May 2008	2,372
June 2008	0
<b>Total</b>	<b><u><u>\$20,882</u></u></b>

**License Fees / DMV Renewal**  
 City Garbage Company of Eureka  
 City of Eureka  
**For Period July 1, 2007 through June 30, 2008**  
 Source: General Ledger

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Seq No.	Truck No.	DT	Doc Type	G/L Date	Batch Number	Active / Gone	City / County	Line / Spare	BU	Year	Make	Veh Type	Type Description	Explanation - Alpha Name	Explanation - Remarks	Per No	Amount	Qty	City Share	City Amount																		
12	5046	PV	1050026	31-Jan-08	2145415	A	CI	L	20	1978	Ford	SPF	Flatbed / Stakebed	DMV RENEWAL	DVAJ6017 - TRK#05046	4	675.00	0.00	100%	675.00																		
11	6150	PV	1047475	23-Jan-08	2139783	A	CI	L	510	1998	GMC	OV	Pickup	DMV RENEWAL	WZ521585/TRK #06150	4	147.00	0.00	100%	147.00																		
22	7011	PV	1075089	30-Apr-08	2198051	A	CI	L	510	1994	Chev	ST	Shop Truck	DMV RENEWAL	RE238682 - TRK #07011	7	437.00	0.00	100%	437.00																		
42	9030	PV	1004827	23-Aug-07	2049236	A	CI	S	40	1999	VOL	CT	CT - Recycle Truck	DMV RENEWAL	XN766065-TRK #09030	11	989.00	0.00	100%	989.00																		
43	9032	PV	1004828	23-Aug-07	2049236	A	CI	L	130	1999	COL	CT	CT - Recycle Truck	DMV RENEWAL	XN768597-TRK #09032	11	989.00	0.00	100%	989.00																		
28	11034	PV	1082591	28-May-08	2215257	A	CI	S	40	1991	WHT	FL	Front Loader	DMV RENEWAL	MU506402/TRK #11034	8	1,459.00	0.00	100%	1,459.00																		
48	11193	PV	1014299	26-Sep-07	2069829	A	CI	L	40	2005	AUT	RO	Roll Off	DMV RENEWAL	5H202129/TRK #11193	12	2,550.00	0.00	100%	2,550.00																		
39	12043	PV	1004830	23-Aug-07	2049236	G	CI	S	60	1984	WHT	RO	Roll Off	DMV RENEWAL	EU067293-TRK #12043	11	1,357.00	0.00	100%	1,357.00																		
4	12135	PV	1029941	19-Nov-07	2103271	A	CI	L	60	1999	VOL	RO	Roll Off	DMV RENEWAL	XN763633/TRK #12135	2	1,509.00	0.00	100%	1,509.00																		
37	13130	PV	996849	26-Jul-07	2032718	A	CI	L	20	2004	AUT	SLA	Side Loader - Auto	DMV RENEWAL	4H200761/TRK#13130	10	2,225.00	0.00	100%	2,225.00																		
36	13131	PV	996846	26-Jul-07	2032718	A	CI	L	20	2004	AUT	SLA	Side Loader - Auto	DMV RENEWAL	4H200678/TRK #13131	10	2,225.00	0.00	100%	2,225.00																		
15	14128	PV	1050028	31-Jan-08	2145415	A	CI	S	20	1999	LOD	SLM	Side Loader - Manual	DMV RENEWAL	XK006264 - TRK#14128	4	1,283.00	0.00	100%	1,283.00																		
40	15071	PV	1004826	23-Aug-07	2049236	G	CI	S	130	1987	INT	SLR	Side Loader - Recycling	DMV RENEWAL	HH513382-TRK #15071	11	719.00	0.00	100%	719.00																		
1	15110	JE	1366808	31-Oct-07	2096575	A	CI	L	130	1999	VOL	SLR	Side Loader - Recycling 1006, I/C Prepaid Lic	05, Trk #15110 transfer	XN76232 - TRK #15110	7	1,206.76	0.00	100%	1,206.76																		
24	15110	PV	1075091	30-Apr-08	2198051	A	CI	L	130	1999	VOL	SLR	Side Loader - Recycling	DMV RENEWAL	NU509241/TRK #15113	8	913.00	0.00	100%	913.00																		
29	15113	PV	1082592	28-May-08	2215257	A	CI	L	130	1992	VOL	SLR	Side Loader - Recycling	DMV RENEWAL	XK006263 - TRK#14126	4	1,283.00	0.00	50%	641.50																		
14	14126	PV	1050030	31-Jan-08	2145415	A	Sh	L	20	1999	LOD	SLM	Side Loader - Manual	DMV RENEWAL																								
<b>TOTALS</b>																																						<b>\$ 20,882.26</b>

City Garbage Company of Eureka  
Reconciliation of Pass-Through Items

**City of Eureka (EIC) Only**

**Regulatory Fees**

For Period July 1, 2007 through June 30, 2008

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July 1, 2007	-	September 30, 2007	\$0
October 1, 2007	-	June 30, 2008	0
<hr/>			<hr/>
Total Regulatory Fees			\$0
Less:			
2007 - 2008 Adjusted Cost			0
<hr/>			<hr/>
<b>Adjustment to Rate Package:</b>			<b>\$0</b>
			<hr/> <hr/>

City Garbage Company of Eureka  
 Reconciliation of Pass-Through Items  
**City of Eureka (EIC) Only**  
**Property Taxes**

For Period July 1, 2007 through June 30, 2008

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Total Property Tax - Secured	\$2,335
Total Property Tax - Unsecured	12,023
<u>Other Property &amp; Business Taxes</u>	<u>0</u>
Total Property Taxes	<u><u>\$14,358</u></u>

Allocation of Property Tax Expense	Property Tax	Business & Other Taxes	Total Property Taxes
Other Areas	\$ 3,054	\$ -	\$ 3,054
City of Eureka	7,349	0	7,349
County of Humboldt	3,956	0	3,956
Total	<u><u>\$ 14,358</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,358</u></u>

Property Tax Expense Allocated to the City of Eureka	\$7,349
Less:	
2007 - 2008 Rate Review	<u>9,299</u>
<b>Adjustment to Rate Package</b>	<u><u><b>(\$1,950)</b></u></u>

City Garbage Company of Eureka  
**Property Tax Allocation - Secured & Unsecured**  
**From July 1, 2007 through June 30, 2008**

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Tax Recap	Actual	Tax Expense Before Allocation				Total
		Shared	City	County	Other	
Business Taxes	\$ -	\$ -				\$ -
Property Tax - Secured	2,335				2,335	2,335
Property Tax - Unsecured	12,023	12,023				12,023
<b>Total Property Tax</b>	<b>\$ 14,358</b>	<b>\$ 12,023</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,335</b>	<b>\$ 14,358</b>

**Tax Share Allocation** 61.12%    32.90%    5.98%    100.00%

Tax Recap	Actual	Tax Expense After Allocation				Total
		Shared	City	County	Other	
Business Taxes	\$ -	\$ -				\$ -
Property Tax - Secured	2,335	0			2,335	2,335
Property Tax - Unsecured	12,023		7,349	3,956	719	12,023
<b>Total Property Tax</b>	<b>\$ 14,358</b>	<b>\$ -</b>	<b>\$ 7,349</b>	<b>\$ 3,956</b>	<b>\$ 3,054</b>	<b>\$ 14,358</b>

City Garbage Company of Eureka  
**Property Tax**  
 For Period July 1, 2007 through June 30, 2008

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**Property Tax  
 Actual Bills**

Assessment Period		Code	Fee Number	Property Assessment No.	Location	Tax Roll	Type Tax	Land	Fixed Improvments	Personal Property	Leased Equip	Total	Tax Rate	Tax	City Share			
From	To														%	\$		
07/01/07	- 06/30/08	407	007-021-005-000	800-008-734-000	949 W. Hawthorne	Unsecured		12,340	82,380			94,720	1.073%	1,016.35	61.12%	621.19		
07/01/07	- 06/30/08	407	007-021-005-000	860-001-732-000	Possessory Interest	Unsecured	131,306	131,306				262,612	1.073%	2,817.83	61.12%	1,722.26		
07/01/07	- 06/30/08	408	405-081-051-000	810-000-294-000	Leased Equipment	Unsecured					763,200	763,200	1.073%	8,189.13	61.12%	5,005.20		
07/01/07	- 06/30/08	411	403-071-002-000	403-071-002-000	T 5 N R 1 E SEC 32	Secured	23 acres	4,646				4,646	1.480%	68.78	0.00%	0.00		
07/01/07	- 06/30/08	411	403-081-009-000	403-081-009-000	T 5 N R 1 E SEC 32 & 33	Secured	106.5 acres	21,513				21,513	1.177%	253.12	0.00%	0.00		
07/01/07	- 06/30/08	411	405-081-040-000	405-081-040-000		Secured		72,833				72,833	1.092%	795.14	0.00%	0.00		
07/01/07	- 06/30/08	411	405-081-041-000	405-081-041-000		Secured		58,827				58,827	1.098%	645.66	0.00%	0.00		
07/01/07	- 06/30/08	411	405-081-044-000	405-081-044-000	T 4 N R 1 E SEC 5	Secured	80 acres	16,160				16,160	1.162%	187.84	0.00%	0.00		
07/01/07	- 06/30/08	411	405-081-052-000	405-081-052-000	PTN SEC 5 T4N-R1E	Secured	157 acres	31,714				31,714	1.124%	356.38	0.00%	0.00		
07/01/07	- 06/30/08	411	405-081-055-000	405-081-055-000	PTN NE 1/4 SEC 5 T4N-R1E	Secured	4.5 acres	909				909	3.045%	27.68	0.00%	0.00		
<b>Total</b>												<b>\$337,908</b>	<b>\$143,646</b>	<b>\$82,380</b>	<b>\$763,200</b>	<b>\$1,327,134</b>	<b>\$14,357.91</b>	<b>\$7,348.65</b>

**Rate Base Amount (to be allocated between City & County) \$12,023.31**

**City of Eureka Share \$7,348.65**

City Garbage Company of Eureka  
Reconciliation of Pass-Through Items  
City of Eureka (EIC only)

**Disposal Tonnage & Expense**

For Rate Year July 1, 2009 through June 30, 2010

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**Pass Through Adjustment**

Actual Disposal Cost: July 1, 2007 - June 30, 2008	\$1,858,566
Forecast from 2007 - 2008 Rate Application	<u>1,908,982</u>
Pass Through Adjustment to Rate Package	<u><u>(\$50,416)</u></u>

City Garbage Company of Eureka  
 Reconciliation of Pass-Through Items  
 City of Eureka (EIC only)

**Disposal Tonnage & Expense**

For Rate Year July 1, 2009 through June 30, 2010

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**Actual Disposal Tonnage & Expense:  
 July 1, 2007 - June 30, 2008**

	Tons	Disposal Fee	Expense
Eureka MSW			
Debris Box	4,968.67	\$93.07	\$462,417
Residential	5,705.20	93.06	530,922
Commercial	7,758.38	93.06	721,989
<u>Total MSW</u>	<u>18,432.25</u>		<u>\$1,715,328</u>
Eureka - Green Waste	56.13	60.00	\$3,368
Christmas Trees (Green Waste)	0.00	0.00	0
Telephone Books	0.00	0.00	0
Street Sweepings	750.17	93.06	69,811
City of Eureka Vehicles	375.26	94.23	35,362
Appliances & Tires	3.20	303.27	970
Recycling Processing	0.00		600
<u>Sub Total</u>	<u>19,617.01</u>	<u>\$93.05</u>	<u>\$1,825,439</u>
Add: Bulky Item Coupons	357.40	92.69	33,127
<u>Total Disposal - FY 2007 - 2008</u>	<u>19,974.41</u>	<u>\$93.05</u>	<u>\$1,858,566</u>

City Garbage Company of Eureka  
 Reconciliation of Pass-Through Items  
 City of Eureka (EIC only)

**Disposal Tonnage & Expense**

For Rate Year July 1, 2009 through June 30, 2010

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**Forecast Changes** (incremental increase / decrease)

**July 1, 2008 - June 30, 2009**

	Disposal		
	Add'l Tons	Fee	Expense
Eureka MSW			
Debris Box	(689.91)	\$30.52	\$66,378
Residential	646.46	30.53	254,076
Commercial	(333.61)	30.53	195,632
<u>Total MSW</u>	<u>(377.06)</u>		<u>\$516,086</u>
Eureka - Green Waste	9.16	27.15	\$2,322
Christmas Trees (Green Waste)	216.41	90.00	19,477
Telephone Books	0.00	90.00	0
Street Sweepings	(31.30)	14.52	7,525
City of Eureka Vehicles	116.89	14.52	18,161
Appliances & Tires	(2.40)	263.16	(517)
Recycling Processing	0.00	0.00	0
<u>Sub Total</u>	<u>(68.30)</u>		<u>\$563,053</u>
<u>Add: Bulky Item Coupons</u>	<u>(50.53)</u>	<u>29.92</u>	<u>4,499</u>
<b>Total Changes to Disposal - Current Year</b>	<b>(118.83)</b>		<b>\$567,552</b>

**Forecast Total Tonnage & Expense**

**July 1, 2008 - June 30, 2009**

	Tons	Disposal Fee	Expense
Eureka MSW			
Debris Box	4,278.76	\$123.59	\$528,795
Residential	6,351.66	123.59	784,998
Commercial	7,424.77	123.59	917,621
<u>Total MSW</u>	<u>18,055.19</u>	<u>\$123.59</u>	<u>\$2,231,414</u>
Eureka - Green Waste	65.29	87.15	\$5,690
Christmas Trees (Green Waste)	216.41	90.00	19,477
Telephone Books	0.00		0
Street Sweepings	718.87	107.58	77,336
City of Eureka Vehicles	492.15	108.75	53,523
Appliances & Tires	0.80	566.43	453
Recycling Processing	0.00		600
<u>Sub Total</u>	<u>19,548.71</u>	<u>\$122.18</u>	<u>\$2,388,493</u>
<u>Add: Bulky Item Coupons</u>	<u>306.87</u>	<u>122.61</u>	<u>37,625</u>
<b>Total Disposal - FY 2009 (Current Year)</b>	<b>19,855.58</b>	<b>\$122.19</b>	<b>\$2,426,118</b>

City Garbage Company of Eureka  
Reconciliation of Pass-Through Items  
City of Eureka (EIC only)

**Disposal Tonnage & Expense**

For Rate Year July 1, 2009 through June 30, 2010

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**Forecast Changes** (incremental increase / decrease)

**July 1, 2009 - June 30, 2010**

	Disposal		
	Tons	Fee	Expense
Eureka MSW			
Debris Box	21.24	\$5.22	\$25,071
Residential	448.34	5.22	90,906
Commercial	75.23	5.22	48,448
<u>Total MSW</u>	<u>544.81</u>		<u>\$164,425</u>
Eureka - Green Waste	(5.29)	\$2.85	(\$290)
Christmas Trees (Green Waste)	323.59	(0.00)	29,123
Telephone Books	0.00		0
Street Sweepings	1.13	21.21	15,389
City of Eureka Vehicles	(12.15)	20.43	8,486
Appliances & Tires	2.20	(523.49)	(324)
Recycling Processing	2,125.00	60.00	126,900
<u>Sub Total</u>	<u>2,979.29</u>		<u>\$343,709</u>
Add: Bulky Item Coupons	213.13	6.20	29,356
<b>Total Additional Disposal Tonnage &amp; Expense</b>	<b>3,192.42</b>		<b>\$373,065</b>

**Forecast Total Tonnage & Expense**

**July 1, 2009 - June 30, 2010**

	Disposal		
	Tons	Fee	Expense
Eureka MSW			
Debris Box	4,300.00	\$128.81	\$553,866
Residential	6,800.00	128.81	875,904
Commercial	7,500.00	128.81	966,069
<u>Total MSW</u>	<u>18,600.00</u>	<u>\$128.81</u>	<u>\$2,395,839</u>
Eureka - Green Waste	60.00	90.00	\$5,400
Christmas Trees (Green Waste)	540.00	90.00	48,600
Telephone Books	0.00		0
Street Sweepings	720.00	128.78	92,725
City of Eureka Vehicles	480.00	129.19	62,009
Appliances & Tires	3.00	42.94	129
Recycling Processing	2,125.00	60.00	127,500
<u>Sub Total</u>	<u>22,528.00</u>	<u>\$121.28</u>	<u>\$2,732,202</u>
Add: Bulky Item Coupons	520.00	128.81	66,981
<b>Total Tonnage &amp; Tipping Fees</b>	<b>23,048.00</b>	<b>\$121.45</b>	<b>\$2,799,183</b>