



ADMINISTRATIVE SERVICES COMMITTEE

Agenda

Wednesday, June 8, 2011

4:00 pm

Madison Avenue Meeting Room
500 SW Madison

Discussion/**Possible Action**

I. Ambulance Rate Review
(Attachment)

Discussion/**Possible Action**

II. Allied Waste Services Annual Report
(Attachment)

Discussion/**Possible Action**

III. Third Quarter Operating Report
(Attachment)

Information

IV. Other Business

Next Scheduled Meeting

Wednesday, June 22, 2011 at 4:00 pm

Madison Avenue Meeting Room, 500 SW Madison Ave

Agenda

None at this time



541 766-6961
541 766-6938 (fax)

CORVALLIS FIRE DEPARTMENT
MEMORANDUM
400 NW Harrison Blvd.
Corvallis, OR 97330

To: Administration Service Committee
From: Roy Emery, Fire Chief
Subject: Ambulance Rate Review
Date: May 31, 2011

Background:

Following the ambulance rate discussion during the last Administrative Services Committee meeting, members requested staff bring back additional information regarding the influence of a \$1000 base rate on ambulance revenues, and to clarify the costs associated with operating the ambulance service. As staff indicated, methodology used to determine 'actual' costs of providing ambulance transport services is difficult given the dual role function and response of Corvallis Fire Department.

To reiterate a point raised during the meeting, it is important to focus attention on the \$1.9 million general fund support created by ambulance transport services. This support directly offsets expenditures associated with the provision of **both** EMS and fire suppression services. Without ambulance transport revenues, the level funding required to maintain current EMS and fire protection services (without ambulance transport) would require greater general fund support (e.g., 1.06 million). In essence, ambulance revenues support non-transport fire department functions by approximately \$500 thousand dollars each year.

Findings for \$1000 base rate impact:

Using current ambulance response and billing data, staff determined a gross rate of return for the primary payer groups evaluated routinely within the ambulance industry. These rates of return were used to calculate the estimated impact of a \$1000 base rate.

A \$1000 base rate would result in approximately \$476,000 in additional charges for ambulance services. However, of these charges, only an estimated \$140,000 of additional revenue would be realized. The remaining \$336,000 would be applied to additional mandated write-off. Much of the disparity between charges and additional revenue is the result of the 'payer mix' contained within our ambulance service area.

61% of those who utilize ambulance transport are covered by Medicare/Medicaid. Given the fixed payment schedule and mandatory assignment (unable to bill patient for balance), any rate increase will not yield additional revenues. Therefore, a \$1000 base would result in \$289,000 in additional billings, but these additional billings would directly translate into \$289,000 in additional write-offs for this payer group.

11% of ambulance clientele either have no insurance or choose to pay privately. The rate of return for this payer group is extremely low, but could realize an approximate increase of \$21,000 in revenue. Yet an additional \$35,000 in write-off is likely to result given this group is the one most likely to see a significant reduction in collection rates due to increased costs.

The last payer group (insurance) constitutes 27% of the clientele and the largest rate of return on billings. Given the \$1000 base rate, an estimated \$119,000 in additional revenues would be generated along with \$11,000 of additional write-offs. However, as deductibles and co-pays continue to increase, the sustainability of the current rate of return becomes questionable.

It is worth noting that the City of Albany has not realized substantially greater success in capturing additional revenue from a 20% rate increase which occurred approximately one year ago. In comparing gross collection rates (revenues received compared to billings) for 2010, the City of Corvallis realized a 53% gross collection compared to 49% for the City of Albany. Much of the difference in performance is attributed to increased write-offs associated with higher base ambulance rates.

Findings for Ambulance Cost/Value:

In order to clarify costs associated with ambulance service delivery (e.g., the general fund support of \$400 to \$500 thousand per year), and quantify a return on this investment toward non-ambulance related department activities, staff utilized current response and deployment information in conjunction with previous cost calculations prepared by the city's finance department.

With the "either/or" deployment at ambulance stations, the quantity of time personnel/resources are available or deployed to respond to medical and/or fire emergencies is calculated by multiplying the number of units by the shift hours multiplied by the number of days. In the case of CFD, this calculations results in personnel/resources being available for 16,920 hours since October 1, 2010 (the implementation date of the department's new records management system). In order to provide additional insights into cost and value associated with these 'dual role' resources, staff felt the best method of evaluation was to compare/contrast 'time on task' in relation to the total deployed time. Using fiscal information developed by the finance department, an hourly rate (cost) was applied to these elapsed times to illustrate the costs and/or value added to the department. Staff did not attempt to quantify further the total stand-by time outlined above as these periods are not formally tracked and/or accounted.

Ambulance responses consume approximately 20% of the deployed hours noted above. Given cost allocations developed by the finance department, the hourly costs are approx \$569 or approx \$1.8 million of the ambulance related expenditures. An additional 4% of deployed time is consumed by ambulance related documentation and other activities involved with ambulance response equating to approx \$500 thousand in additional costs (total 2.3 million).

In addition to ambulance related activities, these same resources consume 6% of the deployed hours for fire/rescue and prevention activities. Using the same per hour rate as noted above, these activities costs approx \$562 thousand dollars annually. When one includes training hours required to maintain non-ambulance related knowledge, skills, and abilities, an additional 4% of the deployed hours are consumed resulting in approx \$500 thousand in associated costs (totaling approx \$1.06 million)

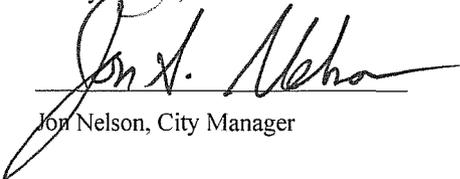
However, given the integrated nature of fire department operations and deployed hours already present, much of the 'costs' associated with the non-ambulance response, prevention, and training activities are already built into the \$2.3 million associated with the department's ambulance service. Therefore, the \$500 thousand general fund support constitutes only approx 50% of the costs associated with the fire related services provided by these resources to the community. Again, ambulance transport revenues arguably support non-transport fire department functions by approximately \$500 thousand dollars annually.

In closing, we hope the information presented here provides the explanation and clarifications sought by the committee so that you may make an informed decision regarding the city's ambulance rates and services. We would be happy to answer any future questions you may have.

REVIEWED and CONCUR:



Nancy Brewer, Finance Director



Jon Nelson, City Manager

ADMINISTRATIVE SERVICES COMMITTEE MINUTES May 18, 2011

Present

Councilor Mark O'Brien, Chair
Councilor Biff Traber
Councilor Joel Hirsch

Staff

Jon Nelson, City Manager
Roy Emery, Fire Chief
Will Bauscher, Fire Battalion Chief
Ken Gibb, Community Development Director
Carla Holzworth, City Manager's Office

Visitors

Bruce Hecht, Oregon Natural Step Network
Joan Wessell, Downtown Corvallis Association
Bill Ford, Business Enterprise Center
Marcy Eastham, Corvallis-Benton Chamber Coalition
David Gilbert, Visit Corvallis

SUMMARY OF DISCUSSION

Agenda Item	Information Only	Held for Further Review	Recommendations
I. Ambulance Rate Review		*	
II. Economic Development Allocations Third Quarter Report			Accept the Economic Development Allocations Third Quarter Report for Fiscal Year 2010-11
III. Other Business	*		

Chair O'Brien called the meeting to order at 4:00 p.m.

CONTENT OF DISCUSSION

I. Ambulance Rate Review (Attachment)

Chief Emery distributed and reviewed staff responses to questions previously asked by Councilor Traber (Attachment A). Staff recommends a 2% increase to ambulance service rates and removing specialty care transport from the schedule. Chief Emery noted rates were not increased last year.

Councilor Traber observed that using the average of comparator rates would result in a higher figure than the median and he wondered whether increasing rates more than 2% is warranted. Chief Emery noted the \$1,600 base rates for Eugene/Springfield and Lane Rural relate in part to their service models. Those organizations utilize enterprise funds which are managed like a business. The higher rate shifts costs to those who

can pay and increases mandated write offs to substantially more than those in Corvallis. Chief Emery said those organizations transfer general fund monies into the ambulance service funds to ensure solvency. In response to Councilor Traber's observation that the City's Financial Policies direct movement toward cost recovery, Chief Emery said Corvallis has discussed models like Eugene/Springfield, but such a change would act as a driver to increase City health insurance rates. Councilor Traber expressed concern about the trade off between increasing property taxes and keeping insurance costs down. Chief Emery said there is a point of diminishing returns with rates. The need to generate additional revenue to cover costs prompted the recommended 2% rate increase.

In response to Mr. Nelson's inquiry about the impact of FireMed enrollment relative to higher rates, Chief Emery said the dynamics are different in other jurisdictions. For example, local television advertising and marketing strategies in the Eugene/Springfield area results in many more subscribers who don't use the service, thereby generating substantial revenues. Chief Emery noted that a greater proportion of Benton County FireMed subscribers use the service.

In response to Councilor Traber's inquiries about FireMed, Chief Emery explained it is a membership service. Those who join pay a nominal annual fee and if they ever need ambulance service, the charge is substantially discounted. There are about 3,000 subscribers in Benton County and Corvallis Fire agrees to accept as payment in full whatever amount is covered by insurance. The revenue generated helps to offset the writeoff that would otherwise be incurred.

In response to Councilor O'Brien's inquiry, Chief Emery said the 2% increase relates to higher fuel costs, medical supplies which are running about 5.5% or twice as high as the Consumer Price Index, and increased personnel expenses. In response to Chair O'Brien's inquiry about why only a 2% increase is recommended when costs are increasing over 5%, Chief Emery said staff is trying to charge a fair rate using the established methodology.

In response to Councilor Hirsch's inquiry, Mr. Bauscher said specialty care transports must be manually entered into the financial system. Any time a manual entry is made, it is a manipulation of an established code, which triggers a red flag for auditors. Coding and billing such transports as an advanced life support (ALS) 2 call would avoid such manual entries.

Mr. Bauscher noted the difference between an ALS 2 and a specialty care transport relates to staffing. Medicare and Medicaid define specialty care transport as care above and beyond the scope of a paramedic. However, in Oregon, the scope of a paramedic's duties are comparable to the skills of a registered nurse in the EMS

setting. Additional expenses such as time and fuel would only be incurred in rare cases where hospital staff is needed. Because the frequency of those cases is so low, both Fire and Finance staff believe it is more efficient to code the calls as ALS 2. Mr. Bauscher noted many of Corvallis' comparators do not have a separate specialty care transport charge for similar reasons.

Councilor Traber moved, and Councilor Hirsch seconded, to recommend increasing rates to \$1,000 for ALS 1 emergency/non-emergency and ALS 2 emergency calls, removing specialty care transport from the schedule, and increasing evaluation and treatment non-transport to \$450.

Councilor Traber said his recommendation is based on a review of comparator rates, the fact that Corvallis did not raise rates last year, and overall cost increases as discussed above. He would like the City to increase the amount recovered from ambulance service users so more property tax dollars are available for other Fire Department needs.

Chair O'Brien noted the Financial policies section related to ambulance fees indicates rates should reflect changes in the direct cost of service. Mr. Nelson said historically when cost increases such as those associated with fuel prices and personnel expenses were discussed, they have been weighed against Fire District and ambulance revenues that help offset fixed costs like fire suppression and prevention. He further noted that if the County awarded the ambulance services contract to a private ambulance company, Corvallis' fire suppression and prevention service costs would spike due to the loss of offsetting ambulance revenue. In response to Mr. Nelson's inquiry about such a possibility, Chief Emery said the County does consider rates when deciding whether to place the contract out for bid. Chief Emery added this revenue, which is between \$1.8 to \$1.9 million, does offset the Fire Department's reliance on property tax revenue.

In response to Chair O'Brien's inquiry about creating two rate structures, one for in-City and one for outside the City, Mr. Bauscher said it is possible, but it could have negative implications when the contract is up for renewal. In response to Councilor Traber's inquiry, Mr. Bauscher said about 12% of the calls are from outside the city limits. Chief Emery noted the City has explored having Corvallis provide ambulance services exclusively in the city limits, but it does not appear to be legally feasible. By law, the County awards ambulance service contracts including services in cities.

In response to Councilor Traber's inquiry, Mr. Bauscher said Rural Metro is the private ambulance company that contracts in the Eugene, and Salem area; their rates are reflected in the comparison schedule (for Salem & Eugene). Mr. Nelson added that even though a private ambulance company responds and receives the corresponding

revenue, the Fire Department must also respond and initiate care, but they do not receive any compensation for that service. In response to Chair O'Brien's inquiry, Chief Emery said the contract term is five years, it is up for renewal next year, and the City is trying to remain competitive in the hope it will continue to provide the service. In response to Councilor Traber's inquiry, Mr. Bauscher said the County appears to be receptive to renewing the contract, but they are concerned about rate increases.

Mr. Nelson noted closing the \$400,000 to \$500,000 budget gap is important, but there is also the risk of losing \$1.9 million in ambulance service contract revenue. In addition, if the contract was lost, staffing would probably be reduced and two fire stations would likely close, resulting in longer response times.

Councilor Traber withdrew his motion and Councilor Hirsch withdrew his second. The Committee directed staff to return to the next Administrative Services Committee meeting with information about the impact of rates proposed by staff and those proposed by Councilor Traber in his motion, relative to the current collection methodology and the resultant revenue.

~~II Economic Development Allocations Third Quarter Report (Attachment)~~

~~Mr. Gibb reviewed the staff report, noting the Corvallis Knights will report to the Committee this fall. Mr. Gibb corrected the motion in the staff report to reflect the report is for the third quarter.~~

~~Councilor Traber noted Visit Corvallis' report shows an upward trend in room occupancy. In response to his inquiry about whether that is factored into the transient room tax (TRT) revenue projections, Mr. Nelson said projections are based on a review of the prior year's actual revenues; he confirmed next year's TRT is projected to increase slightly.~~

~~Bruce Hecht, Oregon Natural Step Network, reported on current activities, including the 2011 food boot camp; partnerships with the Business Enterprise Center and Council of Governments; and a plant nursery peer learning group that includes Oregon State University (OSU) and the City. In response to Councilor Traber's inquiry, Mr. Hecht said 12 nurseries are participating in the peer learning group. In response to Councilor Hirsch's inquiry, Mr. Hecht said the food boot camp participation went from 36 last year to 21 this year.~~

~~Joan Wessell, Downtown Corvallis Association (DCA), noted several new downtown businesses which have collectively added over 50 new employees. The most recent Rhapsody in the Vineyard had over 2,000 participants; the last of six free brown bag professional development workshops was recently completed; and the Red, White, and Blue festival will be held July 3-5 at the Riverfront between Monroe and Jackson~~



541 766-6961
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**CORVALLIS FIRE DEPARTMENT
MEMORANDUM**
400 NW Harrison Blvd.
Corvallis, OR 97330

To: Administration Service Committee
From: Roy Emery, Fire Chief *RE*
Subject: Ambulance Rate Review
Date: April 26, 2011

Background:

In an ongoing effort to provide responsive, efficient Emergency Medical Services, Corvallis Fire Department works to balance rates charged for ambulance transport with the costs associated with service delivery. However, ongoing economic and inflationary factors continue to impact costs of goods and services essential to the operation of Ambulance Services. In addition, steady increases in the number of Medicare/Medicaid patients and uncertainty with ambulance reimbursements all contribute to the challenges being faced within the industry.

User fees, offsetting reliance on general fund dollars, remain the primary funding source for the Corvallis Fire Department Ambulance services. In order to achieve the balanced approach desired by the Corvallis City Council, ambulance rate adjustments have been based upon the alignment with "median" values charged among those agencies reviewed (see attachment A). While many neighboring jurisdictions have made significant rate increases in an attempt to make up for decreasing Medicare/Medicaid revenues, this approach only serves to divert expenses to other payer groups and increase the amount of mandatory write-off required.

Findings:

Staff has compiled a summary of ambulance rate information for agencies within Benton, Linn, Lane, Yamhill, Polk, and Marion Counties. The areas and agencies were selected in an effort to obtain a representative sample of agencies of similar size, and/or areas served within the Mid-Willamette Valley. A summary of the rates can be found in attachment A.

Ambulance rates charges by Corvallis Fire Department remain within approximately 2% of the median ambulance rates charged with the exception of the "specialty care transport (SCT)" charge (e.g., 4%). However, staff has found this charge applies to an extremely limited number of calls annually and does not substantially change revenues collected. Furthermore, the manual process in which this charge must be applied presents auditing concerns from the city's finance department.

Proposal:

To maintain alignment with median rates, staff recommends adjusting the following Ambulance Service Rates effective FY 11/12:

▪ ALS 1 Emergency/Non-emergency	from \$855.00	to \$872.00	2.0% increase
▪ ALS 2 Emergency	from \$912.50	to \$931.00	2.0% increase
▪ Evaluation & treatment no transport	from \$404.00	to \$412.00	2.0% increase
▪ Specialty Care Transport	Remove from rate schedule		

Recommendation:

Staff recommends approval by the Administrative Services Committee and adoption by motion for the City Council.

REVIEWED and CONCUR:

Nancy Brewer, Finance Director

Jon Nelson, City Manager

	County	Fire-Med	Specialty Care Transport	BLS-Emergency	ALS 1 Emergency	ALS 2 Emergency	ALS 1 Non-Emergency	BLS Non-Emergency	Evaluation & Treatment No Transport	Transport Mileage (per mile)
Corvallis Fire (Proposed)	Benton	\$50.00	Remove	\$775.00	\$872.00	\$931.00	\$872.00	\$775.00	\$412.08	\$15.00
Corvallis Fire (Current)	Benton	\$50.00	\$990.00	\$775.00	\$855.00	\$912.50	\$855.00	\$775.00	\$404.00	\$15.00
Eugene Fire & EMS	Lane	\$62.00		\$1,600.00	\$1,600.00	\$1,600.00	\$1,600.00	\$1,600.00	\$800.00	\$20.00
Lane Rural Fire district	Lane	\$62.00		\$1,600.00	\$1,600.00	\$1,600.00	\$1,600.00	\$1,600.00	\$800.00	\$20.00
Springfield Fire & Life	Lane	\$62.00		\$1,600.00	\$1,600.00	\$1,600.00	\$1,600.00	\$1,600.00	\$800.00	\$20.00
Albany Fire	Linn	\$50.00	\$1,020.00	\$1,020.00	\$1,020.00	\$1,020.00	\$1,020.00	\$1,020.00	\$420.00	\$19.50
Jefferson Fire District	Linn	\$50.00		\$700.00	\$800.00	\$900.00	\$800.00	\$700.00	\$400.00	\$15.00
Lebanon Fire District	Linn	\$50.00		\$743.80	\$854.63	\$854.63	\$854.63	\$743.80	\$274.28	\$13.74
Sweet Home Fire	Linn	\$50.00		\$800.00	\$800.00	\$800.00	\$800.00	\$800.00	\$177.50	\$13.50
Salem Fire Department	Marion	\$50.00		\$740.00	\$870.00	\$918.50	\$870.00	\$586.00	\$424.50	\$14.25
Marion County Fire District #1	Marion	\$50.00		\$740.00	\$870.00	\$925.00	\$870.00	\$650.00	\$450.00	\$15.00
Keizer Fire District	Marion	\$50.00		\$740.00	\$870.00	\$920.00	\$870.00	\$586.00	\$408.25	\$14.50
Turner Fire District	Marion	\$50.00		\$740.00	\$870.00	\$925.00	\$870.00	\$650.00	\$450.00	\$15.00
Dallas Fire Department	Polk	\$50.00		\$712.00	\$894.00	\$894.00	\$894.00	\$712.00	\$450.00	\$15.00
Polk County Fire District #1	Polk	\$50.00	\$1,050.00	\$759.00	\$855.00	\$955.00	\$855.00	\$759.00	\$404.00	\$15.00
McMinnville Fire	Yamhill	\$50.00	\$1,600.00	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00	\$250.00	\$20.00
Newberg Fire Department	Yamhill	\$45.00		\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$300.00	\$13.75
Median		\$50.00	\$1,035.00	\$767.00	\$870.00	\$925.00	\$870.00	\$767.00	\$414.13	\$15.00
Percent Increase to Median		0.00%	4.35%	-1.04%	1.72%	1.35%	1.72%	-1.04%	2.44%	0.00%

From: ward8@council.ci.corvallis.or.us [mailto:ward8@council.ci.corvallis.or.us]
Sent: Tuesday, May 17, 2011 2:24 PM
To: Brewer, Nancy; Emery, Roy
Cc: Nelson, Jon
Subject: Ambulance Rate Questions

Nancy
Roy

After reviewing the 4/26 staff report on ambulance rates, I have a couple of questions I hoped you could answer.

- You used median for the analysis instead of average. Any particular reason? I ask because average would give substantially different increases as driven by the Lane county rates.

Historically the department has used median values as a starting point for our analysis of ambulance rates, for two primary reasons. First, the median value is the recommended value of analysis within the ambulance industry - affording some level of comparison. Secondly, the median tends to represent the central tendency of the sample more accurately and reduces fluctuations associated with high or low values. As you noted, using the average would significantly alter both the pace and magnitude of any rate changes. However, it is important to note that this value remains a starting point of the analysis.

- The council policy also refers to cost of service as something to consider with ambulance rates. I seem to remember from some earlier budget discussions (but cannot find the reference now) that the ambulance fees do not cover the direct cost of providing the ambulance service. Please let me know how much the direct costs and total fee income differ by.

Given the 'dual role' functions of Corvallis Fire Department, determining direct costs specific to EMS services is difficult. In response to previous council inquiries, finance staff analyzed information on total expenditures being charged to EMS services along with those incorporated into overall Fire Department functions. The results of this review determined an annual total of approx \$2.3 million in expenditures related to EMS services. During the same time period, total charges for EMS services was \$3.3 million. Unfortunately, due to mandated write-off and other reimbursement actual revenues received amounted to approx \$1.9 million. While this analysis took place approximately two years ago, the spread between expenditures and actual fee income remains consistent at approx \$400,000 to \$500,000. However, it is important to place this 'subsidy' into context. Although EMS services constitute 85% of the services the fire department provides, EMS responses only consume between 15% and 20% of the deployed hours. As a result, these same resources can be utilized for fire suppression, inspection, public education and other fire department functions.

- You refer to some adjacent agencies making significant changes in their fees. Can you give me a sense of when each of the agencies referred to in Attachment A actually updated their fees? I am looking for a rough review with time granularity like recently, a while back ...

All agencies surveyed conduct an annual review of their ambulance rates. Approximately two years ago, Eugene, Springfield, and Lane Rural were the first agencies to implement a substantial increase in ambulance rates (e.g., \$1600 base). In the last year, McMinnville and Newberg have also implemented substantial rate increases compared to previous rates. The remaining agencies all have implemented increases ranging from 2% to 8%. However, not all have occurred on a yearly basis.

- How much does the city write off for Medicare underpayment? Medical insurance underpayment? Bad debt?

Medicaid/Medicare and some other third party insurance or subsidy plans require mandated write-off. These write offs equate to approximately 37% of ambulance charges. Bad dept currently constitutes less than 1% of charges.

Having some of this information will help evaluate your rate proposal and make informed decisions.

Thanks
Biff

MEMORANDUM

TO: Administrative Services Committee
FROM: Steve Rogers, Public Works Director 
DATE: May 3, 2011
SUBJECT: 2010 Allied Waste of Corvallis Annual Report

ISSUE

The solid waste franchise agreement between the City of Corvallis and Allied Waste of Corvallis (Allied) requires that an annual report be submitted to the City by March 1st of each year. This Annual Report (Attachment I) is a summary of the company's operations for year ending December 31, 2010.

BACKGROUND

The 10-year franchise agreement with Allied gives the company exclusive rights to collect and transport solid waste within the city limits and to earn a reasonable rate of return. The agreement requires specific services, including garbage collection, curbside recycling, public education on recycling or reuse issues, and special collection events. Allied pays the City a franchise fee equal to 5% of the company's annual cash receipts for customers within the city limits.

DISCUSSION

Report Review

Public Works reviewed the Annual Report to ensure that it contains all of the information required by the franchise agreement. In addition, the Finance Department performed an unaudited evaluation (Attachment II) of the financial information presented in the report. Last year, staff was concerned about the size and nature of the Management Services expense line item and want to note that the amount in this report is down 33% compared to 2009. Overall, staff is satisfied with Allied's performance.

Recycling Highlights

The State has established waste recovery goals for each watershed; for Benton County, the goal is 50%. The most recent recycling rate for Benton County reported by the Oregon Department of Environmental Quality (DEQ) is 43.9% for 2009, a 3.2% decrease compared to 2008. This number includes the recycling reported by Allied along with data from other recyclers (i.e. scrap metal and bottle deposits) and various disposal sites. The official calculation for 2010 will be available from the DEQ late this Fall or early 2012.

Local partners are concerned about this trend and staff is working with Allied to improve recycling rates in Corvallis and Benton County. Staff also plans to develop a long term strategy for recycling collection in public areas such as the Riverfront, Downtown, and transit center.

The detailed recycling reporting on pages 15-17 provides baseline information by material type to help guide future program enhancements or changes.

Yard Debris and Food Waste

In May 2009, Allied implemented a Council-approved service enhancement to increase yard debris collection to weekly and to add vegetative food waste. This action resulted in Corvallis becoming the first city in Oregon to collect food waste with residential yard debris at the curb.

In June 2010, Allied enhanced the vegetative food waste program to allow all food waste, including proteins (meat, eggs, dairy). This action resulted in an additional 907 residential tons and 101 commercial tons of organic material collected compared to 2009.

Electronics

Electronic recycling collection continues to increase, with a 29% jump in 2010. Consumers changing to flat screen TVs and computer monitors appears to have driven much of the increase with older style units routinely ending up at the recycling depot.

Batteries

In 2010, battery collection was up 284% or 20 tons. Allied attributes the increase to better awareness by the public that batteries are accepted at the recycling depot and at household hazardous waste events.

Plastic Film

The report indicates a 34% reduction in plastic film collected at the recycling depot. Allied communicated to staff that for a three-month period, the film collected at the depot was not being weighed separately, so the tonnage reported is lower than what was actually collected.

Spring Recycling Event

Participation in the Spring Recycling Event has decreased in the last few years. Although 2010 saw a slight increase in customers compared to 2009, it was still significantly lower than previous years. Allied believes this may be due to the additional materials collected at their recycling depot and the implementation of weekly yard debris service.

Household Hazardous Waste (HHW) Events

The four 2009 HHW events saw a 37% increase in customer attendance resulting in 22% more material collected when compared to 2009. While the increase is exciting, it is closer to historical averages because 2009 participation was very low; 28% below 2008. A breakdown of the types and amounts of materials is provided on page 19 of the Annual Report.

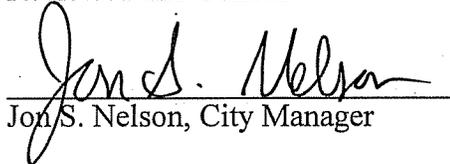
Coming in 2011

Allied plans to increase efficiencies by making changes to collection routes. This will involve extensive outreach to affected customers to ensure they know their new collection day. Allied will also be focusing on increasing promotion of the organic waste collection program to aid in improving the community's recycling rate.

RECOMMENDATION

No action is necessary; this report is for information only.

Reviewed and Concur:


Jon S. Nelson, City Manager

Attachments:

Attachment I - 2010 Allied Waste of Corvallis Annual Report

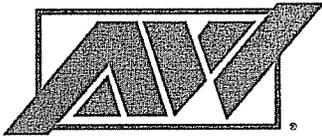
Attachment II - Finance Review of Annual Report

Allied Waste Services of Corvallis

City of Corvallis

Annual Report

2010



ALLIED WASTE SERVICES

 **A REPUBLIC SERVICES COMPANY**

March 1, 2011

Mayor Julie Manning
Members of the Corvallis City Council
City of Corvallis Staff



I am pleased to present the annual report for Allied Waste of Corvallis operations within the City of Corvallis.

Here are a few highlights from 2010:

- In April 2010, our composting operation, Pacific Region Compost (PRC), received Oregon's first permit to compost food waste. This facility enabled the City of Corvallis to become the first municipality in Oregon to allow commercial and residential customers to recycle food waste with other organic materials. We appreciate the support we received from the City of Corvallis that enabled our company to make this investment. The City's commitment to be a leader in this new frontier of recycling has put Corvallis "on the map" and given it much deserved recognition as other cities follow suit.
- As a result of the above activities, over 907 tons of additional residential mixed organic waste was collected in 2010 as compared to 2009 and 170 tons of commercial food waste was collected in 2010, an increase of 146% over the 69 tons collected in 2009.
- We continued to make significant improvement in all of our efficiency metrics in 2010. We collected more yards of commercial waste for each hour worked, we serviced more residents for each hour worked, and each drop box was hauled in less time. Efforts to maintain and improve efficiency keep operating costs down, benefiting the citizens of Corvallis.
- Allied Waste has been an active partner of the Corvallis Sustainability Coalition, serving on task and action groups. Our recycling educator is a member of both the Waste Reduction Action Group and the Food Waste Composting Committee. We continue to be sensitive to issues raised by the Coalition and take part in the town hall process. The goals of the coalition, as adopted by council, help to shape our long-range program planning. Allied Waste was also a sponsor of the 2010 Sustainability Town Hall.
- We completed our fifth year of coordinating the Master Recycler Program, with 30 Master Recyclers completing this free course. These graduates are now "paying back" to the community by volunteering and developing programs.

We are proud to partner with a forward-thinking community such as Corvallis and I appreciate your comments and suggestions as you review this report. Feel free to contact me anytime at 541-979-9577.

Best Regards,

Mike Huycke
General Manager
Allied Waste of Corvallis

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ALLIED WASTE SERVICES OF CORVALLIS
SUMMARY OF SERVICES
NUMBER OF CUSTOMERS RECEIVING SERVICE INDICATED

	2008	2009	2010
Residential			
Cans	118	95	78
20 Gal Cart	414	410	426
35 Gal Cart weekly	9,311	8,169	8,075
35 Gal Cart bi-weekly		785	918
64 Gal Cart	2,200	1,997	1,952
90 Gal Cart	1,167	829	825
On-Call	201	186	183
Total Residential	13,411	12,471	12,457
Commercial	967	1,358	1,182
Industrial	89	78	83

Residential recycling customers in city limits: 12,643

Residential mixed organic waste customers in city limits: 11,476

Disposal Site:

Coffin Butte Landfill



ALLIED WASTE SERVICES OF CORVALLIS RECEIPTS & FRANCHISE FEES FOR CORVALLIS

CURRENT YEAR 2010		
Month	2010 Receipts	Fee Paid
Jan-10	\$476,333	\$23,817
Feb-10	\$581,241	\$29,062
Mar-10	\$526,611	\$26,331
Apr-10	\$594,660	\$29,733
May-10	\$542,320	\$27,116
Jun-10	\$602,999	\$30,150
Jul-10	\$547,065	\$27,353
Aug-10	\$626,957	\$31,348
Sep-10	\$566,322	\$28,316
Oct-10	\$665,859	\$33,293
Nov-10	\$555,264	\$27,763
Dec-10	\$639,481	\$33,215
TOTAL	\$6,925,109	\$347,496

PRIOR YEAR 2009		
Month	2009 Receipts	Fee Paid
Jan-09	\$499,598	\$24,980
Feb-09	\$541,265	\$27,063
Mar-09	\$519,928	\$25,996
Apr-09	\$556,501	\$27,825
May-09	\$559,016	\$27,951
Jun-09	\$751,090	\$37,554
Jul-09	\$377,578	\$18,879
Aug-09	\$643,802	\$32,190
Sep-09	\$503,353	\$25,168
Oct-09	\$662,290	\$33,115
Nov-09	\$478,859	\$23,943
Dec-09	\$656,795	\$32,840
TOTAL	\$6,750,075	\$337,504

Note: Data above excludes receipts and franchise fees for Bio-Med of Oregon or Recycling

ADDITIONAL RECEIPTS REPORTED IN 2010

Month	Medical Waste Receipts	Medical Waste Fee Paid
Jan-10	\$8,897	\$445
Feb-10	\$6,307	\$315
Mar-10	\$7,475	\$374
Apr-10	\$7,714	\$386
May-10	\$7,484	\$374
Jun-10	\$6,412	\$321
Jul-10	\$7,154	\$358
Aug-10	\$6,022	\$301
Sep-10	\$10,136	\$507
Oct-10	\$6,673	\$334
Nov-10	\$5,958	\$298
Dec-10	\$10,368	\$522
TOTAL	\$90,599	\$4,534

Month	Recycle Receipts	Recycle Fee Paid
Jan-10	\$12,914	\$646
Feb-10	\$15,464	\$773
Mar-10	\$20,987	\$1,049
Apr-10	\$23,101	\$1,155
May-10	\$19,560	\$978
Jun-10	\$23,986	\$1,199
Jul-10	\$21,946	\$1,097
Aug-10	\$20,967	\$1,048
Sep-10	\$26,431	\$1,322
Oct-10	\$30,609	\$1,530
Nov-10	\$37,960	\$1,898
Dec-10	\$42,226	\$2,111
TOTAL	\$296,152	\$14,807

ALL SERVICES:

2010 TOTAL RECEIPTS **\$7,311,860**

2010 TOTAL FRANCHISE FEE PAID **\$366,837**



ALLIED WASTE SERVICES OF CORVALLIS
COMPARISON OF FRANCHISE FEES PAID

Years	City of Corvallis Receipts	Franchise Fee Paid	Percent Change
1997-98	\$4,361,494	\$218,075	-0.2%
1999*	\$4,502,824	\$225,144	3.2%
2000	\$5,158,146	\$257,921	14.6%
2001	\$5,217,607	\$260,880	1.1%
2002	\$5,246,287	\$262,314	0.5%
2003	\$5,271,952	\$263,598	0.5%
2004*	\$5,264,319	\$263,216	-0.1%
2005*	\$6,089,698	\$304,485	15.7%
2006*	\$6,668,284	\$333,360	9.5%
2007*	\$6,804,766	\$340,238	2.1%
2008	\$6,860,594	\$343,030	0.8%
2009*	\$6,910,493	\$345,523	0.7%
2010	\$7,313,900	\$366,939	6.2%

Notes:

* indicates rate increases 7/99, 9/04, 9/05, 10/06, 11/07, 5/09
Totals include recyclables and medical waste
collection



ALLIED WASTE OF CORVALLIS

FINANCIAL OVERVIEW

City of Corvallis 2010

Revenue

Revenue in 2010 was up 5.6% over 2009. The increase in service rates, implemented May 1, 2009, coupled with improved commodity prices, offset lower volumes from a slow economy. Volume declines impacted primarily our industrial lines of business.

Operations Expense

The total cost of operations increased 2% when compared to 2009. Cost management, improved operating efficiencies contributed to offset significantly higher fuel rates.

- **Labor** costs decreased less than 1% as operational efficiencies more than offset a 2% cost of living adjustment.
- **Repairs and maintenance** costs decreased by 1%, primarily due to the recent reinvestment of new trucks, particularly our residential line of business.
- **Vehicle operating** costs increased 11%. Fuel is the primary cost driver in this category. Our average fuel rate in 2009 was \$2.15 and increased to an average of \$2.73 per gallon in 2010.
- **Facility operating** was about flat year over year, decreasing \$5k or 1%.
- **Safety, insurance and claims** frequency decreased in 2010 compared to 2009, but the cost per claim in 2010 was higher equating to an overall expense increase.
- **Disposal/Recycling Purchases** costs increased 2%.
- **Other Operating Costs** increased 9% or \$4K as a direct result of higher 3rd party charges to conduct our household hazardous waste events.
- **Depreciation** increased less than 1%, due primarily to higher investment in equipment, namely collection vehicles.

Salaries and General Administrative Expense

Salaries and administrative expenses declined when compared to 2009 by 4.0%, mostly relating to a reorganization of administrative roles and responsibilities.

Itemized below are the highlights in this category:

- **Salaries** increased in 2010, primarily due to the lack of turnover in administrative positions.
- **Professional fees** decreased 31% due to the absence of recruiter's fees associated with hiring replacements in our accounting group that occurred in 2009.
- **Management services** includes many accounting functions, payroll, Sarbanes-Oxley compliance, safety programs, human resources management, information technology, purchasing management and interest expense associated with capital purchases. Costs decreased 17% because the Allied Waste operations in Oregon recently went through reorganization. This reorganization resulted in significant savings within SG&A, which included management fees.
- **Bad Debt Expense** increased 14% due to increased collection challenges associated with the current economy.

Overall, we saw an improvement in net income, both in dollars and as a percentage of revenue. Improved efficiencies more than offset inflationary expenses, contributing to the improved profitability.



ALLIED WASTE SERVICES OF CORVALLIS
COMPANY TOTAL
BALANCE SHEET
Year ended December 31

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets		
Cash	\$ -	\$ -
Net Trade Receivables	\$ 927,523	\$ 865,941
Other Receivables	\$ 1,750	\$ (1,752)
Prepaid Expenses	\$ 52,708	\$ 67,509
Inventories	\$ 66,033	\$ 64,413
Deposits	\$ -	\$ -
Total Current Assets	\$ 1,048,014	\$ 996,111
Property & Equipment		
Buildings & Improvements	\$ -	\$ 52,296
Vehicles & Equipment	\$ 3,557,615	\$ 2,784,461
Containers & Compactors	\$ 1,335,599	\$ 1,432,983
Furniture & Fixtures	\$ 59,308	\$ 52,497
Accumulated Depreciation	\$ (1,399,001)	\$ (764,541)
Total Property & Equipment	\$ 3,553,521	\$ 3,557,696
Goodwill	\$ -	\$ -
Total Assets	\$ 4,601,535	\$ 4,553,807
LIABILITIES & EQUITY		
Current Liabilities		
Accounts Payable	\$ 256,173	\$ 93,713
Accrued Liabilities	\$ 216,170	\$ 806,111
Unearned Revenue	\$ 23	\$ (19)
Total Liabilities	\$ 472,366	\$ 899,805
Stockholder's Equity		
Intercompany Accounts ¹	\$ (878,378)	\$ 2,748,212
Common Stock	\$ -	\$ -
Additional Paid-in Capital	\$ -	\$ -
Retained Earnings (Beginning)	\$ 1,718,411	\$ 29,255
Current Year Earnings	\$ 1,754,568	\$ 876,535
Other Inc(Dec) - R/E	\$ 1,534,568	\$ -
Total Stockholder's Equity	\$ 4,129,169	\$ 3,654,002
Total Liabilities & Equity	\$ 4,601,535	\$ 4,553,807



ALLIED WASTE SERVICES OF CORVALLIS
CITY OF CORVALLIS
STATEMENT OF INCOME
For the twelve months ended December 31

	<u>2010</u>	<u>2009</u>
Revenue	\$ 7,026,291	\$ 6,651,599
Cost of Operations	\$ 4,958,930	\$ 4,742,459
Gross Profit	\$ 2,067,361	\$ 1,909,140
Salaries, General and Administrative	\$ 1,098,385	\$ 1,194,590
Operating Income	\$ 968,976	\$ 714,550
Provision for Income Taxes	\$ 389,362	\$ 285,820
Net Income	\$ 579,614	\$ 428,730
Net Income as a Percent of Sales	8.2%	6.4%

Note 1: 2010 provision for Income Taxes uses a rate of 40%. Actual rate may differ. For example, the actual 2008 corporate rate was 53.6% and 2009 corporate rate was 42.6%.



ALLIED WASTE SERVICES OF CORVALLIS
CITY OF CORVALLIS
SCHEDULE OF DIRECT EXPENSES
For the twelve months ended December 31

	<u>2010</u>	<u>2009</u>
COST OF OPERATIONS		
Labor	\$ 1,501,646	\$ 1,502,106
Repairs and Maintenance	\$ 470,668	\$ 476,300
Vehicle Operating Costs	\$ 374,655	\$ 308,538
Equipment Rent	\$ 187	\$ 211
Facility Operating	\$ 193,196	\$ 198,147
Safety, Insurance and Claims	\$ 217,124	\$ 152,832
Disposal / Recycling Purchases	\$ 1,261,193	\$ 1,202,722
Franchise Fees	\$ 366,837	\$ 343,030
Other Operating Costs	\$ 67,752	\$ 57,214
Depreciation	\$ 505,672	\$ 501,359
TOTAL COST OF OPERATIONS	<u>\$ 4,958,930</u>	<u>\$ 4,742,459</u>
SALARIES, GENERAL & ADMINISTRATIVE		
Salaries	\$ 414,465	\$ 366,775
Rent and Office Expense	\$ 169,209	\$ 178,114
Travel and Entertainment	\$ 17,432	\$ 12,463
Professional Fees	\$ 6,265	\$ 16,685
Bad Debt Expense	\$ 30,463	\$ 23,669
Management Services	\$ 290,320	\$ 434,996
Other Expenses	\$ 160,093	\$ 156,016
Depreciation	\$ 10,138	\$ 5,872
TOTAL SALARIES, GENERAL & ADMINISTRATIVE	<u>\$ 1,098,385</u>	<u>\$ 1,194,590</u>



ALLIED WASTE SERVICES OF CORVALLIS
COMPANY TOTAL
STATEMENT OF CASH FLOWS
Year ending December 31, 2010

Cash provided from (used for) Operations:

Net Income	\$	1,052,745	
Non-cash operating expenses:			
Depreciation & Amortization	\$	825,181	
Allowance for doubtful accounts	\$	52,402	
Add: Total non-cash operating expenses	\$	877,583	
Change in operating Assets & Liabilities			
Accounts Receivable	\$	(113,984)	
Other Receivable	\$	(3,502)	
Prepaid Expenses	\$	14,801	
Inventories	\$	(1,620)	
Payables	\$	162,460	
Accrued Liabilities	\$	(592,657)	
Deferred Revenue	\$	42	
Total change in operating assets & liabilities	\$	<u>(534,460)</u>	
Cash provided by net operating activities			\$ 1,395,868

Cash provided from (used for) investing activities:

Fixed Assets	\$	(969,128)	
Intercompany Obligations	\$	(426,740)	
Cash provided from (used for) investing activities			\$ (1,395,868)

Cash provided by (used for) financing activities:

\$ -
(Prior period adjustment associated with Republic purchase of Allied Waste)

Increase (Decrease) in cash	<u>\$</u>	<u>0</u>
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ALLIED WASTE OF CORVALLIS CITY OF CORVALLIS TRENDS - 2010

Operations

The operations team focused on several areas in 2010:

- Safety – Each year Allied Waste strives to improve safety frequency rates and the number of claims. We are pleased to report that the number of claims decreased from 7 claims in 2009 to 5 claims in 2010. The accident frequency rate decreased from 9.75 in 2009 to 8.87 in 2010. These results were obtained through diligent focus, constant training and re-training, and a strong commitment to safety by every employee in the company. Drivers spend at least 13 hours in formal safety training each year. Operations supervisors also conduct route observations on each driver every month to ensure safety and service standards are practiced.
- Efficiency Improvement – We continued to make significant improvement in all efficiency metrics in 2010. More yards of commercial waste were collected for each hour worked, more residents were serviced for each hour worked, and the average drop box was hauled in less time. Appendix B reflects these improvements in each line of business.
- Facility – We maintained the knowledgeable and courteous staff at the recycling depot on the Allied Waste property. The depot is secure and staffed 12 hours a day, 7 days a week. As a result, contamination has been significantly reduced. Customers appreciate the assistance they receive when they arrive at the depot and extensive list of items that can be dropped off at the depot for recycling.
- Fleet Maintenance – We continue to implement environmentally friendly tactics to reduce our impact on the environment. Utilizing biodegradable hydraulic oil in the shop that saves roads and waterways from damaging pollution. To reduce greenhouse gases and particulate emissions, Allied trucks are equipped with automatic 5-minute idle shut off mechanisms and new trucks are equipped with diesel oxidation catalysts that will reduce pollution from particulates by one-third.
- Outreach – A summer intern was hired to educate Corvallis restaurants about food waste collection services. This outreach provided customers with information about the program and was valuable as another way of receiving customer feedback as we seek to improve this service.

Customer Service

We pride ourselves on being able to help each and every customer with just one phone call or email. On a quarterly basis, Customer Service Representatives are “secret shopped” over the phone via recorded conversations that ensure service quality and tone remain at the highest standards. They are graded on approximately 30 different criteria and are trained to provide the best customer service possible. The Customer Service Representatives for Corvallis had an average score of 88% during 2010 and one of them received a national award for her call. In addition, Allied customers are randomly surveyed over the phone or by email. These surveys include questions regarding customer expectations, perceived value, service quality, problem resolution, and customer loyalty.



Focus for 2011:

- Residential trash, recycling and yard waste routes will be adjusted to increase efficiencies by balancing routes, eliminating overlap, and locating them in the same geographical area each day.
- Seek opportunities to enhance efficiencies in commercial, residential and roll-off lines of business to keep operating costs down and offset the impacts of ongoing inflation.
- Maintain a focus on driver training and safe operating practices.
- Continued work with the City of Corvallis and Benton County to evaluate opportunities to improve our watershed's recovery rate and achieve the goal of 50%.
- Continued promotion of organic waste composting and related customer education remains a focus item for 2011. Efforts will include promoting the benefits of reusing finished compost materials as a soil amendment, erosion control agent or ground cover throughout our community.



ALLIED WASTE SERVICES OF CORVALLIS
CAPITAL EXPENDITURES
2008 - 2011

2008	Shop Equipment	\$	13,600
	Container Delivery Truck	\$	16,500
	Commercial Containers	\$	27,000
	Industrial Containers	\$	12,500
	Residential Carts	\$	87,000
	Residential Curbside Recycling Bins	\$	5,100
	Security Camera System	\$	5,700
		\$	167,400
2009	Residential Carts	\$	36,072
	Commercial MSW Truck - Front Loader	\$	228,631
	Residential MSW Truck - Side Loader	\$	231,698
	Commercial Containers	\$	37,143
	Cardlock Fueling System	\$	23,483
	Container Delivery Truck	\$	34,665
	Shop Equipment	\$	4,597
	Service Truck	\$	89,000
	Truck Scales	\$	8,955
	Auto Lube System	\$	7,922
	Grabber Assembly	\$	3,321
		\$	705,487
2010	Service Truck	\$	22,500
	Residential MSW Truck - Side Loader (qty 3)	\$	763,262
	Yard Waste Carts	\$	49,229
	MSW Carts	\$	35,731
	Tractor	\$	94,881
	Recycle Glass Bins	\$	3,525
		\$	969,128
2011	Roll Off Truck	\$	224,440
	Commercial Truck	\$	243,618
	Composters	\$	8,700
	MSW Carts	\$	54,133
	Recycle Glass Bins	\$	7,000
	Commercial Containers	\$	64,000
		\$	601,891



ALLIED WASTE SERVICES OF CORVALLIS
WASTE GENERATED & TONS RECYCLED BY COMMODITY TYPE

COMMODITY	Total 2008	Total 2009	2010 Curbside	2010 Depot/ Com'l	Total 2010	Change	
Wood Waste	928	468	-	670	670	43%	
Yard Debris (including leaves)	10,044	10,339	8,734	575	9,310	-10%	
Cedar Shavings	592	568	-	235	235	-59%	
Cardboard	3,467	3,204	-	3,439	3,439	7%	
Office Paper	321	326	-	363	363	11%	
Newspaper	15	18	-	10	10	-46%	
Commingled ¹	7,014	6,619	4,819	1,836	6,656	1%	
Electronics	161	150	-	193	193	29%	
Food Waste ²	65	69	-	169	169	145%	
Plastic Film	19	20	-	13	13	-34%	
Container Glass	964	1,144	578	541	1,119	-2%	
Scrap Metal	204	328	-	220	220	-33%	
Motor Oil (truck fuels) ³	122	45	-	15	15	-66%	
Batteries ⁴	11	7	-	27	27	284%	
Concrete	122	406	-	516	516	27%	
Construction & Demolition (C&D)					329	100%	
Total Recycle Tons	24,049	23,711	14,132	8,823	23,283	-1.8%	37.2%
Total Landfill Tons	43,015	41,606			39,287	-5.6%	62.8%
TOTAL WASTE	67,064	65,317			62,570	-4.2%	

NOTES:

1. The awareness of the need to reduce consumer waste in combination with the economic downturn has resulted in commingle volumes remaining flat.
2. Increased food waste diversion volumes are a reflection of our commitment to expanding Organic Waste collection
3. Residential customers may be choosing to not change their own oil and choosing instead to go to third party vendors
4. Increased presentations by recycle coordinator, Julie Jackson, increasing awareness in the community



ALLIED WASTE OF CORVALLIS

2010 Residential Curbside MSW & Recycle Tons by Month

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Woodwaste (WW)													
Cedar Shavings (CS)													
Municipal Solid Waste (MSW)	1,020.4	889.8	961.3	1,025.0	959.9	1,018.0	1,031.1	1,008.1	1,056.5	1,006.6	1,065.7	1,130.2	12,172.6
Yard Debris (YD)	422.2	494.3	651.8	896.0	1,011.6	1,225.6	774.5	643.5	636.1	665.8	749.9	563.2	8,734.4
Food Waste (FW)													
Cardboard (CB)													
Office Paper (OP)													
Newsprint (NP)													
Comingle (CO)	413.1	352.3	395.4	403.4	382.8	418.8	380.3	383.4	413.4	369.1	429.2	478.3	4,819.4
Glass (GL)	59.9	43.9	47.5	55.7	44.3	52.3	45.9	42.8	54.0	46.8	36.2	49.4	578.4
Metal													
e-Waste													
Motor Oil (MO)													
Household Hazardous Waste (HHW)													
Batteries (Batt)													
Concrete													
Paint													
Plastic Film (PF)													
Total - All Tons	1,915.5	1,780.2	2,055.9	2,380.1	2,398.6	2,714.6	2,231.6	2,077.8	2,160.0	2,088.3	2,281.1	2,221.0	26,304.8

2010 MSW & Recycle Depots Tons by Month

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Woodwaste (WW)													
Cedar Shavings (CS)													
Municipal Solid Waste (MSW)													
Yard Debris (YD)				102.0									102.0
Food Waste (FW)													
Cardboard (CB)	29.5	29.6	31.7	28.3	27.3	27.9	25.4	35.7	26.2	28.2	37.2	43.6	370.5
Office Paper (OP)													
Newsprint (NP)			9.8										9.8
Comingle (CO)	49.1	49.3	59.0	47.8	56.1	58.1	46.1	53.7	54.9	48.1	33.9	46.7	602.7
Glass (GL)	32.5	18.6	39.1	32.6	48.3	44.3	40.5	43.5	42.8	29.9	41.6	45.7	459.5
Metal	12.9	10.9		48.3		31.0	47.1	11.8	15.6	19.0	10.1	13.3	220.1
e-Waste	12.0	10.2	13.0	16.1	15.5	16.0	12.7	16.8	20.8	20.1	20.1	19.7	192.9
Motor Oil (MO)		1.2	1.5	1.2	1.5	0.4	1.4	2.1	2.6	0.6	2.0	0.6	15.1
Household Hazardous Waste (HHW)													
Batteries (Batt)		44.7			30.4			15.7			8.3		99.1
Concrete	4.0	77.0	7.1		49.3	27.6	104.9	47.3	73.8	76.9	9.5	38.7	516.1
Paint													
Plastic Film (PF)	1.7	2.0	1.3				1.7	1.4	1.0			4.1	13.2
Total - All Tons	141.8	250.3	163.9	276.2	230.7	205.3	279.8	229.0	237.7	222.8	178.1	212.4	2,627.8

Disposal Sites

MSW = municipal solid waste	Coffin Butte Landfill
YD = yard debris	PRC
WW = wood waste	PRC
FW = food waste	PRC
CB = cardboard	Source Recycling
OP = office paper	Source Recycling
NP = newsprint	Source Recycling
CO = commingle	Source Recycling
CS = cedar shavings	Heeter Farm

GL = glass	Coffin Butte Landfill (roadbase)
Metal	Cherry City Metals
e-Waste	ECS, Reganysis
MO = motor oil	Safety Kleen
HHW = household hazardous waste	PCS
Concrete	Knife River
Paint	Habitat ReStore
PF = Plastic Film	SP Recycling



2010 Commercial MSW & Recycle Tons by Month

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Woodwaste (WW)	59.1	20.6	33.7	56.6	34.5	56.5	39.5	48.6	68.3	66.7	80.9	105.4	670.3
Cedar Shavings (CS)	21.0	24.5	21.0	24.5	28.0	21.0	17.5	10.5	10.5	21.0	17.5	17.5	234.5
Municipal Solid Waste (MSW)	1,219.7	1,131.8	1,224.8	1,281.7	1,187.3	1,325.0	1,203.8	1,109.7	1,225.3	1,176.3	1,281.4	1,272.7	14,639.5
Yard Debris (YD)	51.5	43.2	31.6	25.3	33.7	36.9	36.0	45.1	25.8	35.6	46.2	62.6	473.5
Food Waste (FW)	10.3	12.1	11.5	17.3	18.2	12.4	7.0	11.7	9.9	20.0	19.0	19.9	169.1
Cardboard (CB)	272.0	247.3	279.2	259.9	254.1	235.4	217.4	229.0	263.0	252.2	292.3	266.5	3,068.2
Office Paper (OP)	25.5	36.7	25.6	41.4	37.0	31.3	29.3	33.4	35.1	15.7	28.6	23.7	363.3
Newsprint (NP)													
Comingle (CO)	99.5	100.8	104.2	103.0	97.9	114.2	86.5	91.5	109.6	102.4	113.6	110.6	1,233.7
Glass (GL)	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	81.1
Metal													
e-Waste													
Motor Oil (MO)													
Household Hazardous Waste (HHW)													
Batteries (Batt)													
Concrete													
Paint													
Plastic Film (PF)													
Total - All Tons	1,765.2	1,623.7	1,738.4	1,816.5	1,697.3	1,839.5	1,643.7	1,586.2	1,754.2	1,696.7	1,886.3	1,885.8	20,933.3

Note - MSW total does not include Industrial totals

Disposal Sites

MSW = municipal solid waste	Coffin Butte Landfill
YD = yard debris	PRC
WW = wood waste	PRC
FW = food waste	PRC
CB = cardboard	Source Recycling
OP = office paper	Source Recycling
NP = newsprint	Source Recycling
CO = commingle	Source Recycling
CS = cedar shavings	Heeter Farm

GL = glass	Coffin Butte Landfill (roadbase)
Metal	Cherry City Metals
e-Waste	ECS, Reganysis
MO = motor oil	Safely Kleen
HHW = household hazardous waste	PCS
Concrete	Knife River
Paint	Habitat ReStore
PF = Plastic Film	SP Recycling



ALLIED WASTE OF CORVALLIS ANNUAL EVENTS Spring Recycle Event

Spring Recycle Event

Totals below reflect yard debris, wood waste, scrap metal, and electronics recycled at the 2010 Spring Recycle Event. Nearly 99% of the inbound volume was recycled or collected for reuse. Benton Furniture Share and Habitat for Humanity were on site during the Spring Recycle Event to collect usable household furnishings and building materials. This event is promoted in customer newsletters, on billing statements, on the Allied Waste web site and in the Gazette Times.

Locations	2008 Customer Count	2009 Customer Count	2010 Customer Count	YOY Change
CDC South Lot	1,118	782	817	4.5%
CDC North Lot	519	348	413	18.7%
Total	1,637	1,130	1,230	8.8%

Material Collected	2008 Tons	2009 Tons	2010 Tons	
Metal	32	32	35.42	10.7%
Yard Debris/ Wood	104	143	102	-28.7%
Electronics	15	8	1.8	-77.5%
Total	151	183	139.22	-23.9%

1. Implementation of the Oregon e-Cycles program in 2009 has decreased the electronic waste collected at events. Electronic waste is collected seven days a week at the Allied Waste Recycle Depot, making it more convenient for area residents to recycle these materials.

Compost Workshops

Allied Waste of Corvallis held two Compost Workshops in 2010. The first workshop took place in May and the second in September. The spring workshop was held in conjunction with the Master Gardeners annual plant sale. There were approximately 200 people in attendance. Many stopped by to ask compost questions. Seventeen people attended the drop in workshop in September. Both events are staffed by Allied Waste and Linda Brewer, OSU Compost Specialist.

Leaf and Christmas Tree Collection

Leaves were collected October 17 through December 24, 2010. 2,290 tons of leaves and were collected and delivered to area residents and farms upon request for composting. Christmas trees were picked up curbside and at a drop off box at the Allied Waste office and were processed at Pacific Region Compost.



Household Hazardous Waste Collection

We held four collection events in 2010. We promote these events in our customer newsletters, on billing statements, on our web site and in the Gazette Times. We've coordinated our quarterly newsletters to reach the customers just prior to these events in an attempt to better publicize them and encourage greater participation.

The table below shows the number of customers served at our household hazardous waste disposal events this year as compared to the previous three years.

HHW Customer Count

Year	February	May	August	November	TOTAL	YOY Change
2007	367	823	967	870	3,027	
2008	897	902	975	874	3,648	20.5%
2009	567	527	862	676	2,632	-27.9%
2010	1116	886	924	701	3,627	37.8%

Material Total

Hazardous Material	2007	2008	2009	2010
Latex Paint	36.00	43.45	49.28	38.40
Paint	23.24	27.86	8.18	20.68
Flammable Liquids	4.00	4.95	4.87	5.15
Toxic Liquids	4.38	7.66	2.00	7.46
Toxic Solids	1.85	2.55	1.80	3.10
Corrosive Liquids	0.70	1.30	1.00	1.13
Caustic Liquids	1.30	2.12	1.50	2.22
Oxidizing Liquids	0.48	0.31	0.01	0.12
Oxidizing Solids	1.23	0.02	0.11	0.13
Hypochlorite Solutions	-	0.18	0.43	0.71
Aerosols, Flammable	0.48	2.04	1.92	2.25
Insecticide Gases	1.23	0.62	0.60	0.80
Compressed Gas	0.45	0.72	0.46	0.50
Batteries, Wet	0.29	0.02	0.15	-
Batteries, Dry	4.70	11.12	6.79	15.45
Lithium Batteries	-	0.06	0.06	0.04
Flammable Solids	0.07	0.01	0.02	0.06
Water Reactive Solids	0.02	0.08	0.00	0.01
Self-Heating Solids	0.01	0.09	0.02	0.01
Mercury	-	0.01	0.02	0.02
Organic Peroxide	0.01	0.00	0.00	0.01
Hydrogen Peroxide	-	0.02	0.02	-
Light Ballasts	0.01	0.47	1.86	0.68
Asbestos	0.05	0.01	-	-
Nitric Acid	0.01	-	0.02	-
Perchloric Acid	0.02	-	-	-
Potassium Cyanide	0.05	-	0.05	-
TOTAL TONS	80.58	105.67	81.16	98.88



ALLIED WASTE OF CORVALLIS

Summary of Research Related to Resource Recovery Systems

In April 2010, our composting operation, Pacific Region Compost (PRC), received Oregon's first permit to compost food waste.

This facility enabled The City of Corvallis became the first municipality in Oregon to allow commercial and residential customers to add all food wastes to the organic materials formerly collected as "yard waste." Allied Waste worked with the Waste Reduction/Food Waste team of the Corvallis Sustainability Coalition to educate customers in two areas: the benefits of food waste composting and how to collect food waste.

We appreciate the support we received from the City of Corvallis that enabled Allied Waste to make this investment. The city's commitment to be a leader in this new frontier of recycling has put Corvallis "on the map" and given it much deserved recognition as other cities follow suit.

ALLIED WASTE SERVICES OF CORVALLIS

FOOD WASTE / YARD DEBRIS TONS

2008 - 2010

	2008	2009	YoY % Change	2010	YoY % Change
Food Waste	65	69	6.2%	170	146.4%
Residential YD	6,122	7,251	18.4%	8,158	12.5%

As a result of the above activities, over 907 tons of additional residential mixed organic waste (compacted yard debris on DEQ reports) was collected in 2010 as compared to 2009.

170 tons of commercial food waste was collected in 2010, an increase of 146% over the 69 tons collected in 2009.



ALLIED WASTE OF CORVALLIS EDUCATION AND COMMUNITY OUTREACH Summary of Education Activities throughout 2010

Allied Waste of Corvallis employs a Recycling Specialist to provide recycling and waste reduction education in area schools and the community.

School Outreach and Education:

3 high schools, 3 middle schools, 13 grade schools, and 3 pre-schools

School Presentations: 21

Hands-on presentations of what can and cannot be recycled at school and at home are included in our outreach to Corvallis schools. Students learn how their efforts conserve resources, reduce air and water pollution, and waste prevention contribute to a better place to live for all of us. School presentations also include a discussion of the composting process and its importance in waste reduction efforts. Our overall goal in talking with students is to educate, empower and inspire them to be sustainability minded citizens.

School Waste Audits: 3

Classes sort through a sample of school trash and sort it into recyclables, reusable materials, food, and garbage. They learn the percent of the trash that could have been recycled and reused as well as, the number of full sheets of paper that were printed on just one side. Students use what they learn to decide what actions the school can be taken to prevent waste and increase recycling. With approval from the principal and custodial staff, these actions then become integrated into the school's waste reduction plan. Students then make presentations to other classes, reporting their findings and teaching how to improve waste reduction and recycling efforts.

School Visits: 9

We frequently visit certain schools to monitor the quality of recycled materials and address any issues related to collection, sorting, and progress on waste reduction goals.

OREGON GREEN SCHOOL PROGRAM (OGS)

Schools receive one of the three different levels of recognition for their waste reduction efforts through the Oregon Green Schools Program. Entry Level schools must recycle at least three materials; provide training to students and staff on how to participate in the recycling and waste reduction program; conduct a school waste audit and establish waste reduction goals; demonstrate a reduction in the purchase or consumption of a product; and demonstrate the reuse of materials at school. Our recycling specialist serves as the Oregon Green School Coordinator for our area as well as the chairperson for the OGS Board of Directors. There are four schools in Corvallis that have been designated as an Oregon Green School, with six others working on Green School certification. Crescent Valley High School and area Master Recyclers were trained to assist Corvallis schools in their efforts to become Oregon Green Schools.



Community Outreach & Education

Community Presentations: 31

Presentations to community groups, on the importance of recycling as well as what and how to recycle in our curbside system were conducted regularly. We also offer waste audits to area businesses. Allied Waste was a sponsor and participant in Kids Day for Conservation, with an attendance of over 3,000 people.

Master Recycler Program

2010 marked the fourth year of our sponsorship of the Master Recycler program. Together with OSU Recycling, this eight-week course is offered free to community participants. The class provides an in-depth education on waste reduction at all levels. Master Recyclers use the knowledge they gain to “pay forward” 30 hours of volunteer time in a wide variety of waste reduction efforts.

The Allied Waste Community Education Program has also been an important piece of the new commercial food waste collection, providing hands on expertise to businesses opting for this service.

Displays

Recycling, reuse, composting, and safer alternatives to hazardous waste displays were set up at daVinci Days, Waterfront Earth Fair, HP Earth Fair, OSU Earth Day Fair, the Corvallis Sustainability Town Hall and Kids Day for Conservation.

Community Involvement

Corvallis Sustainability Coalition

Allied Waste is an active partner of the Corvallis Sustainability Coalition, serving on task and action groups. Our recycling educator is a member of the Waste Prevention Action Group and Food Waste Composting Committee. The goals of the coalition, as adopted by council help to shape our long-range program planning. Allied Waste was also a sponsor of the 2010 Sustainability Town Hall.

Allied Waste and it's employees have a strong commitment to supporting the community. Employees are involved with United Way of Benton County, Corvallis Rotary and Corvallis Little League. More than 90 yards of Pacific Region Compost was donated to the Crescent Valley High School Arboretum project. Our company this year, made contributions of cash or service to the following groups:

Corvallis HS Basketball
Crescent Valley HS
Rotary Club of Corvallis
Old Mill Center
Corvallis Cub Scouts
Fall Festival
Benton Co. Sheriff's Office
Corvallis Assistance League
Mary's River Park
City of Monroe
Tangent Fire Hall

Corvallis Transit System
Downtown Corvallis Assoc.
Philomath Youth Activities
Philomath Classic Car Show
daVinci Days
United Way
United Way Day of Caring
City of Tangent
Triangle Park
First Alternative Co-op

CV/CHS All Night Parties
Jefferson Elementary School
Kiwanis Club of Corvallis
Red, White & Blues Festival
Benton Co. Fairgrounds
Tangent Harvest Festival
Wren Mobile Recycling
City of Philomath
City of Corvallis
Alsea Recycling Center



Kids Ride Free

Allied Waste of Corvallis was pleased to contribute \$6,000 to the Corvallis Transit System to pay for free bus rides for area children during the summer months. More than 30,000 free rides were taken to the library, movies, parks, swimming pool and other summer destinations, saving an estimated 3,000 gallons of gas and preventing 28 tons of carbon dioxide emissions from being released the environment.

First Alternative Co-op Community Recycle Center Partnership

Allied Waste contributes \$250 per month to assist with the lease of the property where the Co-op's Recycle Center is located, in addition to regular weekly collection service. In 2010 we assisted them with commingle, cardboard, glass and trash collection and also participated in an earth fair held at the Co-op in the fall.

Media

Allied Waste uses customer newsletters, local newspaper, radio public service announcements and a website to promote our services. The following media was used:

- The Allied Waste website was overhauled in 2010 to include more information and links to other waste reductions businesses and programs for customers.
- Four customer newsletters were direct mailed to every address within the City of Corvallis.
- The Corvallis Gazette Times, a local paper called The Anarchist, the Albany Democrat Herald, the Salem Statesman Journal and The Oregonian all ran large features on the improvements made to the PRC and inclusion of food waste in the spring of 2010.
- Allied Waste ran a one quarter page size ad in the Gazette Times for a compost give-a-way program in conjunction with Garland Nursery that was offered to residents in October.
- Information ran in the F.Y.I. section of the Gazette Times prior to each of the quarterly household hazardous waste events.
- Public service announcements ran on KRKT, KEJO, KFLY and KLOO radio stations during the month of December to promote waste reduction and recycling during the holidays.
- A video created by the Waste Prevention Action Team of the Corvallis Sustainability Coalition that demonstrated simple tips for collecting food waste ran on the Corvallis Public Access television station.

Total Impact in the Community

Contributions totaled approximately \$15,169.75 this year, including cash and in kind donations made by Allied Waste.



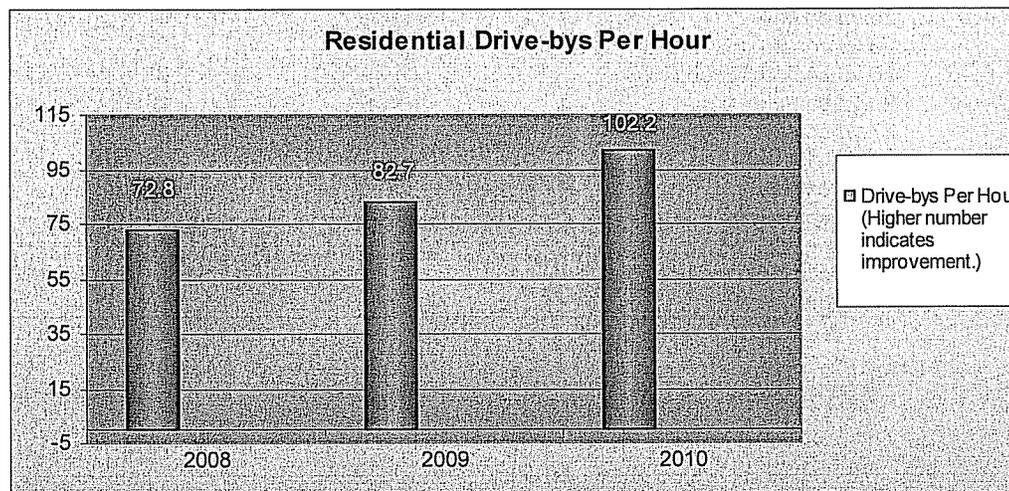
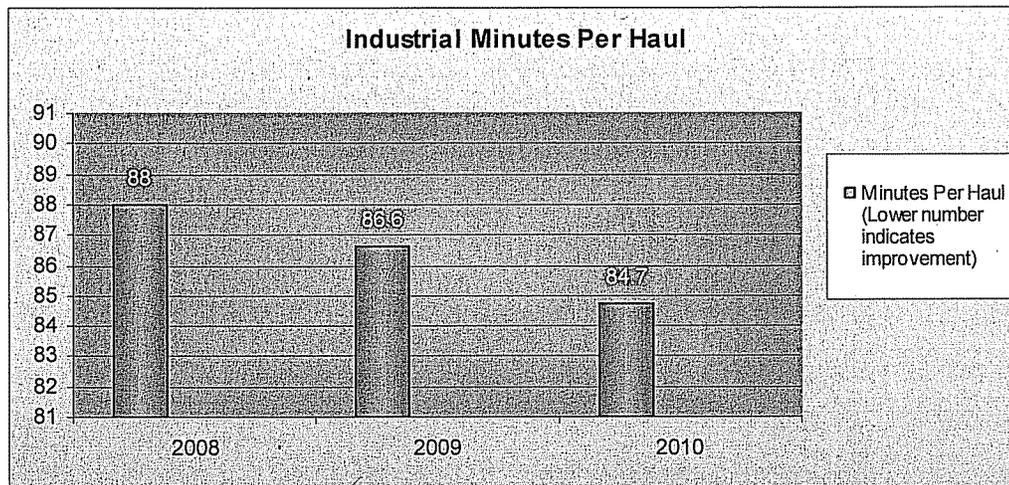
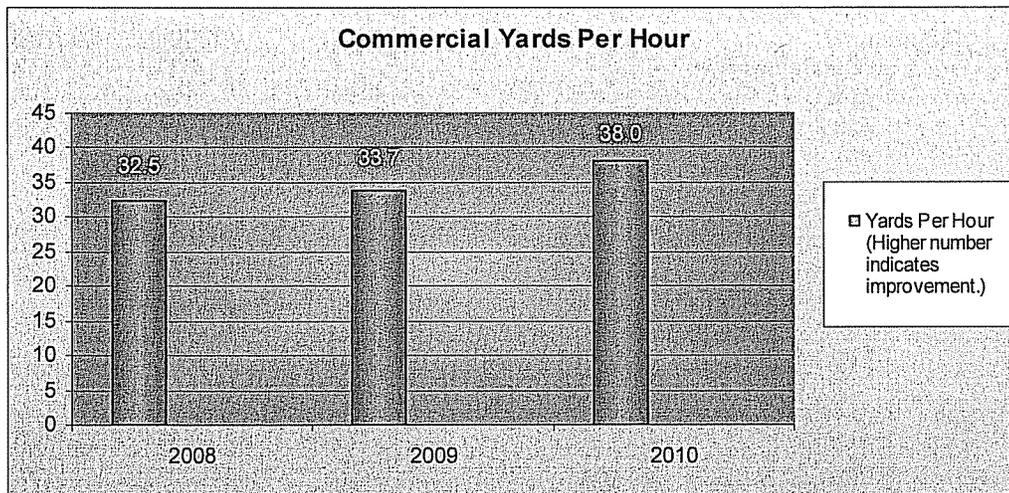
APPENDIX A 2010 Customer Complaints/Compliments Report

Type of Complaint:	Number of Complaints	# of Complaints Resolved:
Billing Issues	5	5
Container Placement/Replacement	2	2
Property Damage	0	0
Trash/Recycling on Ground	0	0
Recycling Issues	0	0
Containers Missed	1	1
Customer Service Issues	1	1
Partially Emptied	0	0
Driver Issue	1	1
Total:	10	10

Type of Compliment:	Number of Compliments:
Customer Service	3
Driver Extra Effort	3
Overall Service Levels	3
Recycling	1
Total:	10

APPENDIX B

Route Efficiencies/Yearly Comparison





APPENDIX C Commercial / Industrial Customer Count

Commercial	2009	2010
90 Gal Cart weekly	238	211
1 yd x 1	104	98
1 yd x 2	3	3
1 yd x 3	3	2
1 yd x 4	0	0
1 yd x 5	0	0
1.5 yd on call	186	167
1.5 yd x 1	117	109
1.5 yd x 2	14	17
1.5 yd x 3	0	0
1.5 yd x 4	1	1
1.5 yd x 5	0	0
2 yd on call	13	10
2 yd x 1	144	132
2 yd x 2	59	60
2 yd x 3	9	11
2 yd x 4	3	2
2 yd x 5	0	0
3 yd on call	12	8
3 yd x 1	118	90
3 yd x 2	46	32
3 yd x 3	21	17
3 yd x 4	0	0
3 yd x 5	2	1
4 yd on call	6	4
4 yd x 1	91	78
4 yd x 2	40	23
4 yd x 3	7	5
4 yd x 4	0	0
4 yd x 5	1	2
6 yd on call	6	5
6 yd x 1	77	63
6 yd x 2	27	20
6 yd x 3	9	11
6 yd x 4	0	0
6 yd x 5	1	0
Total Commercial	1,358	1,182
Industrial		
10 yd on call	0	1
20 yd on call	1	1
20 yd compactor on call	6	6
25 yd compactor on call	2	2
25 yd compactor x 2	1	1
27 yd compactor on call	1	1
30 yd lidded on call	12	12
30 yd on call	45	49
30 yd compactor x 2	1	1
40 yd on call	1	1
40 yd compactor on call	8	8
Total Industrial	78	78
TOTAL:	1,436	1,260



Finance Department
500 SW Madison Avenue
Corvallis, OR 97333
541-766-6990
541-754-1729

MEMORANDUM

March 3, 2011

TO: Adam Steele, Franchise Utility Specialist
CC: Julian Contreras, Financial Services Manager
FROM: Jeanna Yeager, Accountant
SUBJECT: Allied Waste of Corvallis, Annual Financial Review Fiscal Year 2010

This review consists of inquiries and analytical procedures and is very limited in its nature. It does not attest to whether the financial statements or schedules were prepared in accordance with Generally Accepted Accounting Principals. The Allied Waste of Corvallis annual reports are unaudited financial reports that are the representation of the management of Allied Waste of Corvallis.

This review is based on Allied Waste's fiscal year, January 1, 2010 through December 31, 2010. During the year, Allied Waste received total revenues of \$7,026,291, up 5.6% from the prior year. This can be attributed primarily to an increase in residential service rates and improved commodity prices.

Total operating expenditures were \$4,958,930, an increase of 4.6%, yet salaries and general administrative costs decreased 8.1%. This resulted in operating income of \$968,976 and net income of \$579,614, both representing increases greater than 35% over the prior fiscal year.

Allied Waste reports franchise fees totaling \$366,837, paid to the City of Corvallis. This includes fees paid for standard waste, medical waste, and recycling receipts and is consistent with City records.

AWS has maintained a reasonably strong financial position with current assets of \$1,048,014 and current liabilities of \$472,366.

Based on this review, acceptance of Allied Waste's annual report is recommended.

MEMORANDUM

May 20, 2011

TO: Administrative Services Committee
FROM: Nancy Brewer, Finance Director *NB*
SUBJECT: Third Quarterly Operating Report

I. Issue

To review and accept the Third Quarterly Operating Report for FY 10-11.

II. Discussion

The Third Quarterly Operating Report (QOR) has been published on the City's web site and is available for review. Total revenues at the end of the third quarter of the fiscal year were at 68% of budgeted total revenues. Operating expenditures across departments were also largely on target at 64% of the amended budget. Financial performance in all funds is generally at expected levels, with the following noteworthy situations:

- Based primarily on the significant increase in fuel costs, as well as more maintenance to vehicles performed year-to-date, a supplemental budget will be sought for the Fleet Fund in the fourth quarter for additional appropriations. Public Works has higher than anticipated charges for service payments from departments, based on passing on these higher costs, which can legally be used to add more departmental appropriations.
- The Transit Fund is also experiencing very tight margins with high fuel costs combined with the non-receipt of business energy tax credits this fiscal year. An interfund loan will be sought at year-end if needed to avoid a negative fund balance, until anticipated revenues can be realized.
- The City Manager's Office in the Administrative Services Fund will be accessing contingency appropriations based on anticipated overages for the retiring City Manager's cashout, and the related recruitment costs for his replacement. Additionally, higher costs are anticipated due to the deferred compensation consultant who is assisting with the City's fiduciary responsibility of assessing and possibly streamlining/replacing the existing deferred compensation provider(s) through a formal request for proposal process.
- Property Tax Funds combined are all experiencing significantly lower than historical spending and are on track to achieve revised expenditure targets. Revenues such as Franchise fees and state tax sharing are lagging in some cases however, so this is being closely monitored to ensure a positive fund balance is attained in the General Fund in particular at year end. Some rebalancing of property tax distributions may be needed as the year-end books are being closed.

Attached to this memo is the executive summary for the Third QOR (Attachment A) and the Property Tax Funds Combined income statement (Attachment B). The executive summary includes some basic economic information, an analysis of any significant variances from expected financial performance, an income statement for all funds combined, and a summary of operating expenditures by fund and by department. The summary also includes a table showing all the budget amendments approved so far this fiscal year by the City Council. These amendments all have the effect of increasing total appropriations for the City above what was in the adopted budget.

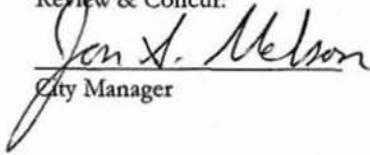
The Capital Project budget is 21% expended at the end of the third quarter. Capital project work and the related spending are typically lower until the final quarter of the year, as design work is completed and funding availability is assessed. The major projects with noticeable progress included substantial completion of this year's sanitary sewer line rehabilitation projects, continued construction of the Law Enforcement evidence compound, construction of 38 new grant-supported ADA sidewalk ramps, plus more City Hall seismic work.

The Quarterly Operating Report also includes an update on the status of City Council Goals as of March 31, 2011.

III. Requested Action

Review the Third Quarterly Operating Report, and recommend the City Council accept the report.

Review & Concur:


City Manager

THIRD QUARTERLY OPERATING REPORT FISCAL YEAR 2010-2011

Attachment A

EXECUTIVE SUMMARY

May 18, 2011

The Quarterly Operating Report is produced and published on the City's web site within 45 days of the close of each fiscal quarter based on Financial Policy 10.04.040, then shared with the City Council's Administrative Services Committee to provide citizens, the Budget Commission and City Council with information about the City's financial performance for the quarter.

This Executive Summary provides highlights of the City's financials, and includes, as an appendix, a reader's guide to some of the terminology used throughout the report. The remainder of the report covers:

- The revenue and expenditure performance for each of the operating funds in an income statement format that includes operating and non-operating revenues, expenditures and total fund activities. The first income statement presented in that section shows results year-to-date for all property tax funds combined.
- Departmental information including updated performance measures for the quarter as well as accomplishments and pending work plan items. This section also includes a report on vacancies;
- Capital Improvement Program (CIP) status report on the various projects underway year-to-date; and
- An update on City Council Values and Goals.

The FY 10-11 budget was prepared and adopted during a time of national economic recession. High unemployment, declining property values, and slowed development, as well as significantly lower than historical results in FY 09-10, were all taken into account when preparing the budget. Despite these factors, demand for many City services has never been higher, which in the face of the relatively flat or declining revenue stream is having a negative impact on fund balances across the organization.

At the end of the third quarter, market analysts have stated that economic recovery is expected to gain momentum during the rest of this year, despite a setback in the first quarter of calendar 2011. Contributing factors to the current ongoing weakness include the anemic housing market, severe weather, the earthquake in Japan and rising oil prices due to unrest in the Mideast. However, economists expect these problems to be temporary, with an improving outlook for the labor market to spark growth later in 2011. Optimism for U.S. growth near term stems from positive data trends in the areas of personal consumption expenditures, exports and nonresidential fixed investment. As of the end of March, the national unemployment rate was 8.8% while Oregon's unemployment rate held at around 10%. Despite Oregon's unemployment rate being at its lowest since January 2009, approximately 200,000 Oregonians remain unemployed. Corvallis has continued to fare better than the State in general, at 6.3% unemployment on a seasonally adjusted basis, and remains the only Metropolitan Statistical Area in Oregon with a rate of less than 10%, other than Portland/Vancouver/Hillsboro at 9.6%. Currently in FY 10-11, the Federal economic stimulus that was so prominent in FY 09-10 has subsided as American Recovery and Reinvestment Act (ARRA) projects are finished or nearing completion.

Overall, the City's financial performance through the third quarter of the fiscal year generally has been as expected. Revenue and expenditure patterns are close to historical patterns (i.e., the majority of Property Tax revenue is received in the second quarter, while most expenditures remain at or slightly below budget pro-rated for year-to-date). The economy continues to impact the pace of residential building, but large projects from OSU have stabilized development revenues for the time being. In some cases, the percentage of revenues received compared to budget may belie what remains relatively poor revenue performance, due to reduced revenue estimates. This certainly holds true for some charges for service or fee-related revenues, such as Parks and Recreation activities and System Development Charges, where budget numbers may have been revised down due to the economy, but appear to be performing better because they are exceeding estimated amounts.

Expenditures are in line with last year's spending patterns for the first nine months of the fiscal year. Departments continue to actively control expenditures in FY 10-11 in an effort to attain adequate fund balances at the end of the year.

The following table compares year-to-date actuals with budget for all funds in both FY 10-11 and FY 09-10: Attachment A

REVENUE	AMENDED BUDGET	UNAUDITED FY 10-11	FY 10-11 % REC/EXPEND	AMENDED BUDGET	Y-T-D FY 09-10	FY 09-10 % REC/EXPEND
Budgeted Fund Balance	\$40,494,356					
Property Taxes	\$21,208,240	\$19,865,996	93.67%	\$20,961,130	\$19,374,678	92.43%
Other Tax	1,036,190	740,109	71.43%	1,194,350	677,793	56.75%
Licenses/Permits	6,844,580	4,969,376	72.60%	6,886,740	4,961,426	72.04%
Charges for Service	38,306,510	29,884,035	78.01%	38,215,330	29,017,769	75.93%
Intergovernmental	18,355,056	7,859,059	42.82%	16,821,175	7,462,396	44.36%
Fines/Forfeitures	1,365,570	899,031	65.84%	1,413,310	727,629	51.48%
Miscellaneous	2,648,600	1,185,045	44.74%	2,997,033	1,996,356	66.61%
Other Financing Sources/Transfers in	15,646,822	6,292,768	40.22%	14,304,855	5,415,392	37.86%
TOTAL CURRENT REVENUE	\$105,411,568	\$71,695,419	68.01%	\$102,793,923	\$69,633,439	67.74%
EXPENDITURE BY DEPARTMENT						
City Manager's Office	\$3,084,270	\$2,266,879	73.50%	\$3,111,770	\$2,277,510	73.19%
Community Development	8,276,960	3,915,862	47.31%	7,553,710	3,349,283	44.34%
Finance	4,995,400	3,475,557	69.58%	4,913,490	3,551,761	72.29%
Fire	10,626,930	7,620,523	71.71%	11,524,260	8,605,203	74.67%
Library	6,434,610	4,417,215	68.65%	6,473,870	4,594,225	70.97%
Park & Recreation	5,795,480	4,008,549	69.17%	6,023,513	4,213,028	69.94%
Police	12,585,424	9,121,840	72.48%	12,494,671	9,213,063	73.74%
Public Works	29,268,899	17,279,457	59.04%	31,247,784	18,730,000	59.94%
Non-Departmental	1,519,260	1,105,429	72.76%	1,824,820	1,450,039	79.46%
TOTAL OPERATING EXPENDITURES	\$82,587,233	\$53,211,311	64.43%	\$85,167,888	\$55,984,112	65.73%
Debt Service	\$8,162,110	\$4,765,102	58.38%	\$7,214,200	\$4,703,395	65.20%
Capital Projects	14,157,847	3,028,944	21.39%	11,866,610	2,557,726	21.55%
Transfers Out / Other Financing Uses	13,089,352	4,151,070	31.71%	13,582,235	5,404,044	39.79%
Contingencies/Reserves	1,302,520	0	0.00%	1,585,740	0	0.00%
TOTAL ALL EXPENDITURES	\$119,299,062	\$65,156,427	54.62%	\$119,416,673	\$68,649,277	57.49%
CURRENT REVENUES LESS TOTAL EXPENDITURES						
	(\$13,887,494)	\$6,538,992		(\$16,622,750)	\$984,162	

In general, the status of the City's finances was in line with expectations at the end of the third quarter. Year-to-date revenues of \$71,695,419 are at 68.01% of the Amended Total Revenue Budget of \$105,411,568. The Amended Budget reflects the adopted budget, plus any amendments approved by the City Council via resolution during the course of the fiscal year. In the first nine months of FY 10-11, the following amendments to the budget were approved:

Date	Amendment Type	Resource	Fund	Department	Net Expenditure Impact
7/19/2010	Res - Grant	LSTA Grant	Library	Library	\$ 50,000
7/19/2010	Res - Grant	EPA Storm Grant	Storm	Public Works	\$ 14,737
9/7/2010	Res - Grant	DOJ Byrne Grant	General	Police	\$ 13,478
10/4/2010	Res - Grant	Benton County ARRA	Street	Public Works	\$ 130,000
10/18/2010	Res - Grant	DOJ Byrne Grant	General	Police	\$ 85,411
10/18/2010	Res - Grant	US DOJ Grant	General	Police	\$ 5,228
11/6/2010	Res - Grant	US EPA Grant	General	Public Works	\$ 491,762
2/22/2011	Res - Appropriation	Criminal Asset Forfeiture	General	Police	\$ 15,367
				Total Increase	\$ 805,983

Significant revenue highlights include:

- **Property taxes** totaled \$19,865,996 through the third quarter which equals 93.67% of the budgeted property tax revenue. The majority of property taxes for the fiscal year are typically collected in the second quarter. FY 10-11 year-to-date property tax revenues are comparable with last fiscal year's results, as collections have followed the historical pattern.
- **Other Taxes** are collected from hotels in the form of room taxes and totaled \$740,109 or 71.43% of budget for the first nine months of the fiscal year. Increased hotel rates as well as the number of hotel stays from an early football season, amongst other factors, have led to better total results year-to-date compared to last year at the same time.
- **Licenses, Fees and Permits** totaled \$4,969,376 which represents 72.60% of the amended budget. While franchise fees are underperforming year-to-date, a rate increase for Pacific Power that went into effect in November has started to offset projected shortfalls brought on by utility conservation efforts. The transportation maintenance fee collections are on target and Development Service permit fees are higher than expected due to ongoing large projects at OSU. Billing and collection of

Sustainability Initiative Fees (SIF) began in the third quarter (February) and have brought in about in ~~\$11,450,000~~ Attachment A used for fareless transit, sidewalk maintenance and urban forest trees.

- **Charges for Services** were \$29,884,035 which represents 78.01% of the amended budget. These revenues are slightly above target with budget and last year.
- **Intergovernmental** revenues are below target year-to-date and low compared to last year's actuals at \$7,859,059 or 42.82%. The receipt of grant monies tends to be volatile and highly dependent on timing of related expenditures.
- **Fines & Forfeiture** receipts related to Municipal court remain under budget but are increasing relative to last year based on concentrated efforts related to collection of past due traffic and parking fines. In the first three quarters of FY 10-11, results of collection activities are summarized in the following table:

	Overdue Fines			Balance
	Turned over	Written Off	Collected	Outstanding
Traffic	\$849,559.60	\$10,719.80	\$7,200.95	\$831,638.85
Parking	\$124,524.40	\$1,638.00	\$ 22,338.23	\$100,548.17

- **Interest earnings** are coming in higher than originally expected, with some improvement in rates over what was anticipated. Investment earnings total \$211,298 at the end of the third quarter, which represents 90.23% of the budgeted interest. This trend may continue with the help of the City's new investment advisory firm contract, but may also be dampened by recent market declines brought on by economic factors noted earlier in this summary.

Operating expenditures for all funds totaled \$53,211,310 or 64.43% of the Amended Operating Expenditure Budget which is lower than last year both in total dollars expended and percentage of budget. These results are partly reflective of department efforts to contain costs, particularly in the property tax funds where resources are becoming much more limited. Non-operating expenditures, which include capital projects, transfers, debt service, and contingency, totaled \$11,945,117 or 32.54% of the \$36,711,829 Amended Non-Operating Budget. In total, expenditures through the third quarter were \$65,156,427 or 54.62% of the \$119,299,062 budgeted, compared to 57.49% for last fiscal year. A breakdown of departmental expenditures by category is provided below:

OPERATING EXPENDITURES BY DEPARTMENT

DEPARTMENT	AMENDED BUDGET	PERSONAL SERVICES	SUPPLIES & SERVICES	CAPITAL OUTLAY	TOTAL EXPENDITURES	% OF AMENDED BUDGET
<i>Total Budget by Category</i>		\$45,355,916	\$35,223,317	\$2,008,000	\$82,587,233	
City Manager's Office	\$3,084,270	\$955,745	\$1,311,134	\$0	\$2,266,879	73.50%
Community Development	8,276,960	2,468,304	1,447,557	0	3,915,862	47.31%
Finance	4,995,400	2,488,443	959,620	27,495	3,475,557	69.58%
Fire	10,626,930	6,241,837	1,353,691	24,994	7,620,523	71.71%
Library	6,434,610	2,798,637	1,533,798	84,781	4,417,215	68.65%
Parks & Recreation	5,795,480	2,624,200	1,363,759	20,590	4,008,549	69.17%
Police	12,585,424	6,929,023	2,186,777	6,040	9,121,840	72.48%
Public Works	29,268,899	8,053,123	9,035,057	191,277	17,279,457	59.04%
Non Department	1,519,260	0	1,105,429	0	1,105,429	72.76%
TOTAL	\$82,587,233	\$32,559,311	\$20,296,822	\$355,177	\$53,211,310	64.43%
Percent of Budget		71.79%	57.62%	17.69%	64.43%	

Significant expenditure highlights include:

- **Personal services** totaled \$32,559,311 or 71.80% of the amended budget of \$45,345,916 and was in line with the percent of budget spent in FY 09-10, though \$721,000 higher due to cost of living and associated benefit increases.
- **Supplies and Services** totaled \$20,296,822 or 57.61% of the amended budget of \$35,223,317. The dollars spent in FY 10-11 are approximately 8% lower than the amount spent in the same period in FY 09-10 due primarily to the slowdown of ARRA grant funded projects in the Public Works department.
- **Capital Outlay** totaled \$355,177 or 17.69% of the amended budget of \$2,008,000. Capital purchases do not tend to follow a regular pattern other than to typically weight toward the end of the fiscal year to ensure that sufficient budget remains for the acquisition.

NON OPERATING EXPENDITURES

Attachment A

- **Capital projects** totaled \$3,028,944 or 21.39% of the amended budget of \$14,157,847. Capital project expenditures tend to fluctuate year-over-year, and there are always projects that are either carried forward into following years or simply do not come to fruition.
- **Debt service** payments totaled \$4,765,102 or 58.38% of the amended budget of, \$8,162,110 which is similar to last year's levels.
- **Transfers and Other Financial Uses** totaled \$4,151,070 or 31.71% of the amended budget of \$13,089,352. The majority of the transfers are related to capital projects. See the Capital Improvement Program section for information on the status of capital projects.

As always, if you have questions or concerns about the information in this report, please do not hesitate to contact me at (541) 766-6990 or via e-mail at nancy.brewer@ci.corvallis.or.us.

Nancy Brewer
Finance Director

PROPERTY TAX FUNDS COMBINED*

REVENUE	AMENDED BUDGET	3rd Quarter FY 10-11	UNAUDITED FY 10-11	FY 10-11 % REC/EXPEND	3rd Quarter FY 09-10	Y-T-D FY 09-10	FY 09-10 % REC/EXPEND
Budgeted Fund Balance	\$2,716,096						
Property Taxes	\$19,233,240	\$784,238	\$18,098,581	94.10%	\$1,083,011	\$17,215,345	92.67%
Other Tax	1,036,190	219,495	740,109	71.43%	189,732	677,793	56.75%
Licenses/Permits	5,449,690	1,531,577	3,520,430	64.60%	1,512,249	3,508,060	62.78%
Charges for Service	5,307,470	940,176	4,190,812	78.96%	969,556	3,994,970	75.12%
Intergovernmental	5,050,299	407,890	3,050,424	60.40%	535,094	2,999,917	70.77%
Fines/Forfeitures	957,840	218,081	593,570	61.98%	193,163	459,988	45.55%
Miscellaneous	341,750	41,727	334,020	97.74%	53,697	535,313	115.73%
Other Financing Sources	430,450	2,505	21,507	5.00%	0	1,272	0.00%
TOTAL CURRENT REVENUE	\$37,806,729	\$4,145,689	\$30,549,453	80.80%	\$4,516,503	\$29,392,657	80.78%
EXPENDITURE BY DEPARTMENT							
Community Development	\$1,618,220	\$363,109	\$1,086,613	67.15%	\$352,293	\$1,093,521	63.50%
Finance	618,920	145,796	430,804	69.61%	148,840	461,562	67.47%
Fire	10,626,930	2,482,827	7,620,523	71.71%	3,021,542	8,605,203	74.67%
Library	6,434,110	1,456,107	4,417,068	68.65%	1,588,334	4,564,914	70.92%
Parks and Recreation	5,795,480	1,134,386	4,008,549	69.17%	1,193,787	4,213,028	69.94%
Police	10,060,474	2,399,126	7,370,619	73.26%	2,403,452	7,541,932	74.47%
Public Works	1,816,852	197,410	657,669	36.20%	221,319	595,482	46.46%
Non-Departmental	1,517,910	366,009	1,104,079	72.74%	328,795	1,150,613	75.44%
TOTAL OPERATING EXPENDITURES	\$38,488,896	\$8,544,770	\$26,695,924	69.36%	\$9,258,362	\$28,226,255	71.78%
Debt Service	\$49,920	\$30,389	\$30,389	60.88%	\$0	\$0	0.00%
Transfers	1,818,300	0	1,388,130	75.24%	80,000	1,600,270	50.00%
Contingencies/Reserves	335,250	0	0	0.00%	0	0	0.00%
TOTAL ALL EXPENDITURES	\$40,692,366	\$8,575,160	\$28,094,443	69.04%	\$9,338,362	\$29,826,525	69.15%
CURRENT REVENUE LESS							
TOTAL EXPENDITURES	(\$2,885,637)	(\$4,429,471)	\$2,455,009		(\$4,821,859)	(\$433,868)	

* Includes General, Parks & Recreation, Fire & Rescue, and Library Funds

