

To: Danny Kermode
From: Scott Sevall
Date: April 3, 2020
Subject: **Financial Review - TG-190653, Westside Waste LLC**

Recommendation

Staff finds the company is financially fit to provide the applied for solid waste service for at least 12 months. There is no statutory requirement for solid waste applications to be reviewed for a 12 month feasibility. The 12 month review is required for other industries so staff finds it best practice for an application even when law does not specifically require it. There is no financial reason preventing the issuance of the company requested certificate of convenience and necessity (CC&N).

Discussion

On August 5, 2019, Westside Waste LLC (Westside or company) filed with the Utilities and Transportation Commission an application to obtain a CC&N to provide solid waste service located in Snohomish County. Staff reviewed the application including financials to determine whether the company has the financial resources to operate its proposed service. Staff has reviewed the filed financial information and has concluded that the company does have the resources to operate the proposed service for a twelve month period.

Company Structure:

Westside started business in Washington on June 22, 2017, according to the Washington Secretary of State's Corporations Division website and registered with the Department of Revenue on June 22, 2017. The company's application indicates that Westside is wholly owned by Gary Van Laar. The company indicated in its answers to staff questions that it has experience providing solid waste hauling. The company proposes to offer drop box solid waste hauling in the surrounding area of Arlington, Washington

The company currently owns a hook truck and 14 drop boxes. The company has established customers and service level of those customers.

Balance Sheet Review:

- Assets, \$299,643
- Liabilities, \$73,249
- Equity, \$226,393

The applicant reports \$48,995 of cash on hand in its application. Additionally, the applicant reports \$200,000 in equipment assets for providing service. On the liabilities side, the company has reported \$11,894 in current liabilities and \$61,355 in long term liabilities.

Pro forma Income Statement:

- Revenue, \$416,246
- Expenses, \$347,709
- Net Income, \$68,537

The company reports a total annual revenue of \$416, 246. This is comprised of approximately 641 delivery and pickups. The company has a known customer base, and their use of his service is also known. At this time, Staff believes the pickup and delivery count is reasonable.

Total expenses of \$347,709 are reported by Westside. The expenses listed seem appropriate for the type of business. There is one change to both revenue and expenses that staff notes, the disposal fee per ton should be \$105 per ton (a tariff revision would be required before a certificate is issued). Disposal fees are a pass through expense so this change has no effect on net revenue. Some expense items have the potential to fluctuate outside of the company's control- for example fuel and maintenance costs. Staff also notes the tariff lists a fuel surcharge, which should be removed from the tariff, with the amount of the surcharge added to normal service rates. Other costs, like wages and debt, should remain relatively static. The company reports a net income of \$68,537 after one year of operations.

Since Staff's calculations are based on actual customer usage, and not an estimate, the gross revenue calculated should be reasonably accurate. The expenses are reported from a 12-month period of operations and should be reasonably accurate as well. The risk is in either customer usage changing, or variable costs changing. With a positive net income and cash on hand the company would have to have underestimated expenses by 19.7 percent for the company to be at breakeven. In that case the company would still have \$48,995 of cash on hand. If the company generates the projected revenue, the estimates of expenses would have to be off by 34 percent for the company to use up its cash reserve.

Conclusion

Staff has reviewed Westside Waste LLC financial information submitted in Docket TG-190653 and concludes the company has made reasonable efforts to estimate its finances under the proposed application. Based on the company's financial records provided, the company has adequate resources and therefore staff concludes Westside Waste LLC has the financial resources to operate the proposed service for at least twelve months.