



Addendum to Staff Report

Date: May 12, 2021

To: Garbage and Recycling Advisory Committee

From: Erin Stein, Operations Supervisor

Re: Addendum to Garbage and Recycling Rate Review Report – Staff Report for May 13, 2021
Garbage and Recycling Advisory Committee Meeting.

The Garbage and Recycling Rate Review Staff Report for the May 13, 2021 Garbage and Recycling Advisory Committee (GRAC) meeting is amended as follows:

Page 2 through 5, 2020 Rate Review section is replaced with the following.

2020 Rate Review

The 2020 rate review was complicated by a variety of factors including the impacts of the COVID-19 pandemic and the Metro tip fee increase. Staff maintained the current practice of reviewing expenses and revenues from the previous calendar year and then proposing rate adjustments to reach the target ROR of 10%. Also, staff agreed to evaluate the future impacts from the Metro tip fee increase. The results from the 2020 DCR review and Metro tip fee increase impacts were evaluated separately and then combined to result in a final rate adjustment recommendation. The supporting analyses and the combined results are included below.

Annual Rate Review

Overall staff found that the commercial and drop box/compactor lines of service performed well with RORs over the 10% target. However, the residential line of service experienced increased expenses that far outpaced revenue, resulting in a 4.15% ROR, well below the target. Analysis of the DCRs demonstrated that expenses increased due to additional disposal fees (more garbage/recycling/yard debris), increased driver hours, and increased truck hours in addition to annual increases in wages, insurance, and healthcare. These findings align with observations made regarding the impacts of more collection activity moving to the residential sector and away from the commercial sector because of the COVID-19 pandemic and corresponding public health restrictions. The results of the annual rate review analysis are presented in the tables below.

Summary	
Revenue	\$ 31,726,988
Income (Profit)	\$ 2,254,126
ROR	7.10%

Line of service	ROR
Residential	4.15%
Commercial	11.87%
Drop Box/Compactor	12.66%
TOTAL ROR	7.10%

Adjusting the overall 7.10% ROR to the target 10% ROR requires the following revenue adjustments by line of service.

Line of service	Revenue needed for 10% ROR	Rate change needed for 10% ROR	Cost to example customer
Residential	\$ 1,310,000	+6.50%	\$ 1.52/month, 32 gal
Commercial	\$ (125,000)	-2.07%	\$ (5.45)/month, 4 yds
Drop Box/Compactor	\$ (164,000)	-2.96%	\$ (3.98)/haul, 20 yd box

2021-22 Metro Fee Increase Analysis

Metro conducts an annual review of the solid waste fees charged for disposal at its regional transfer stations. Metro's 2019-20 review resulted in proposed increases to mixed solid waste (MSW) tipping fees, the regional system fee, and the Metro excise tax. Metro Resolution No. 20-5142 increased the regional system fee and Metro transfer station fees for mixed solid waste (MSW) by \$15.47 and Metro excise taxes will be increasing an additional \$1.33 effective July 1, 2021. Total tip fee increases are \$16.80 per ton, or approximately 17% as outlined below.

Metro Fee Schedule as adjusted July 1, 2021			
Rate element	Current	Adjusted	Difference
Mixed Solid Waste (refuse) Tipping Fee	\$ 64.41	\$ 72.81	\$ 8.40
Regional System Fee (MSW Only)	\$ 18.58	\$ 25.65	\$ 7.07
Metro Excise Tax	\$ 12.47	\$ 13.80	\$ 1.33
DEQ Fees	\$ 1.89	\$ 1.89	---
Enhancement Fee	\$ 1.00	\$ 1.00	---
MSW Tipping Fee (including taxes)	\$ 98.35	\$ 115.15	\$ 16.80

Metro tip fee adjustments will increase collection system expenses starting in the second half of 2021 as certificated haulers begin paying higher rates for disposal of materials collected on both residential and commercial routes. The Metro tip fee increases will significantly impact the system and are known and measurable, and thus staff agreed to evaluate and consider the added financial implications of the tip fee increases in addition to year-end collection system financial reports.

To evaluate the increased expenses resulting from the Metro tip fee increase for the period July 1, 2021 to December 31, 2021, Merina + Co calculated what the additional expense associated with the \$16.80 per ton (plus fees and profit margin) increase would have been for the six months of tonnage that was actually reported in the 2020 DCRs. Revenue needed to offset these estimated increases is outlined below.

Line of service	Additional expense for disposal for 6 months	Additional expense for disposal for 12 months
Residential	\$ 494,000	\$988,000
Commercial	\$ 189,100	\$378,200
Drop Box/Compactor*	N/A	

*Disposal costs are a pass-through charge to drop box customers, the Metro increase doesn't significantly impact this line of service

Annual Rate Review and Metro Disposal Fee Increase Combined Results

Staff determined that using a twelve-month calculation is required to offset the full increase in disposal fees. Offsetting the full increase, will minimize the need for further increases in the next rate review cycle by accounting for all the current rate increase's additional disposal cost with this rate adjustment. Using the six-month expense to correct for the disposal fee increase would put the system in a position for compounded revenue shortfalls in future rate review years, particularly if disposal fees continue to increase. The total proposed rate adjustments, accounting for both the annual rate review findings and the increased Metro fee increases, are presented in the table below.

	Annual rate review			Metro fee increase			Combined	
Line of service	Revenue needed	Rate change	+	Additional expense	Rate change	=	Revenue needed	Rate change
Residential	\$ 1,310,000	+6.50%		\$ 988,000	+4.9%		\$2,298,000	+11.40%
Commercial	\$ (125,000)	-2.07%		\$ 378,200	+4.20%		\$ 253,000	+4.2%
Drop box*	\$ (164,000)	-2.96%		N/A*	N/A*		\$ (164,000)	-2.96%

*Disposal costs are a pass-through charge to drop box customers, the Metro increase doesn't significantly impact this line of service

Based on these findings the following rate changes are necessary to maintain a target ROR of 10% and offset increased disposal costs associated with Metro tip fee increases.

- 11.4% increase in residential rates, or \$2.66 per month for the average residential customer in a single-family home. \$1.52 of that increase is related to the annual rate review findings and \$1.14 is related to the Metro disposal fee increase.
- 4.2% increase in commercial rates, or \$11.05 per month for a for a business with a 4-yard container. The commercial rate adjustment would be entirely related to the Metro disposal fee increase.
- Drop box/compactor rates would decrease 2.96%, resulting in a \$(3.98) rate decrease per drop box/compactor haul charge for a 20-yard box.

Page 5 through 6, Staff Recommendation is replaced with the following.

Rate Adjustment Options

To maintain the current practice of returning the ROR to 10%, staff find that significant rate adjustments would be needed. Below are several options your Committee may consider in recommending fair and reasonable rates to the Board.

1. **Adjust the ROR back to 10% and include Metro disposal fee increase**

This would require a 11.4% increase in residential rates, or \$2.66 per month for the average residential customer in a single-family home. \$1.52 of that increase is related to the annual rate review findings and \$1.14 is related to the Metro disposal fee increase.

Commercial rates would increase 4.2%, or \$11.05 per month for a for a business with a 4-yard container. The commercial rate adjustment would be entirely related to the Metro disposal fee increase.

Drop box/compactor rates would decrease 2.96%, resulting in a \$(3.98) rate decrease per drop box/compactor haul charge for a 20-yard box.

2. **Adjust the ROR to 10% and not include Metro disposal fee increase**

This approach would require the haulers to begin paying higher disposal costs without a commensurate increase in rates. This approach would require a 6.5% increase in residential rates, or \$1.52 per month for the average residential customer in a single-family home and would return the ROR to 10% for this year's rate review.

Using this methodology, commercial rates would decrease 2.07%, or \$(5.45) per month for a business with a 4-yard container.

Drop box/compactor rates would decrease 2.96%, resulting in a \$(3.98) rate decrease per drop box/compactor haul charge for a 20-yard box.

3. **Hold ROR at 7.1% and include Metro disposal fee increase**

This approach would result in the residential line of service operating at a 6.4% ROR, below the 10% target. Offsetting Metro disposal fee adjustments would require a rate increase of 4.9% or \$1.14 per month for the average residential customer in a single-family home.

Commercial rates would require a 6.27% increase, or \$16.50 per month for a business with a 4-yard container.

Drop box/compactor rates would remain the same disposal cost are managed as a pass-through cost to customers.

4. Do not make any rate adjustments

This would result in the system remaining at 7.1% ROR and absorbing the Metro disposal fee increase. Staff estimate this would result in a significant reduction to the ROR for the haulers over the next calendar year(s). This approach would also likely necessitate larger future rate increases to return the system to its target 10% ROR.

Staff Recommendation

Staff proposes the following rate adjustments to become effective July 1, 2021. The adjustments are based on Merina & Company, LLP review of the 2020 DCRs for each collection service provider, estimated cost implications of the Metro tip fee increase, and review of additional service fee adjustments. Staff is recommending option one because it maintains current practice and offsets the increased costs from the Metro disposal fee increase. This approach attempts to mitigate future rate increases that may need to be more sizeable as losses compound in the system. Staff acknowledge that the fee increase is sizable and are interested in reviewing ways to ensure lower income rate payers are not disproportionately burdened by exploring additional bill assistance programs or more equitable rate structures.

Based on the findings outlined above, staff recommends the following rate adjustments become effective July 1, 2021, upon approval by the Washington County Board of Commissioners:

- 11.4% increase for residential rates
- 4.2% increase for commercial rates
- 2.96% decrease for drop box/compactor rates
- Additional yard debris cart rate increases to \$4.24 per month
- Commercial container/cart clean-out rate of \$16.00 per occurrence

Additionally, staff recommends that urban commercial food scraps collection service be bundled with urban garbage and recycling collection service, effective March 31, 2022.

Attachment A: Page 1 through 3, proposed residential and commercial rate tables are replaced with the following:

Proposed Rates for Residential, Commercial Can/Carts, Container and Drop Box Collection Services

Proposed Residential Service Rates*:

Standard Residential Service	Urban		Rural	
	current rate	new rate	current rate	new rate
• 20 gallon can/cart**	\$23.42	\$25.86	\$23.85	\$26.34

• 32/35 gallon can/cart**	\$25.32	\$27.98	\$25.73	\$28.44
• 60 gallon can/cart**	\$35.85	\$39.71	\$37.59	\$41.65
• 90 gallon can/cart**	\$42.02	\$46.58	\$44.31	\$49.13
• Extra Cart for Recycling**	\$3.00	\$3.00	\$3.00	\$3.00
Other Residential Services	Urban		Rural	
	current rate	new rate	current rate	new rate
Extra bag/bundle of garbage	\$6.35	\$7.07	\$6.77	\$7.54
Over capacity charge	\$2.75	\$2.75	\$2.75	\$2.75
Will Call service fee*	\$11.24	\$12.29	\$12.74	\$13.96
Will Call collection fee	\$4.51	\$5.02	\$5.96	\$6.64
Yard Debris Only (60 gallon)	\$4.73	\$5.27	n/a	
Yard Debris additional cart	\$1.50	\$4.24	n/a	
Yard Debris extra can/bag/bundle	\$3.05	\$3.40	n/a	
Residential Recycling Only*	\$7.33	\$7.94	\$10.01	\$10.92
Call back charge	\$14.39	\$16.03	\$14.99	\$16.70
NSF fee (returned check fee)	\$30.00	\$30.00	\$30.00	\$30.00
Service reinstatement fee	\$25.00	\$25.00	\$25.00	\$25.00
Unscheduled Services (per hour)	\$75.00	\$75.00	\$75.00	\$75.00
Distance Charge 5 – 150 feet	\$13.21	\$14.72	\$10.16	\$11.32
Distance Charge 151 feet or greater	\$20.32	\$22.64	\$17.27	\$19.24

*Includes \$2 monthly surcharge.

**Standard residential service collection is charged monthly.

Proposed Commercial Can/Cart Rates*:

Commercial Can/Roll Cart	Urban		Rural	
Size of garbage can/cart	current rate	new rate	current rate	new rate
• 20 gallon can/cart**	\$19.58	\$21.58	\$23.85	\$26.34
• 32 gallon can/cart**	\$21.46	\$23.68	\$25.73	\$28.44
• 60 gallon can/cart**	\$31.99	\$35.41	\$37.59	\$41.65
• 90 gallon can/cart**	\$38.17	\$42.29	\$44.31	\$49.13
Other Commercial Services	Urban		Rural	
	current rate	new rate	current rate	new rate
Yard Debris Only (60 gallon)	---	\$5.27	n/a	
Yard Debris additional cart	---	\$4.24	n/a	
Yard Debris extra can/bag/bundle	---	\$3.40	n/a	
Can/cart cleaning fee	---	\$16.00	---	\$16.00

*Includes \$2 monthly surcharge

**Commercial can/roll cart collection service is charged monthly.

Proposed Commercial Container Rates*:

Commercial Container

Monthly Rate by Weekly Pick-up	Current Rate x1/week	new rate	Current Rate x2/week	new rate	Current Rate x3/week	new rate
• 1 yard	\$108.16	\$112.70	\$180.19	\$187.76	\$252.21	\$262.81
additional container	\$75.62	\$78.79	\$138.78	\$144.60	\$201.95	\$210.43
• 1.5 yard	\$135.77	\$141.47	\$234.41	\$244.25	\$333.02	\$347.01
additional container	\$103.21	\$107.55	\$192.97	\$201.07	\$282.77	\$294.64
• 2 yard	\$163.45	\$170.31	\$288.68	\$300.81	\$413.92	\$431.31
additional container	\$130.89	\$136.40	\$247.27	\$257.66	\$363.64	\$378.91
• 3 yard	\$218.51	\$227.69	\$396.96	\$413.63	\$575.42	\$599.59
additional container	\$185.96	\$193.77	\$355.56	\$370.49	\$525.15	\$547.21
• 4 yard	\$273.74	\$285.23	\$505.41	\$526.64	\$737.08	\$768.04
additional container	\$241.19	\$251.32	\$463.99	\$483.51	\$686.81	\$715.66
• 5 yard	\$328.79	\$342.60	\$613.65	\$639.42	\$898.53	\$936.27
additional container	\$296.22	\$308.66	\$572.26	\$596.29	\$848.30	\$883.93
• 6 yard	\$383.25	\$399.35	\$721.35	\$751.65	\$1,059.46	\$1,103.96
additional container	\$350.71	\$365.44	\$679.95	\$708.51	\$1,009.20	\$1,051.59
• 8 yard	\$495.73	\$516.55	\$940.27	\$979.76	\$1,384.79	\$1,442.95
additional container	\$463.18	\$482.64	\$898.87	\$936.62	\$1,334.54	\$1,390.58
Rural Surcharge	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00

Commercial Container						
Monthly Rate by Weekly Pick-up	Current Rate x4/week	new rate	Current Rate x5/week	new rate	Current Rate x6/week	new rate
• 1 yard	\$324.21	\$337.82	\$396.23	\$412.87	\$468.25	\$487.92
additional container	\$265.09	\$276.22	\$328.24	\$342.04	\$391.41	\$407.86
• 1.5 yard	\$431.66	\$449.79	\$530.26	\$552.53	\$628.89	\$655.30
additional container	\$372.52	\$388.16	\$462.29	\$481.71	\$552.05	\$575.23
• 2 yard	\$539.14	\$561.78	\$664.36	\$692.27	\$789.60	\$822.76
additional container	\$480.02	\$500.19	\$596.40	\$621.45	\$712.80	\$742.74
• 3 yard	\$753.85	\$785.51	\$932.30	\$971.45	\$1,110.77	\$1,157.43
additional container	\$694.72	\$723.90	\$864.31	\$900.61	\$1,033.92	\$1,077.34
• 4 yard	\$968.75	\$1,009.43	\$1,200.42	\$1,250.84	\$1,432.07	\$1,492.21
additional container	\$909.62	\$947.81	\$1,132.42	\$1,179.98	\$1,355.24	\$1,412.16
• 5 yard	\$1,183.43	\$1,233.13	\$1,468.30	\$1,529.98	\$1,753.16	\$1,826.79
additional container	\$1,124.29	\$1,171.51	\$1,400.32	\$1,459.13	\$1,676.34	\$1,746.75
• 6 yard	\$1,397.56	\$1,456.26	\$1,735.65	\$1,808.54	\$2,073.73	\$2,160.83
additional container	\$1,338.44	\$1,394.65	\$1,667.66	\$1,737.70	\$1,996.91	\$2,080.78
• 8 yard	\$1,829.32	\$1,906.15	\$2,273.85	\$2,369.35	\$2,718.39	\$2,832.56
additional container	\$1,770.19	\$1,844.54	\$2,205.88	\$2,298.52	\$2,641.56	\$2,752.51
Rural Surcharge	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00

*Includes 4% monthly surcharge

Purposed Commercial Food Scraps Collection Rates:

- Rates for food scraps collection will be valid July 1, 2021 and expire on March 31, 2022 with the implementation of the Metro commercial food scrap mandate. At that time food scraps collection will be incorporated into the commercial disposal rate as a bundled service to include mixed solid waste, recycling and food scrap collection.

Cart Commercial Food Scraps Collection Service				
<i>Charged monthly</i>				
Cart Size	Pick-ups per week			
	1 Current Rate	1 New Rate	2 Current Rate	2 New Rate
60-65 gallon cart	\$29.99	\$33.41	\$59.97	\$66.81
Additional 60-65 gallon cart at same location	\$22.49	\$25.05	\$44.98	\$50.11

Commercial Container Food Scraps Collection Service						
Monthly Rate by Weekly Pick-up	Current Rate x1/week	new rate	Current Rate x2/week	new rate	Current Rate x3/week	new rate
• 1 yard	\$104.00	\$108.37	\$173.26	\$180.54	\$242.51	\$252.70
additional container	\$72.71	\$75.76	\$133.44	\$139.04	\$194.18	\$202.34
• 1.5 yard	\$130.55	\$136.03	\$225.39	\$234.86	\$320.21	\$333.66
additional container	\$99.24	\$103.41	\$185.55	\$193.34	\$271.89	\$283.31
• 2 yard	\$157.16	\$163.76	\$277.58	\$289.24	\$398.00	\$414.72
additional container	\$125.86	\$131.15	\$237.76	\$247.75	\$349.65	\$364.34
• 3 yard	\$210.11	\$218.93	\$381.69	\$397.72	\$553.29	\$576.53
additional container	\$178.81	\$186.32	\$341.88	\$356.24	\$504.95	\$526.16

Monthly Rate by Weekly Pick-up	Current Rate x4/week	new rate	Current Rate x5/week	new rate
• 1 yard	\$311.74	\$324.83	\$380.99	\$396.99
additional container	\$254.89	\$265.60	\$315.62	\$328.88
• 1.5 yard	\$415.06	\$432.49	\$509.87	\$531.28
additional container	\$358.19	\$373.23	\$444.51	\$463.18
• 2 yard	\$518.40	\$540.17	\$638.81	\$665.64
additional container	\$461.55	\$480.95	\$573.46	\$597.55
• 3 yard	\$724.86	\$755.30	\$896.44	\$934.09
additional container	\$668.00	\$696.06	\$831.07	\$865.97