



DATE: May 19, 2022
TO: Washington County Garbage and Recycling Advisory Committee
FROM: Erin Stein, Operations Supervisor
RE: Solid Waste and Recycling Collection Rate Review Report for 2022

Background and summary

This report covers the 2022 rate review. Upon review of the 2021 annual financial reports from all certificated haulers it has been determined that the system's return on revenue (ROR) for 2021 was 12.6%, which is above the 10% target ROR. Taking into consideration the reduction in revenue needed to return the system to a 10% ROR, staff recommends a 3.9% decrease for commercial customers and a 4.1% decrease for drop box/compactor services in unincorporated Washington County. In lieu of a 2.4% decrease for residential customers, staff recommends that rates remain as set on July 1, 2021, and that revenue in excess of the 10% ROR be used to offset costs related to a Reduced Rate Program for low-income community members.

General rate review

Washington County maintains sanitary service certificates with nine private haulers that provide solid waste and recycling collection service to approximately 66,000 customers within the unincorporated area of the County. Pursuant to Washington County Code Chapter 8.04, the County issued certificates that grant exclusive service territories to certificate holders. To ensure fair, just and reasonable collection service fees the County maintains the responsibility of setting rates for services delivered by certificate holders. The process of determining rates includes an annual review of costs and revenues associated with providing solid waste and recycling collection service in unincorporated Washington County.

Rate setting system

Section 8.04.330C of the Washington County Code provides that in considering rate increases or decreases, the Board must find that the rates will be just, fair, reasonable, and sufficient to provide proper service to the public. The Board has broad discretion in setting rates so long as rates provide for prudently incurred operating expenses and capital costs. Washington County employs a cost-based system to set collection rates. Adjustments to rates are considered after conducting an annual review of the costs associated with the collection of garbage, recycling and yard/food waste. Certificated haulers are required to submit detailed cost reports (DCR), for County review of financial and programmatic information specific to their collection service. The 2022 rate review was conducted by staff with the assistance of a consultant CPA firm, Merina+Co.

Collection rates paid by customers

Collection rates are uniform across the County, regardless of which certificated collection company provides the service. The rates provide adequate revenue to the system that cover certificate holders' allowable collection costs plus a reasonable return on revenue, currently set at 10%.

Findings for 2022 rate review

The results of the annual rate review analysis are presented below.

2022 Rate Review:

Summary	
Revenue	\$ 39,456,262
Income (Profit)	\$ 4,975,794
ROR	12.61%

Line of service	ROR
Residential	12.14%
Commercial	13.50%
Drop Box/Compactor	13.69%
TOTAL ROR	12.61%

Staff finds that an overall 12.61% return on revenue (ROR) exceeds the 10% ROR target.

Based on these finding the following rate changes would be required to maintain a target ROR of 10%.

Line of service	Revenue needed for 10% ROR	Rate change needed for 10% ROR	Cost to average customer
Residential	\$ (632,000)	-2.4%	\$ (0.62)/month, 32 gal
Commercial	\$ (287,000)	-3.9%	\$ (4.23)/month, 4 yds
Drop Box/Compactor	\$ (225,000)	-4.1%	\$ (7.16)/haul, 10 yd box

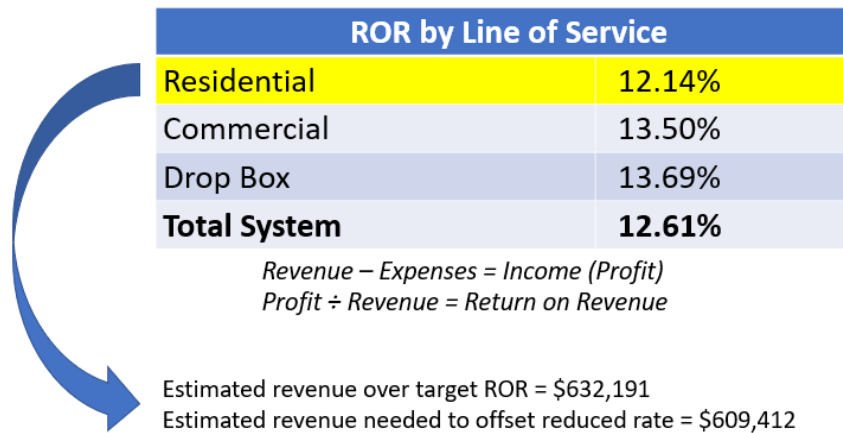
Equity in rate setting

To provide more equitable solid waste collection service, staff recommends that the Garbage and Recycling Advisory Committee (GRAC) recommend the Board consider adjustments to the current rate service model to include discounted rates that are responsive to a user’s economic needs. This can be achieved by reducing financial barriers and partnering with community-based organizations to ensure under-served and under-represented community members are able to maintain access to garbage and collection services. A reduced rate program that is sustainable, equitable, and effective will provide needed relief to community members that are experiencing financial hardships that make continuity of essential garbage and recycling collection service challenging.

Reduced rate program proposal

To ensure low-income community members maintain access to essential garbage and recycling collection service, staff proposes a long-term reduced rate program. A reduced rate program that offers households with income at or below 185% of the federal poverty level a reduced rate equal to 75% off standard monthly fees equals a savings of \$21 per month/\$252 annually for 32-gallon cart service. Staff estimates providing reduced rates to approximately 2,000 unincorporated Washington County households annually. To offset lost revenue from a reduced rate program, staff estimate a

rate impact of approximately an additional \$0.70 per month/\$8.37 annually for 32-gallon cart service . Total revenue needed to offset the reduced rate for eligible participants is approximately \$610,000 annually.



The 2022 rate review offers an opportunity to implement this new program by integrating reduced rate offerings into the standard rate structure. The reduced rate would be charged monthly at a discount of 75% off the base service rate and recycling surcharge, additional services and offerings would be charged at the standard rate. Program costs would be reviewed annually and adjusted for in the rate review process.

Cart Size	Urban Standard Rate	Urban Reduced Rate	Rural Standard Rate	Rural Reduced Rate
20 gallon	\$25.86	\$6.46	\$26.34	\$6.58
32-35 gallon	\$27.98	\$7.00	\$28.44	\$7.11
60 gallon	\$39.71	\$9.93	\$41.65	\$10.41
90 gallon	\$46.58	\$11.65	\$49.13	\$12.28

*Rates shown include the recycling surcharge

Staff recommendation

Staff recommends that the Washington County Garbage and Recycling Committee favorably recommend to the Washington County Board of County Commissioners the following rate adjustments, as shown in Attachment A, to become effective August 1st, 2022.

- 3.9% rate decrease for commercial (container) service
- 4.1% rate decrease for drop box/occasional container service

Additionally, staff recommends that the Washington County Garbage and Recycling Committee favorably recommend to the Washington County Board of County Commissioners that a reduced rate program be implemented on January 1, 2023, in lieu of a residential (can/cart) rate decrease.

- 75% discount applied to standard residential can/cart service collection rates and recycling surcharge for households with income at or below 185% of the federal poverty level .

Attachments:

Attachment A – Proposed rates for Commercial and Drop Box/Compactor services.

Attachment B – Regional jurisdiction collection rates