



DATE: July 9, 2020
TO: Washington County Solid Waste Advisory Committee
FROM: Kathy Folsom, Senior Program Coordinator
RE: Solid Waste and Recycling Collection Rate Review Report for 2020

Background and summary

This report covers the 2020 rate review. Upon review of the 2019 annual financial reports from all certificated haulers it has been determined that the return on revenue (ROR) was 9.81%. Based on year-end 2019 financial results, it appears that the solid waste and recycling system is financially healthy and does not necessitate a collection rate increase at this time.

COVID-19

Throughout the COVID-19 pandemic, Washington County's solid waste and recycling collection service providers have continued to provide solid waste collection service to our community. The COVID-19 pandemic has caused significant disruptions to our daily lives, businesses, programs and services. The continuation of garbage, recycling and yard debris collection service is one "normal" that many community members have a new appreciation for.

Garbage and recycling collection is an essential service to protect the health, safety and welfare of our community. It is imperative that Washington County residents, businesses and institutions continue to have access to waste removal services.

Washington County oversees the solid waste collection system and has the responsibility to ensure collection remains as uninterrupted as possible to prevent nuisance conditions and potential adverse impacts to human health and the environment. On April 8, 2020, a memo was circulated to the Washington County Hauler Association (WCHA) and to the Washington County Sanitary Certificate Holders regarding "Past Due Customer Service Continuation."

In order to ensure that residential and commercial garbage, recycling, and organics collection service continues, all garbage and recycling collection providers agreed to continue curbside collection for all customers, even if the customer had a past due balance. Further, it was agreed that collection service providers would not charge fees associated with late or past due balances accrued during the pandemic.

Requiring collection providers to continue providing service with no guarantee of payment has the potential to impact monthly cash flow and the financial viability of our garbage and recycling companies. It will be necessary to continue monitoring and collecting critical information in order to ensure that the garbage and recycling system remains viable.

General rate review

Washington County maintains sanitary service certificates with nine private haulers that provide solid waste and recycling collection service to approximately 63,000 customers within the

unincorporated area of the County. The County issued certificates in lieu of entering into individual service contracts or using a competitive procurement process to select vendors to provide the service. Accordingly, the County maintains the responsibility of setting rates related to the services delivered by the certificate holders. The process of determining fair, just and reasonable rates includes the review of costs and revenues associated with the provision of 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. In establishing fair and reasonable rates, the role of the County is to balance the interests of the certificated haulers to earn a reasonable return on revenue with the rate payers' interest in being protected from unreasonable charges.

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 solid waste and recycling. This review is conducted by staff with the assistance of a consultant CPA firm, Merina & Company, LLP. This process begins by requiring certificated haulers to submit, for review, financial and programmatic information specific to their collection service provision.

Collection rates paid by customers

Collection rates are uniform across the County with all like customers paying the same rate for the same level of service. For example, all urban residential customers that subscribe to 32-gallon garbage, recycling and yard debris collection service pay the same rate of \$23.32 per month, regardless of which certificated collection company provides the service. The rates provide revenue that covers allowable collection costs plus a reasonable return on revenue for the certificated collection companies.

Findings for 2019 Rate Review

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

2019 Rate Review:

	Summary
Revenue	\$31,944,022
Income (Profit)	\$ 3,132,935
ROR	9.81%

Each line of service also generated an ROR, as adjusted, shown below.

	ROR, as adjusted
Residential	10.04%
Commercial	8.91%
Drop Box	9.95%
TOTAL ROR	9.81%

Staff finds that an overall 9.81% ROR provides sufficient revenue for the service providers to cover their collection expenses and earn a reasonable profit. As a result of these findings, staff is not recommending any rate actions for the 2020 regular rate review.

Next Steps

Given the ongoing COVID-19 pandemic and the potential for it to create financial hardship, staff will continue monitoring the financial health of the solid waste and recycling collection system. Staff is working with the WCHA and individual certificate holders to collect operational data and monitor the effects COVID-19 is having on revenue, past due account balances, tonnage, extras and other relevant information.

To respond to the Covid-19 crisis and its potential financial impact on the solid waste and recycling collection system, staff plans to apply the following framework through year-end 2020:

1. Delay Spring/Summer 2020 rate action, given that the rate review financial numbers show a healthy system with a 9.81% ROR.
2. Track monthly operational collection data using a spreadsheet tracking tool, allowing staff to maintain situational awareness of the COVID-19 impacts and to be prepared to respond if further action is needed or requested.
3. Utilize the monthly operational data and other information required to reassess the financial health of the collection system in the Fall of 2020. Although the financial information for 2019 shows a healthy system, that may have changed as a result of the pandemic.
4. Consider urgent requests for financial assistance from collection service providers that are experiencing hardship.