



DATE: May 16, 2024
TO: Washington County Garbage and Recycling Advisory Committee (GRAC)
FROM: Erin Stein, Interim Manager of Solid Waste & Recycling Division
RE: Solid Waste and Recycling Collection Rate Review Report for 2024

Background and summary

This report covers the 2024 rate review for unincorporated Washington County. Upon review of the 2023 annual financial reports from all certificated garbage and recycling collection companies it has been determined that the system's return on revenue (ROR) for 2023 was 5.26%, which is below the 10% target ROR. To increase revenues needed to return the system to a 10% ROR, staff finds that the following increases are necessary:

- 4.8% increase for residential collection services
- 9.2% increase for commercial collection services
- 2.1% increase for drop box and compactor collection services

General rate review

Washington County maintains sanitary service certificates with eight private garbage and recycling collection companies that provide solid waste and recycling collection service to approximately 67,500 residential customers within the unincorporated area of the County. Pursuant to Washington County Code Chapter 8.04, the County issued certificates that grant exclusive geographic service areas 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 compostable waste. Certificated garbage and recycling collection companies are required to submit detailed cost reports (DCR) for County review of financial and programmatic information specific to the collection services delivered pursuant to the certificate. The 2024 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 unincorporated areas of the county, regardless of which certificated collection company provides the service. The rates provide adequate revenue to the system to cover certificate holders’ allowable collection costs plus a reasonable ROR, currently set at 10%.

Findings for 2024 rate review

The results of the annual rate review analysis of 2023 financial data are shown below.

Summary	
Revenue	\$42,944,749
Income (Profit)	\$ 2,257,282
ROR	5.26%

Table 1: Summary Revenue and Income

Line of service	ROR
Residential	5.65%
Commercial	1.69%
Drop Box/Compactor	8.13%
TOTAL ROR	5.26%

Table 2: ROR by line of service

Staff finds that an overall 5.26% ROR is below the 10% ROR target.

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

Line of service	Revenue needed 10% ROR	Rate change needed 10% ROR	Average customer rate increase
Residential	\$ 1,392,000	4.8%	\$ 1.33 / month, 32 gal
Commercial	\$ 744,000	9.2%	\$ 25.02 / month, 4 yds
Drop Box/Compactor	\$ 127,000	2.1%	\$ 3.79 / haul, 10 yd box

Table 3: Rate changes necessary to return system to 10% ROR

The 2023 rate review findings indicate that the upward pressure on rates is attributable to direct expenses increasing at a rate of 6.6% while revenue only increased 4% over the prior year. Direct expenses, such as disposal fees and recycling processing fees, were the main drivers of the increased system cost. Material disposal/processing direct expenses are pass through operational costs for the collection system as the rates paid by the collection haulers are set by the public and private facilities that manage waste materials in the Metro region. Indirect expenses, such as corporate overhead and office expenses, remained relatively static over the previous year resulting in a decrease of -0.4%.

Rate Equity

Washington County is committed to providing equitable access to garbage & recycling collection services to the community. In order to provide more affordable options to the community, the County launched the Reduced Rate Program administered by Community Action, which began on January 1, 2023. The first program year resulted in approximately 667 households receiving assistance in the form of a 75% reduction in their monthly bill. Additionally, several other jurisdictions in the County have adopted similar programs, providing far reaching assistance to the Washington County community.

Rate Transparency

Staff identified an opportunity to provide unincorporated community members clarification on the full suite of bulky waste collection services available to them through their garbage and recycling collection service providers. Staff are proposing a bulky waste collection menu which assigns specific pricing to bulky waste items, such as a sofa or dining table, based on the item's weight and size. The implementation of specified bulky waste collection rates, in conjunction with additional educational support available on the Solid Waste & Recycling Division's website, will provide a consistent approach to billing and assist community members in determining which disposal option works best when needing to dispose of bulky items.

Staff recommendation

Staff recommends 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 on August 1, 2024:

- 4.8% increase for residential collection services (can/cart)
- 9.2% increase for commercial collection services (container)
- 2.1% increase for drop box and compactor collection services

Additionally, staff proposes the implementation of new Bulky Item Collection rates effective August 1, 2024.

Attachment A – Proposed garbage and recycling collection rates for all lines of services