



DATE: May 18, 2023

TO: Washington County Garbage and Recycling Advisory Committee (GRAC)

FROM: Erin Stein, Operations Supervisor

RE: Solid Waste and Recycling Collection Rate Review Report for 2023

Background and summary

This report covers the 2023 rate review for unincorporated Washington County. Upon review of the 2022 annual financial reports from all certificated haulers it has been determined that the system's return on revenue (ROR) for 2022 was 6.35%, which is below the 10% target ROR. To increase revenues needed to return the system to a 10% ROR, staff find that the following increases are necessary:

- 3.19% increase for commercial services
- 7.66% increase for drop box/compactor services
- 3.60% increase for residential services

Staff further find an additional rate increase of 1.93% is necessary to add food waste collection service to urban unincorporated residential collection services.

General rate review

Washington County maintains sanitary service certificates with eight private haulers that provide solid waste and recycling collection service to approximately 67,500 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 compostable waste. Certificated haulers 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 2023 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 2023 rate review

The results of the annual rate review analysis of 2022 financial data are included below.

Summary	
Revenue	\$ 41,293,841
Income (Profit)	\$ 2,622,597
ROR	6.35%

Table 1: Summary Revenue and Income

Line of service	ROR
Residential	6.76%
Commercial	7.13%
Drop Box/Compactor	3.11%
TOTAL ROR	6.35%

Table 2: ROR by line of service

Staff finds that an overall 6.35% ROR is below the 10% target.

Based on this 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	\$ 1,005,000	3.60%	\$ 0.96 / month, 32 gal
Commercial	\$ 253,500	3.19%	\$ 8.41 / month, 4 yds
Drop Box/Compactor	\$ 414,500	7.66%	\$ 12.82 / haul, 10 yd box

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

Urban unincorporated residential food waste collection program proposal

Currently, the urban unincorporated Washington County residential collection service bundle includes garbage, recycling and yard debris collection services. Common, regional waste management practices include the diversion of food waste into the yard debris cart resulting in expanded compostable material collection service. Residential food waste collection programs reduce the amount of putrescible waste sent to landfills and diverts it to a properly permitted composting facility – reducing methane emissions from landfills and contributing to the production of nutrient-rich finished compost.

Several factors have limited the County’s ability to introduce a residential food waste collection program including limited processing capacity, a lack of system resiliency for permitted facilities and restrictions on

disposal options for yard debris mixed with food waste due to the Japanese Beetle yard waste quarantine in the Cedar Mill area. Staff is confident that new material reload capacity, site and capacity improvements at Recology Oregon Compost – North Plains, and coordination with the Department of Agriculture have overcome these barriers. Also, over the past several years Solid Waste & Recycling division staff have received considerable community member input expressing a desire for a residential food waste collection program. Staff is proposing that an urban residential food waste collection program begin on October 1, 2023.

To evaluate the rate impacts associated with introducing a food waste collection program for urban unincorporated residential customers, staff requested Merina+Co develop a model of potential expense impacts. Modeling found that adding food waste to urban unincorporated residential yard debris service, while maintaining an every-other-week frequency, would result in an approximate 1.93% increase. An increase to introduce residential food waste would be in addition to any base increase to return the system ROR to 10% as shown on the table below.

Urban Residential	Rate change	Cost to average customer
Base increase	3.60%	\$ 0.96 / month, 32 gal
Food waste	1.93%	\$0.48 / month, 32 gal
Total	5.53%	\$ 1.44 / month, 32 gal

Table 4: Cost of adding food waste to urban unincorporated services

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, 2023:

- 3.19% rate increase for commercial (container) service
- 7.66% rate increase for drop box/occasional container service
- 3.60% rate increase for rural residential service
- 5.53% rate increase for urban residential service

Attachments

Attachment A – Proposed garbage and recycling collections rates for all lines of service