



# Draft Solid Waste Collection Rate Report



**Bell & Associates, Inc.**

**December 2021**

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# Executive Summary

The City of Mount Vernon (City) provides solid waste collection services to approximately 9,500 residents, 700 commercial customers, and 50 customers with a drop box or roll off compactor within the city limits. Collection rates have remained stable since 2012; however, increased collection costs from inflation, waste disposal, and proposed capital projects necessitated the rate study. As a result, the City contracted with Bell & Associates to assist with calculating the cost of service and recommending changes to the current fee structure.

The cost of service rates for residential and commercial customers was calculated over five years using standard industry practices that segregate the various operational costs that comprise the services. Known changes in disposal costs, estimates for inflation and population growth, and long-term capital facilities were input into an Excel cost model.

A majority of the residents with a 35 gallon cart will incur a minor increase over the next five years, but the rest of the residential customers will experience a more significant change. Therefore, a phased-in adjustment over two years is proposed by the Division Manager to reduce the financial impact on these ratepayers.

The elimination of the 20 gallon cart is proposed to provide customers with additional disposal capacity to 35 gallons by eliminating the insert many customers use.

Rate changes for commercial customers vary from a 4% increase to a 7% decrease, depending on the volume of the container and the frequency of collection.

## Background

The City of Mount Vernon (City) provides solid waste collection services to approximately 9,500 residents, 700 commercial customers, and 50 customers with a drop box or roll off compactor within the city limits. The Solid Waste Division (Division) of the Public Works Department provides automated roll cart, commercial container collection, and drop box / roll off compactor services to the City customers. Collected municipal solid waste is disposed at the Skagit County Transfer Station; whereas, recoverable construction and demolition wastes are delivered to Lautenbach Recycling. The City provides a central drop off site for yard debris waste that is consolidated and hauled to the City of La Conner to process into compost. Collection, sorting, and marketing of residential commingled recycling is completed through a contract with Waste Management.

Except for the minor increase in waste disposal, which was passed through since 2019, the collection fee structure has remained unchanged since 2012. During this period, the costs of collection and disposal have increased with inflation during that period. To assist the City with the evaluation of the rates over the next five years and propose recommendations, the City hired Bell & Associates.

## Rate Setting Process

The primary goal of the City when setting utility rates is to ensure that all rates are fair, reasonable, and sufficient to pay for the service. Setting rates for municipal waste collection at the cost of service is the prudent approach to service delivery.

The basis of rates is segmented into the primary cost components such as labor, truck expense, disposal / processing, administration and customer service, inter-fund transfers for services, and applicable taxes. An Excel financial model was developed using a multi-step process for setting rates at the cost of service for the City that followed this process:

Step1 - Budgeted line item expenses from FY 2022, which is the base year, are projected over a four year period. The projection of costs is based on expected inflation, labor agreements, waste generation, and the expected growth of residential and commercial customers.

Step 2 – Gathering and review of operational information, including customer counts, collection route hours, disposal tons, recycle tons, population projections, and other data necessary to model rates.

Step 3 – Projected division costs were allocated by function. For example, if 60% of the driver labor hours are assigned to automated cart collection, then 60% of the total labor costs (labor, payroll taxes, benefits, and training) are allocated to cart collection.

Step 4 – Calculation of unit costs, such as the disposal cost per roll cart / container.

Step 5 – Summarization of the unit costs to build the cost of service rate.



### Step 1 – Projection of Collection and Disposal Expenses

The 2022 budget is the starting point for the projection of operating expenses from the fiscal year 2023 to 2026. Inflation assumptions in Table 1 were applied to the line item costs.

Table 1. Line Item Inflation Assumptions		
Inflation Assumption	Rate	Rational for Assumption
Inflation Rate	3.0%	5 year CPI
Division Labor	3.6%	CPI + 0.6%
Health Insurance	8.0%	Average City cost
Inter-fund Transfers	5.0%	City average
Yard Debris Processing	3.0%	Contract with La Conner

Skagit County increased the fee for waste disposal from \$88 to \$96 per ton in June 2019. Skagit implemented rate increases for waste disposal that will occur in \$2 increments over the next four years (2024) effective on June 1. The increase is assumed to be \$2 per year beyond 2024. Because the disposal increase occurs in June, the cost per ton is averaged over the calendar year to calculate the collection costs. Table 2 summarizes the disposal increases.

Table 2. Skagit County Disposal Fees		
Rate Period	Fee per Ton	Fiscal Yr. Average
June 2019 to May 2020	\$96	\$93
June 2020 to May 2021	\$98	\$97
June 2021 to May 2022	\$100	\$99
June 2022 to May 2023	\$102	\$101
June 2023 to May 2024	\$104	\$103
June 2024 to May 2025	\$106	\$105
June 2025 to May 2026	\$108	\$107

Annual increases for customer growth were derived from the City's 2016 comprehensive plan. The expected population and single-family growth are expected to increase to 47,403 people and 17,299 homes in the year 2036. This is an annual growth rate of 1.6%. Escalated line item costs are grouped by function and summarized to 2024 in Table 3.

**Table 3. Solid Waste Division Expenses by Function**

Expense	2022	2023	2024	2025	2026
Labor	\$1,477,244	\$1,580,600	\$1,648,400	\$1,719,600	\$1,794,100
Truck R&M / Replace	\$869,605	\$893,180	\$917,880	\$943,880	\$971,180
Operations	\$213,086	\$219,500	\$226,100	\$232,900	\$239,700
Administration Cost	\$149,699	\$154,000	\$158,500	\$163,100	\$167,900
City Overhead	\$524,701	\$550,900	\$578,500	\$607,400	\$637,800
Yard Debris Program	\$122,943	\$122,620	\$126,420	\$130,420	\$134,720
SW Disposal	\$2,507,000	\$2,185,297	\$2,254,268	\$2,324,561	\$2,374,381
<b>Totals</b>	<b>\$5,864,278</b>	<b>\$5,706,097</b>	<b>\$5,910,068</b>	<b>\$6,121,861</b>	<b>\$6,319,781</b>

Washington State Refuse, Washington B&O tax, and the City’s utility tax are calculated on the service rate and added as line items on the customer’s invoice; therefore, these taxes are not included in the projections of expenses in Table 3.

## Step 2 – Research and Review of Operational Data

Labor and truck hours were derived from the City’s mix of daily collection routes and employee assignments. Most routes require one laborer except the rear-load routes, which have two laborers.

Customers and cart / container counts were sourced from the City’s utility billing system. Other operational information used to calculate costs from the billing system includes weekly collected roll carts, total collected carts, weekly container lifts, and weekly collected yards.

Administrative costs are allocated 70% to cart customers, 28% to commercial container customers, and 2% to drop box / roll-off compactor customers. The basis for this allocation is from previous studies completed by Bell & Associates that have documented customer service staffing at private collection companies between 70% and 80% for residential customers and the remaining for commercial.

When rates were last adjusted, the City completed limited studies to estimate the average weight of the residential roll carts set out for collection. The average weight of collected carts was approximately 30 pounds each; however, a specific weight for each size was not calculated. Because the study’s results were an overall average per cart, a comparable study completed by the City of Portland in 2012 was used to calculate the set-out weight for the City. The similarities of Portland and Mount Vernon at the time of the study were weekly garbage collection with curbside recycling in a Pacific Northwest city. The weight per yard for container collection was calculated on the collected waste tons. Adjustments were made for 2022 and beyond due to the increased residential and the decreased waste generation associated with the statewide shutdowns from the pandemic. Table 4 summarizes the study weights. The monthly cost for waste disposal is calculated by multiplying the container weight x 4.33 pick-ups per month (52 weeks / 12 months) and then dividing by 2,000 pounds per ton, which is then multiplied by the current disposal fee.

Container Size	Weight
20 Gallon Cart	18 lbs.
35 Gallon Cart	31 lbs.
65 Gallon Cart	52 lbs.
95 Gallon Cart	70 lbs.
1 Cubic Yard	115 lbs.

## Step 3 - Allocation of Costs by Service

Projected costs, by function, are allocated to the services provided by the Division using the operational information from step 2.

- Labor Costs are allocated by labor hours per route type
- Truck and Operational Costs are allocated by truck hours
- The Yard Debris Program allocated to cart service
- Administrative / Overhead Costs 65% to cart, 33% container, and 2% roll-off
- Waste Disposal is assigned on the cart volume and collected container yard weights

With the exception of disposal costs, Table 5 details the annual amounts allocated to each service provided by the City.

**Table 5: Allocated Expense by Function and Service**

		2022	2023	2024	2025	2026
<b>Labor Costs</b>	<b>%</b>	<b>\$1,477,244</b>	<b>\$1,580,600</b>	<b>\$1,648,400</b>	<b>\$1,719,600</b>	<b>\$1,794,100</b>
Cart Collection	50%	\$743,302	\$796,441	\$830,831	\$866,957	\$904,818
Container Collection	31%	\$463,769	\$496,925	\$518,382	\$540,922	\$564,544
Roll Off	14%	\$206,473	\$221,234	\$230,787	\$240,821	\$251,338
Community Cleanup	4%	\$63,700	\$66,000	\$68,400	\$70,900	\$73,400
<b>Truck &amp; Operations</b>	<b>%</b>	<b>\$1,082,691</b>	<b>\$1,112,680</b>	<b>\$1,143,980</b>	<b>\$1,176,780</b>	<b>\$1,210,880</b>
Cart Collection	53%	\$570,018	\$585,806	\$602,285	\$619,554	\$637,507
Container Collection	32%	\$349,746	\$359,434	\$369,545	\$380,140	\$391,156
Roll Off	13%	\$145,809	\$149,848	\$154,063	\$158,481	\$163,073
Community Cleanup	2%	\$17,118	\$17,592	\$18,087	\$18,605	\$19,144
<b>Yard Debris Program</b>		<b>\$182,544</b>	<b>\$186,702</b>	<b>\$194,151</b>	<b>\$202,009</b>	<b>\$210,377</b>
<b>Administration</b>	<b>%</b>	<b>\$674,400</b>	<b>\$704,900</b>	<b>\$737,000</b>	<b>\$770,500</b>	<b>\$805,700</b>
Cart Collection	65%	\$438,360	\$458,185	\$479,050	\$500,825	\$523,705
Container Collection	33%	\$222,552	\$232,617	\$243,210	\$254,265	\$265,881
Roll Off	2%	\$13,488	\$14,098	\$14,740	\$15,410	\$16,114

#### Step 4 – Calculation of Unit Costs

Allocated and direct costs are divided by the operational data from Step 2 to derive the various unit costs. For example, the sum of the allocated labor, truck, and operational for cart collection (\$743,302 + \$570,018 = \$1,313,320) from Table 5 is divided by 12 months and then by the expected number of carts that will be collected per week (9,571) to calculate the monthly collection system cost of \$11.43.

A similar process is utilized to calculate the collection cost per yard of waste for container service. Labor and truck & operational cost in the year 2020 from Table 5 are \$813,515. The expected number of container yards to be collected in 2022 is 147,264; therefore, dividing the cost by the yards returns a unit cost of \$5.52 per yard.

#### Step 5 – Drop Box / Roll Off Compactor Service Rate Calculation

Drop Box / Roll Off service differs from cart and container service because the rate is the hourly cost to operate the roll off truck multiplied by the average haul time. The hourly cost in 2022 is \$159.07 per hour. The average haul time is one hour and five minutes; therefore, the haul cost is \$172.35 (\$159.07 x 1.08). The administrative cost per haul is \$6.60. Combining the two costs is \$178.95. The Washington tax of 4.7% is added to the cost for a combined rate of \$187.36 (\$178.95 + \$8.41). The current rate for service is \$174.37; therefore, it is recommended to adjust the drop box rate to \$187.

Compactors require a greater amount of time because the driver has to take additional steps to prepare the system; therefore, the haul rate is \$225 per haul. Disposal expense is not included in the rates because the actual disposal fee for each haul is passed back to the customer by the City. Table 6 details the cost calculation for drop box / roll off service.

**Table 6: Cost of Service Rate Calculation for Drop Box / Compactor for Fiscal Year 2020**

Service	Haul Cost per Hour	Haul Time in Minutes	Haul Cost (Cost x Time) plus Admin	4.7% WA Taxes	Haul Rate
Drop Box Haul Rate	\$159.07	1.08 min	\$178.95	\$8.41	\$185.00
Compactor Haul Rate	\$159.07	1.20 min	\$214.74	\$10.09	\$225.00



**Figure 1: Yard Debris Drop Off Facility**

## Step 5 – Residential Rate Calculation

Table 7 details the summation of the unit cost to calculate the cost of service for cart collection and Table 8 summarizes the cart collection cost of service rates over the five year planning period.

**Table 7: Cost of Service Cart Rate Calculation for Fiscal Year 2022**

Cart Collection	Unit Cost	Note	20 gal Cart	35 gal Cart	65 gal Cart	95 gal Cart	20 gal Sr.	35 gal Sr.
Labor & Collection	\$ 11.43	A	\$ 11.43	\$ 11.43	\$ 11.43	\$ 11.43	\$ 11.43	\$ 11.43
Admin / Overhead	\$ 3.82	B	\$ 3.82	\$ 3.82	\$ 3.82	\$ 3.82	\$ 3.82	\$ 3.82
Yard Waste Program	\$ 1.59	C	\$ 1.59	\$ 1.59	\$ 1.59	\$ 1.59	\$ 1.59	\$ 1.59
SW Disposal		D	\$ 3.94	\$ 6.78	\$ 11.37	\$ 15.31	\$ 3.94	\$ 6.78
Community Cleanup	\$ 0.50	E	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50
WA Refuse Tax	4.70%	F	\$ 1.00	\$ 1.13	\$ 1.35	\$ 1.53	\$ 1.00	\$ 1.13
<b>Total Cost of Service Rate</b>		<b>G</b>	<b>\$ 22.30</b>	<b>\$ 25.25</b>	<b>\$ 30.05</b>	<b>\$ 34.20</b>	<b>\$ 22.30</b>	<b>\$ 25.25</b>
Current Rate		<b>H</b>	\$ 9.89	\$ 19.68	\$ 35.33	\$ 47.55	\$ 4.95	\$ 14.76
\$ Variance		<b>I</b>	\$ 12.41	\$ 5.57	\$ (5.28)	\$ (13.35)	\$ 17.35	\$ 10.49
Cart Customers	9,571	<b>I</b>	2,016	5,333	1,679	264	164	115

### Cart Rate Calculation Notes

- A:** Unit Cost is the sum of the allocated labor, truck, and operations costs from Table 5 divided by 12 months and then by the expected number of weekly carts collected in 2022
- B:** Admin / Overhead unit cost is the allocated cost from Table 5 divided by 12 months and then by the expected number of weekly carts collected in 2022
- C:** The allocated cost of the yard debris program per cart customer
- D:** Solid Waste disposal is calculated for each cart size. The weekly set-out rate for each respective container size from Table 4 is multiplied by 4.33 pick-ups per month (52 weeks per year / 12 months per year = 4.33) and divided into 2,000 pounds per ton. That amount is then multiplied by the fiscal year average disposal fee.
- E:** Seventy percent of the cost of the community cleanup program is allocated to cart service
- F:** Washington State taxes of 4.7% are calculated on the total of the unit costs (Item A to E)
- G:** Total Cost of Service Rate is the sum of items A through F (rounded to the nearest \$0.05)
- H:** Collection rates as of December 2021
- I:** Difference between the cost of service rates and the current rates
- J:** Current number of carts in service as of December 2021

**Table 8: Cost of Service Rates for Cart Service 2022 to 2026**

Service	Current	2022	2023	2024	2025	2026
20 gal cart	\$9.89	\$22.30	\$23.10	\$23.85	\$24.60	\$25.30
35 gal cart	\$19.68	\$25.25	\$26.15	\$26.95	\$27.75	\$28.50
65 gal cart	\$35.33	\$30.05	\$31.05	\$31.95	\$32.80	\$33.60
95 gal cart	\$47.55	\$34.20	\$35.25	\$36.20	\$37.20	\$38.05

## Step 5 – Commercial Rate Calculation

Table 9 details the summation of the unit cost to calculate the cost of service for container collection and Table 10 is the proposed container rates by size and collection frequency.

**Table 9: Cost of Service Container Rate Calculation for Fiscal Year 2022**

Container Collection	Unit Cost	Note	1 yard	1.5 yard	2 yard	4 yard	6 yard	8 yard
Collection Cost per Yd.	\$ 5.52	A	\$ 23.92	\$ 35.88	\$ 47.84	\$ 95.68	\$ 143.52	\$ 191.36
SW Disposal per Yd.	\$ 5.81	B	\$ 25.15	\$ 37.72	\$ 50.29	\$ 100.59	\$ 150.88	\$ 201.17
Community Cleanup	\$ 0.17	C	\$ 0.73	\$ 1.09	\$ 1.46	\$ 2.91	\$ 4.37	\$ 5.82
Admin Cost per Cust.	\$ 26.57	D	\$ 26.57	\$ 26.57	\$ 26.57	\$ 26.57	\$ 26.57	\$ 26.57
WA Refuse Tax	4.70%	E	\$ 3.59	\$ 4.76	\$ 5.93	\$ 10.61	\$ 15.29	\$ 19.97
<b>Cost of Service Rates</b>		F	\$ 79.95	\$ 106.02	\$ 132.09	\$ 236.36	\$ 340.63	\$ 444.90
Current Rate		G	\$ 81.84	\$ 101.46	\$ 132.09	\$ 230.53	\$ 367.09	\$ 461.06
<b>Change from Current Rates</b>		H	\$ (1.89)	\$ 4.56	\$ (0.00)	\$ 5.83	\$ (26.46)	\$ (16.16)
Customer Count	698	I	134	99	220	115	117	13

### Container Rate Calculation Notes

- A:** Unit Cost is the sum of the allocated labor and truck & operational costs for container collection from Table 5 divided by the expected number of annual yards collected in 2022
- B:** Solid Waste disposal is calculated for each collected yard. The expected weight per yard is 115 pounds. One yard collected once a week will have a monthly weight of 497.95 pounds (115 x 4.33 pick-ups per month). The calculation for disposal is 497.95 pounds / 2,000 pounds per ton which is multiplied by the fiscal year average disposal fee.
- C:** Thirty percent of the cost of the community cleanup program is allocated to container service
- D:** Admin / Overhead unit cost is the allocated cost for container collection from Table 5 divided by 12 months and then by the expected number of customers in 2022.
- E:** Washington State taxes of 4.7% are calculated on the total of the unit costs (Item A to D)
- F:** Total Cost of Service Rate is the sum of items A through E
- G:** Collection rates as of December 2021
- H:** Difference between the cost of service rates and the current rates
- I:** Expected number of containers collected per week in 2022

**Table 10: Cost of Service Container Rates for 2022**

Size	1 x Week	2 x Week	3 x Week	4 x Week	5 x Week	Extra Dump
1 Yard	\$79.95	\$146.62	\$213.29	\$279.96	\$346.63	\$19.99
1-1/2 Yard	\$106.02	\$198.76	\$291.49	\$384.23	\$476.96	\$26.51
2 Yard	\$132.09	\$250.89	\$369.69	\$488.50	\$607.30	\$33.02
4 Yard	\$236.36	\$459.43	\$682.50	\$905.57	\$1,128.65	\$59.09
6 Yard	\$340.63	\$667.97	\$995.31	\$1,322.65	\$1,649.99	\$85.16
8 Yard	\$444.90	\$876.51	\$1,308.12	\$1,739.73	\$2,171.34	\$111.22

## Cost of Service Rate Issues for Consideration

When rates were adjusted in 2012, the 20 gallon cart was set at 50% of the 35 gallon cart to provide low-income senior citizens with a reduced rate. However, the unintended consequence of setting the rate below the cost of service is that a lot of residents who are not senior citizens and/or low-income seniors signed up for 20 gallon service. Approximately 23% of all residential customers have 20 gallon carts for service. As a percentage of the population, residents over the age of 65 comprise 15.2% of the Mount Vernon population<sup>1</sup>, and only 6.4% of the senior population are classified as living below the poverty level<sup>2</sup>. While many customers other than seniors have been receiving a substantial discount on their service, residents with a 65 or 95 gallon cart have been paying more than the cost of service.

The recommended approach for increasing the collection rate for the 20 gallon cart to the cost of service is to increase the rate over two years incrementally. There are 164 low-income seniors receiving the discounted 20 gallon rate, which is \$4.95 per month. These customers have been screened by Skagit County to qualify for the discount. We recommend that these customers be grandfathered into the **senior rate** of 50% of the 35 gallon rate.

The Solid Waste Division is proposing to eliminate the 20 gallon insert in the cart and provide residents (except for low income seniors) with a minimum of 35 gallons of weekly service. Comparing the City's residential mix of customers by cart size, there is a disproportionate number of customers with the 20 gallon cart. Waste Management reported only 4.2% of all cart customers in Skagit County had a 20 gallon cart<sup>3</sup>. A second consideration is right-sizing customer carts for the level of waste generated. The 20 gallon cart is a 35 gallon cart with an insert riveted to limit the amount of waste that the cart can hold. The insert is an additional cost and requires routine maintenance because the inserts can become unattached from the carts over time. It is proposed that customers who are not low-income senior citizens with a 20 gallon cart be transitioned to a 35 gallon cart at the cost of service over two years. If approved, crews from the Solid Waste Division would remove the 20 gallon inserts from the 35 gallon carts as soon as feasible.



Recent waste and recycling composition studies<sup>4</sup> are concluding that limiting the waste disposal capacity also increases the level of contamination in the recycling. With the changes in the recycling industry, reducing contamination at the curb will reduce the amount customer have to pay in the future.

Customers in the 65 and 95 gallon carts would have their rates decreased similarly as the rate increase for the smaller carts, which is a phased-in decrease over two years to the cost of service. Table 11 on the following page summarizes the alternative rate approach, and Table 12 details the number of residential customers in each cart size.

<sup>1</sup> Source is US Census: <https://www.census.gov/quickfacts/fact/table/mountvernoncitywashington/AGE775218>

<sup>2</sup> Source is Eastern Washington University Institute for Public Policy and Economic Analysis <http://skagitcountytrends.org/aToZ.cfm>

<sup>3</sup> Washington UTC filing by WM, April 2018, docket #180752 work papers, page 56

<sup>4</sup> Cascadia waste sort study for Metro Regional Government, 2019

**Table 11: Cart Collection Alternative Rates**

Level of Service	Current	2022	2023	2024	2025	2026
20 gal low-income Senior	\$4.95	\$9.25	\$11.35	\$13.50	\$13.90	\$14.25
35 gal Senior Discount	\$14.76	\$17.50	\$18.85	\$20.20	\$20.80	\$21.40
20 to 35 gal cart	\$9.89	\$18.45	\$23.10	\$26.95	\$27.75	\$28.50
35 gal cart	\$19.68	\$23.35	\$25.55	\$26.95	\$27.75	\$28.50
65 gal cart	\$35.33	\$33.65	\$33.25	\$31.95	\$32.80	\$33.60
95 gal cart	\$47.55	\$41.90	\$39.55	\$36.20	\$37.20	\$38.05

**Table 12: Residential Customer Counts from December 2021**

Cart Service Level	Customers	Collected Carts
20 Gallon Cart Low Income Sr.	127	164
35 Gallon Cart Low Income Sr.	113	115
20 Gallon Cart	1,808	2,016
35 Gallon Cart	5,059	5,271
65 Gallon Cart	1,630	1,629
95 Gallon Cart	235	227
Total Weekly Residential Carts	8,972	9,422

## Deficit Spending

During the March 2020 shutdown and subsequent changes due to the pandemic, waste generation from commercial customers decreased. However, as more people work from home, waste generation from residential customers has increased. The collection rates in Table 8 reveal a considerable difference between the cost of service and the current fees. The economic changes over the last 18 months have significantly impacted the balance of the Solid Waste Division. Table 13 details the fund balance over the previous five years.

**Table 13: Solid Waste Division Five Year Fund Balance Performance**

Year	Division Expense	Deficit	SW Fund Balance	% of Expense
2017	\$4,986,468		\$902,249	18%
2018	\$5,197,798	\$(62,089)	\$840,160	16%
2019	\$5,827,340	\$(218,999)	\$621,161	11%
2020	\$6,117,684	\$(71,563)	\$549,598	9%
2021	\$5,307,744	\$(222,579)	\$327,019	6%

A best practice for government enterprise funds is to maintain a fund balance of 25% of annual division expenses, which would be \$1.3M for the Solid Waste Division.

Table 14 compares the proposed residential cost of service rates from Table 11 and the commercial rates from Table 10 to the current rates in neighboring jurisdictions for comparable service.

**Table 14: Comparable Skagit County Residential and Commercial Waste Collection Rates**

Cart Size	Proposed	Burlington	WM Skagit (UTC)	Sedro-Woolley	Anacortes
35 gallon cart	\$23.35	\$13.10	\$19.23	\$22.59	\$17.47 <sup>1</sup>
65 gallon cart	\$33.65	\$19.85	\$28.35	\$32.75	Not offered
95 gallon cart	\$41.90	\$26.58	\$37.47	\$43.72	Not offered
2 yd. weekly	\$132.09	\$128.55	\$136.36	\$148.09	\$154.51
4 yd. weekly	\$236.36	\$229.37	\$232.00	\$290.47	Not Offered
6 yd. weekly	\$340.63	\$330.18	\$317.16	\$428.57	\$436.65

1. Anacortes customers use their own 32 gallon can for waste storage and collection

Table 15 compares drop box rates; however, there are additional fees that impact the overall cost of the service. The following scenario calculates the overall invoice to the customer: 20 yard drop box with 4 tons of waste picked up at Mount Vernon City Hall and disposed at the Skagit County Transfer Station. The total roundtrip is 14 miles. The current disposal fee charged at the Skagit County Transfer Station is \$100 per ton.

**Table 15: Comparable Drop Box / Roll Off Rate Comparison**

20 yd. Roll off Service	Haul Fee	Mileage	Disposal	
Mt Vernon	\$187.00	\$ 0	\$100.00	
Burlington	\$190.63	\$3.69	\$115.00	
UTC	\$139.80	\$3.40 after 5 miles	\$101.00	
Anacortes	\$221.68	\$0	\$101.00	
Service Scenario with Full Costs				
Jurisdiction	Mt Vernon	Burlington	WM Skagit (UTC)	Anacortes
Haul Fee	\$187.00	\$190.63	\$139.80	\$221.68
Mileage Fee	\$ 0	\$51.66	\$30.60	\$ 0
Disposal	\$400.00	\$460.00	\$404.00	\$404.00
Total Cost (Haul Fee + Mileage + Disposal)	\$587.00	\$702.29	\$574.40	\$625.68

## Appendix - Recommended Solid Waste Collection Rates

Residential Cart	2022	2023	2024	2025	2026
20 gal Low Income Sr. <sup>1</sup>	\$9.25	\$11.35	\$13.50	\$13.90	\$14.25
35 gal Low Income Sr. <sup>1</sup>	\$17.50	\$18.85	\$20.20	\$20.80	\$21.40
20 to 35 gal	\$18.45	\$23.10	\$26.95	\$27.75	\$28.50
35 gal cart	\$23.35	\$25.55	\$26.95	\$27.75	\$28.50
65 gal cart	\$33.65	\$33.25	\$31.95	\$32.80	\$33.60
95 gal cart	\$41.90	\$39.55	\$36.20	\$37.20	\$38.05

**1.** Must qualify for this rate.

Commercial Cart	2022	2023	2024	2025	2026
35 gal cart	\$23.35	\$25.55	\$26.95	\$27.75	\$28.50
65 gal cart	\$33.65	\$33.25	\$31.95	\$32.80	\$33.60
95 gal cart	\$41.90	\$39.55	\$36.20	\$37.20	\$38.05

Roll Off Service	2022	2023	2024	2025	2026
Drop Box Haul	\$187.00	\$193.00	\$199.00	\$205.00	\$211.00
Compactor Haul	\$225.00	\$232.00	\$238.00	\$246.00	\$253.00
Delivery Fee	\$45.00	\$46.00	\$48.00	\$49.00	\$51.00
Disposal Fee <sup>2</sup>	Current Fee				

**2.** The cost of disposal is the amount paid by the City at the time of service and passed back to the customer.

**Recommended Rates for Commercial Container Service**

<b>Year 2022</b>	<b>1 x Week</b>	<b>2 x Week</b>	<b>3 x Week</b>	<b>4 x Week</b>	<b>5 x Week</b>	<b>Extra Dump</b>
1 Yard	\$79.95	\$146.62	\$213.29	\$279.96	\$346.63	\$19.99
1-1/2 Yard	\$106.02	\$198.76	\$291.49	\$384.23	\$476.96	\$26.51
2 Yard	\$132.09	\$250.89	\$369.69	\$488.50	\$607.30	\$33.02
4 Yard	\$236.36	\$459.43	\$682.50	\$905.57	\$1,128.65	\$59.09
6 Yard	\$340.63	\$667.97	\$995.31	\$1,322.65	\$1,649.99	\$85.16
8 Yard	\$444.90	\$876.51	\$1,308.12	\$1,739.73	\$2,171.34	\$111.22

<b>Year 2023</b>	<b>1 x Week</b>	<b>2 x Week</b>	<b>3 x Week</b>	<b>4 x Week</b>	<b>5 x Week</b>	<b>Extra Dump</b>
1 Yard	\$82.19	\$150.71	\$219.24	\$287.76	\$356.29	\$20.55
1-1/2 Yard	\$108.98	\$204.29	\$299.60	\$394.91	\$490.22	\$27.24
2 Yard	\$135.76	\$257.86	\$379.96	\$502.06	\$624.16	\$33.94
4 Yard	\$242.91	\$472.16	\$701.40	\$930.65	\$1,159.89	\$60.73
6 Yard	\$350.06	\$686.45	\$1,022.85	\$1,359.24	\$1,695.63	\$87.51
8 Yard	\$457.21	\$900.75	\$1,344.29	\$1,787.83	\$2,231.37	\$114.30

<b>Year 2024</b>	<b>1 x Week</b>	<b>2 x Week</b>	<b>3 x Week</b>	<b>4 x Week</b>	<b>5 x Week</b>	<b>Extra Dump</b>
1 Yard	\$83.69	\$153.50	\$223.31	\$293.13	\$362.94	\$20.92
1-1/2 Yard	\$111.01	\$208.14	\$305.27	\$402.41	\$499.54	\$27.75
2 Yard	\$138.32	\$262.78	\$387.23	\$511.68	\$636.14	\$34.58
4 Yard	\$247.60	\$481.33	\$715.06	\$948.79	\$1,182.52	\$61.90
6 Yard	\$356.88	\$699.89	\$1,042.89	\$1,385.90	\$1,728.90	\$89.22
8 Yard	\$466.16	\$918.44	\$1,370.72	\$1,823.01	\$2,275.29	\$116.54

<b>Year 2025</b>	<b>1 x Week</b>	<b>2 x Week</b>	<b>3 x Week</b>	<b>4 x Week</b>	<b>5 x Week</b>	<b>Extra Dump</b>
1 Yard	\$85.24	\$142.29	\$199.35	\$256.40	\$313.46	\$21.31
1-1/2 Yard	\$113.10	\$198.02	\$282.94	\$367.86	\$452.78	\$28.28
2 Yard	\$140.97	\$253.75	\$366.54	\$479.32	\$592.11	\$35.24
4 Yard	\$252.43	\$476.67	\$700.92	\$925.16	\$1,149.41	\$63.11
6 Yard	\$363.89	\$699.59	\$1,035.30	\$1,371.00	\$1,706.71	\$90.97
8 Yard	\$475.35	\$922.51	\$1,369.68	\$1,816.84	\$2,264.01	\$118.84

<b>Year 2026</b>	<b>1 x Week</b>	<b>2 x Week</b>	<b>3 x Week</b>	<b>4 x Week</b>	<b>5 x Week</b>	<b>Extra Dump</b>
1 Yard	\$86.56	\$144.48	\$202.41	\$260.33	\$318.26	\$21.64
1-1/2 Yard	\$114.85	\$201.06	\$287.28	\$373.49	\$459.71	\$28.71
2 Yard	\$143.14	\$257.64	\$372.14	\$486.65	\$601.15	\$35.78
4 Yard	\$256.29	\$483.96	\$711.62	\$939.28	\$1,166.95	\$64.07
6 Yard	\$369.45	\$710.28	\$1,051.10	\$1,391.92	\$1,732.74	\$92.36
8 Yard	\$482.61	\$936.59	\$1,390.57	\$1,844.56	\$2,298.54	\$120.65

# Mount Vernon Solid Waste Collection Cost of Service Memo

The following memo is the response solicited from the Public Works Committee during the January 12, 2022 meeting.

**Item 1:** Increase the time for cart service to reach the cost of service due to the residential rate impact on the smaller roll carts.

**Response 1:** The increase required to reach the roll cart service cost is summarized in Table 1.

**Table 1: Roll Cart Cost of Service Rates**

Service	Current Rate	Cost of Service	\$ ▲
20 gal Cart	\$9.89	\$22.30	<b>\$12.41</b>
35 gal Cart	\$19.68	\$25.25	<b>\$5.57</b>
65 gal Cart	\$35.33	\$30.05	<b>\$(5.28)</b>
95 gal Cart	\$47.55	\$34.20	<b>\$(13.35)</b>

If the time to reach the cost of service is extended to three years, the annual increase necessary to achieve the cost for customers in the smaller carts is reduced, and the decrease for the larger carts is also reduced. Table 2 details the proposed three year phase-in for roll cart service to reach the cost of service in June 2025.

**Table 2: Proposed Phased In Rate for Roll Cart Collection Service**

Service	Current Rate	June 2022 Rate	June 2023 Rate	June 2024 Rate	June 2025 Rate	Average ▲
20 to 35 gallon	\$9.89	\$14.35	\$18.80	\$23.25	\$27.75	\$4.47
35 gal cart	\$19.68	\$21.70	\$23.70	\$25.70	\$27.75	\$2.02
65 gal cart	\$35.33	\$34.70	\$34.05	\$33.40	\$32.80	<b>\$(0.63)</b>
95 gal cart	\$47.55	\$44.95	\$42.35	\$39.75	\$37.20	<b>\$(2.59)</b>
20 gal Senior <sup>1</sup>	\$4.95	\$6.80	\$8.65	\$10.50	\$12.35	\$1.85
35 gal Senior <sup>1</sup>	\$14.76	\$16.25	\$17.75	\$19.25	\$20.80	\$1.51

Table Note <sup>1</sup>: The service rates for the 20 gallon and 35 gallon senior rates are 50% and 75% respectively of the 35 gallon cost of service rate.

While the increase for the customers in the 20 gallon cart appears to be significant, consider these customers are receiving the 35 gallon service for a discounted rate compared to customers currently in a 35 gallon cart. Once the cost of service cost is reached in June 2025, the annual increase to maintain the cost of service is less than \$1 for all roll cart customers.

**Item 2:** Utilize the current commercial rate structure to stabilize the increased time for cart service to reach the cost of service and contribute to the SW fund balance.

**Response 2:** The cost of service for commercial rates varied by the size of the container, but the rates for the 6 yard and 8 yard containers are higher than the cost of service. Therefore, freezing these rates until the cost of service is reached in future years is a reasonable approach to contribute to the diminishing fund balance. Phasing in the reduced administrative costs is another method to decrease the impact of the low fund balance. Table 3 details the proposed commercial container rates over the next five years.

**Table 3: Proposed Five Year Commercial Container Collection Rate Schedule**

Container Size	Current Rates	June 2022 Rates	June 2023 Rates	June 2024 Rates	June 2025 Rate	June 2026 Rates
1 yard <sup>2</sup>	<b>\$81.84</b>	<b>\$81.84</b>	\$82.11	\$83.56	\$85.13	\$86.46
1.5 yard	\$101.46	\$105.48	\$108.72	\$110.70	\$112.81	\$114.57
2 yard <sup>2</sup>	<b>\$132.09</b>	<b>\$132.09</b>	\$135.34	\$137.84	\$140.50	\$142.68
4 yard	\$230.53	\$234.90	\$241.80	\$246.40	\$251.25	\$255.14
6 yard <sup>2</sup>	<b>\$367.09</b>	<b>\$367.09</b>	<b>\$367.09</b>	<b>\$367.09</b>	<b>\$367.09</b>	\$367.59
8 yard <sup>2</sup>	<b>\$461.06</b>	<b>\$461.06</b>	<b>\$461.06</b>	\$463.52	\$472.75	\$480.04

Table Note <sup>2</sup>: Rates in bold are unchanged from the previous year.

**Item 3:** Calculate the expected fund balance for the year 2026 with the revised rate proposal.

**Response 3:** The calculated results of the proposed changes in rates and the impact on the fund balance of the Solid Waste Division are summarized in Table 4.

**Table 4: Financial Impact of the Solid Waste Collection Rate Proposal**

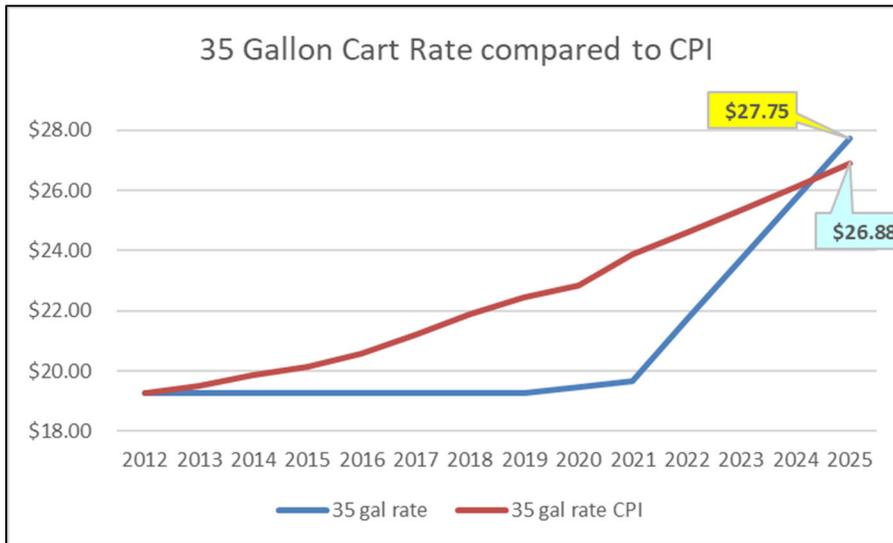
Description	2022	2023	2024	2025	2026
Cart Collection	\$2,613,213	\$2,848,469	\$3,086,169	\$3,332,383	\$3,442,248
Container Collection	\$2,166,198	\$2,229,507	\$2,273,378	\$2,319,627	\$2,363,271
Extra Charges	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000
Drop Box	\$780,129	\$788,000	\$826,374	\$858,326	\$886,018
Total Revenue	\$5,624,540	\$5,930,976	\$6,250,921	\$6,575,335	\$6,756,537
Projected Expenses	\$5,864,278	\$5,756,127	\$5,962,180	\$6,175,456	\$6,374,393
Results of Operations	<b>\$(239,738)</b>	\$174,849	\$288,741	\$399,879	\$382,144
Starting Fund Balance	\$327,019	\$87,281	\$262,130	\$550,870	\$950,750
Results of Operations	<b>\$(239,738)</b>	\$174,849	\$288,741	\$399,879	\$382,144
Ending Fund Balance	\$87,281	\$262,130	\$550,870	\$950,750	\$1,332,893
Fund Balance Ratio	1.5%	4.6%	9.2%	15.4%	20.9%

## Additional Topics for Council Discussion and Direction

### 1. Implementation Strategy

Except for the small disposal fee increases in 2020 and 2021, collection rates have remained unchanged since 2012. If the collection rates had been adjusted annually by the change in prices, the rate for the 35 gallon cart would be \$23.88 compared to the current rate of \$19.68. While it is the objective to keep utility rates low, depressing rates over an extended period eventually requires a significant increase to pay for the cost of service. Figure 1. compares the current and proposed rate for the 35 gallon cart to the rate adjusted annually by the changes in inflation since 2013.

**Figure 1: Comparing 35 gallon rate to Annually Adjusted CPI Rate**



Adjusting the collection rates to the cost of service is a sensible way to ensure the reliable delivery of City services.

### 2. Senior Discount

Senior discount for the 20 gallon cart is 50% of the 35 gallon rate, and the discount for the 35 gallon roll cart is 75% of the 35 gallon rate. There are 164 customers invoiced for the 20 gallon cart and 115 invoiced for the 35 gallon cart.

**Question:** Does the City want to retain or change the current discounts for senior services?

### 3. Commercial – Residential Rate Balance

The adage in the garbage business is “cans vote, containers don’t,” meaning that elected bodies are willing to increase rates on a small group of customers to appease the larger residential voting base. However, this is a short-sighted strategy because changes to the local business cycle typically require a significant adjustment to the rates somewhere in the future.

The residential customer base is not dynamic. Over the last three years, the number of customers service has slowly increased. However, during the state-wide shutdowns in 2020 and the continuing effect of Washington State’s policies, the commercial customer base has decreased.

Therefore, relying on local businesses to overpay for services is not a reliable method to ensure the fiscal soundness of the City’s utility services.

**4. Administrative Cost (Impact Rate)**

The current commercial collection rates for customers that require multiple pickups during the week are multiplied by the once-per-week rate. For example, the cost of service rate for a weekly 1.5 yard container is \$105.48. If a customer requires a 1.5 yard container to be picked up twice a week, the rate that the City would assess is \$210.95, which is \$105.48 x 2 pickups.

The proposed method for commercial rates assesses the administrative cost, which is \$26.57 in 2022, on the first weekly pickup only. If a second or subsequent pick up is required during the week, the cost of that pick up is \$78.91.

The proposed commercial rates would phase out the administrative cost over the same period. Table 5 details the administrative cost that would be assessed over the rate adjustment period and the estimated financial impact.

**Table 5: Administrative Financial Impact Assessment**

Year	Administrative Cost	Assessment Ratio	Assessed Admin Cost	Annual Revenue
2022	\$26.57	100%	\$26.57	\$71,426
2023	\$27.59	75%	\$20.69	\$52,887
2024	\$27.98	50%	\$13.99	\$33,828
2025	\$28.43	25%	\$7.11	\$14,118
2026	\$28.88	0%	\$ 0	\$ 0

**5. End Fund Balance**

What is the City’s operational policy for enterprise/utility funds? Is a fund balance with a ratio of 25% cash to annual expenses, which is equal to three months of operating expenses, an appropriate amount or too much? Table 6 summarizes the fund balance as a percentage of the overall annual expenditures and the number of days operations could be paid for without any incoming revenues.

**Table 6: Comparable Solid Waste Fund Balance Amounts**

Year	2022	2023	2024	2025	2026
Annual Expense	\$5,864,300	\$5,756,100	\$5,962,200	\$6,175,500	\$6,374,400
90 days / 25% balance	\$1,466,100	\$1,439,000	\$1,490,500	\$1,543,900	\$1,593,600
60 days / 17% balance	\$996,900	\$978,500	\$1,013,600	\$1,049,800	\$1,083,600
30 days / 8% balance	\$469,100	\$460,500	\$477,000	\$494,000	\$510,000

The City of Richland, Washington, has a rate utility policy that explains why and how rates and fund balances are established. Richland’s policy memo was included with the submission of this memo.

# Solid Waste Collection Rate Update to City Council

January 19, 2022



**Bell & Associates**



Increase  
Required to  
Achieve the  
Cost of Service  
for Small Cart  
Customers is  
Significant

Service	Current Rate	Cost of Service	\$ ▲
20 gal Cart	\$9.89	\$22.30	<b>\$12.41</b>
35 gal Cart	\$19.68	\$25.25	<b>\$5.57</b>
65 gal Cart	\$35.33	\$30.05	<b>\$(5.28)</b>
95 gal Cart	\$47.55	\$34.20	<b>\$(13.35)</b>

- Proposed 4 year phase in to reach the cost of service rates for cart collection service
- The average annual increase varies by cart size
- Non Senior Customers in the 20 gallon cart will be converted to a 35 gallon cart in July 2022

Service	Current Rate	June 2022 Rate	June 2023 Rate	June 2024 Rate	June 2025 Rate	Average ▲
20 to 35 gallon	\$9.89	\$14.35	\$18.80	\$23.25	\$27.75	\$4.47
35 gal cart	\$19.68	\$21.70	\$23.70	\$25.70	\$27.75	\$2.02
65 gal cart	\$35.33	\$34.70	\$34.05	\$33.40	\$32.80	\$(0.63)
95 gal cart	\$47.55	\$44.95	\$42.35	\$39.75	\$37.20	\$(2.59)
20 gal Senior <sup>1</sup>	\$4.95	\$6.80	\$8.65	\$10.50	\$12.35	\$1.85
35 gal Senior <sup>1</sup>	\$14.76	\$16.25	\$17.75	\$19.25	\$20.80	\$1.51

# Cart Customers

SW Cart Service Level	Customers	Carts	Ratio
20 Gallon Cart	1,934	2,209	23.5%
20 Gallon Cart - Senior Discount	147	157	1.7%
<b>35 Gallon Cart</b>	<b>4,864</b>	<b>5,282</b>	<b>56.1%</b>
35 Gallon Cart - Senior Discount	107	110	1.2%
65 Gallon Cart	1,275	1,324	14.1%
95 Gallon Cart	160	168	1.8%
Commercial Cart 35 Gallon	65	72	0.8%
Commercial Cart 65 Gallon	51	56	0.6%
Commercial Cart 95 Gallon	30	37	0.4%
<b>Total Weekly Carts</b>	<b>8,633</b>	<b>9,415</b>	<b>100%</b>

- The ratio of 35 gallon carts will increase from 56% to 83% when the 20 gallon customers are migrated to the 35 gallon cart

## Service Change

Eliminate the 20 gallon cart insert  
– all customers would have a 35 gallon cart

35 gal cart with insert



35 gal cart without insert



- Container Rates that are below the Cost of Service will be increased to the Cost of Service
- Container Rates above the Cost of Service (in bold) will be frozen until they reach the Cost of Service

Container Size	Current Rates	June 2022 Rates	June 2023 Rates	June 2024 Rates	June 2025 Rate	June 2026 Rates
1 yard <sup>2</sup>	<b>\$81.84</b>	<b>\$81.84</b>	\$82.11	\$83.56	\$85.13	\$86.46
1.5 yard	\$101.46	\$105.48	\$108.72	\$110.70	\$112.81	\$114.57
2 yard <sup>2</sup>	<b>\$132.09</b>	<b>\$132.09</b>	\$135.34	\$137.84	\$140.50	\$142.68
4 yard	\$230.53	\$234.90	\$241.80	\$246.40	\$251.25	\$255.14
6 yard <sup>2</sup>	<b>\$367.09</b>	<b>\$367.09</b>	<b>\$367.09</b>	<b>\$367.09</b>	<b>\$367.09</b>	\$367.59
8 yard <sup>2</sup>	<b>\$461.06</b>	<b>\$461.06</b>	<b>\$461.06</b>	\$463.52	\$472.75	\$480.04

# Drop Box Service Rates

Service	Haul Cost per Hour	Haul Time	Haul Cost (Cost x Time)	4.7% WA taxes	Proposed Rate
Drop Box	\$159.07	1.08 minutes	\$178.95	\$8.41	\$185.00
Compactor	\$159.07	1.20 minutes	\$214.74	\$10.09	\$225.00

- Rate is rounded to the nearest \$1
- Disposal expense is not included in the rates because the actual disposal fee for each haul is passed back to the customer by the City.

# Current Rate Structure is Reducing the Division Fund Balance

Year	Fund Balance	\$ ▲
2017	\$902,249	
2018	\$840,160	\$(62,089)
2019	\$621,161	\$(218,999)
2020	\$549,598	\$(71,563)
2021	\$327,019	\$(222,579)

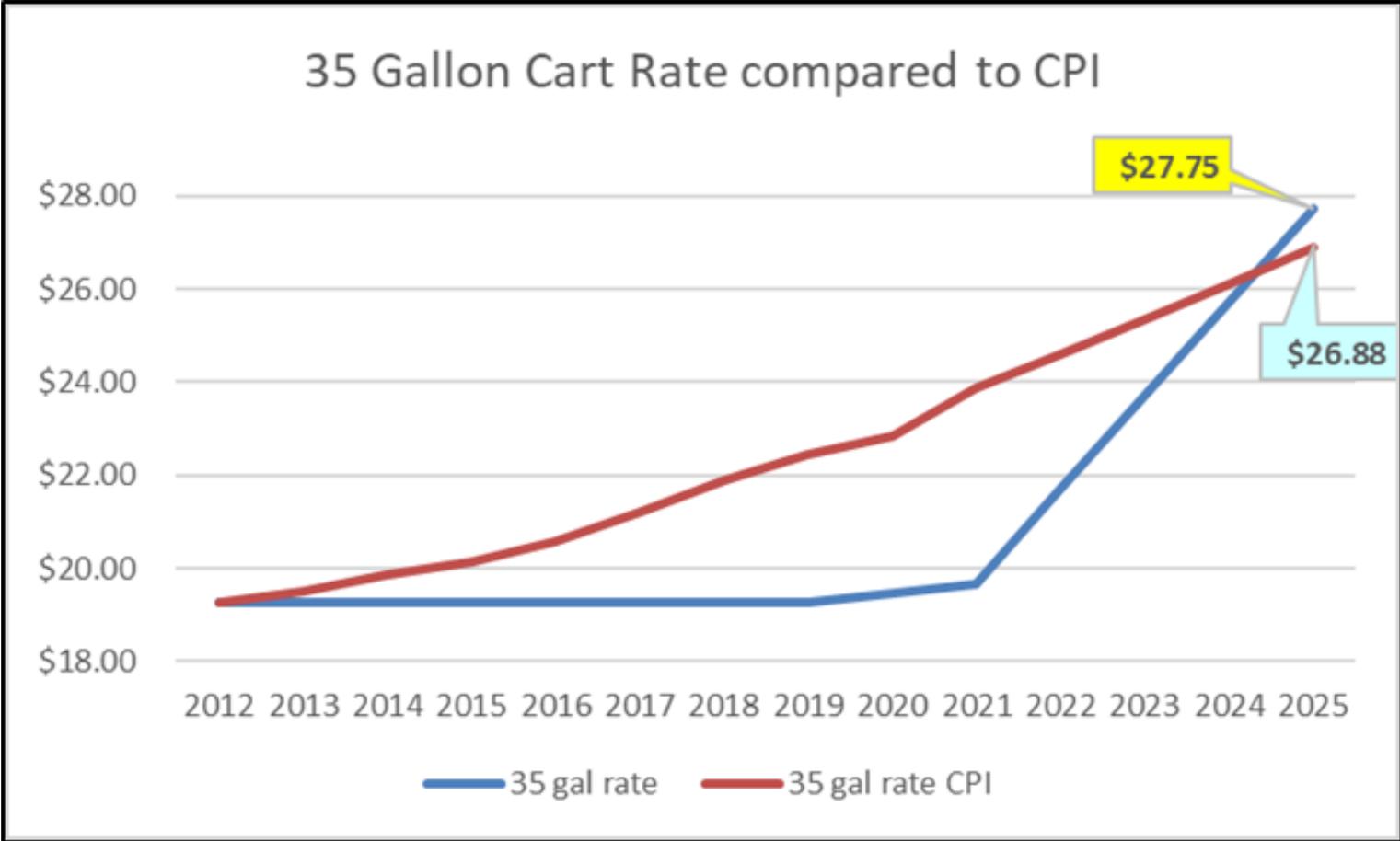
- Budgeted 2022 Operating Expenses are \$5,864,278 (w/o City / State Tax)
- Fund Balance @ 25% of Expenses is \$1,466,000
- Fund Balance @ 15% of Expenses is \$879,642
- Current Balance is 5.5%

## Projected Financial Impact of the Proposed Rate Phase-In to the SW Fund Balance

Description	2022	2023	2024	2025	2026
Total Revenue	\$5,624,540	\$5,930,976	\$6,250,921	\$6,575,335	\$6,756,537
Projected Expenses	\$5,864,278	\$5,756,127	\$5,962,180	\$6,175,456	\$6,374,393
Results of Operations	<b>\$(239,738)</b>	\$174,849	\$288,741	\$399,879	\$382,144
Starting Fund Balance	\$327,019	\$87,281	\$262,130	\$550,870	\$950,750
Results of Operations	<b>\$(239,738)</b>	\$174,849	\$288,741	\$399,879	\$382,144
Ending Fund Balance	\$87,281	\$262,130	\$550,870	\$950,750	\$1,332,893
Fund Balance Ratio	1.5%	4.6%	9.2%	15.4%	20.9%

# Additional Topics for Discussion

Current Rate Structure was Established in 2012 – It will Require Time to Adjust to the Cost of Service



## Additional Topics for Discussion

### Cost of Service for Collection Rates

- Four year rate phase-in to the Cost of Service for Cart and Container Customers
- Four year phase-out of administrative charges to Container Customers

Year	Administrative Cost	Assessment Ratio	Assessed Admin Cost	Annual Revenue
2022	\$26.57	100%	\$26.57	\$71,426
2023	\$27.59	75%	\$20.69	\$52,887
2024	\$27.98	50%	\$13.99	\$33,828
2025	\$28.43	25%	\$7.11	\$14,118
2026	\$28.88	0%	\$ 0	\$ 0

## Additional Topics for Discussion

### Senior Discount

- Is the discount for the **20 gallon cart** reasonable?
  - The discount is 50% of the 35 gallon cart
- Is the discount for the **35 gallon cart** reasonable?
  - The discount is 25% of the 35 gallon cart

Additional  
Topics for  
Discussion

# What is the Optimal Ratio of Fund Balance to Expense for Enterprise Funds?

Year	2022	2023	2024	2025	2026
Annual Expense	\$5,864,300	\$5,756,100	\$5,962,200	\$6,175,500	\$6,374,400
90 days / 25% balance	\$1,466,100	\$1,439,000	\$1,490,500	\$1,543,900	\$1,593,600
60 days / 17% balance	\$996,900	\$978,500	\$1,013,600	\$1,049,800	\$1,083,600
30 days / 8% balance	\$469,100	\$460,500	\$477,000	\$494,000	\$510,000

## Alternative Phased In Scenario for 20 gallon service

- 5 year phase in to for 20 gallon customers to reach the cost of service
- 65 and 95 gallon rates would remain unchanged

Service	Current	2022	2023	2024	2025	2026	Average ▲
20 to 35 gal cart	\$9.89	\$13.60	\$17.30	\$21.00	\$24.70	\$28.50	\$3.72
35 gal cart	\$19.68	\$21.45	\$23.20	\$24.95	\$27.75	\$28.50	\$2.02
65 gal cart	\$35.33	\$35.35	\$35.35	\$35.35	\$35.35	\$35.35	\$ 0
95 gal cart	\$47.55	\$47.55	\$47.55	\$47.55	\$47.55	\$47.55	\$ 0
20 gal Senior	\$4.95	\$6.80	\$8.65	\$10.50	\$12.35	\$14.25	\$1.85
35 gal Senior	\$14.76	\$16.10	\$17.45	\$18.80	\$20.80	\$21.40	\$1.51

Year	2022	2023	2024	2025	2026	Total
4 Year Phase In Revenue	\$2,627,213	\$2,863,482	\$3,102,205	\$3,347,406	\$3,457,277	
5 Year Phase In Revenue	\$2,614,196	\$2,836,262	\$3,060,600	\$3,356,754	\$3,522,815	
Revenue Variance	\$(13,017)	\$(27,220)	\$(41,606)	\$9,348	\$65,538	\$(6,956)

# Questions



# Solid Waste Collection Rate Update

February 23, 2012

Chris Bell



**Bell & Associates**



# Rate Background

- Solid Waste Collection is a City Provided Utility
- Collection Rate Method has not been updated since 2012
- Previous Rate Method was based on **cart volume (PAYT)** – not the Cost of providing services (Utility)
- A significant portion of the costs are “fixed” or the same for each customers
  - The cost to get the garbage truck to each address is the same
  - The cost to answer the phone or send an invoice are the same
  - The cost of the organic waste program is the same
  - The cost of the community clean up is the same
  - However;
  - The cost of garbage disposal and the cart of the cart vary on size

Volume (PAYT)  
Rate Method

versus

Cost of Service  
Rate Method  
(Utility)

Service	Current Rates	\$ per gallon		Cost of Service Rates	\$ per gallon	Rate Variance
20 gal cart	\$9.89	\$0.49		\$22.30	\$1.12	\$(12.41)
35 gal cart	\$19.68	\$0.56		\$25.25	\$0.72	\$(5.57)
65 gal cart	\$35.33	\$0.54		\$30.05	\$0.46	\$ 5.25
95 gal cart	\$47.55	\$0.50		\$34.20	\$0.36	\$ 13.35

## Proposed Rate Schedule to Phase Into the Cost of Service Cart Collection

Cart Service	Current Rate	June 2022	June 2023	June 2024	June 2025	June 2026	Average ▲
20 to 35 gal cart	\$9.89	\$14.10	\$18.30	\$22.50	\$26.75	\$27.25	\$4.22
35 gal cart	\$19.68	\$21.20	\$22.70	\$24.20	\$26.75	\$27.25	\$1.77
65 gal cart	\$35.33	\$35.35	\$35.35	\$35.35	\$35.35	\$35.35	\$ 0
95 gal cart	\$47.55	\$47.55	\$47.55	\$47.55	\$47.55	\$47.55	\$ 0
20 gal Senior	\$4.95	\$6.70	\$8.45	\$10.20	\$11.95	\$13.65	\$1.75
35 gal Senior	\$14.76	\$16.10	\$17.40	\$18.70	\$20.05	\$20.45	\$1.32

- Proposed 4 year phase in to reach the cost of service rates for cart collection service
- Small carts will be increased because the current rate is below the cost of service
- Non Senior Customers in the 20 gallon cart will be converted to a 35 gallon cart in July 2022
- Rates for 65 / 95 gallon cart customers will remain unchanged

# Cart Customers

SW Cart Service Level	Customers	Carts	Ratio
20 Gallon Cart	1,934	2,209	23.5%
20 Gallon Cart - Senior Discount	147	157	1.7%
<b>35 Gallon Cart</b>	<b>4,864</b>	<b>5,282</b>	<b>56.1%</b>
35 Gallon Cart - Senior Discount	107	110	1.2%
65 Gallon Cart	1,275	1,324	14.1%
95 Gallon Cart	160	168	1.8%
Commercial Cart 35 Gallon	65	72	0.8%
Commercial Cart 65 Gallon	51	56	0.6%
Commercial Cart 95 Gallon	30	37	0.4%
<b>Total Weekly Carts</b>	<b>8,633</b>	<b>9,415</b>	<b>100%</b>

- The ratio of 35 gallon carts will increase from 56% to 83% when the 20 gallon customers are migrated to the 35 gallon cart

## Service Change

Eliminate the 20 gallon cart insert  
– all customers would have a 35 gallon cart

35 gal cart with insert



35 gal cart without insert



- Container Rates that are below the Cost of Service will be increased to the Cost of Service
- **2** - Container Rates above the Cost of Service (in bold) will remain unchanged until they reach the Cost of Service in future years

Container Size	Current Rates	June 2022 Rates	June 2023 Rates	June 2024 Rates	June 2025 Rate	June 2026 Rates
1 yard <b>2</b>	<b>\$81.84</b>	<b>\$81.84</b>	\$82.11	\$83.56	\$85.13	\$86.46
1.5 yard	\$101.46	\$105.48	\$108.72	\$110.70	\$112.81	\$114.57
2 yard <b>2</b>	<b>\$132.09</b>	<b>\$132.09</b>	\$135.34	\$137.84	\$140.50	\$142.68
4 yard	\$230.53	\$234.90	\$241.80	\$246.40	\$251.25	\$255.14
6 yard <b>2</b>	<b>\$367.09</b>	<b>\$367.09</b>	<b>\$367.09</b>	<b>\$367.09</b>	<b>\$367.09</b>	\$367.59
8 yard <b>2</b>	<b>\$461.06</b>	<b>\$461.06</b>	<b>\$461.06</b>	\$463.52	\$472.75	\$480.04

# Drop Box and Roll Off Compactor Rates

- Drop Box / Roll Off Compactor Rates based on the average haul time
- Compactors require additional time to unhook and hook
- Rate is rounded to the nearest \$1
- Disposal expense is not included in the rates because the actual disposal fee for each haul is passed back to the customer by the City.

Year	Drop Box	Compactor
Current	\$174.37	\$174.37
2022	\$185.00	\$225.00
2023	\$191.00	\$232.00
2024	\$197.00	\$239.00
2025	\$203.00	\$247.00
2026	\$209.00	\$254.00

# Current Rate Structure is Reducing the Division Fund Balance

Year	Fund Balance	\$ ▲
2017	\$902,249	
2018	\$840,160	\$(62,089)
2019	\$621,161	\$(218,999)
2020	\$549,598	\$(71,563)
2021	\$327,019	\$(222,579)

- Budgeted 2022 Operating Expenses are \$5,864,278 (w/o City / State Tax)
- Fund Balance @ 25% of Expenses is \$1,466,000
- Fund Balance @ 15% of Expenses is \$879,642
- Current Balance is 5.5%

## Projected Financial Impact of the Proposed Rate Phase-In to the SW Fund Balance

Description	2022	2023	2024	2025	2026
Total Revenue	\$5,607,423	\$5,878,040	\$6,180,487	\$6,550,350	\$6,689,038
Projected Expenses	\$5,864,278	\$5,756,727	\$5,963,080	\$6,176,856	\$6,376,293
Net Income from Operations	<b>\$(256,855)</b>	\$121,314	\$217,406	\$373,494	\$312,745
Starting Fund Balance	\$327,019	\$70,164	\$191,478	\$408,884	\$782,378
Plus Results of Operations	<b>\$(256,855)</b>	\$121,314	\$217,406	\$373,494	\$312,745
Ending Fund Balance	\$70,164	\$191,478	\$408,884	\$782,378	\$1,095,124
Fund Balance Ratio	1.2%	3.3%	6.9%	12.7%	<b>17.2%</b>

# Questions



# Solid Waste Collection Rate Presentation

March 23, 2022

Chris Bell



**Bell & Associates**



# Rate Background

- Solid Waste Collection is a City Provided Utility
- Collection Rate Method has not been updated since 2012
- Previous Rate Method was based on **cart volume (PAYT)** – not the Cost of providing services (Utility)
- **Rate Process**
  - January 12 – Initial Rate Presentation and Discussion
  - January 19 – Second Presentation with 4 and 5 year Rate Options
  - February 9 – Third Presentation with Decision on 4 year Option

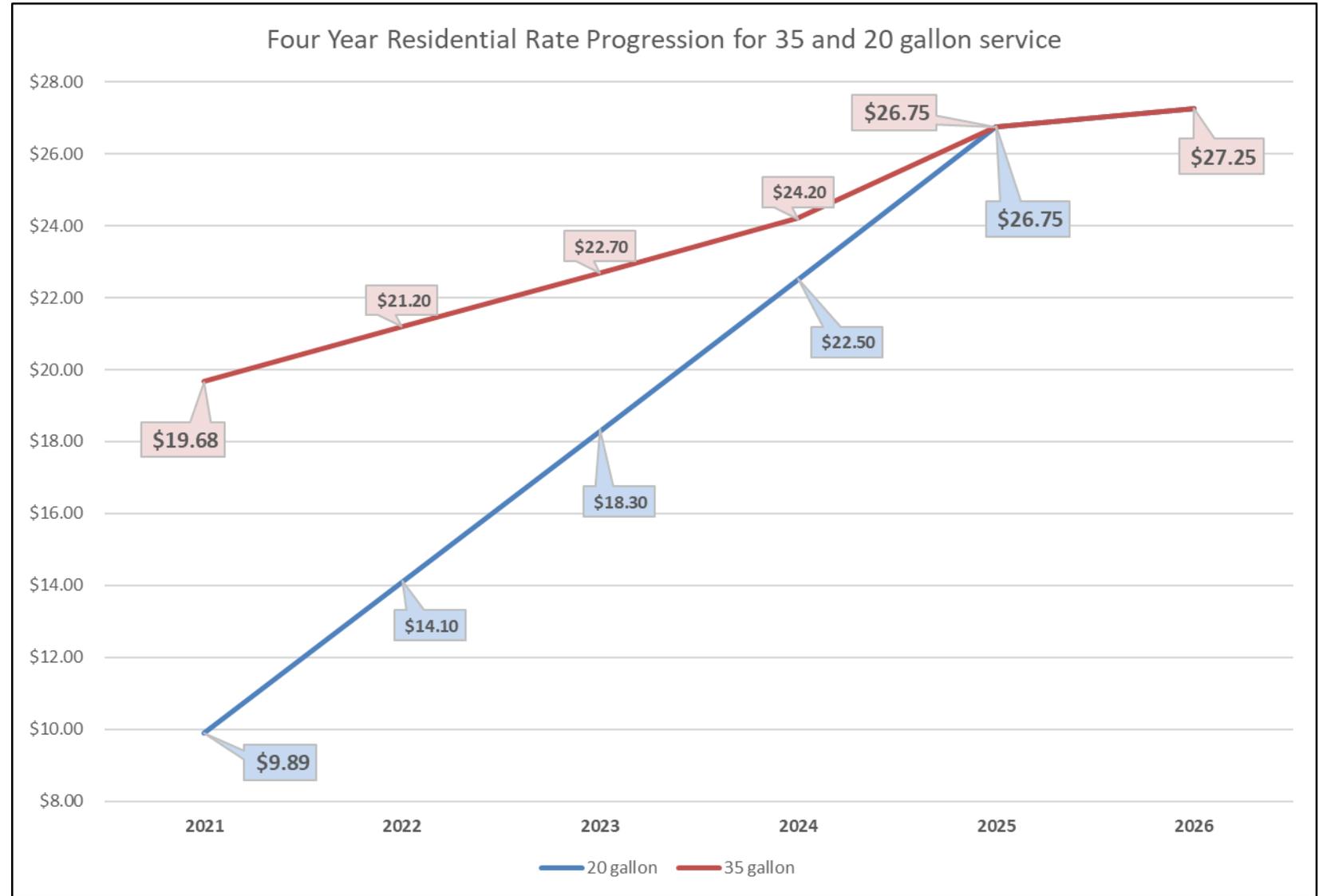
## Four Year Rate Option for Residential Service

The 20 gallon phase out to the 35 gallon rate is dependent on reaching rate parity in 2025

This is the reason for the steep increase for current 20 gallon customers

20 gal customers – 2,209

35 gal customers – 5,288



## 4 Year Rate Schedule to Phase Into the Cost of Service Cart Collection

Cart Service	Current Rate	June 2022	June 2023	June 2024	June 2025	June 2026	Average ▲
20 to 35 gal cart	\$9.89	\$14.10	\$18.30	\$22.50	\$26.75	\$27.25	\$4.22
35 gal cart	\$19.68	\$21.20	\$22.70	\$24.20	\$26.75	\$27.25	\$1.77
65 gal cart	\$35.33	\$35.35	\$35.35	\$35.35	\$35.35	\$35.35	\$ 0
95 gal cart	\$47.55	\$47.55	\$47.55	\$47.55	\$47.55	\$47.55	\$ 0
20 gal Senior	\$4.95	\$6.70	\$8.45	\$10.20	\$11.95	\$13.65	\$1.75
35 gal Senior	\$14.76	\$16.10	\$17.40	\$18.70	\$20.05	\$20.45	\$1.32

- Proposed 4 year phase in to reach the cost of service rates for cart collection service
- Small carts will be increased because the current rate is below the cost of service
- Non Senior Customers in the 20 gallon cart will be converted to a 35 gallon cart in July 2022
- Rates for 65 / 95 gallon cart customers will remain unchanged over the next five years

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Fund Balance Ratio	1.2%	3.3%	6.9%	12.7%	<b>17.2%</b>

Rate Objective: Achieve a **17%** ending cash balance in the solid waste enterprise fund

# Questions





Staff recommends  
City Council approve  
and implement the  
Solid Waste Rate  
proposal effective  
on June 1, 2022