

BEFORE THE BOARD OF COUNTY COMMISSIONERS

FOR COLUMBIA COUNTY, OREGON

In the Matter of Rate Adjustments for Curbside
Collection Services and Commercial Drop Box
Service for Franchise Areas Covering Unincorporated
Columbia County

ORDER No. 46-2017

WHEREAS, Section 5.01(A) of the Columbia County Solid Waste Management Ordinance (“SWMO”) authorizes the Board of County Commissioners, upon its own recommendation or the recommendation of the Solid Waste Advisory Committee (SWAC), to approve and establish rate adjustments; and

WHEREAS, Section 5.01(A)(4) of the SWMO authorizes the Board to increase or decrease rates based on the cost of doing business; and

WHEREAS, Section 5.01(B)(6) of the SWMO provides that in determining rates, the Board shall give due consideration to, among other things, a reasonable rate of return to the franchisee based upon a percentage of gross receipts under the franchise; and

WHEREAS, in May, 2017, the SWAC At-Large Members and County Staff reviewed proposed rate adjustments for curbside collections services and commercial drop box service by Waste Management for its Scappoose and Vernonia franchise service areas, and Waste Connections (*dba* Hudson Garbage Service) for its St. Helens, Clatskanie, and Rainier franchise service areas; and

WHEREAS, the proposed rate adjustments were supported by Detail Cost Reports (DCRs) submitted by Waste Management and Waste Connections/Hudson; and

WHEREAS, the SWAC policy is to recommend a hauler-requested rate adjustment to the Board when the operating margin for the franchise area falls below 8%; and

WHEREAS, Waste Management requested no rate adjustments for its Scappoose and Vernonia franchise areas, which according to the 2016 DCRs, showed operating margins within 8-14%; and

WHEREAS, Waste Connections’ 2016 DCRs showed operating margins within 8-14% for the St. Helens franchise area; however, the operating margin for the Clatskanie franchise area was 4.4% and for the Rainier franchise area, 8.4%. Accordingly, Waste Connections has requested a 10% increase for Clatskanie and a 1.5% rate increase for Rainier; and

WHEREAS, in addition, because Waste Connections has been operating the Commercial Drop Box service for the Rainier area at 12% to 25% below target over the past three years, Waste Connections has requested an 8% rate increase for its Rainier Commercial Drop Box service; and

WHEREAS, in 2016 the Columbia County Board of Commissioners approved a 6.3% increase for all customers in the Clatskanie franchise area for fiscal year 2017, with the intent to revisit an additional 6.3% increase for fiscal year 2018 if supported by DCR data. The current DCR supports a rate increase of 10% (which includes a 4.4% increase in addition to the 6.3% increase approved in 2016) to achieve the target

operating margin of 11%; and

WHEREAS, following review of the DCRs, the SWAC voted to recommend to the Board of County Commissioners an 8% rate increase for the Commercial Drop Box rate for the Rainier area and a 10% increase for residential curbside collection customers for the Clatskanie area; and

WHEREAS, the SWAC also recommended a disposal pass-through rate increase of \$0.19 for all franchise areas, in accordance with Section 5.01 (A)(4), to incorporate the annual Consumer Price Index (CPI) adjusted rates for disposal at the transfer station; and

WHEREAS, following published notice, the Board held a hearing on June 21, 2017 on the proposed rate adjustments for curbside collection services and commercial drop box rate by franchised haulers for residents and businesses in unincorporated Columbia County; and

WHEREAS, after deliberating on the proposed rate adjustments, the Board determined that an increase of \$0.19 for all franchise areas is necessary as a pass-through to cover the transfer station's annual CPI-adjusted disposal rate; and

WHEREAS, the Board also determined that the SWAC recommended curbside rate increase for the rural Clatskanie franchise area is necessary to cover the costs of the waste-disposal program without reducing services to the public; and

WHEREAS, the Board also determined that the SWAC recommended Commercial Drop Box rate increase for the rural Rainier franchise area is necessary to cover the costs of the waste-disposal program without reducing services to the public; and

WHEREAS, the Board found that the operating margins for all other franchise areas do not justify a rate adjustment at this time, other than to accommodate the CPI-adjusted, pass-through rate for disposal.

NOW, THEREFORE, IT IS HEREBY ORDERED, as follows:

- I. In addition to the findings in the staff's Board communication dated June 14, 2017, attached hereto as Exhibit A and incorporated herein by this reference, the Board adopts the following supplemental findings:
 - A. That based on the cost of doing business, an increase in curbside collection rates for the Clatskanie franchise areas is justified; and
 - B. That the proposed increase in curbside collection rates for the Clatskanie franchise areas is just, fair, reasonable, and sufficient to provide proper service to the public; and
 - C. That based on the cost of doing business, an increase in Commercial Drop Box rates for the Rainier franchise areas is justified; and
 - D. That the proposed increase in Commercial Drop Box rates for the Rainier franchise areas is just, fair, reasonable, and sufficient to provide proper service to the public; and
 - E. That the proposed increase in curbside collection rates to pass through the CPI-adjusted disposal rate increase is justified for all franchise areas and is just, fair, reasonable and

sufficient to provide proper service to the public.

2. The Board adopts rate increases in curbside collection services proposed in Exhibit A.
3. The rate increases shall be effective July 1, 2017.

Dated this 28th day of June, 2017.

BOARD OF COUNTY COMMISSIONERS
FOR COLUMBIA COUNTY, OREGON

Approved as to form

By: *Sualed Kern*
Office of County Counsel

By: *[Signature]*
Henry Heimuller, Chair

By: *not present*
Margaret Magruder, Commissioner

By: *[Signature]*
Alex Tardif, Commissioner

EXHIBIT A

BOARD COMMUNICATION

FROM THE LAND DEVELOPMENT SERVICES DEPARTMENT

MEETING DATE: **June 14, 2017 Board/Staff Meeting-Briefing**

June 21, 2017 Public Hearing

TO: BOARD OF COUNTY COMMISSIONERS

FROM: Todd Dugdale, Director of Land Development Services

DATE: June 21, 2017

SUBJECT: **SOLID WASTE PROGRAM**
FY 2018 Collection Rate Adjustments

SUMMARY:

Each year, the County reviews solid waste collection rates using a uniform Detailed Cost Report(DCR) rate review procedure established in 2011 which is designed to provide the information necessary for the County to make rate setting decisions pursuant to Section 5.01 of the Solid Waste Management Ordinance. Under the DCR procedure, an operating ratio for each collection service area is determined using detailed cost data presented by each collection franchisee in a standard format prescribed by the County. The operating ratio is a measure, expressed as a percentage, of what proportion of a collection franchisee's revenue is left over, before taxes, after paying for the variable costs of providing the service. The County has established a policy that an acceptable operating ratio shall be in the range of 8-14% with a target operating ratio of 11%. If the DCR for the previous year indicates an operating ratio which is under 8%, a rate adjustment to the target 11% would be made. If the operating ratio falls within the 8-14% acceptable range, no rate adjustment would be allowed.

In April, Waste Management and Waste Connections, the two solid waste collection franchisees serving rural Columbia County, submitted Detailed Cost Reports (DCRs) to the Columbia County Solid Waste Advisory Committee (SWAC) At- Large members and Staff. A map of the franchise collection service areas is contained in **Attachment 1**. The DCRs were reviewed by SWAC at public meetings on May 4, 2017 and May 23, 2017.

TRANSFER STATION DISPOSAL FEE PASS-THRU ADJUSTMENTS

Transfer Station disposal rates are adjusted each year based on the prior year CPI. The CPI for 2016 was 2.1%. The CPI increase for disposal will be passed through to the collection franchisee customer and included with the change in the collection service rate. The CPI disposal rate increase is 2.1%, increasing the commercial tonnage rate from \$87.15 to \$89.00 per ton and increasing curbside collection rate for once a week residential service by \$ 0.19 per month per 35 gallon cart.

PROPOSED RATE ADJUSTMENTS:

Detailed Cost Reports and related rate adjustment proposals for Columbia County's two franchised solid waste collection haulers are described below.

Waste Management (Rural Vernonia and Rural Scappoose Service Areas)

The detailed cost report (DCR) data for the Waste Management franchise area (Vernonia and Scappoose unincorporated areas) indicated that operating margins were within the established range of 8-14%. Therefore, no rate adjustment for these rural collection franchise service areas are justified in

FY 2018. Rates for rural Vernonia and rural Scappoose service areas will be subject only to the Transfer Station 2.1% CPI pass-thru monthly rate increase of \$0.19 for once a week residential service. Currently, all Scappoose and Vernonia rural residential customers receive every-other-week (EOW) curbside recycling services in conjunction with solid waste collection, the cost of which is built into the collection rate. Waste Management has not proposed any changes to its services to their rural Scappoose and Vernonia customers in FY 2018.

The FY 2018 change in rates for every week residential collection service is summarized as follows:

Franchise Area	Current Services	Current Rate	Rate Increase	Disposal Pass-Thru	New Rate
Scappoose-Rural	35 Gal. Weekly Recycling EOW	\$27.03	0%	\$.19	\$27.22
Vernonia- Rural	32 Gal. Weekly Recycling EOW	\$27.06	0%	\$.19	\$27.25

Waste Connections (Rural St. Helens, Rural Clatskanie and Rural Rainier Service Areas)

Proposed rate adjustments and supporting confidential detailed cost report (DCR) data for the Waste Connections franchise areas (Clatskanie, St. Helens and Rainier unincorporated areas) are contained in **Attachment 3**. Currently, all St Helens, Clatskanie, and Rainier rural residential customers receive every-other-week (EOW) curbside recycling services in conjunction with solid waste collection, the cost of which is built into the collection rate. No new services are proposed for the unincorporated Clatskanie, St. Helens or Rainier service areas in FY 2018. Waste Connections notes changes in revenue and expenses that require the rate increase include general cost growth of 4.56 %; revenues from commodity sales recovered briefly but took a rapid downturn, increases in wage costs of 2.5% and increases in medical benefit costs of 4.56%. A Transfer Station 2.1% CPI pass-thru monthly disposal rate increase of \$.19 for once a week residential service will apply to each of Waste Connection's rural collection service areas.

Rural St. Helens Service Area: Proposed: No rate increase/disposal pass-thru only.

The DCR indicates a projected operating margin of 14.6%. This is within the acceptable range of 8-14%. Therefore, no rate adjustment other than the disposal pass thru of \$0.19 for weekly service is proposed. Waste Connections proposes to reinvest the .6% (over the range of 8-14%) into increasing efficiency of service and safety by fully carting all customers in the unincorporated area of St Helens.

Rural Clatskanie Service Area: Proposed: 10% rate increase plus disposal pass-thru.

The DCR indicates a projected operating margin of 4.4%. This is below the acceptable range of 8-14%. In 2106 the Columbia County Board of Commissioners approved, a 6.3% increase for all customers for FY 2017 and revisiting an additional 6.3% increase for FY 2018 based on detailed cost report data. The current DCR supports a rate increase of 10% (the 6.3% approved in 2016 and the additional 4.4% request this year) to achieve the target operating ratio of 11%.

The Solid Waste Advisory Committee is recommending, 10% increase for all customers for FY 2018.

Rural Rainier Service Area: Proposed: 1.5% curbside rate increase plus disposal pass-thru. Proposed 8% increase for Commercial Drop Boxes

The DCR indicates a projected operating ratio of 8.4%. This is within the acceptable range of 8-14%. The DCR does not supports a rate increase of 1.5%.

Due to the higher operational cost of the roll off business, as detailed in the DRC, Waste Connections is requesting an 8% increase for the Commercial Drop Box rate

The Solid Waste Advisory Committee is recommending, 8% increase for the commercial drop box service for FY 2018

The FY 2018 change in rates for every week residential collection service is summarized as follows:

Franchise Area	Typical Service	Current Rate	Rate Increase	Disposal Pass-Thru	New Rate
St. Helens-Rural	32 Gal. Weekly	\$28.30	\$0	\$.19	\$28.49
Clatskanie-Rural	32 Gal. Weekly	\$30.17	\$3.02	\$.19	\$33.38
Rainier-Rural	32 Gal. Weekly	\$28.86	\$0	\$.19	\$29.05
Rainier – Commercial	20 yard Drop Box Haul	\$171.95	8%	0	\$185.71

RECOMMENDATION:

The Solid Waste Advisory Committee, public members, Mike Sheehan, Leahnette Rivers, Randy Zuber, and LDS staff heard presentations by Waste Connections and Waste Management regarding their respective collection service detailed cost reports and related rate requests on May 4, 2017.

Based on a review of detailed cost reporting information submitted in support of the franchise hauler requests, SWAC and Staff recommend approval of the above described collection franchisee rate adjustments, a 10% rate increase for rural Clatskanie service area, an 8% rate increase for the drop box service for rural Rainier Service and the allowable disposal pass thru of \$.19 for all service areas. Staff recommends that the Board set the proposed rate adjustments over for review at a public hearing on June 21, 2017 after provision of required public notice.

ATTACHMENTS:

1. Collection Franchise Area Map.
2. Waste Management Proposed Rates and Supporting Detailed Cost Report for the Scappoose and Vernonia rural service areas.

****Please Note: DCR is Confidential-No Public Release. ****

3. Waste Connections (dba Hudson Garbage Service) Proposed Rates and Supporting Detailed Cost Report for the St Helens, Clatskanie and Rainier rural service areas.

****Please Note: DCR is Confidential-No Public Release****