

Hudson Garbage Columbia County Rate Redesign Project and 2025/2026 Rate Adjustment Proposal

Executive Summary

Hudson Garbage proposes a significant change to the rate structure that brings more equity and consistency to rates throughout the three County franchise zones operated by our company. By itself, the redesign does not increase revenue, but it does increase rates for some customers, particularly in the Rainier Zone, and it lowers rates for other customers.

In addition to the rate redesign, the Company requests a 3.5% rate adjustment to keep pace with increasing disposal and operating costs.

Rate Re Design

Hudson Garbage's Columbia County operations originated from three separate garbage franchises that were acquired over time. **For many years, we attempted to set rates for each area independently, but the small populations created rate volatility** as the introduction of relatively small changes like a new truck or a lost business customer could have a significant impact on rates. The distance between St Helens, Rainier and Clatskanie rates became a large factor as labor and time-sensitive costs continued to rise. **The annual reporting was complicated and very complex relative to the size of the customer base** and the time necessary to analyze the amount of data was overwhelming for County Staff, the volunteer Solid Waste Advisory Committee (SWAC) and Company employees. Despite all the complexity, rate increases were almost always layered on top of old rates, leaving any flaws in design intact. There was significant dissatisfaction.

Last year we embarked on a project to harmonize the rates, acknowledging that there is extra time and costs to service the Rainier and Clatskanie areas, and simplifying the reporting and rate review process. **County Staff met with representatives from Hudson Garbage and WM, along with an independent consultant with an eye to accomplish these objectives.**

In late summer 2024, the consultant produced a draft reporting document that retained operational and statistical information for each zone, but which consolidated costs into a

Hudson Garbage Rate Redesign & Rate Proposal 2025/2026

single reporting zone for each company. **The report format was simplified substantially. We used the new format this year** and found it much easier to navigate. We believe the SWAC members agreed.

The new format requested information about “windshield time,” or the time we spend each year to position our trucks to service customers in unincorporated Rainier and Clatskanie as opposed to relatively nearby St. Helens suburbs. We found that windshield time accounts for approximately 9% of our Rainier hours and 12% of our Clatskanie hours. **We settled on pricing Rainier 2.5% higher than St. Helens County and Clatskanie at 5% higher.** We chose these percentages because we recognize that many costs are fixed costs, not affected by driver time and because we don’t want rates in the farthest region to be so outsized that customers can’t afford them or refuse to pay them and consequently choose to dispose of their waste improperly.

With Staff support, we chose to take this opportunity to “harmonize” the rates between the zones, which has never been done since the original rate sheets were acquired from predecessor companies. To accomplish this, one must settle upon a Rate Design. Rate Design spells out the way the company will achieve its revenue objective through collecting revenue from each customer paying individual rates. A rate design assumption in the St. Helens County area, for example, is that a 35-gallon cart serviced every other week costs 76% of the weekly service rate. This assumption acknowledges that the bulk of the service cost is incurred by getting the truck and driver to the neighborhood but allows a 24% discount because the driver doesn’t need to stop at the house or collect trash approximately half the time. In Rainier County, the ratio for this service has been 85%. Percentages varied between the zones for virtually every service.

We chose to follow the pattern set in the St. Helens County zone. We believe the ratios used to develop those rates are fair, and because this area has the greatest population, fewer people will be significantly affected by rate design changes. For reference, there are approximately 3,800 customers in the St. Helens area, 700 in Rainier, and 250 in Clatskanie.

Harmonization and consolidation make it easier to display rates on a consolidated rate sheet where all service offerings are displayed in one column on the left and rates for each of the three zones are displayed on the same page. Most rates include the zone premium, but several rates, such as walk-in fees, are identical between the zones.

A goal of this project is for Hudson Garbage to remain revenue neutral while establishing the standardized charges that are tiered by area. Through this process, some customers will see reduced service charges and some will increase. Within this

Hudson Garbage Rate Redesign & Rate Proposal 2025/2026

rate design, the Rainier zone will see the largest rate increases, while most customers in the Clatskanie and St. Helens zones will see decreases. This is largely because **a group of about 247 customers in Rainier County currently receive every other week service with no-recycling that is substantially underpriced relative to every other week service in the other zones. These customers will see a rate design increase of \$7.28/month over their current rate.** We have recently received two new automated collection trucks that should allow us to offer recycling service to most, if not all, of these customers. Consequently, **while they will pay more, they will also begin to receive recycling services that will help them to manage their waste in a more environmentally friendly way and to potentially readjust their service level.**

Annual Rate Adjustment of 3.5%

Rate Redesign does not change the amount of overall revenue in the system. Separate from that process, both revenues and costs increased between 2023 and 2024. **Overall financial margins have remained steady** in both years, and within the desired 8-12% operating ratio range. Rates were last increased 2.5% on July 1, 2024.

Report Year		2024	2023	▲
Line	Description	Columbia County	Columbia County	Columbia County
1	Revenue	\$ 2,598,579	\$ 2,385,759	\$ 212,820
2	Revenue Reduction	\$ 662,399	\$ 577,998	\$ 84,401
3	Cost of Good Sold	\$ 1,936,181	\$ 1,807,761	\$ 128,420
4	Direct Cost of Operations	\$ 1,129,528	\$ 1,061,171	\$ 68,357
5	Indirect Administrative Costs	\$ 562,989	\$ 513,577	\$ 49,412
6	Less Unallowable Costs	\$ 881	\$ 625	\$ 255
6a	Contributions	\$ 881	\$ 625	\$ 255
6b	Other (list)			\$ -
7	Allowable Franchise Costs	\$ 1,691,636	\$ 1,574,122	\$ 117,514
8	Franchise Income	\$ 244,545	\$ 233,639	\$ 10,906
9	Operating Margin (%)	9.4%	9.8%	

In order to remain within the target range, a rate adjustment is required. The following significant cost inflators were used in the projection:

Hudson Garbage Rate Redesign & Rate Proposal 2025/2026

Cost Inflaters:	Inflator
Labor	3.5%
Disposal	2.2%
Fuel	0.0%
Group Medical Insurance	10.0%
Casualty Insurance	20.0%
General Costs	3.0%

Without a rate adjustment, projected operating margins would fall to 6.4%, which is below the County’s minimum target threshold.

The Company requests a 3.5% increase in revenue, which will be applied to the newly designed rates. Some customers who benefited from lower rates through the rate redesign process will see a lower percentage change; those who see a redesign increase will experience a higher percentage adjustment. **Exhibit A** shows the proposed rates in final form, and **Exhibit B** shows the proposed July 1, 2025 rates alongside the current rates to show the full impact of the proposed changes on each individual rate.