



Collection Rates and Compensation

High Diversion Rates & Compensation
Workshop
December 10, 2013



Balancing Rate Setting Goals

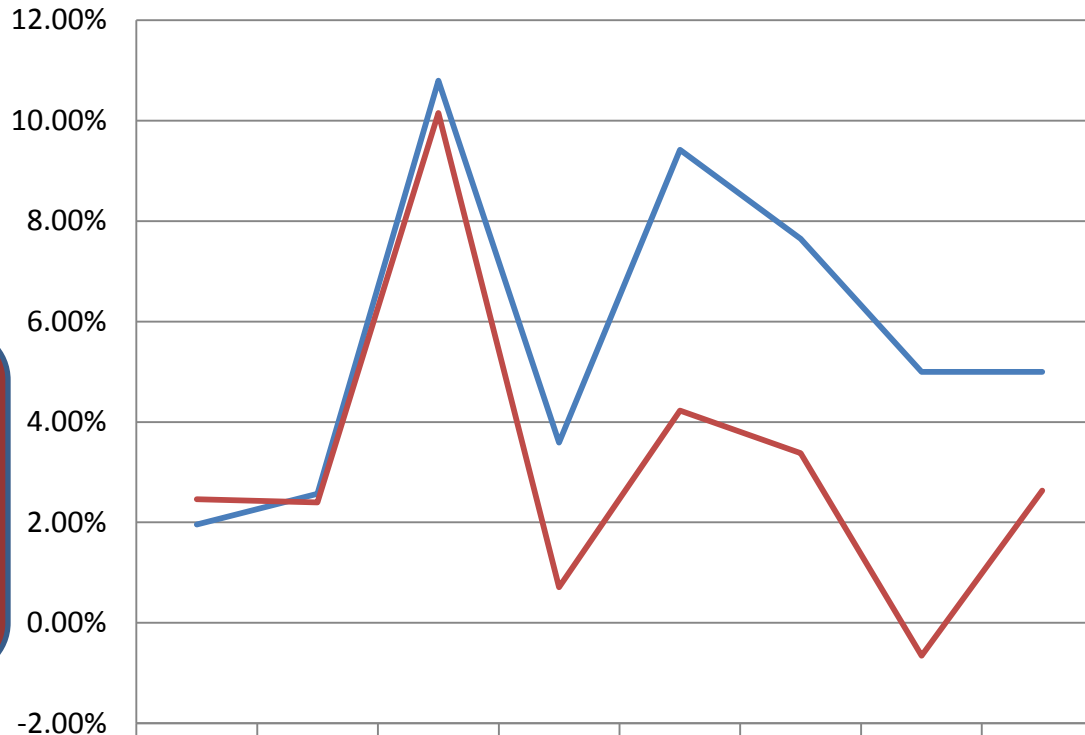
- ☐ Cover cost of services
- ☐ Encourage diversion
 - ✓ ratepayers
 - ✓ contracted haulers
- ☐ Comply with local and state requirements
- ☐ Promote revenue reliability
- ☐ Reduce rate volatility



Revenue Gap

Average
Annual Rate
Increase =
5.7%

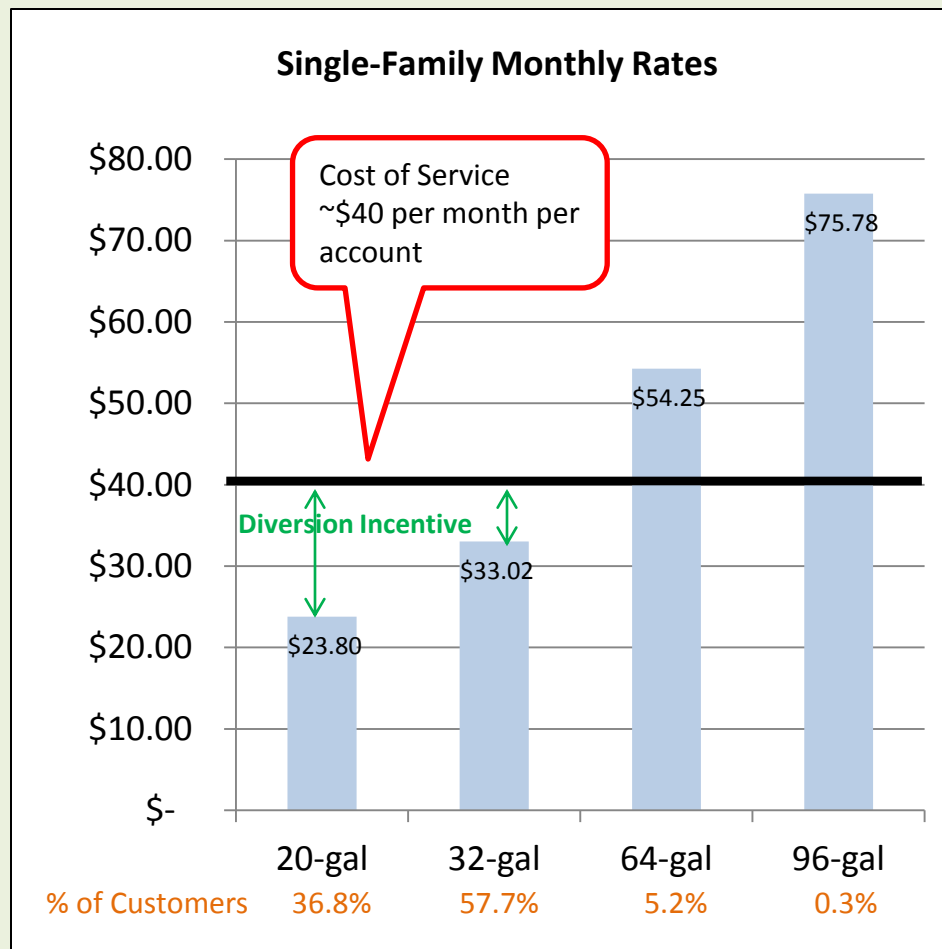
Actual
Change in
Annual
Revenue
Received =
3.2%



	2005	2006	2007	2008	2009	2010	2011	2012
Rate Increases	1.96%	2.57%	10.80%	3.59%	9.42%	7.65%	5.00%	5.00%
Change in Revenue	2.46%	2.40%	10.16%	0.71%	4.23%	3.38%	-0.65%	2.63%



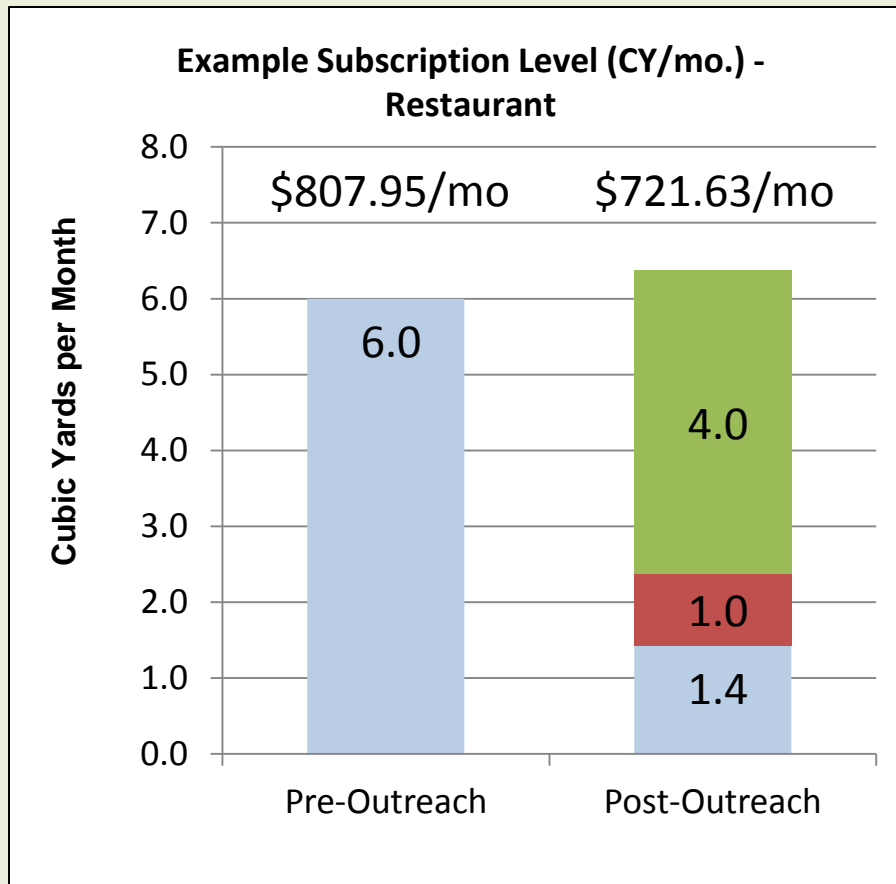
Revenue Impact – Successful Residential Diversion



- As residents are successful recyclers - revenues are not covering collection costs
- Current 20- and 32-gallon rates do not cover total costs
- Typical industry approach to encourage recycling



Revenue Impact – Successful Commercial Diversion



- As businesses are successful recyclers - revenues are not covering costs
- Pre-Outreach (2 trips/wk):
 - ✓ 3CY, 2x/wk - SW
- Post-Outreach (6 trips/wk):
 - ✓ 96gal, 3x/wk – SW
 - ✓ (2) 96gal, 1x/wk – Recyclables
 - ✓ 2CY, 2x/wk – Organics

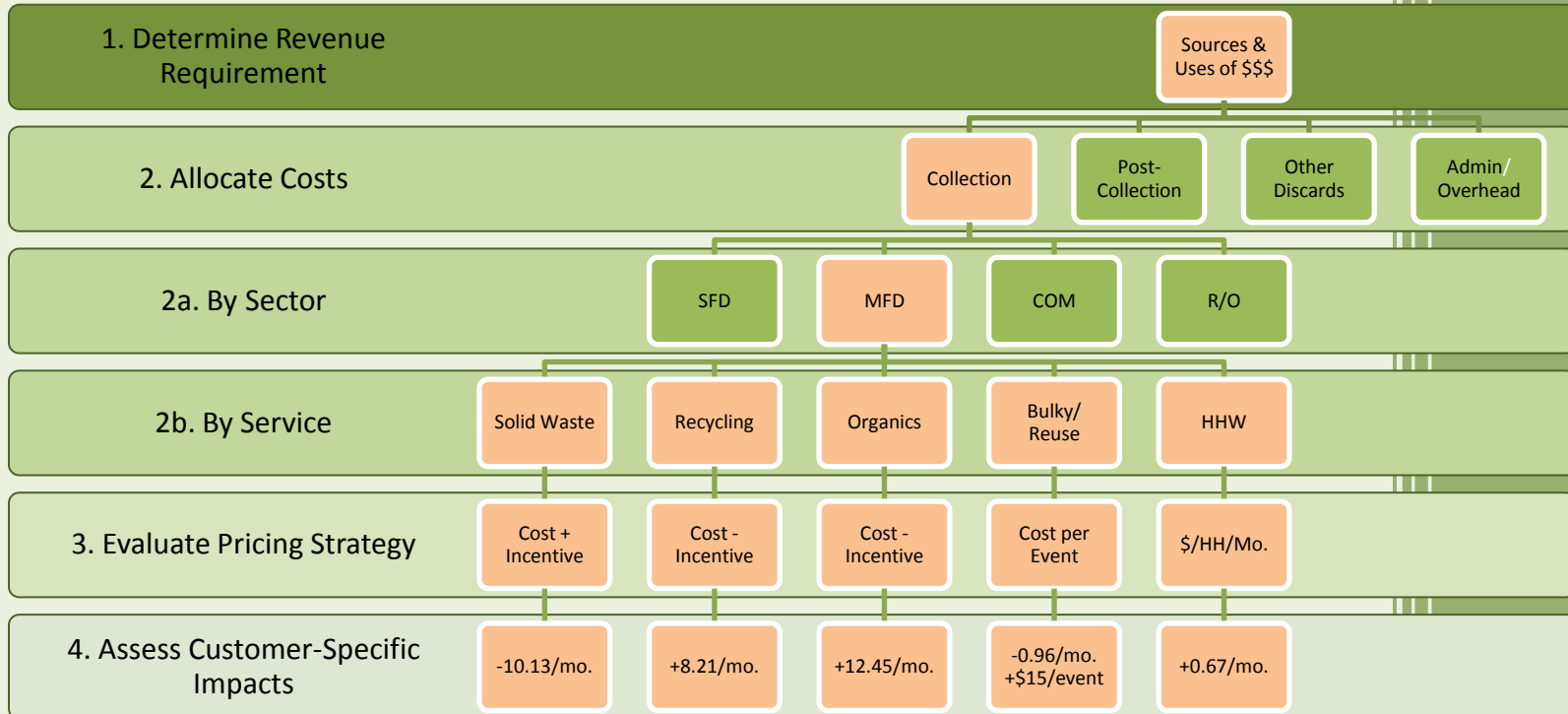


Revenue Gap – The Sequel?

- ❑ Increased focus on multi-family and commercial recycling and organics
- ❑ Many rate structures provide baseline recycling and organics services at no charge and/or 20%-50% discounts
- ❑ In many cases recycling and organics processing costs exceeds landfill tip fees



Conceptual Approach to Rate Setting



Policy/Objectives:

- Cost of Service
- Clearly Communicated Incentives for Diversion
- Legal Compliance
- Pay for What's Available to You
- Practical
- Sustainable

Solution Elements:

- Legal
- Capacity
- Practical
- Affordable
- Predictable
- Incentives
- Quantifiable



Considerations

- ☐ Reduce rate slope – greater focus on cost per trip/per account versus volume
- ☐ Fixed and variable rate components
- ☐ Reduce trips necessary (e.g., commercial wet/dry) - where feasible
- ☐ Rebalancing rates between costs to provide recycling/organics services and the discount provided



Washington State PAYT/Best Practices Study

- Looked at almost 3 dozen service areas in Washington State
- All had some form of PAYT (required by state law)
- Reviewed price differential by container size (small variables up to linear rates)
- Reviewed container size by city
- Reviewed basic rates by city
- Reviewed single stream and organics recycling rates by city
- Contemplated impact of public education programs

Variable Cart Rate Analysis

Note: As calculated, 1.0 = linear rates (meaning 64gal = 2 x 35gal). The closer the slope is to 0.0, the less expensive the additional gallons above 35.

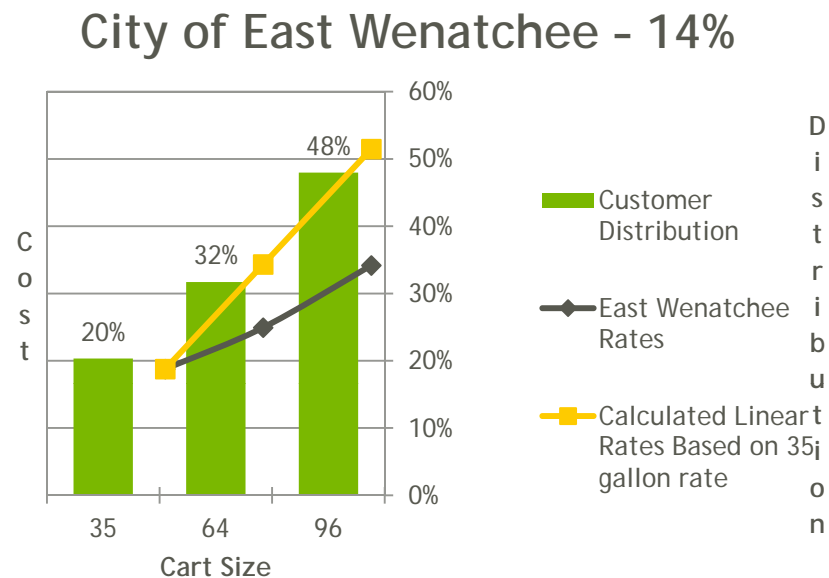
			Subscription Levels (MSW)														
Area	Recycling Type	County	35 gal Cart Rate	64 gal Cart Rate	96 gal Cart Rate	Difference between 96 gal and 35 gal Rate	Slope of the best fit line* (35 gal basis)								Recycling and Organics Rate	Recycli ng Rate	Organics Rate
								10 gal	20 gal	35 gal	er	45 gal	64 gal	96 gal			
Duvall	Embedded	King	\$ 27.10	\$ 36.18	\$ 43.98	\$ 16.88	0.012	0%	8%	57%	65%	0%	30%	5%	61%	24%	37%
East Wenatchee	Embedded	Douglas	\$ 12.51	\$ 16.62	\$ 22.78	\$ 10.27	0.013	0%	0%	20%	20%	0%	32%	48%	14%	11%	3%
Federal Way	Embedded	King	\$ 18.80	\$ 25.62	\$ 34.36	\$ 15.56	0.017	4%	21%	45%	70%	0%	25%	5%	57%	33%	24%
Snoqualmie	Embedded	King	\$ 22.85	\$ 34.43	\$ 46.02	\$ 23.17	0.017	2%	7%	48%	57%	0%	39%	4%	47%	33%	14%
Burlington	Embedded	Skagit	\$ 11.24	\$ 17.05	\$ 22.82	\$ 11.58	0.017	0%	16%	53%	68%	0%	28%	4%	46%	23%	23%
Maple Valley	Embedded	King	\$ 16.49	\$ 25.61	\$ 35.11	\$ 18.62	0.019	0%	8%	54%	62%	0%	32%	6%	52%	32%	20%
Mukilteo	Embedded	Snohomish	\$ 15.80	\$ 25.15	\$ 34.07	\$ 18.27	0.020	0%	16%	59%	75%	0%	23%	2%	63%	26%	37%
Mill Creek	Embedded	Snohomish	\$ 13.01	\$ 20.24	\$ 28.25	\$ 15.24	0.020	0%	11%	57%	68%	0%	29%	3%	62%	26%	36%
Burien	Embedded	King	\$ 23.21	\$ 32.70	\$ 42.05	\$ 18.84	0.474	0%	19%	59%	79%	0%	18%	4%	56%	36%	21%
Bremerton	Embedded	Kitsap	\$ 15.13	\$ 19.66	\$ 25.72	\$ 10.59	0.497	2%	11%	58%	71%	0%	25%	4%	56%	48%	8%
Renton (EOW MSW)																	
(Retail)	Embedded	King	\$ 20.11	\$ 35.29	\$ 52.09	\$ 31.98	0.602	0%	11%	56%	67%	8%	21%	5%	66%	43%	23%
Ellensburg	Embedded	Kittitas	\$ 12.67	\$ 20.03	\$ 27.68	\$ 15.01	0.609	0%	3%	69%	72%	0%	24%	4%	38%	26%	12%
Tukwila	Embedded	King	\$ 11.43	\$ 17.94	\$ 24.46	\$ 13.03	0.655	1%	8%	60%	69%	0%	24%	8%	45%	30%	15%
Pacific	Optional	King	\$ 21.15	\$ 37.37	\$ 49.69	\$ 28.54	0.834	4%	8%	63%	76%	0%	22%	2%	34%	18%	17%
Kirkland (Retail)	Embedded	King	\$ 22.25	\$ 40.66	\$ 60.99	\$ 38.74	0.978	1%	11%	55%	66%	0%	27%	6%	70%	45%	25%
Redmond	Embedded	King	\$ 12.73	\$ 25.25	\$ 40.23	\$ 27.50	1.082	0%	11%	65%	76%	0%	20%	4%	64%	41%	23%
Bothell	Embedded	King	\$ 15.71	\$ 31.09	\$ 46.66	\$ 30.95	1.106	0%	13%	63%	76%	0%	22%	3%	67%	39%	27%
Auburn (Retail)	Embedded	King	\$ 15.05	\$ 33.26	\$ 46.34	\$ 31.29	1.110	7%	8%	67%	82%	0%	15%	3%	72%	35%	37%

Findings of Washington Best Practices Study

- PAYT increases recycling - Washington State generally has high recycling rates.
- Basic pricing plays a role - Recycling rates do not increase when rates are very low, even with PAYT rates
- PAYT rates impact recycling rates - to a point.
- Successful programs combine PAYT with a range of other programs. Pricing is not the only driver for success



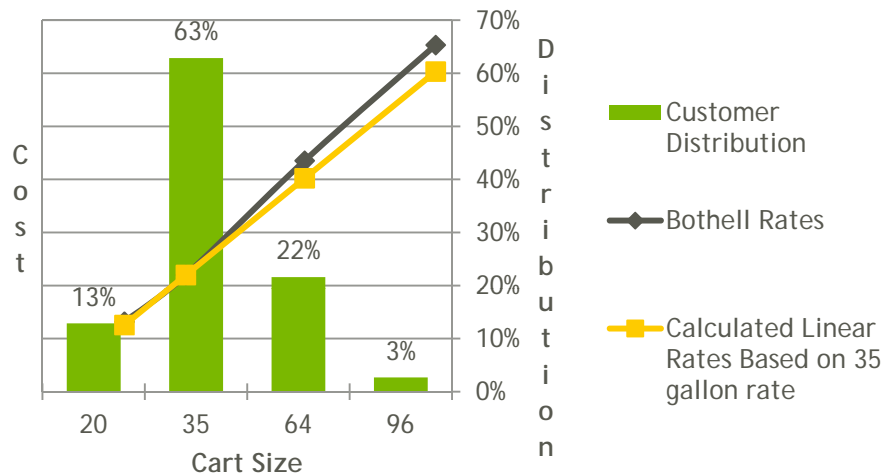
Example: Low trash rate = low diversion rates



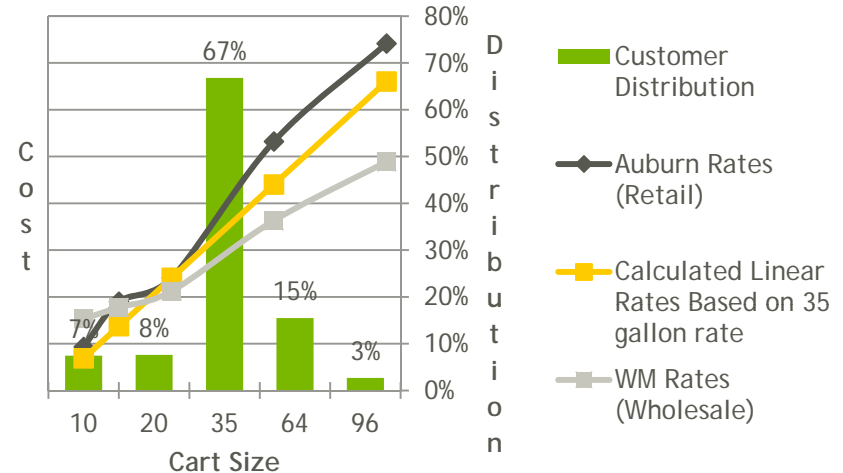
- Low rates impact container size/subscriptions
- Low trash rates lead to low recycling rates (14%), even with variable can rates (0.013 slope)
- Extra charge for YW combined with low garbage rates (and no regulations) result in low organics diversion (3%)

Examples: Linear rates work – to a point

City of Bothell - 67%
Slope = 1.106



City of Auburn - 72%
Slope = 1.110

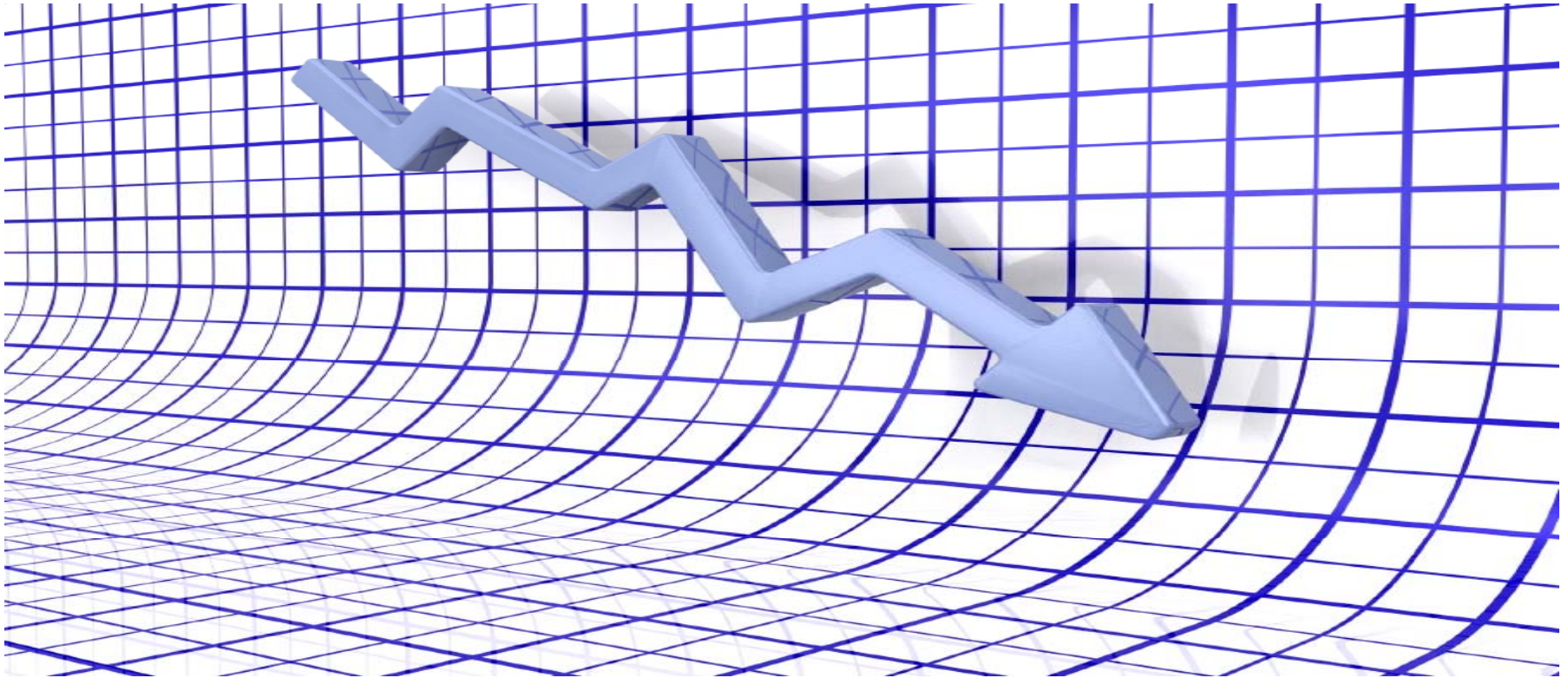


- Linear rates only get you so far. Other programs are important to achieving goals.
- PAYT, high base trash rates, convenient service offerings and public education all impact recycling rates

Looking forward: where do we go from here?

Balancing rates with programs

- Do not count on rates alone to achieve high diversion
- Thoughtful programs to meet community needs are at least as important as rates
- Zero Waste goals can be achieved with rates that contemplate services, pricing incentives, programmatic costs and human behavior
- Don't forget organics – folks understand that there is a cost to organics – not so much recyclables. Variable rates for organics can help offset costs
- Don't scrimp on public education costs.



Program Costs and Rate Impacts

FINANCIAL & COST ANALYSIS

The analysis considers two quantitative factors:

- Diversion potential (measured by tons per year); and,
- Cost effectiveness (measured by the cost per diverted ton).

Financial & Cost Analysis

Residential Programs

Program	Phase	Incremental Annual Cost/(Savings) – Median of Estimated
Food Scraps Collection	Short	\$111,550
Behavior Change Marketing	Short	\$44,500
Weekly Organics and Recyclables; Bi-Weekly Refuse Collection	Short-Med	(\$147,536)
Wet/Dry Collection	Med-Long	(\$273,878)
Residual Processing	Long	\$11,963

Financial & Cost Analysis

Multi-Family Programs

Program	Phase	Incremental Annual Cost/(Savings) – Median of Estimated
Behavior Change Marketing	Short	\$293,677
Bulky Item Collection; Move-In/Move-Out Program	Short-Med	\$195,689
Weekly Organics and Recyclables; Bi-Weekly Refuse Collection	Short-Med	\$(215,454)
Food Scraps Collection – Cart Customers	Medium	\$48,756
Food Scraps Collection – Bin Customers	Medium	\$215,469
Wet/Dry Collection	Med-Long	\$(88,098)
Residuals Processing	Long	\$32,383

Financial & Cost Analysis

Commercial Programs

Program	Phase	Incremental Annual Cost/(Savings) – Median of Estimated
Behavior Change Marketing	Short	\$ (27,098)
Food Scraps Collection	Medium	\$536,112
Wet/Dry Collection	Med-Long	\$(197,908)
Expansion of Mandatory Commercial Recycling	Long	\$285,013
Residuals Processing	Long	\$46,863

Program Implementation

Rate Impact 2012-2030

	Single Family		Multi-family		Commercial	
<u>Program</u>	<u>phase</u>	<u>rate chg.</u>	<u>phase</u>	<u>rate chg.</u>	<u>phase</u>	<u>rate chg.</u>
Food Collection - carts	short	3.8%	medium	1.7%		
Behavior Change	short	1.5%	short	3.9%	short	(0.8)%
Bulky Move In-Out			short - med	2.6%		
Weekly Organics/Recycling & Bi-Weekly Refuse Service	short - med	(0.5)%	short - med	(7.3)%		
Food Collection - bins			medium	2.5%	medium	6.1%
Wet/ Dry Collection	med - long	(9.3)%	med - long	(1.2)%	med - long	(2.3)%
Mandatory Recycling					long	3.3%
Residual Processing	long	0.4%	long	0.4%	long	0.5%
Total Rate Impact 2012-2030 Carts		(4.5)%		(0.3)%		
Total Rate Impact 2012-2030 Bins				(0.5)%		6.8%

Rate Setting

SF Fees

- **Integrated Waste Management Fee**
- Based on all commodities (waste, recycling & organics)
- Incentivize customers to increase recycling and reduce disposal
- Potential reduction in collection costs
- Anticipated fee structure would result in 4% increase in diversion for the single-family sector

Commercial Refuse Rate

- Commercial customer rates would be modified to reflect a uniform “per cubic yard” rate for the whole range of bin or container sizes and collection frequency offered to customers.
- The amount of the cubic yard (unit) rate would be established to ensure that sufficient revenues are generated to cover the City’s costs.

Recycling Rate Commercial & Multi Family

- A recycling rate would be established under this fee structure, as measured by the full service costs for recycling materials. Based upon the quantity of recycling, this rate could be less than the refuse rate.