



Town of Hillsborough

2023 Solid Waste Rates Study

August 8, 2022

Council Study Session



AGENDA

- Introductions
- Goals for the Study Session
- Background
- Rate Study Process
- Preliminary Findings & Recommendations
- Questions & Discussion



GOALS FOR THE STUDY SESSION

- Inform Council of the rate study process and status
- Present preliminary analysis to facilitate discussion
- Receive feedback regarding Rate Adjustments for funding revenue shortfalls and aligning rates with the cost-of-service



BACKGROUND

- Recology has been providing solid waste, recycling, and organic material collection and processing services to the Town since 2011
- The Town is responsible for setting rates
 - The Town bills a portion of residential charges on the tax roll
 - Recology is responsible for billing a portion of residential charges (quarterly) and all commercial charges (quarterly)
- Recology maintains a balancing account payable to (or from) the Town at the expiration of the agreement
 - If actual revenue is greater than Recology's approved compensation, in any given year, the balancing account is increased
 - If actual revenue is less than Recology's approved compensation, in any given year, the balancing account is decreased
 - Interest is charged to the Town if the cumulative balance goes negative



BACKGROUND

- A cost-of-service study was conducted last year (for 2022 rates)
- Small containers required significant increases
- The FAC recommended, and the City Council adopted, a phase-in approach to minimize the rate impact to customers with small containers
- Council adopted the first year of the phase-in with direction to study the rates again this year

	2021 Rates ¹	2022 COS Rates ¹	\$ Change
	\$/mo	\$/mo	\$/mo
Service Level			
20-Gallon Cart	\$42.40	\$55.27	\$12.87
32-Gallon Cart	\$52.50	\$61.46	\$8.96
64-Gallon Cart	\$82.40	\$80.36	(\$2.04)
96-Gallon Cart	\$117.40	\$104.65	(\$12.75)
Extra Organics Cart	\$20.00	\$25.12	\$5.12

¹ Includes Tax Roll Charges

	2021 Rates ¹	2022 Adopted Rates ¹	\$ Change
	\$/mo	\$/mo	\$/mo
Service Level			
20-Gallon Cart ¹	\$42.40	\$51.05	\$8.65
32-Gallon Cart ¹	\$52.50	\$59.40	\$6.90
64-Gallon Cart ¹	\$82.40	\$80.36	(\$2.04)
96-Gallon Cart ¹	\$117.40	\$104.65	(\$12.75)
Extra Organics Cart	\$20.00	\$23.42	\$3.42

¹ Includes Tax Roll Charges



BACKGROUND – HISTORICAL BALANCING ACCOUNT

COLLECTION COST PROJECTION									
	2020 Actual	2021 Actual	2022 Estimated	2023 Projected	2024 Projected	2025 Projected	2026 Projected	2027 Projected	
1	Estimated Revenue (Before Rate Increase)	\$3,177,311	\$3,262,909	\$3,463,635	\$3,568,882	\$3,773,695	\$3,943,268	\$4,117,251	\$4,282,396
2	Base Charge Revenue - Recology (res)		\$2,119,726	\$2,168,990	\$2,277,439	\$2,379,924	\$2,487,021	\$2,586,502	\$2,689,962
3	Base Charge Revenue - Tax Roll (res)		\$1,169,100	\$1,228,545	\$1,320,190	\$1,382,818	\$1,445,045	\$1,506,380	\$1,566,635
4	Subtotal - Residential Revenue		\$3,288,826	\$3,397,535	\$3,597,629	\$3,762,742	\$3,932,066	\$4,092,882	\$4,256,597
5	Base Charge Revenue - Recology (comm)		\$94,380	\$94,380	\$99,099	\$103,558	\$108,218	\$112,547	\$117,049
6	Subtotal - Base Charge Revenue		\$3,383,206	\$3,491,915	\$3,696,728	\$3,866,301	\$4,040,284	\$4,205,429	\$4,373,646
7	Sch Q "Extras" Rev. (i.e., backyard srvc)		\$73,452	\$76,967	\$76,967	\$76,967	\$76,967	\$76,967	\$76,967
8	Total Revenue (after rate adjustments)	\$3,262,909	\$3,463,635	\$3,568,882	\$3,773,695	\$3,943,268	\$4,117,251	\$4,282,396	\$4,450,613
Expenses									
9	Recology Collection Costs	\$2,136,851	\$2,085,460	\$2,119,350	\$2,226,580	\$2,337,909	\$2,431,425	\$2,528,682	\$2,629,829
10	Disposal & Processing Fees	\$1,065,722	\$1,160,646	\$1,193,348	\$1,235,248	\$1,297,010	\$1,348,891	\$1,402,846	\$1,458,960
11	Agency Franchise & Other Fees	\$296,867	\$315,051	\$323,500	\$339,572	\$354,809	\$370,775	\$385,559	\$400,982
12	Total Expenses	\$3,499,440	\$3,561,157	\$3,636,199	\$3,801,399	\$3,989,728	\$4,151,091	\$4,317,088	\$4,489,771
13	Surplus / (Shortfall) After Rate Increase	(\$236,531)	(\$97,522)	(\$67,318)	(\$27,704)	(\$46,460)	(\$33,840)	(\$34,692)	(\$39,159)
14	Balancing Acct. (Proj. Year-End Balance)	\$580,605	\$483,083	\$415,765	\$388,060	\$341,600	\$307,761	\$273,068	\$233,910



CURRENT RATES - RESIDENTIAL

■ Two components

1. **Tax Roll.** All parcels charged \$330.00 per year on property tax bills (\$27.50/month), plus
2. **Container Charge (Recology Bills).** Monthly charge based on the size of solid waste container

	Billed on Tax Roll	Billed by Recology	Total Charge
	\$/mo	\$/mo	\$/mo
<u>Solid Waste Subscription</u>			
20-Gallon Cart	\$27.50	\$23.55	\$51.05
32-Gallon Cart	\$27.50	\$31.90	\$59.40
64-Gallon Cart	\$27.50	\$52.86	\$80.36
96-Gallon Cart	\$27.50	\$77.15	\$104.65
Extra Organics Cart (Green)	\$0.00	\$23.42	\$23.42



CURRENT RATES - COMMERCIAL

- Monthly bill is based on the size and frequency of Solid Waste and Organics weekly collection

CURRENT Monthly Commercial Solid Waste Rates							
	Cart Size (Gallons)			Bin Size (Cubic Yards)			
Frequency	32	64	96	1	2	3	6
1 /week	\$49.85	\$54.33	\$66.28	\$127.62	\$242.32	\$386.48	\$966.29
2 /week	\$80.33	\$104.22	\$132.78	\$236.27	\$465.67	\$754.00	\$1,913.62
3 /week	\$106.33	\$142.17	\$185.01	\$344.93	\$689.02	\$1,121.52	\$2,860.95
4 /week	\$132.33	\$180.11	\$237.23	\$453.58	\$912.38	\$1,489.03	\$3,808.28
5 /week	\$158.32	\$218.06	\$289.46	\$562.24	\$1,135.73	\$1,856.55	\$4,755.61
6 /week	\$184.32	\$256.00	\$341.69	\$670.89	\$1,359.09	\$2,224.07	\$5,702.94

CURRENT Monthly Commercial Organics Rates							
	Cart Size (Gallons)			Bin Size (Cubic Yards)			
Frequency	32	64	96	1	2	3	6
1 /week	\$24.92	\$27.16	\$33.14	\$63.81	\$121.16	\$193.24	\$483.15
2 /week	\$40.16	\$52.11	\$66.39	\$118.14	\$232.84	\$377.00	\$956.81
3 /week	\$53.16	\$71.08	\$92.50	\$172.46	\$344.51	\$560.76	\$1,430.47
4 /week	\$66.16	\$90.06	\$118.62	\$226.79	\$456.19	\$744.52	\$1,904.14
5 /week	\$79.16	\$109.03	\$144.73	\$281.12	\$567.87	\$928.27	\$2,377.80
6 /week	\$92.16	\$128.00	\$170.84	\$335.45	\$679.54	\$1,112.03	\$2,851.47



STEPS OF COST-OF-SERVICE RATE STUDY

- **Step 1:** Determine revenue requirement – What are the net costs that need to be covered by rates?
- **Step 2:** Determine rate revenue at current rates
- **Step 3:** Develop funding strategy for bridging any revenue shortfalls
 - Rate increases, use of balancing account, or any other alternative funding sources
- **Step 4:** Design rates to generate the necessary revenue from rates

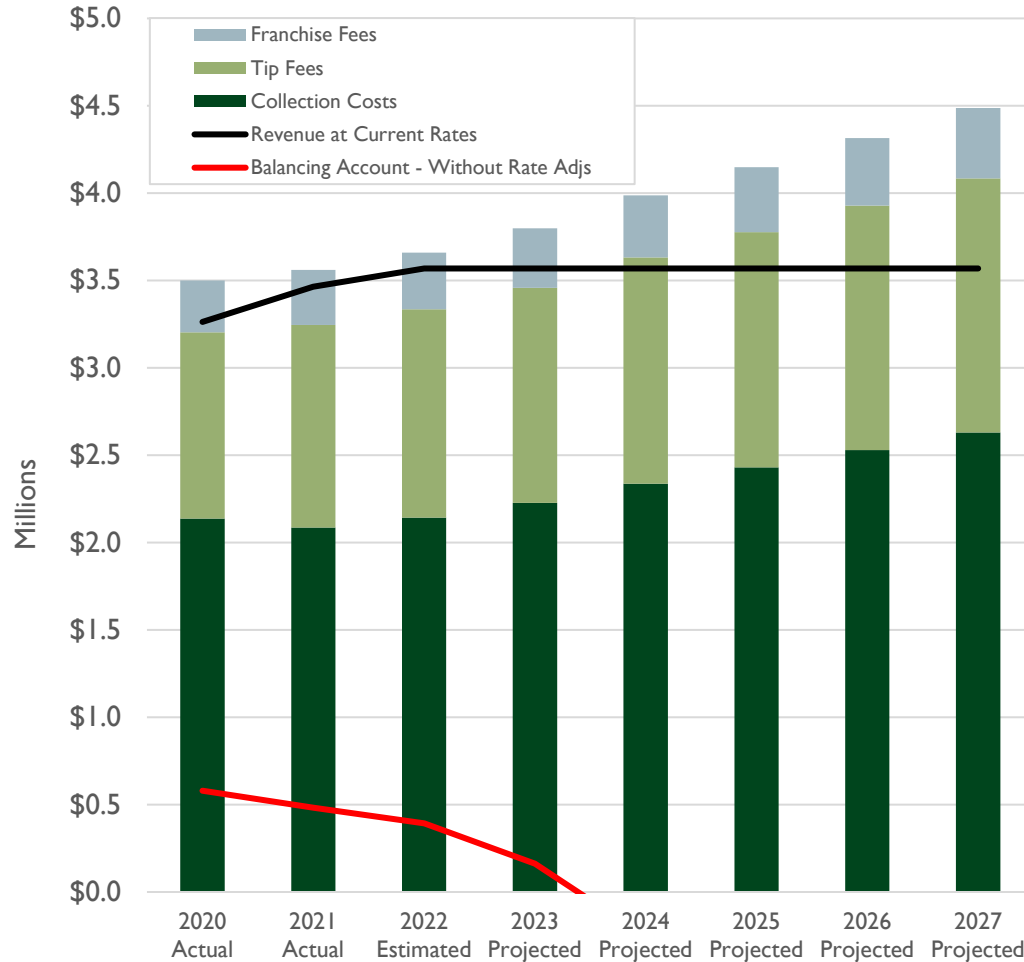


STEPS 1&2: REVENUE REQUIREMENT AND CURRENT REVENUE

- **Recology costs are increasing 5.1% for 2023**
 - Inflationary increases allowed in the agreement
 - 2024-2027 Projections: 5.0% increase for 2024 and 4.0% increases for 2025-2027.
- **Disposal and Processing costs at the Shoreway Environmental Center are increasing 3.2%.**
 - Solid waste tip fee increasing 6.2% eff. 1/1/2023
 - Organic material tip fee increasing 2.1% eff. 1/1/2023
 - 2024-2027 Projects: 5.0% increase for 2024 and 4.0% increases for 2025-2027.



STEPS 1&2: REVENUE REQUIREMENT AND CURRENT REVENUE



- Recommend stabilizing balancing account after years of drawing it down and potential cost increases

 - Potential Tipping Fee Increases.** SBWMA agreements for Shoreway Environmental Center operator and organic material processor will expire in the next two to three years. Impact on tipping fees is difficult to predict.
 - Organic Products Procurement.** SBI 383 requires each jurisdiction to procure products generated from recovered organic waste. Cost of compliance still not known.



STEP 3: PROPOSED FUNDING STRATEGY

COLLECTION COST PROJECTION							
	2022 Estimated	2023 Projected	2024 Projected	2025 Projected	2026 Projected	2027 Projected	
1	Total Revenue (after rate adjustments)	\$3,568,882	\$3,773,695	\$3,943,268	\$4,117,251	\$4,282,396	\$4,450,613
2	Revenue Increase		5.0%	4.5%	4.5%	4.0%	4.0%
	Expenses						
3	Recology Collection Costs	\$2,142,411	\$2,226,580	\$2,337,909	\$2,431,425	\$2,528,682	\$2,629,829
4	Disposal & Processing Fees	\$1,193,348	\$1,235,248	\$1,297,010	\$1,348,891	\$1,402,846	\$1,458,960
5	Agency Franchise & Other Fees	\$323,500	\$339,572	\$354,809	\$370,775	\$385,559	\$400,982
6	Total Expenses	\$3,659,259	\$3,801,399	\$3,989,728	\$4,151,091	\$4,317,088	\$4,489,771
	<i>annual % change</i>		3.9%	5.0%	4.0%	4.0%	4.0%
7	Surplus / (Shortfall) After Rate Increase	(\$90,379)	(\$27,704)	(\$46,460)	(\$33,840)	(\$34,692)	(\$39,159)
8	Balancing Acct. (Proj. Year-End Balance)	\$415,765	\$388,060	\$341,600	\$307,761	\$273,068	\$233,910

- Proposed rate adjustments results in a positive balancing account: ~\$234,000 by year-end 2027



STEP 4: DESIGN RATES

“...fees and charges must be proportional to the cost of providing the service attributable to the parcel . . .”
--Proposition 218

- Design 2023 rates to generate the necessary rate revenue
- Phase I of residential small cart rate re-alignment adopted in 2022
- Finalize phase-in of small cart rate increases so all service levels pay their respective cost-of-service
- Annual uniform percent increases thereafter



RECOMMENDED RATE ADJUSTMENTS

■ Billed on Tax Roll

■ Billed by Recology

	Current Rates	COS Rates 2023	\$ Change	2024	2025	2026	2027
	\$/mo	\$/mo		5.0%	4.5%	4.5%	4.0%
Residential							
Flat fee per Parcel	\$27.50	\$28.88	\$1.38	\$30.18	\$31.54	\$32.80	\$34.11
20-Gallon Cart	\$23.55	\$29.25	\$5.70	\$30.57	\$31.95	\$33.23	\$34.56
32-Gallon Cart	\$31.90	\$35.72	\$3.82	\$37.33	\$39.01	\$40.57	\$42.19
64-Gallon Cart	\$52.86	\$55.50	\$2.64	\$58.00	\$60.61	\$63.03	\$65.55
96-Gallon Cart	\$77.15	\$80.98	\$3.83	\$84.62	\$88.43	\$91.97	\$95.65
Extra GW Cart	\$23.42	\$24.77	\$1.35	\$25.88	\$27.04	\$28.12	\$29.24

■ **Combined Monthly Bill**

	Current Rates	COS Rates 2023	\$ Change	2024	2025	2026	2027
	\$/mo	\$/mo		5.0%	4.5%	4.5%	4.0%
Residential							
20-Gallon Cart	\$51.05	\$58.13	\$7.08	\$60.75	\$63.49	\$66.03	\$68.67
32-Gallon Cart	\$59.40	\$64.60	\$5.20	\$67.51	\$70.55	\$73.37	\$76.30
64-Gallon Cart	\$80.36	\$84.38	\$4.02	\$88.18	\$92.15	\$95.83	\$99.66
96-Gallon Cart	\$104.65	\$109.86	\$5.21	\$114.80	\$119.97	\$124.77	\$129.76
Extra GW Cart	\$23.42	\$24.77	\$1.35	\$25.88	\$27.04	\$28.12	\$29.24

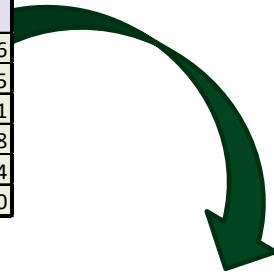


RECOMMENDED RATE ADJUSTMENTS – SOLID WASTE

CURRENT Monthly Commercial Solid Waste Rates

Frequency	Cart Size (Gallons)			Bin Size (Cubic Yards)			
	32	64	96	1	2	3	6
1 /week	\$49.85	\$54.33	\$66.28	\$127.62	\$242.32	\$386.48	\$966.29
2 /week	\$80.33	\$104.22	\$132.78	\$236.27	\$465.67	\$754.00	\$1,913.62
3 /week	\$106.33	\$142.17	\$185.01	\$344.93	\$689.02	\$1,121.52	\$2,860.95
4 /week	\$132.33	\$180.11	\$237.23	\$453.58	\$912.38	\$1,489.03	\$3,808.28
5 /week	\$158.32	\$218.06	\$289.46	\$562.24	\$1,135.73	\$1,856.55	\$4,755.61
6 /week	\$184.32	\$256.00	\$341.69	\$670.89	\$1,359.09	\$2,224.07	\$5,702.94
Additional Containers							
1 /week	\$7.77	\$12.26	\$24.29	\$91.31	\$207.02	\$352.20	\$936.06
2 /week	\$38.26	\$104.22	\$132.78	\$226.90	\$456.30	\$744.63	\$1,904.25
3 /week	\$64.26	\$142.17	\$185.01	\$326.19	\$670.29	\$1,102.78	\$2,842.21
4 /week	\$90.25	\$180.11	\$237.23	\$425.48	\$884.28	\$1,460.93	\$3,780.18
5 /week	\$116.25	\$218.06	\$289.46	\$524.76	\$1,098.26	\$1,819.08	\$4,718.14
6 /week	\$142.25	\$256.00	\$341.69	\$624.05	\$1,312.25	\$2,177.23	\$5,656.10

- Average increase = 5%
- Increases range from 4%-6%



PROPOSED Monthly Commercial Solid Waste Rates (eff. 1/1/2023)

Frequency	Cart Size (Gallons)			Bin Size (Cubic Yards)			
	32	64	96	1	2	3	6
1 /week	\$53.10	\$66.88	\$79.97	\$131.96	\$249.06	\$404.91	\$1,027.39
2 /week	\$79.57	\$107.12	\$133.31	\$246.66	\$480.86	\$792.54	\$2,037.52
3 /week	\$106.03	\$147.36	\$186.65	\$361.35	\$712.65	\$1,180.18	\$3,047.64
4 /week	\$132.50	\$187.61	\$239.99	\$476.04	\$944.45	\$1,567.82	\$4,057.77
5 /week	\$158.96	\$227.85	\$293.33	\$590.74	\$1,176.24	\$1,955.45	\$5,067.89
6 /week	\$185.43	\$268.09	\$346.67	\$705.43	\$1,408.04	\$2,343.09	\$6,078.02
Additional Containers							
1 /week	\$12.73	\$26.59	\$39.73	\$97.35	\$215.47	\$372.32	\$998.86
2 /week	\$39.19	\$66.83	\$93.07	\$212.04	\$447.26	\$759.96	\$2,008.98
3 /week	\$65.66	\$107.07	\$146.41	\$326.74	\$679.05	\$1,147.59	\$3,019.11
4 /week	\$92.12	\$147.31	\$199.74	\$441.43	\$910.85	\$1,535.23	\$4,029.23
5 /week	\$118.59	\$187.56	\$253.08	\$556.13	\$1,142.64	\$1,922.87	\$5,039.36
6 /week	\$145.05	\$227.80	\$306.42	\$670.82	\$1,374.44	\$2,310.50	\$6,049.48

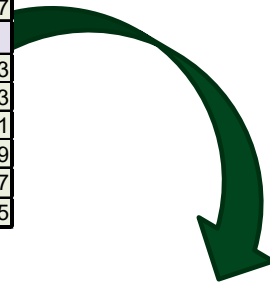


RECOMMENDED RATE ADJUSTMENTS - ORGANICS

CURRENT Monthly Commercial Organics Rates

Frequency	Cart Size (Gallons)			Bin Size (Cubic Yards)			
	32	64	96	1	2	3	6
1 /week	\$24.92	\$27.16	\$33.14	\$63.81	\$121.16	\$193.24	\$483.15
2 /week	\$40.16	\$52.11	\$66.39	\$118.14	\$232.84	\$377.00	\$956.81
3 /week	\$53.16	\$71.08	\$92.50	\$172.46	\$344.51	\$560.76	\$1,430.47
4 /week	\$66.16	\$90.06	\$118.62	\$226.79	\$456.19	\$744.52	\$1,904.14
5 /week	\$79.16	\$109.03	\$144.73	\$281.12	\$567.87	\$928.27	\$2,377.80
6 /week	\$92.16	\$128.00	\$170.84	\$335.45	\$679.54	\$1,112.03	\$2,851.47
Additional Containers							
1 /week	\$3.88	\$6.13	\$12.14	\$45.66	\$103.51	\$176.10	\$468.03
2 /week	\$19.13	\$52.11	\$66.39	\$113.45	\$228.15	\$372.32	\$952.13
3 /week	\$32.13	\$71.08	\$92.50	\$163.10	\$335.14	\$551.39	\$1,421.11
4 /week	\$45.13	\$90.06	\$118.62	\$212.74	\$442.14	\$730.46	\$1,890.09
5 /week	\$58.13	\$109.03	\$144.73	\$262.38	\$549.13	\$909.54	\$2,359.07
6 /week	\$71.13	\$128.00	\$170.84	\$312.03	\$656.12	\$1,088.61	\$2,828.05

- Average increase = 5%
- Increases range from 4%-6%



PROPOSED Monthly Commercial Organics Rates (eff. 1/1/2023)

Frequency	Cart Size (Gallons)			Bin Size (Cubic Yards)			
	32	64	96	1	2	3	6
1 /week	\$26.55	\$33.44	\$39.99	\$65.98	\$124.53	\$202.45	\$513.70
2 /week	\$39.78	\$53.56	\$66.66	\$123.33	\$240.43	\$396.27	\$1,018.76
3 /week	\$53.02	\$73.68	\$93.33	\$180.67	\$356.33	\$590.09	\$1,523.82
4 /week	\$66.25	\$93.80	\$119.99	\$238.02	\$472.22	\$783.91	\$2,028.88
5 /week	\$79.48	\$113.92	\$146.66	\$295.37	\$588.12	\$977.73	\$2,533.95
6 /week	\$92.71	\$134.05	\$173.33	\$352.72	\$704.02	\$1,171.54	\$3,039.01
Additional Containers							
1 /week	\$6.36	\$13.29	\$19.87	\$48.68	\$107.73	\$186.16	\$499.43
2 /week	\$19.60	\$33.41	\$46.53	\$106.02	\$223.63	\$379.98	\$1,004.49
3 /week	\$32.83	\$53.54	\$73.20	\$163.37	\$339.53	\$573.80	\$1,509.55
4 /week	\$46.06	\$73.66	\$99.87	\$220.72	\$455.42	\$767.61	\$2,014.62
5 /week	\$59.29	\$93.78	\$126.54	\$278.06	\$571.32	\$961.43	\$2,519.68
6 /week	\$72.53	\$113.90	\$153.21	\$335.41	\$687.22	\$1,155.25	\$3,024.74



NEXT STEPS

- Questions/Additional Discussion
- Proposition 218 allows up to five-years of rate adjustments
- 2023-2027 Rate Adjustments to Present to Council
 - All five years: 5.0%, 4.5%, 4.5%, 4.0%, 4.0%

