



Assembly Meeting

Sanitation Utility Rate Study

Matt Hobson, Project Manager

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Agenda

- **Utility Rate Study Background**
- **Methodology and Assumptions**
 - » Revenue Requirement Analysis
 - » Recycling Program Evaluation
- **Revenue Requirement Results**
- **Projected Rate Impacts**

Why Are Rate Studies Important?



Maintain the long-term health and integrity of utility system



Quantify policies, priorities, and initiatives



Tell the “true” cost of providing service



Communicate financial decisions and their impact



Management tool

Rate Study Elements



Financial Standards & Policies

Define minimum financial reserve level and other financial management standards



Operating & Maintenance Forecast

Multi-year forecast of operating expenses (e.g., labor, materials)



Capital Finance Strategy

Multi-year cash strategy to support capital investments



Rate Revenue Analysis

Comparison of rate revenue at existing rates and projected financial obligations and policies



Multi-Year Rate Strategy

If needed, determine annual rate adjustments



Fiscal Policies

	Purpose	Target
Fund Balance	Accommodate difference in revenue and expense cycles	4 months of operating and maintenance (O&M) expenses
System Replacement Funding	Promote ongoing system integrity through reinvestment in the system.	Cash fund projects as needed
Rate Setting	A multi-year financial plan	Five-year plan from FY 2022 to FY 2026
Revenue Sufficiency	Set rates to meet the total annual financial obligations of the utility on a stand-alone and self-supporting basis	Rates shall be set to cover O&M and fiscal policy achievement



Key Assumptions and Inputs

- **Annual inflation costs**
 - » General: 3.0%
 - » Construction: 3.0%
 - » Labor: 3.0%
 - » Benefits: 3.0%
 - » Transport and disposal costs: 3.5%
- **No customer growth projected over five-year period**
- **Operating forecast**
 - » Based on FY 2020 budgeted revenues and expenditures



Recycling Program Overview

- **Staff requested FCS Group evaluate potential financial impacts from changes to existing recycling program**
- **Approximately 80 percent of residential customers subscribe to weekly collection of recyclables**
 - » Borough provides a financial incentive for recycling service
 - » Example: 32-gallon garbage cart + recycling cart is \$30.51 per month compared to \$36.61 per month for 32-gallon garbage cart only
- **Borough pays tipping fees to transport and process garbage and recyclables**
- **Communities across the United States are exploring changes to recycling programs in response to recycling markets and increased processing costs**



Recycling Programs in Other Communities

- Since 2017, Juneau, Sitka, Ketchikan, and Anchorage have evaluated or implemented changes to recycling programs
- In 2019 Tacoma (WA) approved an ordinance to raise rates and cut materials such as glass from the curbside program
- In 2019 and 2020, several communities in the Seattle metropolitan area approved recycling surcharges to solid waste rates



Source: “How recycling has changed in all 50 states”. WasteDive



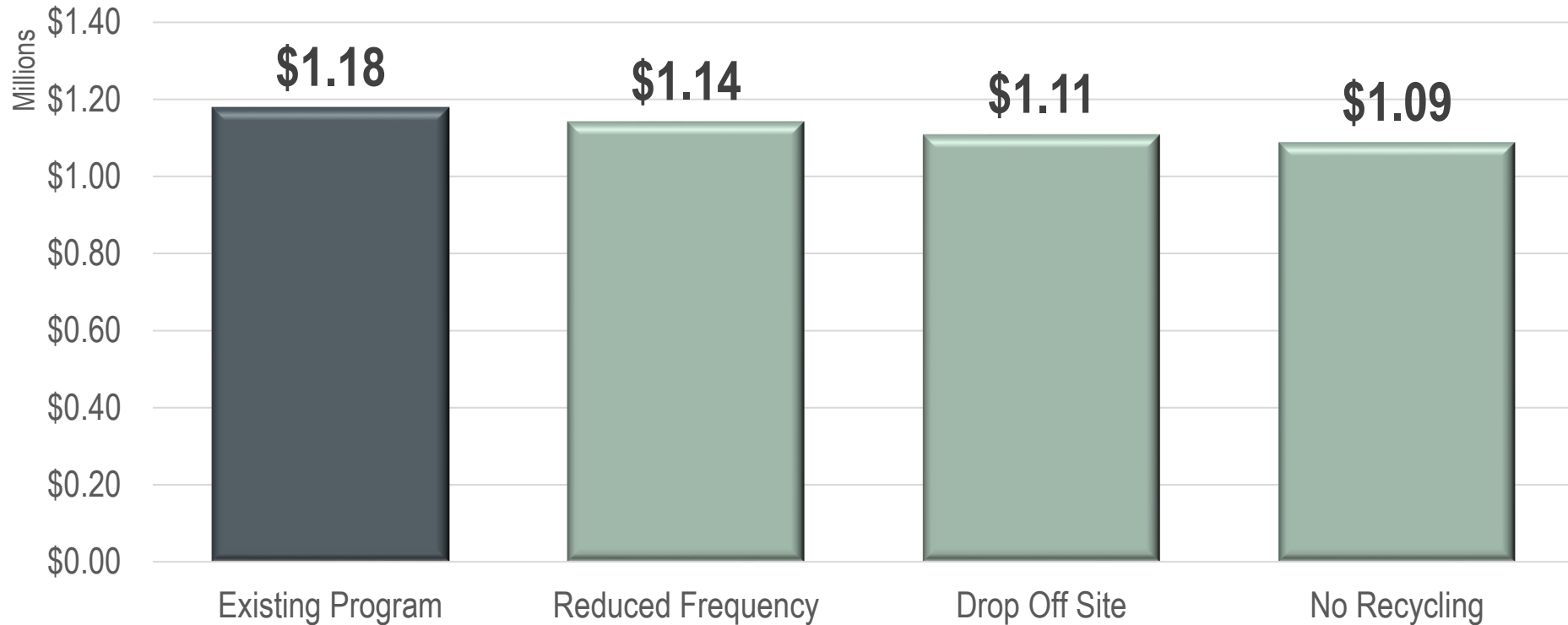
Recycling Program Scenarios

- **Four recycling programs scenarios were evaluated**
 - » Maintain weekly recycling collection
 - » Reduce recycling collection frequency to every other week
 - » Replace curbside recycling collection with a recycling drop-off site
 - » Eliminate curbside recycling collection

Scenario Assumptions	Existing Program	Reduced Frequency	Drop Off Site	Eliminate Recycling
Collection Trucks Required	3	2	2	2
Total Annual Collection Routes	646	542	438	438
Annual Recycling Tonnage	275	248	138	0
Annual Garbage Tonnage	2,100	2,128	2,238	2,375
Annual Transport/Processing Costs	\$269,000	\$268,000	\$264,000	\$259,000



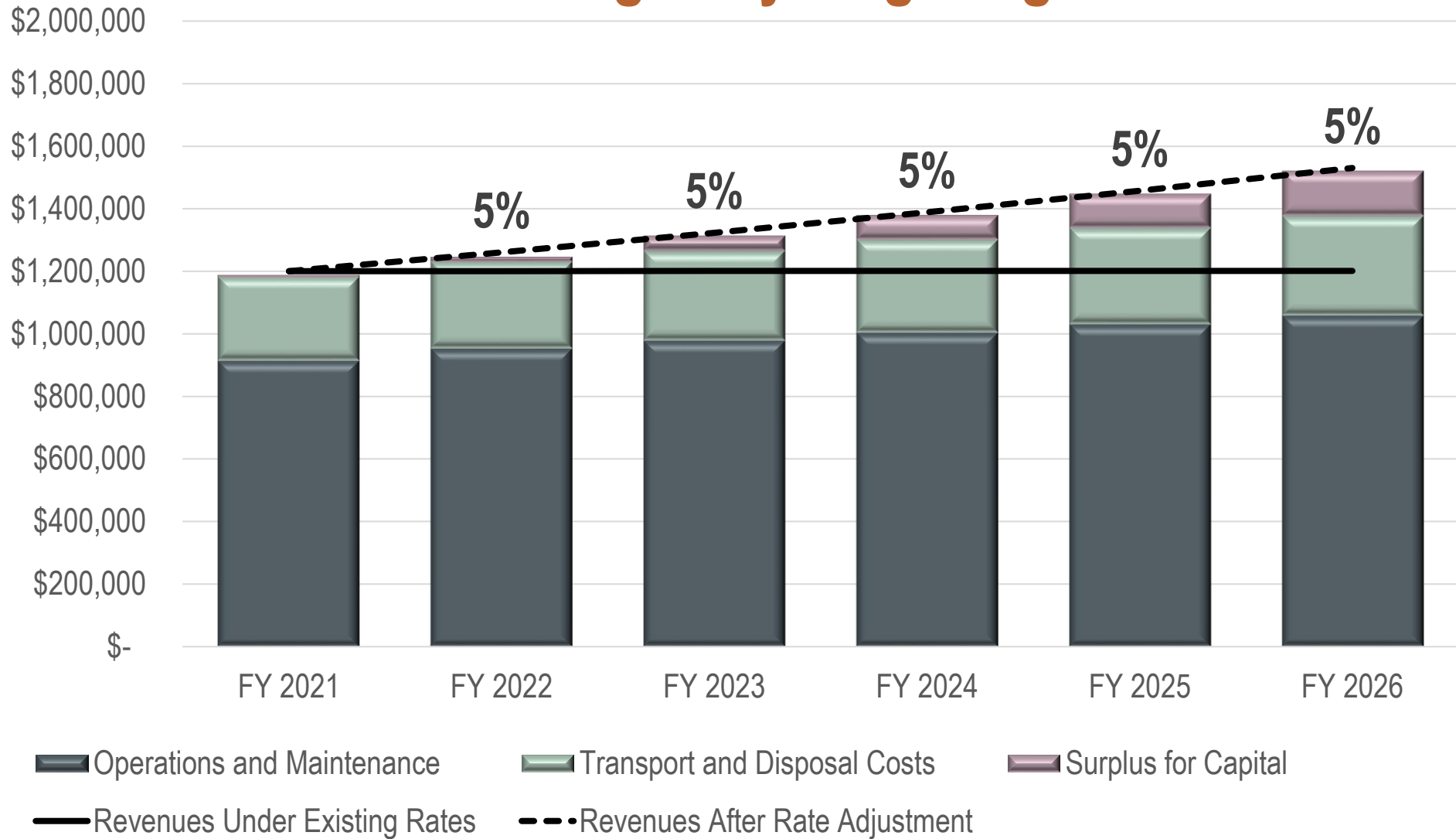
FY 2021 Estimated Annual Operating Expenses



- **Represents change in annual operation costs**
 - » One time \$20,000 capital need for improvements to drop-off site in Scenario 3

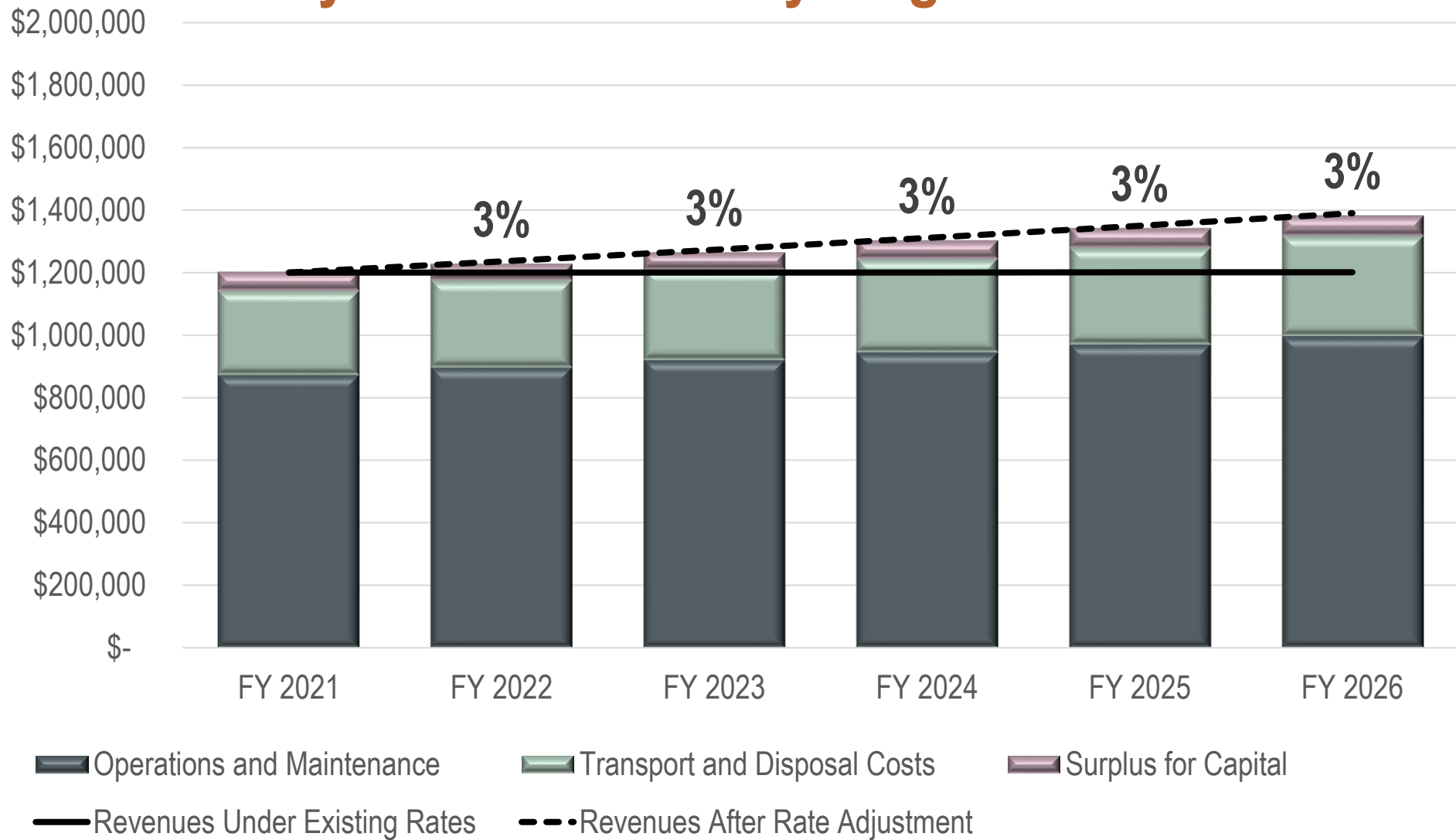


Revenue Requirement Maintain Existing Recycling Program





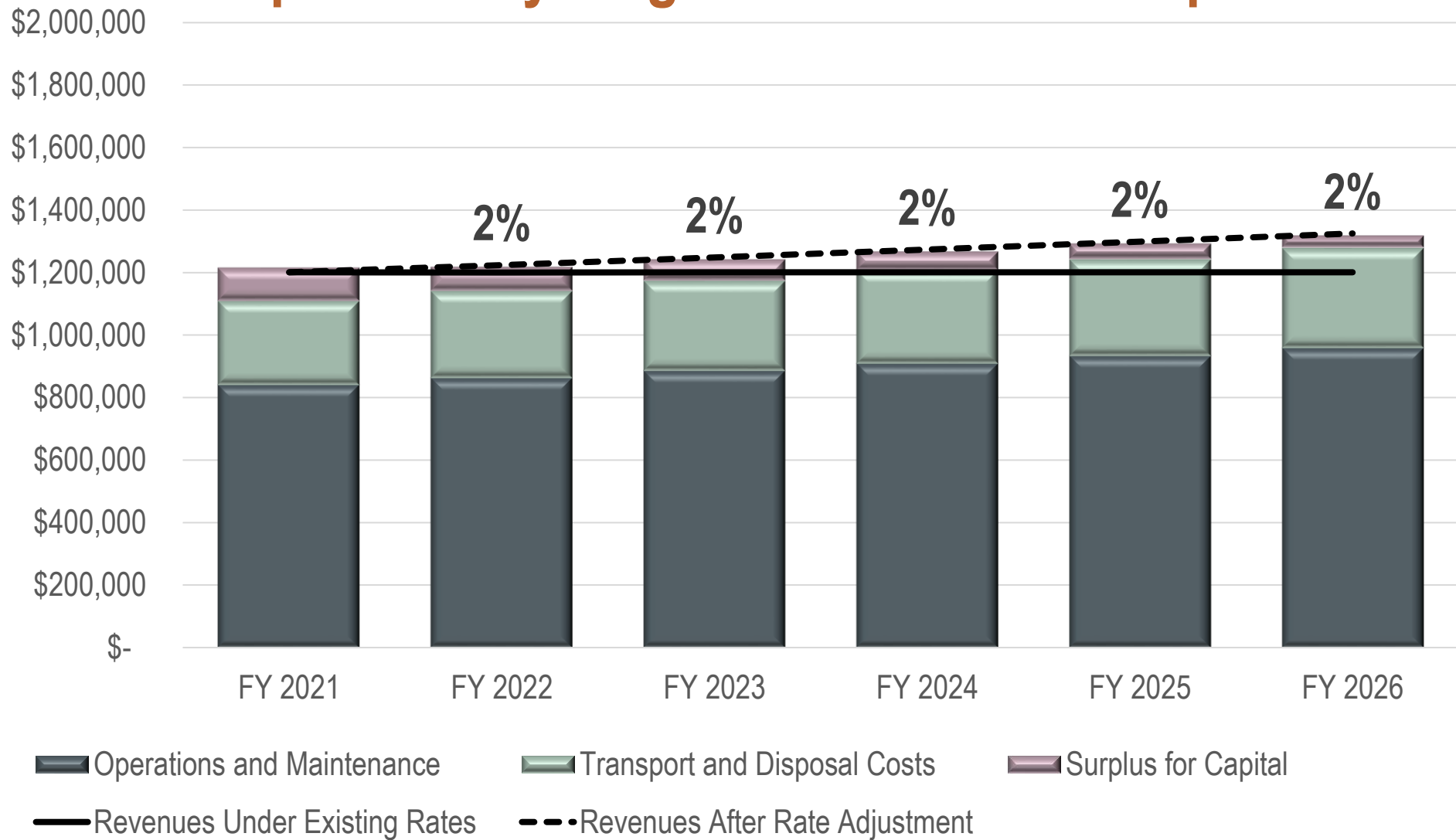
Revenue Requirement Every-Other-Week Recycling Collection





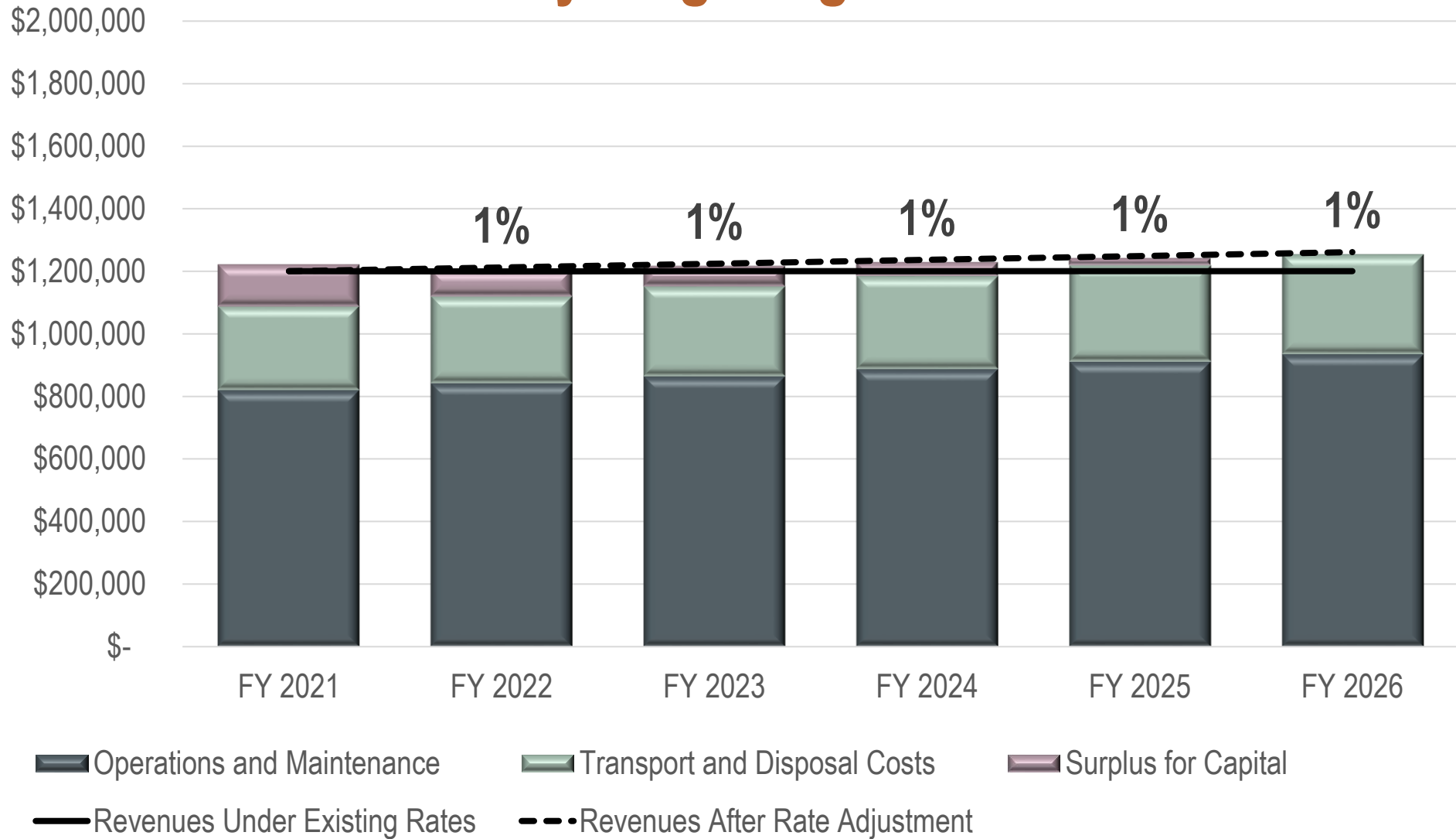
Revenue Requirement

Replace Recycling Collection with Drop Off Site





Revenue Requirement Eliminate Recycling Program





Monthly Rate Increase Comparisons

- **Based on most common service (32-gallon garbage cart + recycling service)**
 - » Maintain Existing Program: \$1.53 increase in FY 2022; \$8.43 total increase over next five years
 - » Every-Other-Week Recycling: \$0.92 increase in FY 2022; \$4.86 total increase over next five years
 - » Rate impacts of other two scenarios would depend on how customers respond to recycling program changes (e.g., upsize garbage can)
 - These two options would likely require a restructure of sanitation rates

Residential Rate Impact	Existing FY 2021	Increase FY 2022	Increase FY 2023	Increase FY 2024	Increase FY 2025	Increase FY 2026	Five-Year Total
Maintain Existing Recycling Program	\$30.51	+\$1.53	+\$1.60	+\$1.68	+\$1.77	+\$1.85	+\$8.43
Every-Other-Week Recycling Collection	\$30.51	+\$0.92	+\$0.94	+\$0.97	+\$1.00	+\$1.03	+\$4.86
Recycling Drop-Off Site*							
Keep 32-Gallon Garbage Can	\$30.51	+\$0.61	+\$0.62	+\$0.63	+\$0.65	+\$0.66	+\$3.17
Upsize to 64-Gallon Garbage Can	\$30.51	+\$18.54	+\$0.98	+\$1.00	+\$1.02	+\$1.04	+\$22.58
Upsize to 96-Gallon Garbage Can	\$30.51	+\$28.11	+\$1.17	+\$1.20	+\$1.22	+\$1.24	+\$32.94
Eliminate Recycling Program*							
Keep 32-Gallon Garbage Can	\$30.51	+\$0.31	+\$0.31	+\$0.31	+\$0.31	+\$0.32	+\$1.56
Upsize to 64-Gallon Garbage Can	\$30.51	+\$18.06	+\$0.49	+\$0.49	+\$0.50	+\$0.50	+\$20.04
Upsize to 96-Gallon Garbage Can	\$30.51	+\$27.53	+\$0.58	+\$0.59	+\$0.59	+\$0.60	+\$29.89

* Note: results may vary based on the number of customers who upsize garbage container



Summary

- **Revenue requirement analysis indicates annual rate increases of 1 to 5 percent annually needed**
- **Approximately 80 percent of residential customers subscribe to weekly recycling collection; Borough provides financial incentive for recycling**
- **FCS Group evaluated four recycling program scenarios**
 - » Maintaining recycling program would increase existing rate for 32-gallon garbage cart + recycling by \$1.53 per month in FY 2022
 - » Reducing recycling service to every-other-week would increase existing rate for 32-gallon garbage cart + recycling by \$0.92 in FY 2022
 - » Eliminating recycling service or transitioning to a recycling drop-off site would likely require a restructure of sanitation rates
 - Customers who currently receive recycling service and elect to upsize garbage cart would likely see rate increase in excess of the average levels for these scenarios



Questions/Discussion



Thank you!

Questions?

Matt Hobson, Project Manager
Direct (425) 615-6056
MatthewH@fcsgroup.com

www.fcsgroup.com