

STAFF REPORT
For Meeting of May 9, 2016
MAYOR AND MEMBERS OF THE CITY COUNCIL

Agenda Item #
NO. 2016-
SUBJECT:
Res. 2024 –
Garbage Rates

Subject

Sanitary Disposal, Inc. (SDI) has requested an increase to the rates that they charge Hermiston users of 7.81%. SDI management presented their request to a sub-group of the City Council, which recommended that the Council approve the rate request.

Summary and Background

SDI is a private company which provides all solid waste hauling services in Hermiston, and according to their Franchise Agreement, must have any rate changes approved by the City Council. SDI last requested an 11% rate increase in October, 2012; which took effect in January, 2013.

The bulk of this rate increase request is to cover recent, and projected, increases in labor and fuel costs, as well as to re-build the company's reserves. Although SDI does not currently pay any employees at the minimum wage, SB 1532, signed by Governor Brown this Spring, will raise the minimum wage past what some employees currently make, through an aggressive set of annual adjustments. In order to continue to attract and retain high quality labor, SDI plans to raise wages accordingly. Under SB 1532, the minimum wage is set to increase 13.5% within two years, and 35% within the next six years.

Due to increasing costs, SDI had to use approximately \$200,000 of its reserves in 2014. The company benefitted greatly from lower fuel prices in 2015, but still had to use some reserves. This has left the company with substantially less reserves than they would like; particularly in case a major piece of equipment fails. SDI has historically purchased replacement equipment directly, without the need for financing, which helps save rate-payers money in the long term by avoiding interest charges. This requested rate increase will help re-build company reserves.

A small portion of the rate increase is to accommodate for a 0.5% increase to the City's Franchise Fee. This increase will be used to offset costs associated with Code Enforcement, and abatement of derelict properties through the city's annual recycling event, rather than have these costs borne by the General Fund. It is anticipated that this increase will generate approximately \$10,000 per year at a cost of approximately \$1.04 per year for the average residential customer.

Councilors Kirwan, Hardin, and Gutierrez met with City and SDI management on April 25 to review SDI's rate increase request in detail. The group asked SDI to revise its future fuel expense estimates downward with the understanding that if costs rise more quickly, then SDI may ask for an additional increase when it is needed. The group also

recommended that an independent third party Rate Analysis be conducted prior to the next rate increase request, whenever that may be. The numbers presented here now reflect those requested changes, and the group recommends that the request be granted.

Financial Information

The full list of proposed rates, compared to existing rates, are included in the resolution, but Table 1 shows the impact to the three largest types of customers.

Table 1			
Service	Previous Monthly Rate	Proposed Monthly Rate	Annual Increased Cost
35 Gallon Residential Cart	\$9.50	\$10.25	\$9.00
90 Gallon Residential Cart	\$16.00	\$17.25	\$15.00
90 Gallon Commercial Cart	\$19.55	\$21.05	\$18.00

There are many variables for the rates set by the various comparable communities in Eastern Oregon. Table 2 simply shows the proposed rate for a 90 gallon residential cart (the most popular service size), compared to the existing rates charged in comparable communities for roughly the same service.

Table 2			
City/Service	Monthly Rate	Per-Gallon Rate	Annual Cost
Baker City 68 Gallon Cart	\$16.00	\$0.24	\$192.00
Hermiston 90 Gallon Cart	\$17.25*	\$0.19	\$207.00
La Grande 60 Gallon Cart	\$21.25	\$0.35	\$255.00
Ontario 90 Gallon Cart	\$21.70	\$0.24	\$260.40
Pendleton 96 Gallon Cart	\$29.90	\$0.31	\$358.80

*Proposed Rate

Alternatives and Recommendation

Alternatives

1. Motion to approve Resolution No. 2024
2. Motion to deny Resolution No. 2024

Recommendation

Approve Resolution No. 2024

Requested Action/Motion

Motion to approve Resolution No. 2024

Department Head- Mark Morgan, Assistant City Manager *Mark Morgan*

City Attorney Review- Gary Luisi, City Attorney *Gary Luisi*

City Manager Approval- Byron Smith, City Manager *Byron Smith*

City of Hermiston

SANITARY DISPOSAL, INC.



P.O. BOX 316 • HERMISTON, OREGON 97838 • (541) 567-8842

April 26, 2016

City of Hermiston
180 NE 2nd.
Hermiston, Oregon 97838

Dear City Manager, Mayor and Council Members:

Sanitary Disposal, Inc. last rate adjustment went into effect January 1, 2013.

Effective April 1, 2016 we are facing an increase in DEQ fees of \$0.58 per ton. And starting July 1, 2016 minimum wage will increase by 2.7%, 5.2% in 2017 and 5% in 2018.

We have taken our 2015 rate study and applied anticipated increases to our cost of operation through 2018. In doing so we have determined that in order to balance from 2016 through 2018 we will need an over all rate increase of approximately 7.14%

For your review, I have enclosed a proposed rate schedule that would raise our collection in the City of Hermiston income by approximately 7.81%. When implemented throughout all of Sanitary Disposal, Inc. franchise areas this would raise our annual income by approximately 7.2%.

We are asking that our proposed rates become effective by Resolution July 1, 2016.

If convenient, we would like to be placed on the agenda for May 9, 2016 to discuss this matter.

We thank you in advance for your time in this matter.

Respectfully,

A handwritten signature in black ink, appearing to read "Mike Jewett".

Mike Jewett
President

(over)

REGULATIONS

1. 1.5 Yard and larger containers must be placed on a hard level surface in a location that will prevent container run-away.
2. Container placement must be easily accessible to truck and collector.
3. Cart placement must be at curb or roadside
4. Senior citizens requesting the reduced rate must make application to Sanitary Disposal, Inc. and meet the Oregon State Poverty Income guidelines.

DROPBOX RATE SCHEDULE

	<u>CURRENT RATE</u>	<u>PROPOSED RATE</u>
Delivery Fee	\$25.00 for the first box	\$30.00 for the first box
Dropbox service within 7-day period		

Dropboxes weighing up to five (5) tons:

\$48.00 haul fee plus \$5.40 per cubic yard or \$59.40 per ton whichever is greater. CURRENT RATE
\$51.70 haul fee plus \$5.80 per cubic yard or \$63.80 per ton whichever is greater. PROPOSED RATE

Dropboxes weighing five tons and greater:

\$180.00 haul fee plus \$33.00 per ton. CURRENT RATE
\$192.95 haul fee plus \$35.55 per ton. PROPOSED RATE

Demurrage charge per box after 7th day

\$ 3.70 per day CURRENT RATE
\$ 4.00 per day PROPOSED RATE

REGULATIONS:

1. Dropboxes are priced and can be loaded-level full with a maximum weight of ten (10) tons.

COMPACTED DROPBOX RATE SCHEDULE

Compacted dropboxes weighing up to five tons:

Compactor on call \$63.10 per hour haul fee plus \$5.40 per cubic yard or \$59.40 per ton whichever is greater. CURRENT RATE

Compacted dropboxes weighing up to five tons:

Compactor on call \$68.00 per hour haul fee plus \$5.85 per cubic yard or \$63.80 per ton whichever is greater. PROPOSED RATE

Compacted dropboxes weighing five (5) tons and greater:

Compactor on call \$195.10 haul fee plus \$33.00 per ton.. CURRENT RATE

Compacted dropboxes weighing five (5) tons and greater:

Compactor on call \$209.25 haul fee plus \$35.55 per ton.. PROPOSED RATE

Maximum weight of ten (10) tons when full.

RESIDENTIAL yard trimming disposal permits are available upon request at City Hall or Sanitary Disposal's office for residential customers in good standing. It is our desire to provide good service. If you have any questions, call 541-567-8842. We are located at 81144 Hwy 395 N, approximately 3 miles north of Hermiston. Our office hours are 8:00 am to 4:30 pm, Monday thru Friday, excluding legal holidays.

RESOLUTION NO. 2024

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HERMISTON, OREGON, that it is expedient and necessary to install the following changes for solid waste collection services within the City of Hermiston in accordance with the provisions as outlined in Section 8 of Ordinance No. 1851 and to rescind Resolution No. 1918.

RESIDENTIAL/COMMERCIAL FEES AND REGULATIONS IN THE CITY OF HERMISTON

RESIDENTIAL & COMMERCIAL MANUALLY EMPTIED CONTAINERS SOLID WASTE RATE SCHEDULE:

	<u>RATE</u>
1. Containers	
a. One container served weekly	\$ 11.85 per month
b. Each additional container served weekly (a & b for existing customers only)	8.10 per month
c. Extra charges per pickup for solid waste not on a regular basis	2.50 per container
d. Containers are priced at level-full with lid closed and extra charges will be made for "over-the-top-bulk"	1.50 minimum
2. Minimum special pickup charges to be arranged between customer and collector.	

REGULATIONS:

1. Regulation container (manually emptied)
 - a. Size-32 gallon maximum not to exceed 60 pounds in weight when filled and 18 pounds when empty.
 - b. Containers must have lids and handles.
 - c. Containers must be kept clean and in good condition. Plastic liners are recommended.
2. Container placement must be easily accessible to the driver.
3. All garbage must be drained of excess liquids and wrapped.
4. Ashes will be taken ONLY if placed in plastic bag and tied. (FIRE HAZARD TO EQUIPMENT AND TRANSFER STATION.)
5. Any solid waste around the container will be taken and an extra charge made unless the collector is otherwise notified by the customer.
6. No hazardous waste will be taken.

MECHANICALLY EMPTIED CONTAINERS SOLID WASTE RATE SCHEDULE

SOLID WASTE RATE SCHEDULE:

	<u>RATE</u>
1. 35 Gallon cart served weekly	
- Residential curb	\$ 10.25 per month
- Commercial curb	10.25 per month
- Walk in charge	5.30 per month
- Senior citizens on limited income curb	8.45 per month
2. 90 Gallon cart served weekly	
- Residential curb	17.25 per month
- Commercial curb	21.05 per month
- Walk-in charge	5.30 per month
3. Commercial loose solid waste	
a. 1.5 Yard container - Once a week pickup	71.00 per month
Each additional weekly pickup	63.50 per month
b. 2 Yard container - Once a week pickup	92.30 per month
Each additional weekly pickup	83.35 per month
4. Commercial compacted solid waste	
a. 1.5 X's (times) the loose container rate pickup	
5. Cardboard recycling container	9.90 per month
6. Special waste charges to be set by collector.	

REGULATIONS:

1. 1.5 Yard and larger containers must be placed on a hard level surface in a location that will prevent container run- away.
2. Container placement must be easily accessible to truck and collector.
3. Cart placement must be at curb or roadside
4. Senior citizens requesting the reduced rate must make application to Sanitary Disposal, Inc. and meet the Oregon State Poverty Income guidelines.

DROPBOX RATE SCHEDULE

Delivery Fee	<u>RATE</u>
Dropbox service within 7-day period	\$30.00 for the first box
Dropboxes weighing up to five (5) tons:	\$51.70 haul fee plus \$5.80 per cubic yard or \$63.80 per ton whichever is greater.
Dropboxes weighing five tons and greater:	
\$192 .95 haul fee plus \$35.55 per ton. <u>RATE</u>	

Demurrage charge per box after 7th day \$ 4.00 per day. PROPOSED RATE

REGULATIONS:

1. Dropboxes are priced and can be loaded-level full with a maximum weight of ten (10) tons.

COMPACTED DROPBOX RATE SCHEDULE

Compacted dropboxes weighing up to five tons:	<u>RATE</u>
- Compactor on call	\$68.00 per hour haul fee plus \$5.85 per cubic yard or \$63.80 per ton whichever is greater.
Compacted dropboxes weighing five (5) tons and greater:	
- Compactor on call	\$209.25 haul fee plus \$35.55 per ton.

Maximum weight of ten (10) tons when full.

PERMIT FOR YARD TRIMMINGS

Residential yard trimming disposal permits are available upon request at City Hall or Sanitary Disposal's office for residential customers in good standing.

This resolution shall be effective July 1, 2016.

PASSED by the Common Council this 9th day of May, 2016.

APPROVED by the Mayor this 9th day of May, 2016.

MAYOR

ATTEST:

ASSISTANT CITY RECORDER

