



Where Life is Sweet

Mayor and Members of the City Council
STAFF REPORT
For the Meeting of February 26, 2024

Title/Subject

Resolution 2317- Solid Waste Rate Adjustment

Summary and Background

Garbage services in Hermiston, as well as all of the surrounding communities (Umatilla, Stanfield, Echo, Boardman, Irrigon, etc.) as well as the unincorporated areas in between, are provided by Waste Connections, Inc. (WCI) which is a large national company which does business locally as Sanitary Disposal. WCI purchased all of the local assets from Sanitary Disposal, Inc. (SDI) a couple of years ago. SDI was a small, locally-owned business which had been providing this service in the area for many years. The owners of SDI made the decision to sell and get out of the business due to the increasingly complex, volatile, and expensive nature of the industry which make it very challenging for small local providers to continue providing affordable service at a small scale.

WCI, in entering the market, wanted to operate for several years to fully understand the actual cost-drivers to their business before seeking a full-scale recalibration of the rates that they need to charge in order to operate a financially solvent business. One of the main issues that they identified through their initial process was that the age of the fleet of equipment (garbage trucks) was close to 30 years old; likely owing to the previous SDI owners planning for several years to exit the business and opting against putting large capital outlays in to purchasing new equipment.

Operating old equipment comes with several challenges:

- Increased cost of down-time related to truck break-downs. Not only does this lead to wasted driver-time, but can lead to missed pick-ups, or require maintaining a larger fleet of backup trucks than is necessary.
- Increased maintenance costs. More frequent break-downs requires more time spent by mechanics repairing or replacing integral components of the equipment. Meanwhile, finding replacement parts for 20 to 30 year old specialty equipment becomes harder and more expensive.

Meanwhile, the cost of new equipment has increased significantly, as base-model garbage trucks have gotten more complex over the past several decades.

WCI, like all other employers in the region, has also experienced significant upward pressure in wage demands in the labor market. WCI has responded by increasing hourly wages for their local employees across the board to provide a livable wage and retain workers.

Comparable Services

Obtaining a standardized comparison related to garbage service is difficult, not the least of which because there is no standardized level of service or cart-size. Therefore, this section considers comparable rates for nearby communities not served by WCI but with comparable services. Even so, you will see that the City of West Richland (population 16,951) does not offer a 35-gallon weekly cart service, which therefore makes their lowest-cost service the 90-gallon option. You can see that, overall, the proposed rates will largely be in-line with existing rates charged by garbage services in other communities.

Weekly Residential	Proposed Hermiston	Pendleton	Pilot Rock	West Richland
35 Gallon Cart	\$ 17.46	\$ 16.75	\$ 23.25	N/A
90 Gallon Cart	\$ 29.05	\$ 33.60	\$ 43.25	\$ 30.67

Residential service is by far the largest number of garbage accounts within Hermiston, however the proposed changes also impact commercial users. Below, you can find that the proposed new rates for commercial users are also roughly in-line with comparable services within the region.

Weekly Commercial	Proposed Hermiston	Pendleton	Pilot Rock	West Richland
1.5 Yard Container	\$ 120.82	\$ 124.92	\$ 127.75	\$ 136.52

Current rates within Hermiston for the rates listed above are \$12.70 (30gal.), \$21.13 (90gal.), & \$87.87 (1.5yd).

Dates

These rates are proposed to take effect April 1. Moving forward, WCI intends to seek annual rate adjustments to keep adjustment requests relatively small.

Future- Curbside Recycling

City Council has been briefed over the past year regarding the upcoming requirement by the State of Oregon to begin offering curbside recycling services in Hermiston by July 1, 2025. The complex statewide funding methodology associated with that requirement continues to work through refinement, and it appears as though the Oregon Department of Environmental Quality will relax the deadline as a result. Therefore, it is still premature to anticipate what impact that rollout will have on a rate for curbside recycling. However, the simple takeaway now is that this rate proposal, as presented, is only for existing services and does not contemplate any upcoming changes related to recycling.

Tie-In to Council Goals

Focus Area: Maintain service levels, evaluate the current budget and understand options to increase revenues.

Fiscal Information

The City provides utility billing services for all garbage accounts in exchange for a fee of 10% of Sanitary Disposal's gross revenues within the City. Additionally, there is a 3.5% Franchise Fee for the privilege of operating this exclusive franchise. As a result, the City of Hermiston anticipates approximately \$480,000 in revenue for the current FY24. It is anticipated that approval of the proposed rate request will increase the revenue to the City's General Fund by approximately \$180,000 per year.

Alternatives and Recommendation

Alternatives

1. Approve the updated rates as requested by WCI.
2. Reject the updated rates as requested by WCI.
3. Request alterations.

Recommended Action/Motion

Motion to approve Resolution 2317

Submitted By:

Mark Morgan