



**Local Hazardous Waste
Management Program
in King County**

**LHWMP RATE STRUCTURE – SUPPLEMENTAL INFORMATION
TO
*RECOMMENDED RATE DESIGN FOR SOLID WASTE FEE, FINAL REPORT,
DECEMBER 2013***

Content Includes:

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April 3, 2014

1 – Management Coordination Committee Recommended Rate Proposal

Introduction

The Local Hazardous Waste Management Program (Program) is proposing Board of Health consideration of changes to the Program's rate structure, for the purpose of improving fairness to ratepayers.

The Board of Health establishes the Program's fees, under King County Board of Health Code 11.04.060. Program fees are collected throughout King County by solid waste billing entities (hauling companies or cities), depending on jurisdiction. The five-member Management Coordination Committee provides Program oversight.

Based upon considerable analysis, along with input from solid waste billing entities across King County, the Management Coordination Committee is proposing changes to the Program's rate structure for commercial and multi-family ratepayers. These changes would shift the Program's rate for these account categories from a flat fee to a more equitable tier-based model that reflects differences in solid waste volumes generated by respective ratepayers.

The proposed changes are intended to be revenue-neutral, with no overall increase in revenues from these sources.

The Management Coordination Committee (MCC) adopted this proposed rate design on December 17, 2013. Background information and detailed analysis in support of the Management Coordination Committee's recommendations are contained in a report entitled *Recommended Rate Design for Solid Waste Fee, Final Report, December 2013*.¹

Key Features of the Recommended Volume-based Rate Structure for Commercial (Business and Multi-family Residential) Ratepayers

The recommended rate design bases the Local Hazardous Waste (LHW) fee on the amount of solid waste (garbage) that commercial (business/multi-family residential) ratepayers produce. This improves ratepayer equity by having large volume garbage producers pay more of the share and small volume garbage producers pay less of the share. This is a change from the current rate design, where all commercial accounts pay the same fee; there is no difference for those who generate very little garbage and those who generate a lot.

Three rate tiers. Each tier has its own volume-based monthly fee. The rate for each tier is defined by container size, which serves as a proxy for the amount of garbage that is collected through that service.

- The fee for Tier 1 – Small Volume services (container size less than or equal to 0.48 cubic yards or 96 gallons) is \$1.46 per month.

¹ Cited hereafter as *December 2013 Final Rate Design Report*.

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- The fee for Tier 2 – Medium Volume services (container size greater than 0.48 cubic yards and less than 10 cubic yards) is \$12.01 per month.
- The fee for Tier 3 – Large Volume services (container size equal to or greater than 10 cubic yards) is \$46.15 per month.²

Multi-family ratepayers throughout King County will be charged the same rates. This will be an improvement in equity because multi-family residents in Seattle currently are charged the residential fee of \$1.08 per month, while King County multi-family residents outside of Seattle pay \$11.24. The proposed rate design will assign multi-family services to one of the three tiers based on the size of the containers they have. (The Program plans to track this as residential revenue.)

The billing unit will be based on solid waste collection services rather than on accounts.

Three of the four private solid waste haulers in King County provided feedback that it will work best for their billing systems to charge the Local Hazardous Waste fee by solid waste collection service. In fact, one large hauler stated that they could convert to a tier based model only if the LHW charge is assessed by service.

Most commercial accounts will pay LHW fee based on the container size for their one solid waste collection service. However, a small number of accounts with multiple services will be paying more than the single tier rate. See Section 2 for additional details.

The recommended rate structure is designed to be revenue-neutral to the Program. The rates are based on the same amount of revenue as generated by the current LHW fee on solid waste accounts. By charging the LHW fee for each solid waste collection service, the recommended rate structure redistributes the fees among affected ratepayers to better align them with the volume of solid waste being produced.

2 – Additional Analysis of Accounts with Multiple Services

Over the past few months the Program has analyzed how many commercial and multi-family accounts have multiple services paid for through a single account. After publishing the December 2013 report, FCS Group was able to obtain and analyze additional data from two additional large haulers. This data was used to update several exhibits in the December 2013, including Exhibit 1 on the next page.³

² These are shown as the preliminary fee rates on page 7 of the *December 2013 Final Rate Design Report*. Fees shown elsewhere in the report considered establishing a maximum monthly fee which was not included in the Management Coordination Committee's final recommendation.

³ Memorandum from Gordon Wilson, FCS Group to Liz Tennant, Local Hazardous Waste Management Program in King County, "Addendum to December 2013 Final Report *Recommended Rate Design for Solid Waste Fee*," April 2, 2014. Cited hereafter as *April 2014 FCS Memorandum*.

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According to updated data provided by FCS Group, most commercial and multi-family accounts (94%) have one solid waste collection service; six percent are associated with more than one solid waste collection service.

Exhibit 1: Incidence of Accounts with Multiple Solid Waste Collection Services ⁴

Commercial Accounts (Business and Multi-family)	Total Accounts (Nov 2013)	Total Svc Units (Jan 2013)	MF/Comm Accounts with >1 Service Unit		MF/Comm Svc Units in Accts with >1 Svc Unit	
			Number	Percent	Number	Percent
Republic	6,700	7,427	340	5.1%	759	10.2%
Waste Management	6,112	6,602	249	4.1%	732	11.1%
City of Auburn	1,899	2,054	88	4.6%	228	11.1%
City of Kirkland	1,412	1,618	124	8.8%	319	19.7%
City of Renton	1,519	1,637	93	6.1%	210	12.8%
City of Seattle	13,209	13,757	681	5.2%	1,498	10.9%
Cleancescapes	1,767	1,860	292	16.5%	637	34.2%
Total Sample	32,618	34,955	1,867	5.7%	4,383	12.5%
Countywide Multi-family/Comm Svc Units		35,640				
Sample as % of Countywide Svc Units		98%				

The December report considered several possible methods for charging an account that has more than one type of solid waste collection service. It recommended charging a fee for each type of service, but applying a \$100 cap on the LHW fee for a given account.

The MCC considered the question and decided to recommend charging for each type of solid waste collection service without limiting the cost per account. This was done partly for the sake of administrative simplicity for the haulers and partly out of concern for fairness to commercial ratepayers that are served by haulers that do not allow aggregation of accounts across multiple sites. Subsequently, the Program learned that even those local governments and school districts who are allowed to have a single account for more than one site are still charged a separate LHW fee for each site. This means that in most cases most of the affected ratepayers are unlikely to experience a sharp increase in their rates under the tier system.

Exhibit 2 on the next page provides an updated snapshot of the number of accounts with multiple services that would see an increase of more than \$100 per month.

⁴ This table updates Exhibit 3 in the December report. The table in the December report was based on a sample of haulers that represented 54% of the service units in the County, while this table is based on data from 98% of the service units. The results, however, are similar: 5.7% of the multi-family and commercial accounts have more than one service unit, while 12.5% of the service units in the county are part of accounts with more than one service unit.

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Exhibit 2: Distribution of Revised LHW Fee for Accounts with Multiple Collection Services⁵

	Number of Accounts with Multiple Services				Total	Notes about >\$100 Accounts	
	<=\$100		>\$100				
Hauler/ Billing Entity	Auburn	84	Auburn	4	Auburn	88	2 industrial, one mall, one casino
	Kirkland	124	Kirkland	0	Kirkland	124	None
	Renton	92	Renton	1	Renton	93	One industrial
	WM	244	WM	5	WM	249	1 MF, 2 retail, 1 industrial, 1 temporary
	Republic	329	Republic	11	Republic	340	4 MF, seven commercial
	Seattle	680	Seattle	1	Seattle	681	One commercial
	CleanScapes	285	CleanScapes	7	CleanScapes	292	All 7 are commercial
	Total	1,838	Total	29	Total	1,867	

As Exhibit 2 shows, only 29 accounts (less than 2%) would pay a Local Hazardous Waste fee of more than \$100 per month. Additional analysis shows that 85% of accounts with multiple services will pay between \$2.93 and \$40 per month, which is less than the Tier 3 rate.

3 – Relationship between Tier Rates and Solid Waste Rates

A survey of solid waste rates indicates that haulers and jurisdictions vary in what they charge for equivalent solid waste collection services. For example, the monthly hauler's service charge for commercial 96 gallon weekly can service varied from \$39.29 to \$115.05; the charge for 6 cubic yard weekly compactor service varied from \$766.34 to \$1,595.45.

For commercial customers with 96-gallon carts, the current LHW fee of \$11.24 ranges from 9% to 22% of their solid waste bill, whereas it is less than 1% of the solid waste bill for the largest volume commercial customers.

The recommend tier rate design improves equity by aligning the LHW fee with the volume of solid waste that is being produced. With the proposed tier rates, customers with large solid waste volumes would be receiving a steep increase in the LHW fee. However, those customers are already paying a large solid waste charge; the Tier 3 LHW rate (\$46.15) would be less than 3% of the total solid waste bill paid by those customers. The recommended Tier 1 LHW rate (\$1.46) would significantly reduce the fee for commercial customers with 96-gallon carts; it would be 3.6% or less of their monthly solid waste bill.

Exhibit 4 on the next page illustrates how the proposed LHW tier rates for commercial customers would change how much customers pay to the Program in relation to how much they pay for solid waste collection services. The example is drawn from the City of Auburn's 2014 solid waste rates published on the City web site.

⁵ Adapted from FCS Excel File "Analysis of Accounts with Multiple Services 4-2-2014 Container Tiers," Summary Table Worksheet.

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Exhibit 4: Example – LHW Fee Compared to Solid Waste Charges ⁶

Auburn 2014 Commercial Rates <i>Source: City web site</i>	35-gal Can Weekly	4-Yd Dumpster 2X/Week	20-Yd Rolloff 4X/Week
Current LHW Fee (Flat Rate):			
Solid Waste Monthly Charge	\$ 18.18	\$ 635.84	\$ 7,744.73
Current LHW Monthly Fee	11.24	11.24	11.24
Total Charge	\$ 29.42	\$ 647.08	\$ 7,755.97
LHW Fee as % Markup	61.8%	1.8%	0.1%
LHW Fee as % of Total Bill	38.2%	1.7%	0.1%
Proposed Tier Rate Design:			
Solid Waste Monthly Charge	\$ 18.18	\$ 635.84	\$ 7,744.73
Proposed LHW Monthly Fee	1.46	12.01	46.15
Total Charge	\$ 19.64	\$ 647.85	\$ 7,790.88
LHW Fee as % Markup	8.0%	1.9%	0.6%
LHW Fee as % of Total Bill	7.4%	1.9%	0.6%

20-yd rolloff assumes 2 tons per haul.

In this example, currently a small commercial customer would pay \$18.18 for solid waste collection and an LHW fee of \$11.24—a markup of nearly 62%. In contrast, a much larger business—with a 20-yard roll-off container picked up four times a week—would pay \$7,744.73 per month (assuming an average of 200 pounds per cubic yard) for solid waste collection and \$11.24 to the Local Hazardous Waste Management Program—a markup of .1%.

Under the proposed tier rates, the larger customers will still pay less as a percentage of the solid waste bill, but the difference is not as extreme—.6% of the solid waste bill for the larger customer compared with 7.4% for the smaller customer.

4 – Status and Next Steps

December 2013: Rate Structure Recommended Design report finalized and sent to MCC.

December 17, 2013: MCC approved a modified rate design to submit to the Board of Health for Approval.

January – March 2014: Program staff and consultant do additional analysis and public outreach.

April 17, 2014: Briefing Board of Health seeking approval of the MCC recommended rate structure.

Date TBD: Board of Health Action on proposed rate structure change.

⁶ This summary table and description draws from information provided on page 5 of the *April 2014 FCS Memorandum*.

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Next Steps

If the Board of Health approves the rate structure change, Program staff will:

- Work with the haulers and municipal billing entities to update their billing systems;
- Prepare information for customer call centers;
- Prepare billing inserts for haulers to use to notify their customers;
- Prepare quarterly and annual report forms;
- Provide easy to access updated rate information on the Program web site;
- Work with Program partners to notify elected officials and the public about the changes.

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