

## City of Ann Arbor Commercial Recycling Implementation Committee Refuse Services Rate Setting Recommendations DRAFT - 11/17/08 - DRAFT

Rates for commercial refuse services will be set by the City as described in the Proposed Amendments to Solid Waste Ordinance Chapter 26, specifically in Section 2.5, Solid Waste Containers, subsection 4.a Commercial Containers – Refuse, part i:

- i. Applicable fees for the collection of commercial refuse shall be charged quarterly in advance based on the average amount of refuse material and the frequency of collection and shall be set by the City Manager subject to the right of appeal to the City Council. If the charges are not paid, they may be assessed against the property pursuant to Section 1:292 of Chapter 13 of the City Code.

### Proposed Rate Components:

Rates for commercial refuse services would be established using a rate formula containing the following cost components:

1. City's Cost for Waste Franchisee from Competitive RFP Process including Container Rental
2. City's Cost for Waste Transfer and Disposal via Long Term Contract
3. City's Cost for Administration, Financial Management, Billing, Contract Management
4. City's Cost for Capital Recovery of Investment in Transfer Station, MRF, etc.

Recycling services will be provided by the City at no additional cost. Combined with the recycling friendly refuse services, the package will include technical assistance, incentives, containers, outreach and promotional services and contractor oversight and enforcement assistance designed to provide a quality customer friendly and recycling oriented solid waste management program.

### Preliminary Rate Calculations - DRAFT:

The following charts show preliminary rate calculations based on the City's actual cost for proposed contracted services in 2009. The first chart covers one time per week service for the size of containers shown in the schedule. The most common container, a six yard refuse dumpster, is highlighted:

<b>REFUSE DUMPSTER MONTHLY RATES 1 X PER WEEK</b>		
<b>SIZE</b>	<b>50,000</b>	<b>Unit</b>
2 CY Wheeled Dumpster	\$ 69.64	PER MONTH
2 CY Dumpster	\$ 68.38	PER MONTH
4 CY Wheeled Dumpster	\$ 84.85	PER MONTH
4 CY Dumpster	\$ 83.60	PER MONTH
6 CY Dumpster	\$ 99.63	PER MONTH
8 CY Dumpster	\$ 114.41	PER MONTH
6 CY Vert-i-pack	\$ 309.42	PER MONTH
8 CY Vert-i-pack	\$ 358.99	PER MONTH

These preliminary rates include the following cost factors:

**KEY INPUTS INTO PRELIMINARY RATES**

FACTOR		UNIT
Transfer and Disposal w/TS Capital	\$ 24.80	PER TON
Contract Management	10.5%	OF COSTS
Commercial MRF Capital Recovery	15.0%	OF COSTS
Multiple Pickup Discount Rate	10.0%	OF COSTS

Other draft preliminary rates are shown below:

**REFUSE DUMPSTER MONTHLY RATE 2 X PER WEEK**

SIZE	50,000	Unit
2 CY Wheeled Dumpster	\$ 125.35	PER MONTH
2 CY Dumpster	\$ 123.09	PER MONTH
4 CY Wheeled Dumpster	\$ 152.73	PER MONTH
4 CY Dumpster	\$ 150.48	PER MONTH
6 CY Dumpster	\$ 179.34	PER MONTH
8 CY Dumpster	\$ 205.94	PER MONTH
6 CY Vert-i-pack	\$ 556.95	PER MONTH
8 CY Vert-i-pack	\$ 646.18	PER MONTH

**REFUSE ROLL-OFF CONTAINERS**

SIZE	5,000	UNIT
10 CY roll-off	\$ 254.01	PER PULL
20 CY roll-off	\$ 275.85	PER PULL
30 CY roll-off	\$ 303.96	PER PULL
40 CY roll-off	\$ 324.54	PER PULL
20 CY Roll-off Compactor	\$ 402.10	PER PULL
30 CY Roll-off Compactor	\$ 448.79	PER PULL
40 CY Roll-off Compactor	\$ 508.02	PER PULL

**Rate Evaluation:**

The rate shown above for the most common refuse service type (a 6 cubic yard refuse dumpster serviced one time per week) is \$3.83 per cubic yard. The final rate structure may vary by waste density and business type, since restaurant waste (for example) is much higher density than office waste. Rates, if variation by waste density and business type are included, are expected to be in the \$3.00 to \$6.00 per Cubic Yard on Average

Note that these rates include the following provisions: and have built in contractual protections for up to 10 years for:

1. Built in contractual protections for up to 10 years for:
  - a. Low annual rates of overall price escalation
  - b. Protections on excessive fuel escalation charges
  - c. Liquidated damages for failure to perform service
2. Containers provided at no extra cost
3. Recycling services included at no extra cost

## Comparison to Current Rates:

Field data shows a range of current costs per cubic yard for these services in Ann Arbor:

Weighted Average Cost per Cubic Yard:	\$4.16
Lowest Four Data Points:	\$0.62, \$0.63, \$0.94, \$1.14
Highest Four Data Points:	\$17.13, \$12.40, \$12.39, \$10.93
Majority in Range:	\$4.50 to \$7:00

The lowest four data points appear to all have some combination of City of Ann Arbor subsidized service along with an outside vendor and/or are including recycling dumpster capacity in their reported dumpster lifts, resulting in a lower per cubic yard cost calculation.

Some typical situations are summarized below:

### **SAMPLE COMPARISON OF MONTHLY RATES FOR TYPICAL USERS BEFORE RECYCLING**

SIZE/FREQUENCY	TYPE OF CUSTOMER	CURRENT	NEW	% SAVING	ANNUAL SAVING
8 CY Dumpster 1 time/week	Well known local restaurant	\$ 155.00	\$ 114.41	26.19%	\$ 487.08
2 CY Dumpster 1 time/week	Local flower shop	\$ 107.49	\$ 68.38	36.38%	\$ 469.32
6 CY Dumpster 2 times/week	Local electric trade shop	\$ 196.00	\$ 179.34	8.50%	\$ 199.92
6 CY Dumpster 1 time/week	Local bank	\$ 242.00	\$ 99.63	58.83%	\$ 1,708.44
Two 6 CY Dumpsters 1 time/week	Office complex	\$ 890.72	\$ 199.26	77.63%	\$ 8,297.52
6 CY Dumpster 1 time/week	Local sports retail	\$ 155.00	\$ 114.41	26.19%	\$ 487.08
8 CY Dumpster 1 time/week	Local transportation company	\$ 200.00	\$ 114.41	42.80%	\$ 1,027.08
8 CY Dumpster 2 times/week	National Hotel (see note #1)	\$ 161.00	\$ 205.94	-27.91%	\$ (539.28)
4 CY Dumpster 3 time/week	Kerrytown Area Prop Mgr	\$ 267.00	\$ 135.43	49.28%	\$ 1,578.82
Two 6 CY Dumpsters 1 time/week	Briarwood Area Office	\$ 273.57	\$ 199.26	27.16%	\$ 891.72

Notes:

#1: A national chain that could apply for exemption from franchise hauler service but would still need to recycle

All of the above customers would be able to further reduce their costs by using the recycling services provided by the City and then adjusting the level of refuse services downward. The following examples show typical savings from recycling through reductions in refuse services and implementation of a recycling program.

### **SAMPLE COMPARISON OF MONTHLY RATES FOR TYPICAL USERS BEFORE/AFTER RECYCLING**

SIZE/FREQUENCY	TYPE OF CUSTOMER	CURRENT	NEW	% SAVING	ANNUAL SAVING
Two 4 CY Dumpsters 5 time/week	Local campus party store	\$ 600.00	\$ 305.47	49.09%	\$ 3,534.36
- Reduce to (1) 4 CY 3 time/week	Same store with recycling	\$ 600.00	\$ 119.43	80.10%	\$ 5,766.84
8 CY Dumpster 2 times/week	Local Electric Trade Shop	\$ 320.00	\$ 205.94	35.64%	\$ 1,368.72
- Reduce to 6 CY 1 time/week	Same with recycling	\$ 320.00	\$ 99.63	68.87%	\$ 2,644.44
8 CY Dumpster 2 times/week	National Hotel (see note #1)	\$ 161.00	\$ 205.94	-27.91%	\$ (539.28)
- Reduce to 6 CY 1 time/week	Same with recycling	\$ 161.00	\$ 99.63	38.12%	\$ 736.44
6 CY Dumpster 1 time/week	Local bike store	\$ 77.00	\$ 99.63	-29.39%	\$ (271.56)
- 50% of 6 CY Dumpster 1x/wk	Same with recycling	\$ 77.00	\$ 49.82	35.31%	\$ 326.22

Notes:

#1: A national chain that could apply for exemption from franchise hauler service but would still need to recycle