



RIVANNA SOLID WASTE AUTHORITY
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MEMORANDUM

**TO: RIVANNA SOLID WASTE AUTHORITY
BOARD OF DIRECTORS**

FROM: PHILLIP McKALIPS, DIRECTOR OF SOLID WASTE

REVIEWED BY: BILL MAWYER, EXECUTIVE DIRECTOR

SUBJECT: SOLID WASTE FEE ALTERNATIVES

DATE: SEPTEMBER 25, 2018

As part of our Strategic Plan, the RSWA has committed, “To provide reliable, convenient, and innovative solid waste and recycling services.” Measures selected in achieving this goal included an increase in public participation and an increase in tonnage of materials received. To further this goal, RSWA staff have been evaluating possible modifications to our service and tip fees, and how changes to these might increase usage and improve customer satisfaction.

For at least 10 years, the tipping fee for municipal solid waste (MSW) at the Ivy transfer station has been set at \$66 per ton. Since 2011, a service fee has been charged to all customers consisting of \$1.00 for each Albemarle County resident transaction and \$10.00 for each non-County resident transaction. With the opening of the new transfer station, it seems an appropriate time to evaluate the fees and rates we charge our customers.

Service Fee

The RSWA currently charges a \$1.00 service fee to all County residents for each inbound transaction. Non-County residents are charged a \$10.00 service fee for each inbound transaction. Through Fiscal Year 2018 (July 1, 2017 to June 30, 2018) these service fees accounted for \$82,596 in revenue to the RSWA. This consisted of \$29, 286 from 29285 County customers and \$53,310 from 5351 non-County customers. These service fees for both County and non-County residents result in revenue of approximately \$82,596.

It is possible that the new transfer station building may stimulate increases in disposal tonnage through the sheer convenience that it will allow large, commercial, compactor-trucks to directly deposit their waste on the tipping floor for transshipment to the landfill. However, the service fee has been responsible for confusion and a poor experience for some of our customers. It has a significant impact on our potential for gaining City customers in that many of our customers are only bringing a few hundred pounds or less of waste to be disposed. Our minimum weight charge is \$6.00 for scaled weights less than 200 pounds (0.1 ton). This means that a City resident that wishes to dispose of 200 pounds or less of waste, must pay \$16.00 (\$10 service fee plus \$6 minimum charge) versus a County resident which would pay \$7 (\$1 service fee and \$6 minimum charge). Additionally, there has been confusion about what the service fee is charged for (it is only charged for inbound transactions, not

outbound ones) and even whether it is charged on a per ton basis.

The \$82,596 reduction in revenue would require an additional 3,050 tons of waste to be received each year to offset the loss. Given the facility operates approximately 250 days per year, this would equate to approximately 12 tons of MSW per day to offset the loss at the current tipping fee of \$66 per ton. Considering the Ivy MUC received approximately 8,200 tons of MSW in FY 17, this would equate to a 37% increase in waste receipts to balance out the loss in service fee revenue. It seems unlikely that this level of cost reduction to the customer would be wholly offset through increased business. Instead, the rationale for removing the service fee is to reduce confusion and to provide a better customer experience.

MSW Tipping Fees

RSWA staff also initiated an analysis to better understand how changes to market-based tipping fees may affect the receipt of material for disposal and the bottom line effects on annual revenues. This analysis included: a survey of the tipping fees of neighboring and regional disposal facilities (including transfer stations); communications with large regional waste haulers to better understand their market dynamics; and an internal budgetary analysis to understand how a change in MSW tipping fees would impact RSWA budgets.

Fees at Neighboring Facilities

Published tipping fees at neighboring counties (Augusta, Fluvanna, Louisa, and Nelson Counties) indicate an average tipping fee of \$55.00 per ton as shown on Table 1.

Table 1. MSW Tipping Fees in adjacent Counties

<u>County</u>	<u>Tipping Fee (\$/ton)</u>
Ivy MUC	66
Augusta	45
Fluvanna	57
Louisa	52
Nelson	55
Average (excluding Ivy MUC)	52.25
Average (including Ivy MUC)	55

Tipping fees at nearby private transfer station facilities are word-of-mouth reports of rates and are subject to private negotiations between the transfer station operators and waste collection companies. These private tipping fees have been reported to range from \$40/ton to \$53.50/ton but generally seem to be in the low \$50s/ton which generally correlates well with the disposal options available in adjacent counties. These private facilities are in Fluvanna County in the Zions Crossroad area.

Feedback from Larger Waste Haulers

The current transfer station processed 8,200 tons of MSW in 2017 at a tipping fee of \$66.00 per ton. The existing facility is unable to receive large compactor trucks used by most large waste haulers because the facility does not have a tipping floor for them to unload these large trucks. The new transfer station facility has a covered tipping floor where these large trucks can quickly unload.

Updike Industries indicated that their use of the new transfer station would be solely based on the route by route economics. In this analysis they would be weighing the cost benefit of potentially paying a higher tipping fee if it created an economic savings from reduced miles driven or efficiencies in employee hours. A reduction in our tipping fee, to one closer to the regional average, may help sway this economic evaluation in favor of bringing more material to the new transfer station for disposal. It seems likely that we would see some incoming waste from this hauler if we moved to a more regionally competitive tipping fee.

Waste Management of Virginia indicated that they may send some of their material to the new transfer station based on a route-by-route evaluation. However, they are currently (as part of a contract that continues through January 2019) utilizing the Republic Services transfer station in Zion Crossroads at a tipping fee of \$40/ton. It seems unlikely that we would see a great deal of traffic from this hauler, at least under their current contractual arrangement.

Time Disposal is utilizing the County Waste transfer station in Zion Crossroads and paying a tipping fee in the low \$50 range. A representative of the firm indicated that they might be interested in utilizing the new transfer station however they expressed concern that this might be tied to the Authority also offering to receive single-stream (comingled curbside) recycling. If the issue related to recycling can be resolved, it seems reasonable to expect material from this hauler at a rate in the mid-\$50 range due to benefits in reduced miles driven, and increased in employee/equipment efficiency (*i.e.*, the trucks and crews can stay on profit-producing collection routes rather than driving to and from a transfer station in Zion Crossroads).

Internal Budget Analysis at Different Tipping Fees

As stated earlier, the Ivy transfer station received 8,200 tons during 2017. This equates to an average of approximately 32 tons per day. An increase of approximately 4 tons per day (or an average of two commercial compactor trucks per week) equates to approximately 1,000 tons per year.

The RSWA is currently charging \$66 per ton for MSW. Using a financial model developed by RSWA staff, a budget analysis was undertaken to understand how much additional tonnage (with a resulting increase in revenue) it would take to off-set the loss in revenue that would result from a decrease in our tipping fee. The results of various model runs at various tipping fees produced a “revenue-neutral” tonnage at which there would be no resulting net increase in annual operating expense. A reduction in tipping fee that resulted in the receipt of tonnage in excess of the “revenue-neutral” tonnage would then result in a decrease in the operating expense of the Authority. A summary of the results of these model runs is included as Table 2.

Table 2. “Revenue-neutral” Tonnages at Various Tipping Fees

Tipping Fee (\$/ton)	Additional “Revenue-neutral” Tonnage
\$66 (current fee)	8,200 tons (received in FY17)
\$60	+ 2,100 tons (26%)
\$56	+5,300 tons (65%)
\$55	+5,500 tons (67%)
\$50	+11,700 tons (143%)

Results of Analysis

In an effort to implement our Strategic Goals, as measured by an increase in the tonnage of MSW received at the new Ivy MUC transfer station, RSWA staff have undertaken an analysis of the service fees we charge, MSW tipping fees within our region, discussions with some of the large commercial haulers in our area, and an assessment of the budgetary impact of potential alternative tipping fees. This analysis can be condensed into three general alternatives which the Board can consider: 1) the “status quo” option in which the Board chooses to undertake no changes in the service and tipping fees; 2) removal of the current service fees charged to both County and non-County representatives; and 3) a change to a market-based MSW tipping fee.

The service fees we charge are often viewed negatively by City and other non-County customers. Although the service fees create more than \$82,000 in revenue, they create confusion and negative feelings amongst our existing and potential customers. These revenue impacts would be mitigated by increased customer use, but this would be very hard to track and quantify. Implementation of a plan to remove the service fees for both County and non-County residents should mostly be based on a desire to increase customer satisfaction rather than a purely economic basis.

The average tipping fee in our area (including the existing Ivy MUC tipping fee) is approximately \$55/ton. If the RSWA was to reduce the tipping fee at the new transfer station from \$66 to \$55, it would take approximately 5,500 tons of additional MSW per year to be “revenue-neutral” and not result in an increase in net annual operating expenses. 5,500 tons per year is equal to approximately 20 tons per day (approximately an additional 2 commercial compactor trucks per day).

If the change in tipping fee (from \$66 to \$55) resulted in no additional MSW tonnage to the new transfer station, there would be a resulting \$90,000 increase in annual operating expense to the County. The large haulers in our area did not indicate with confidence that a current change in the tipping fee, to market-based levels, would result in an increase in material received to a level that would be revenue-neutral.

Tipping fee changes were also discussed with City staff with a goal toward identifying whether they, or their selected contractors, might direct waste materials to the new transfer station. The City is under existing contractual obligations that define its current MSW and recycling materials haulers and waste transfer service providers. In approximately one year, the City will be rebidding waste transfer services. At that time, directing waste through the Ivy transfer station may be considered.

With the information from the waste haulers and the City, RSWA staff cannot confidently predict that the new transfer station would receive significantly more MSW resulting from a change in tipping fee to a market-based rate. This may change in a year, as contractual obligations with the waste haulers and the City come up for renewal.

In accordance with the “Amended and Restated Ivy Material Utilization Center Programs Agreement Between the County of Albemarle and the Rivanna Solid Waste Authority,” the RSWA Board must request the Albemarle County Board of Supervisors to consider any changes to the MSW tipping fees or other charges.

Board Action Requested:

Consider modifications to the service fees and the MSW tipping fee at the Ivy MUC.