



EAST HELENA

Solid Waste Operational Analysis and Rate Study Draft

Prepared for:
City of East Helena, Montana
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Table of Contents

1. OVERVIEW	1
1.A. Scope of Report.....	1
1.B. Solid Waste Services.....	1
2. SOLID WASTE EXPENSES	2
2.A. Personnel Services	2
2.B. Parts and Supplies.....	3
2.C. Purchased Services.....	4
2.D. Capital Outlay	5
2.E. Debt Servicing.....	5
2.F. Total Expenses.....	6
3. SOLID WASTE REVENUES	6
4. SOLID WASTE SERVICES ALTERNATIVES	7
4.A. Alternative 1: Continued Solid Waste Service by East Helena Public Works	7
4.B. Alternative 2: Contract Solid Waste Services to a Private Contractor	13
4.C. Alternative 3: Discontinue City Provided Solid Waste Services.....	19
5. FUTURE GROWTH AND IMPACTS ON RATES	20
5.A. Alternative 1: Future Growth Impact on Rates.....	20
5.B. Alternative 2: Future Growth Impact on Rates.....	21
6. SUMMARY.....	21
Figure 1: Personnel Services.....	3
Figure 2: Parts and Supplies	4
Figure 3: Purchased Services	4
Figure 4: Capital Outlay.....	5
Figure 5: Total Expenses	6
Figure 6: Total Revenues	7
Figure 7: Expenses Compared to Revenues.....	9
Figure 8: Projected Costs	10
Figure 9: Future Expenses and Revenues	13
Table 1: Employee Time Percentage	2
Table 2: Total Pickups Per Week.....	11
Table 3: Proposed Rate Increase 7-Year Term	12
Table 4: Proposed Rate Increase 5-Year Term	12
Table 5: Estimated Rates with Tri County Disposal Residential Option 1.....	15
Table 6: Estimated Rates with Tri County Disposal Residential Option 2.....	17
Table 7: Estimated Rates with Tri County Disposal Commercial Option 1.....	18

Table 8: Estimated Rates with Tri County Disposal Commercial Option 2..... 19
Table 9: Estimated Rates with Future Growth 7-Term Loan 20
Table 10: Estimated Rates with Future Growth 5-Term Loan 20
Table 11: Alternative 1 Proposed Rate Summary..... 21
Table 12: Alternative 2 Proposed Rate Summary..... 22

Appendix A: Tri County Disposal Proposal

1. OVERVIEW

1.A. Scope of Report

The City of East Helena provides solid waste services to 799 existing customers. The City current solid waste rates are \$12.25 for 95-gallon container and \$36.75 for a 300-gallon container for one pickup per week. The rates were established by Ordinance NO.191 in October of 1993 and have not been adjusted since this time. To continue solid waste services the City needs a new garbage truck to replace the existing aging garbage truck or will need to contract solid waste services out to a private company. This report will analyze the current solid waste rates, existing revenue, existing expenditures, and discuss potential solid waste rates for both the purchase of the new equipment or contracting solid waste services to a third party.

1.B. Solid Waste Services

The City of East Helena offers solid waste removal and disposal services for residents. Services provided by the City include: weekly/biweekly waste container pickup, special solid waste pickups, recycling services, yard waste disposal, and spring cleanup services.

The primary service provided is weekly/biweekly waste container pickup. The City offers two container sizes for pickups, 95-gallon and 300-gallon containers. Containers east of Montana Ave. and south of Highway 12 (Moon Town) are picked up on Mondays, and containers west of Montana Ave. are picked up on Thursdays. Some customers require biweekly pickups. Biweekly pickups are picked up Monday and Thursday regardless of location.

Collected waste is disposed at Tri County Disposal's Valley View Sanitary Landfill. The Valley View Sanitary Landfill is a private landfill owned and operated by Tri County Disposal. The City of East Helena is charged per ton of solid waste delivered. The City originally signed a two-year contract with Tri County Disposal in June of 2013 and is still currently operating under this contract.

The City also offers special pickups services. Special pickup services include any unordinary solid waste. This could be furniture, appliances, or other large items. Customers call the City and ask for a special pickup or public work employees observe waste along streets and routes. City employees will pick these items up, transport the item, and ultimately dispose of the waste at the Valley View Sanitary Landfill at no extra cost for most items. Items containing freon have a \$20 disposal charge and tires have a \$5 disposal charge. In addition to ordinary special pickup, the City also does a special Christmas tree pickup at no costs to the residents.

For recycling services, recycling roll-off containers are located in the City Hall parking lot. Materials accepted for recycling include: paper, aluminum and metal cans, and cardboard. The City previously to accepted plastic and paid for this service. Large amounts of plastic were delivered to the City by people outside the City limits which created a subsidy by residents. For this reason, the City discontinued this service. The recycling is administered by Tri County Disposal. The City currently has four dumpsters behind City Hall for recycling cardboard that are picked up every week at no cost. In addition, there is also one large recycling dumpster behind City Hall separated into a steel cans section, an aluminum can section, and a paper section. The

metal and paper dumpster is emptied when necessary, and the City is charged a \$100 each time it is emptied. The City does not receive any financial returns from the recycled material.

Additionally, the City accepts clean residential yard waste from City residents. The City receives the yard waste at a yard waste disposal site on the East Helena Wastewater Treatment Facility property. Items accepted at the yard waste disposal site include: Tree limbs and brush less than 4-inches in diameter and tree limbs larger than 4-inches cut to 15-inch lengths. These items are piled and burned by the City. Grass and leaves are also accepted but are piled to let dry, and later hauled to the Valley View Sanitary Landfill. The City offers this service free of charge to residents between April and October.

2. SOLID WASTE EXPENSES

To provide the solid waste services to the East Helena residents the city has many expenses. These expenses can be separated into five main categories. These categories include: personnel services, parts and supplies, purchased services, capital outlay, and debt servicing. Each of these expense categories were analyzed from fiscal year 2013 to fiscal year 2019.

2.A. Personnel Services

Personnel Services mainly includes the cost of labor for the City to provide solid waste services. City employees currently charge a percentage of their time to solid waste services. The time percentage charged are shown in **Table 1**.

Table 1: Employee Time Percentage

Employee	Percentage	Employee	Percentage
PW Employee 1	35%	PW Director	25%
PW Employee 2	18%	Deputy Clerk	16%
PW Employee 3	18%	City Clerk	11%
PW Employee 4	1%	Utility Clerk	15%

PW-Public Works

These percentages are the time the City allocates to solid waste services actual percentages may slightly vary. Public works reports that PW Employee 1 spends 8 hours on both Monday and Thursday to pick up garbage containers, and City staff spend 12 hours per week on special pickups. PW Employee 1 percentage is relatively accurate with 16 hours of total work per week being 40% of his time, compared to the charged 35%. If PW Employee 2 and 3 split their time evenly on special pickups they would spend 15% each compared to the 18% they charge.

For this rate study current labor allocations as reported in **Table 1** will be used for any rate increases. The labor costs were analyzed from fiscal year 2013 to fiscal year 2019. Personal services expenses are shown in **Figure 1**.

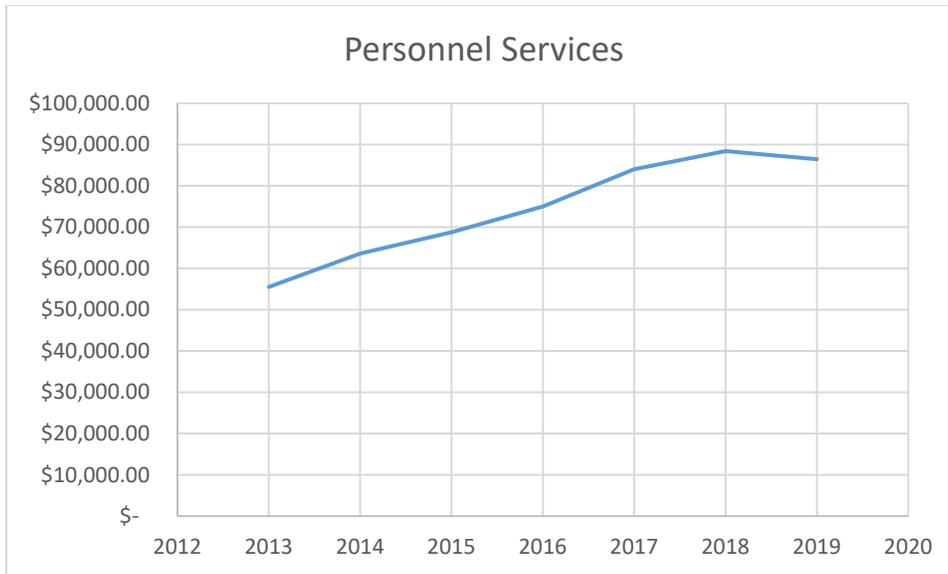


Figure 1: Personnel Services

As can be seen in **Figure 1** personnel services have been steadily increasing over the last 6 years at an average annual growth rate of 7.7%. The cost increase in personnel services is caused by cost of living increases, reallocation of staff hours, and additional personnel added. It is expected that the personnel services will continue to increase. Any new rate established will need to consider these continual increases in personnel services.

It also should be noted that part of the personnel service's expenses includes spring cleanup and special pickups. In recent years it is estimated that the spring cleanup costs approximately \$5,250, and special pickup cost approximately \$12,480. If the City discontinues these services the personnel expenses will decrease respectively.

2.B. Parts and Supplies

Parts and supplies includes anything from office supplies, to fuel, to truck repair and maintenance. The parts and supplies for fiscal year 2013 to 2019 are shown in **Figure 2**.

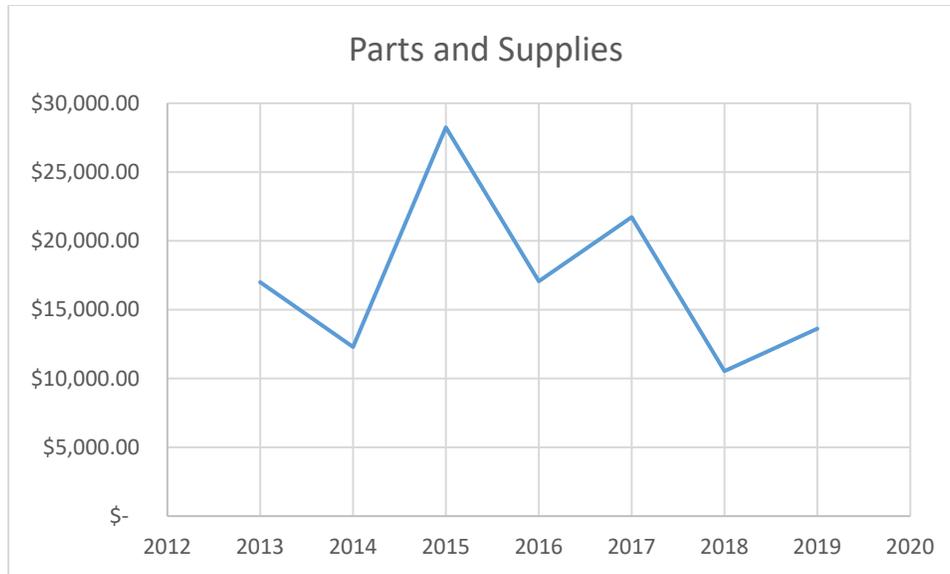


Figure 2: Parts and Supplies

Parts and supplies do not appear to be increasing or decreasing overtime and tend to be erratic. Parts and supplies are variable year to year depending mainly on fuel prices, and maintenance needs. Overall parts and supplies are a minimal amount at 9.7% of the overall total expenses to provide solid waste services.

2.C. Purchased Services

Purchased services includes all outsourced costs. These include anything from vehicle repair to phone service to tipping fees. The main cost in this category is tipping fees to dispose of solid waste at the Valley View Sanitary Landfill. The purchased services expenses are shown in **Figure 3** from fiscal year 2013 to 2019.

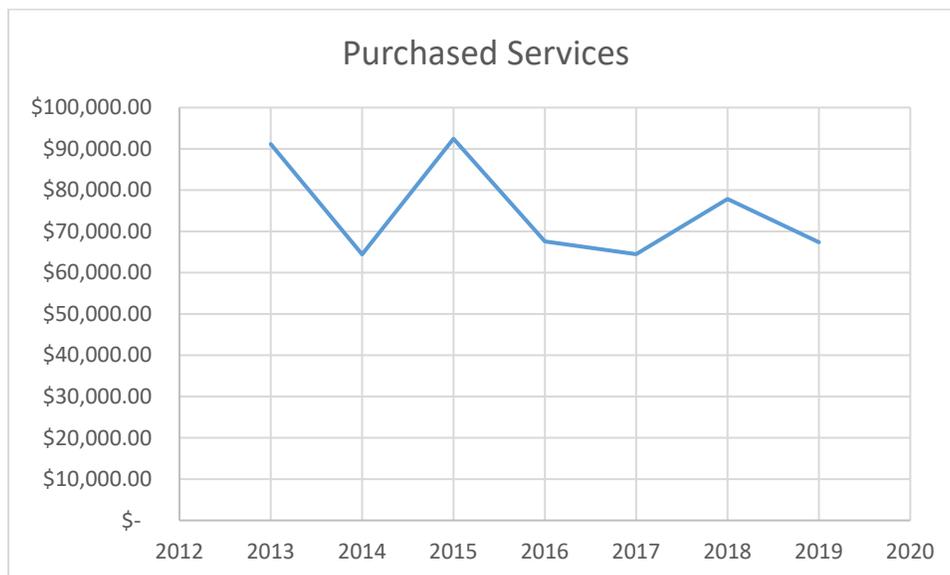


Figure 3: Purchased Services

The main expense in this category is tipping fees. In June of 2013 the City signed a contract with Tri County Disposal for City to use the Valley View Sanitary Landfill for disposal. The City is charged by the ton of solid waste received. This benefit was not realized by the City until fiscal year 2014 and resulted in a substantial savings to the City. The purchased services appear to fluctuate year to year, and do not appear to have any consistent increases or decreases.

The City is still operating under a 2-year solid waste disposal agreement which was signed in June of 2013. There have been no fee increases to this agreement since that time. Discussions with the City indicate that there will be no drastic fee increases in the near future. However, fees may increase at some point in the future, and rates may need to be further adjusted to account for any new tipping fee increases.

2.D. Capital Outlay

Capital outlay mainly consists of one-time purchases of equipment. Most years capital outlay is very minimal. Capital outlay typically only includes purchases of solid waste containers for replacement, and garbage trucks. The capital outlay from fiscal year 2013 to 2019 are shown in **Figure 4**.

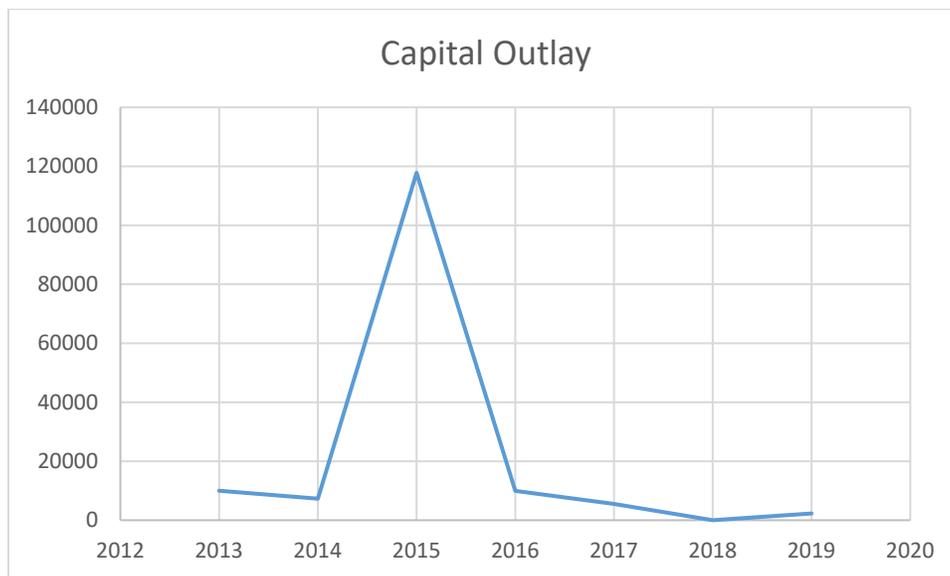


Figure 4: Capital Outlay

Fiscal year 2015 had a large capital outlay due to a partial cash purchase of a used garbage truck from Tri County Disposal. In general capital outlay is consistent except for garbage truck purchases.

2.E. Debt Servicing.

In fiscal year 2015 the City of East Helena purchased a used garbage truck from Tri County Disposal. The truck was partially paid for in cash and partially financed. The truck was financed through Montana Board of Investments INTERCAP Loan program. The loan has a variable

interest rate and a 5-year term. The truck is scheduled to be paid in full in fiscal year 2020. The interest rates under this loan started at 1.25% and have increased to a current rate of 3.15%. Annual total payments for this loan have typically been approximately \$20,000 per year with a principal payment of \$19,000 per year.

2.F. Total Expenses

Total expenses for the East Helena solid waste services are shown in **Figure 5**.

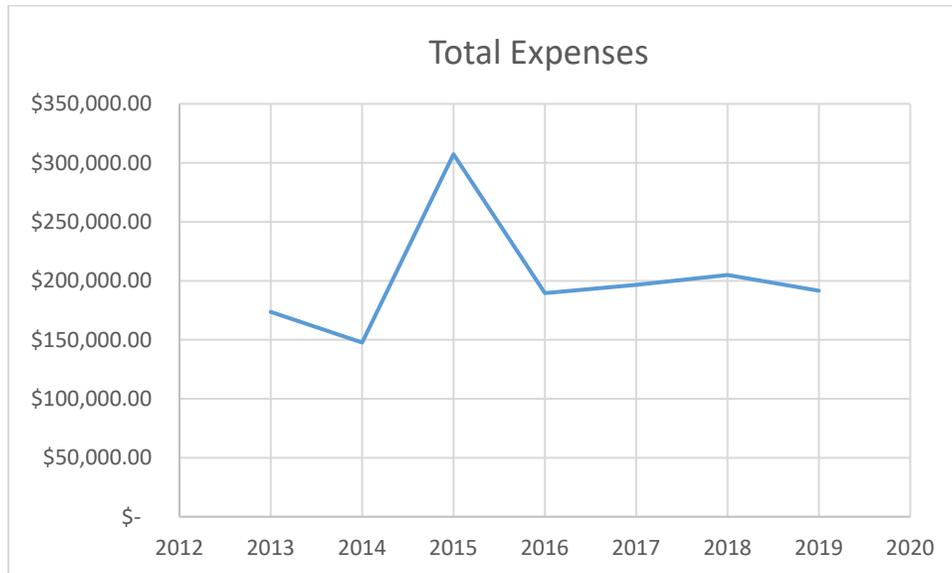


Figure 5: Total Expenses

Figure 5 shows the total expenses required to provide solid waste services to the residents of East Helena. Total expenses decreased in fiscal year 2014 due to the change in the solid waste disposal site. In fiscal year 2015 total expenses increased due to the large cash purchase of the current garbage truck. From fiscal year 2016 to 2018 expenses have increasing steadily. This steady increase is likely to continue with the increased costs of labor.

3. SOLID WASTE REVENUES

Revenues for East Helena solid waste services come solely from the charges for container pickups and solid waste disposal. Rates for container pickups were established in October of 1993 under City Ordinance No. 191.

The City offers two container sizes, 95-gallon and 300-gallon, each with different rates. The 95-gallon container also known as “residential size” is \$12.25 per month for one pickup per week. The 300-gallon container also known as “commercial size” is \$36.75 per month for one pickup per week. Some customers require either biweekly pickups or multiple containers. If biweekly pickups are required, the monthly rate doubles both for commercial and residential customers. If multiple containers are required, the rate will increase by the number of containers. An example would be two commercial containers picked up once per week would cost \$73.50.

Total revenues for the solid waste services from fiscal year 2013 to 2019 can be seen in **Figure 6**.

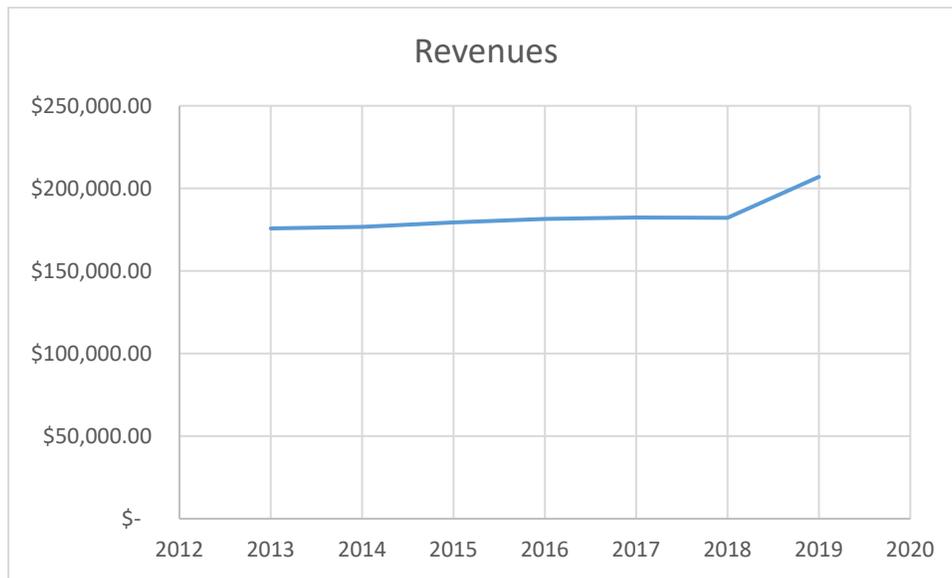


Figure 6: Total Revenues

As shown in **Figure 6** revenues have been relatively consistent, except for fiscal year 2019. In fiscal year 2019 many delinquent accounts were brought current, resulting in an increase in revenues. It is likely revenues will likely go back down in 2020, and revenues will remain consistent. The relatively consistent revenues reflect that the City has had minimal growth over the last 5 years. While some growth is planned for areas within the City limits, it is unknown when this growth will occur. To increase revenues, rates need to be raised to keep up with labor, fuel, etc.

4. SOLID WASTE SERVICES ALTERNATIVES

The City of East Helena has three possible solid waste alternatives, and corresponding rates. The solid waste alternatives include: Continued Solid Waste Services by East Helena Public Works, Contracting Solid Waste Services to a Private Company, and Discontinuing Solid Waste Services.

4.A. Alternative 1: Continued Solid Waste Service by East Helena Public Works

This alternative includes the City continuing the current solid waste services. The City would be required to purchase a new garbage truck to continue these services. Garbage trucks can vary in price depending on features added to the truck. However, a conservative cost for a garbage truck that can meet the requirements of the City of East Helena is approximately \$300,000. The City maybe able to find a demo truck or slightly used truck for less, but they are not always available and may not meet the City requirements. Therefore, for the purposes of this report \$300,000 will be considered for any new rate calculations.

The City currently offers special pickups and spring cleanup. These services likely keep the City streets, allies, and City resident's property cleaner, but they are not a necessary solid waste service. Rates will be calculated with these services and if these services are discontinued.

4.A.1. Funding and Equipment Purchases

The City of East Helena needs to purchase a new garbage truck because the existing garbage truck is becoming unreliable and expensive to maintain. For the purposes of this study, the new truck is conservatively budgeted at \$300,000. The actual truck price may vary. This truck will be in addition to the existing garbage truck, and the existing truck will be used as a spare truck. The City does not have the capital to purchase the new truck and will require financing

4.A.2. Preferred Financing

The preferred financing is through the Montana Board of Investments. These INTERCAP loans are designed to be used for capital needs such as vehicles. Applications are not competitive but are subject to availability of funds.

Loans up to \$5 million can be issued with staff or INTERCAP Loan Committee approval, which qualifies the city for a loan needed for the new garbage truck. INTERCAP loans have a variable interest rate with a current rate of 3.37%. Interest rates change February 16 of each year. The average rate through the existence of the program is 4.017%. The longest term issued on vehicles using INTERCAP loans is 7 years.

With interest rates being variable, and a steady increase in rates over the last 5 years, the average interest rate 4.017% will be used to approximate annual payments. Assuming a 7-year loan term the annual payment for the new garbage truck will be approximately \$50,014. If the City would like to shorten the term of the loan to a 5-year term the approximate annual payment will be \$67,420.

4.A.3. Alternative 1 Rate Calculations

Any rate increase will need to predict future expenses for solid waste services as well as loan payments. It is assumed the new truck will be purchased in fiscal year 2020, and the truck will be financed for either 7 years or 5 years. For the purpose of this study rates will be predicted to fiscal year 2027 to match termination of a 7-year term loan, at which time rates will need to be reevaluated.

4.A.3.a. Current Revenues Compared Expenses

To predict future expenses and rates current expenses and revenues will need to be analyzed. **Figure 7** shows the revenues compared to expenses from fiscal year 2013 to 2019.

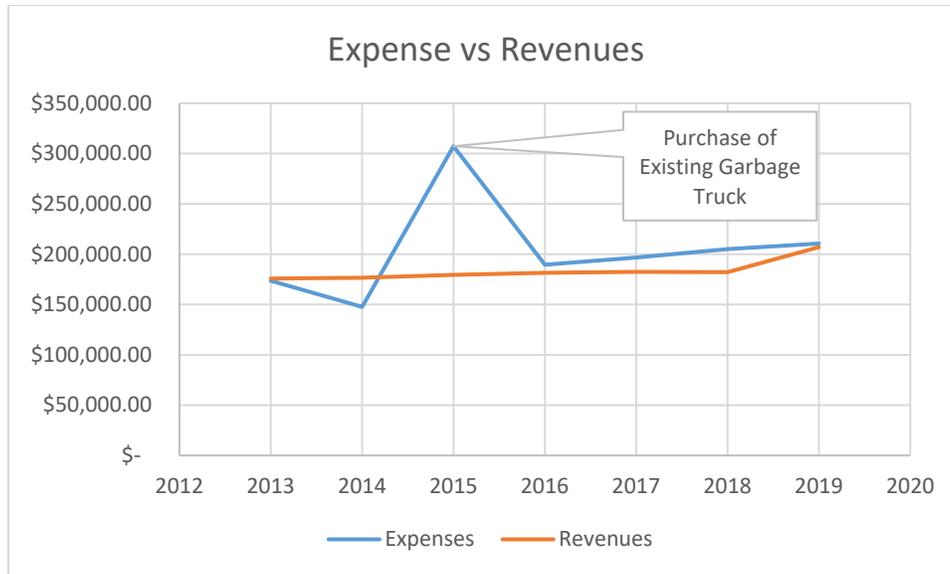


Figure 7: Expenses Compared to Revenues

As seen in **Figure 7** revenues are currently less than expenses. Currently the City has a reserve so the solid waste fund does not have a negative account, but if rates are not increase the solid waste fund will likely not support itself. Analyzing the graph, in 2015 expenses increase drastically due to the large cash outlay to purchase the current garbage truck. In addition, the purchase of this garbage truck increased expenses due to the loan payment. The new rate increase will need to ensure revenues are greater than or equal the expenses.

4.A.3.b. Projected Future Expenses

Future expenses need to be projected for fiscal year 2027 to ensure revenues are greater than or equal to expenses throughout this period. To project 2027 expenses, total expenses except existing loan payment and capital outlay for the existing garbage truck from fiscal year 2013 to fiscal year 2019 were graphed. The existing loan and capital outlay for the garbage truck causes the projected expenses to appear artificially higher since these expenses cause a sudden increase in expenses which affect the projected expenses. By eliminating these expenses, it provides a better projection of future expenses. The 2027 expenses projection is shown in **Figure 8**.

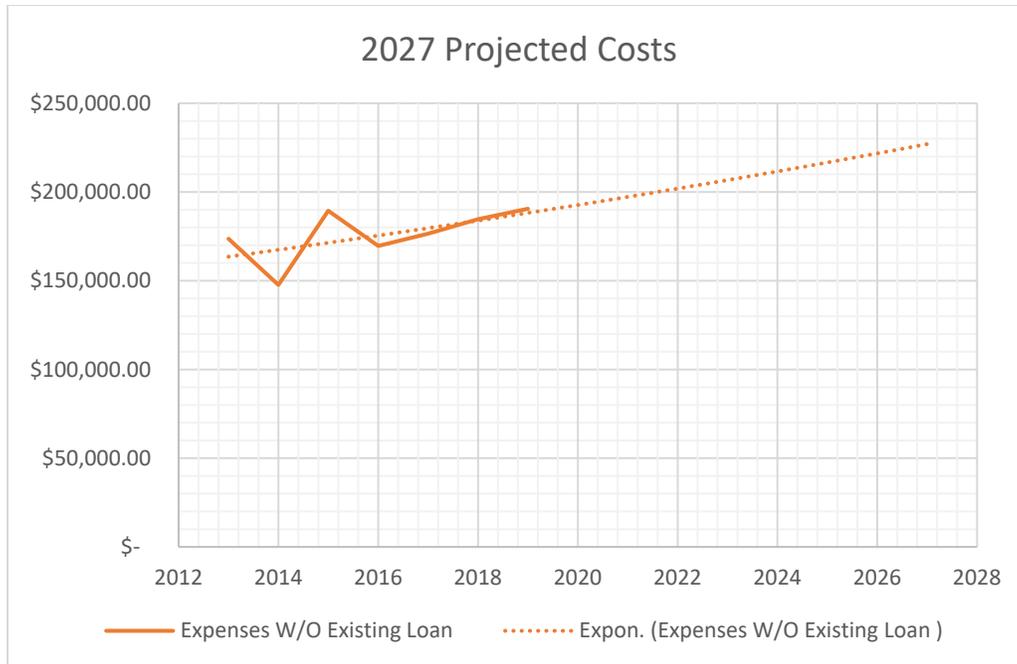


Figure 8: Projected Costs

As can be seen in **Figure 8** the 2027 projected expenses are \$225,000. This projected expense does not include the loan repayment for the new truck. The new truck loan payment will need to be added in addition to this projected expense cost.

4.A.3.c. Alternative 1 Rate Increase

The current rate is \$12.25 for 95-gallon container and \$36.75 for a 300-gallon container for one pickup per week. The 300-gallon rate is three times the 95-gallon rate, therefore one 300-gallon container is equivalent to three 95-gallon containers. If customers require multiple pickups or multiple containers the rate is multiplied by the number of containers or pickups. To calculate a new rate total number of containers picked up per week will be calculated, and equivalated into 95-gallon containers. **Table 2** shows the current customers the 95-gallon container equivalents.

Table 2: Total Pickups Per Week

Rate Code	Number of Containers	Number of Pickups	Number or Customers	Number of Pickups
300 gal	1	1	10	10
300 gal	1	2	36	72
300 gal	2	1	1	2
300 gal	2	2	0	0
300 gal	3	1	4	12
300 gal	3	2	1	6
300 gal	4	1	1	4
300 gal	4	2	4	32
300 gal	5	1	2	10
300 gal	5	2	1	10
<i>Total 300 Gallon Containers Picked up Per Week</i>				158
1.5-2.0 YD3 base	4	1	4	16
95 gal	1	1	701	701
95 gal	1	2	8	16
95 gal	2	1	16	32
95 gal	2	2	2	8
95 gal	4	1	7	28
95 gal	5	1	1	5
<i>Total 95 Gallon Containers Picked up Per Week</i>				806
<i>Equivalent 95 Gallon Containers Picked up Per Week</i>				1280

As shown in **Table 2** there currently are 1280 equivalent 95-gallon pickups per week. Using this equivalent number of containers, a new rate can be calculated for both a 5-year and 7-year loan term. The rate will be calculated to break even with expenses in fiscal year 2027 at which time the truck loan will be paid in full and rates should be reevaluated. **Table 3** shows the proposed rate increase with a 7-year term, and **Table 4** shows the proposed rate increase with a 5-year term. For comparison, if rates increased 1.75% per year since 1993 the current rate would be \$19.23 for a 95-gallon container which is more than the proposed rate increase for the 5-year loan in this alternative.

Table 3: Proposed Rate Increase 7-Year Term

Proposed Rate Increase 7-Year Term	
Estimate Expenses 2027	\$ 225,000
7-Year Term Payment	\$ 50,014
Total Expenditures	\$ 275,014
Equivalent 95-Gallon Pickups per Week	1280
New 95-Gallon Rate per Month	\$ 17.90
New 300-Gallon Rate per Month	\$ 53.71
Rate Reduction if Spring Cleanup was Terminated	\$ 0.34
Rate Reduction if Special Pickups were Terminated	\$ 0.81

Table 4: Proposed Rate Increase 5-Year Term

Proposed Rate Increase 5-Year Term	
Estimate Expenses 2027	\$ 225,000
5-Year Term Payment	\$ 67,420
Total Expenditures	\$ 292,420
Equivalent 95-Gallon Pickups per Week	1280
New 95-Gallon Rate per Month	\$ 19.04
New 300-Gallon Rate per Month	\$ 57.11
Rate Reduction if Spring Cleanup was Terminated	\$ 0.34
Rate Reduction if Special Pickups were Terminated	\$ 0.81

The proposed rate increases are shown in **Table 3** and **Table 4**. In addition to the proposed rate, rate reductions have been calculated. If the City chooses to terminate spring cleanup and/or special pickup services, the rate reduction can be subtracted from the new rates.

The proposed rate increases in **Table 3** and **Table 4** are based on current number of customers. There are some future developments proposed for East Helena, but the size and nature of these developments is largely unknown. See **Section 5** for an analyze of future development impacts on the solid waste rates.

The proposed rate increase in **Table 3** and **Table 4** also does not include current loan payment for the existing garbage truck. This current loan payment was not included because the loan will be mature in fiscal year 2020. In year 2020 the proposed rate increase will still bring in more revenues than the projected expenses for year 2020, the new loan payment, and the existing loan payment. For year 2020 the proposed rate increase for a 7-year term loan has a projected revenue of \$262,000.00. Total expenses including both loans are projected to be \$275,000.00 in fiscal year 2020. This is graphically shown in **Figure 9**.

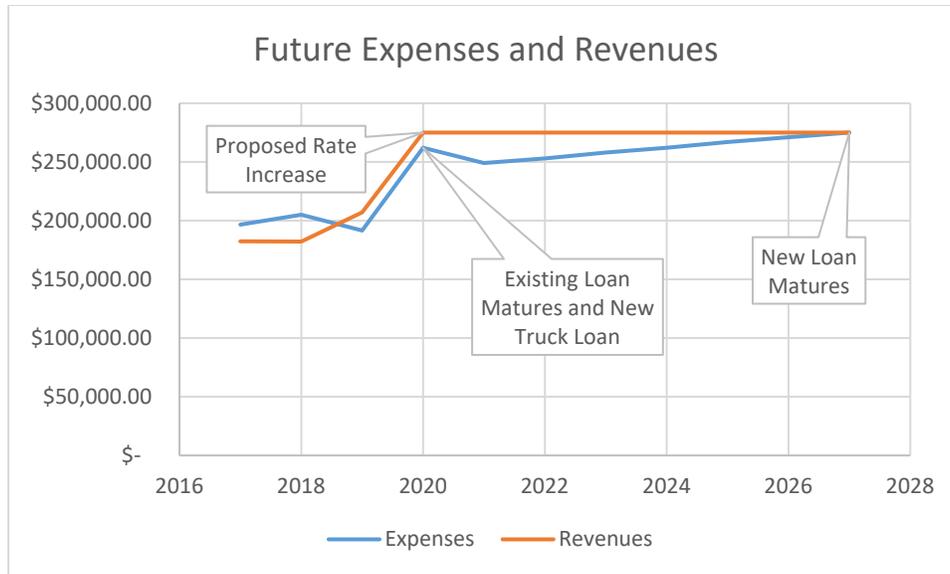


Figure 9: Future Expenses and Revenues

The City also has many solid waste customers that require multiple cans or biweekly pickups. The rates shown in **Table 3** and **Table 4** are the base rates for 95-gallon containers and 300-gallon containers and will need to be adjusted for multiple containers or biweekly pickups. If multiple containers are required, the rate will need to be multiplied by the number containers required. If biweekly pickups are required rates should be doubled.

Table 3 shows both a 7-year loan term and a 5-year loan term. Both loan term rates are projected to 2027 this is for comparison purposes. If a 5-year term was chosen the new garbage truck would be paid off in 2025, at which time rates should be re-evaluated.

4.B. Alternative 2: Contract Solid Waste Services to a Private Contractor

Alternative 2 consists of contracting out solid waste services to a private solid waste disposal company. It is assumed that the City will need to solicitate for bids for solid waste services so final rates may not be exactly known. However, solid waste disposal companies are regulated by the public service commission. Tri County Disposal is local solid waste disposal company for the East Helena area, and it is likely that Tri County Disposal would provide these disposal services. Tri County Disposal will be referred to as the solid waste contractor for the purposes of this report.

The City of East Helena and RPA have contacted Tri County Disposal for a budgetary proposal of providing solid waste services for the City of East Helena. Tri County Disposal proposal offers two options for residential pickups and two options commercial pickups. The residential options tipping fee vary in price and services provided. The commercial options vary in administrative of the accounts, but pricing stays the same. Tri County Disposal Proposal can be seen in **Appendix A**.

4.B.1. Contract Solid Waste Residential Rates Option 1

Residential Option 1 Tri County Disposal will provide the following:

- Tri County will pick-up residential cans weekly.
- Tri County will be responsible for providing and replacing 95-gallon cans to residents as needed.
- Extra bagged garbage will be collected on the route at no additional charge. If residents regularly have extra bags, they will be assigned extra cans at \$8.25 per month per can.
- Rates include one special haul/bulk item removal per month per resident. Additional special hauls/bulk item removal will be charged to the City at \$40/occurrence.
- Services will be invoiced monthly to the City of East Helena, in advance.
- Tonnage costs will be billed to the City of East Helena at \$30 per ton.

Tri County base rate for this option is \$8.50 per account. Tri County's rate does not include: tonnage, residential drop off at the Valley View Landfill, administrative costs, postage costs, recycling costs, and accounting software and computer services. These costs will need to be included in the total residential rate to cover the City costs on these items. These costs are estimated off the current expenses. **Table 5** shows the rates for Tri County Disposal's Residential Option 1.

Table 5: Estimated Rates with Tri County Disposal Residential Option 1

Tri County Disposal Residential Rate Option 1			
Item	Base Fee	Number	Yearly Total
Tri County Tipping Fee Residential	\$ 8.25	806	\$ 79,794.00
Total Current Tonnage Cost			
	\$ 30.00	1853	\$ 55,590.00
Residential 95 Gallon Container			806
Total Equivalent 95 Gallon Containers			1280
Residential Percentage of Waste			63%
Total Residential Tonnage Cost			\$ 35,004.33
Cost per Customer per Month			\$ 3.62
Residential only Costs			
Residential Drop Offs/ per load	\$ 7.00	635	\$ 4,445.00
Residential Drop Offs/ per Ton	\$ 39.00	36.51	\$ 1,423.89
Total			\$ 5,868.89
Number of Residential Customers			806
Cost per Customer per Month			\$ 0.61
City Administrative Costs			
City Administrative Costs	\$ 30.00	985	\$ 29,550.00
Postage Costs	\$ 1,200.00	1	\$ 1,200.00
recycling costs	\$ 300.00	1	\$ 300.00
Accounting Software and Computer Services	\$ 3,000.00	1	\$ 3,000.00
Admin and Misc Total			\$ 34,050.00
Number of Customers			866
Cost per Customer per Month			\$ 3.28
Tipping Fee Residential			
			\$ 15.75
<i>Rate Assuming 3% inflation for 5 years*</i>			<i>\$ 17.07</i>
Additional Rate if Spring Cleanup is Added	\$ 5,250.00	806	\$ 0.54

**This assumes a 3% cost of living increase for 5 years. Tri County Disposal proposal includes this in it however they reserve it as right, but it may not necessarily be applied.*

The following assumption were made in **Table 5:**

- Residential tonnage is calculated based on a ratio of current 95-gallon cans to 300-gallon cans.
- It is assumed that drop offs at the Valley View Landfill are residential only.
- City administrative costs, postage costs, recycling costs, accounting software and computer services are assumed to be an equal cost between residential and commercial accounts.
- An additional rate is calculated if spring cleanup is still preformed by the City and will need to be added to the base rate.

Rates may be able to be reduced \$0.61 if residential drop offs at the landfill are billed individually and the City is not billed for these services. This would likely be a more equitable system since some residents take advantage of this service, but many do not.

This option is the more expensive of the contracted solid waste services for residential pickups but provides many of the same services that are now currently offered by the City.

4.B.2. Contract Solid Waste Residential Rates Option 2

Residential Option 2 Tri County Disposal will provide the following:

- Tri County will pick-up residential cans weekly
- The City of East Helena will be responsible for providing and replacing 95-gallon cans to residents as needed.
- All extra bags outside residential can will be documented and billed to the City of East Helena at \$5 per occurrence
- Bulk items removed (couches, sofas, beds, etc.) will be documented and billed to the City of East Helena at \$40 per occurrence.
- Services will be invoiced monthly to the City of East Helena, in advance.
- Tonnage costs will be billed to the City of East Helena at \$30 per ton.

Tri County base rate for this option is \$5.50 per account. Tri County Disposal's rate does not include: tonnage, residential drop off at the Valley View Landfill, administrative costs, postage costs, recycling costs, and accounting software and computer services. These costs will need to be included in the total residential rate to cover the City costs on these items. These costs are estimated off the current expenses. **Table 6** shows the rates for Tri County Disposal residential rate option 1.

Table 6: Estimated Rates with Tri County Disposal Residential Option 2

Tri County Disposal Residential Rate Option 2			
Item	Base Fee	Number	Yearly Total
Tri County Tipping Fee Residential	\$ 5.50	806	\$ 53,196.00
Total Current Tonnage Cost			
	\$ 30.00	1853	\$ 55,590.00
Residential 95 Gallon Container			\$ 806.00
Total Equivalent 95 Gallon Containers			1280
Residential Percentage of Waste			63%
Total Residential Tonnage Cost			\$ 35,004.33
Cost per Customer per Month			\$ 3.62
Residential Drop Offs/ per load			
	\$ 7.00	635	\$ 4,445.00
Residential Drop Offs/ per Ton	\$ 39.00	36.51	\$ 1,423.89
Total			\$ 5,868.89
Number of Residential Customers			806
Cost per Customer per Month			\$ 0.61
City Administrative Costs			
	\$ 30.00	985	\$ 29,550.00
Postage Costs	\$ 1,200.00	1	\$ 1,200.00
recycling costs	\$ 300.00	1	\$ 300.00
Can Replacement	\$ 5,000.00	1	\$ 5,000.00
Accounting Software and Computer Services	\$ 3,000.00	1	\$ 3,000.00
Admin and misc Total			\$ 39,050.00
Number of Customers			866
Cost per Customer per Month			\$ 3.76
Tipping Fee Residential			
			\$ 13.48
Rate Assuming 3% inflation for 5 years			
			\$15.63
Additional Rate if Spring Cleanup is Added	\$ 5,250.00	806	\$ 0.54

**This assumes a 3% cost of living increase for 5 years. Tri County Disposal proposal includes this in it however they reserve it as right, but it may not necessarily be applied.*

The following assumption were made in **Table 6:**

- Residential tonnage is calculated based on a ratio of current 95-gallon cans to 300-gallon cans.
- It is assumed that drop offs at the Valley View Landfill are residential only.
- City administrative costs, postage costs, recycling costs, accounting software and computer services are assumed to be an equal cost between residential and commercial accounts.
- Can replacement is assumed to be approximately \$5000 per year.

- An additional rate is calculated if spring cleanup is still performed by the City and will need to be added to the base rate.

Rates may be able to be reduced \$0.61 if residential drop offs at the landfill are billed individually and the city is not billed for these services. This would likely be a more equitable system since some residents take advantage of this service, but many do not.

This option is the less expensive option for contracted solid waste services but provides fewer services. In addition, if special pickups occur, they are billed directly to the City. It is difficult to predict the cost of these pickups under this option and likely will be variable. It would be recommended the City bill these customers individually to ensure cost are equitable.

4.B.3. Contracted Solid Waste Services Commercial Option 1

Tri County has many different options available to commercial customers including more sizes and pick up options than offered currently by the City of East Helena. This may provide more and better services to the commercial customers. Contracted solid waste services Commercial Option 1 include the following services:

- Tri County Disposal would service commercial accounts in the City of East Helena.
- Tri County Disposal will pay a royalty of 5% for each quarter’s gross income for East Helena Commercial Customers
- Tri County Disposal will supply the properly sized containers and pickup schedule for each commercial customer’s need.
- Tri County Disposal will invoice customers monthly, in advance.
- All prices include tonnage.

This option will require little or no additional costs by the City to administer the commercial accounts. In addition, Tri County Disposal will pay a 5% royalty that will likely cover any additional City costs. It is estimated that based off current commercial accounts the City will receive approximately \$3,100 per year in royalties. The proposed commercial rates are in **Table 7**.

Table 7: Estimated Rates with Tri County Disposal Commercial Option 1

Tri County Commercial Option 1							
Size	Once/ Month	Every Other Week	Once/ Week	2x/Week	3x/Week	4x/Week	5x/Week
2YD	\$ 16.06	\$ 30.12	\$ 63.90	\$ 123.53	\$ 180.91	\$ 236.03	\$ 289.44
3YD	\$ 21.39	\$ 41.18	\$ 74.85	\$ 145.13	\$ 212.77	\$ 277.82	\$ 340.28
4YD	\$ 26.91	\$ 52.17	\$ 86.19	\$ 167.42	\$ 245.68	\$ 321.00	\$ 428.66
6YD	\$ 33.77	\$ 60.60	\$ 108.06	\$ 210.46	\$ 309.18	\$ 404.27	\$ 495.10
8YD	\$ 38.62	\$ 73.79	\$ 130.63	\$ 254.90	\$ 374.79	\$ 490.34	\$ 601.53

4.B.4. Contracted Solid Waste Services Commercial Option 2

Tri County has many different options available to commercial customers including more sizes and pick up options than offered currently by the City of East Helena. This may provide more and

better services to the commercial customers. Contracted solid waste services Commercial Option 2 include the following services:

- Tri County Disposal would service commercial accounts in the City of East Helena.
- The City of East Helena will continue to invoice the accounts and Tri County Disposal will invoice the City of East Helena for services provided in advance.
- Tri County Disposal’s invoices would include the commercial customers, number of dumpsters and sizes, and the overall commercial tonnage.
- Tri County Disposal will supply the properly sized containers and pickup schedule for each commercial customer’s need.
- All prices in include tonnage.

The City will have additional cost to administer the commercial accounts under this commercial option. These costs include: city administrative costs, postage costs, and accounting software and computer services. These costs have been divided evenly between commercial and residential accounts. Tri County Disposal however, keeps the same rates for the containers and pickup schedule. By the city administering and billing the commercial the commercial rate will be slightly more expensive then commercial option 1. Estimated rates can be seen in **Table 8**.

Table 8: Estimated Rates with Tri County Disposal Commercial Option 2

Tri County Commercial Option 2							
City Administrative Costs		\$ 30.00	985				\$ 29,550.00
Postage Costs		\$ 1,200.00	1				\$ 1,200.00
Accounting Software and Computer Services		\$ 3,000.00	1				\$ 3,000.00
Admin and misc Total							\$ 33,750.00
Number of Customers							866
Cost per customer per month							\$ 3.25
Size	Once/ Month	Every Other Week	Once/ Week	2x/Week	3x/Week	4x/Week	5x/Week
2YD	\$ 19.31	\$ 33.37	\$ 67.15	\$ 126.78	\$ 184.16	\$ 239.28	\$ 292.69
3YD	\$ 24.64	\$ 44.43	\$ 78.10	\$ 148.38	\$ 216.02	\$ 281.07	\$ 343.53
4YD	\$ 30.16	\$ 55.42	\$ 89.44	\$ 170.67	\$ 248.93	\$ 324.25	\$ 431.91
6YD	\$ 37.02	\$ 63.85	\$ 111.31	\$ 213.71	\$ 312.43	\$ 407.52	\$ 498.35
8YD	\$ 41.87	\$ 77.04	\$ 133.88	\$ 258.15	\$ 378.04	\$ 493.59	\$ 604.78

4.C. Alternative 3: Discontinue City Provided Solid Waste Services

This alternative consists of the City of East Helena discontinuing solid waste services. Residents of East Helena would be required to either haul their own solid waste to the Lewis and Clark County Transfer Station or privately contract with Tri County Disposal to for solid waste services. Currently Tri County Disposal prices are \$16.50 per month for individual service. In addition, county resident’s property taxes are assessed for the solid waste disposal at the transfer station. The solid waste disposal is \$88.00 per year. This makes the effective monthly rate of \$23.83. This

alternative would increase costs and decrease services to City residents. This alternative should be eliminated from further consideration.

5. FUTURE GROWTH AND IMPACTS ON RATES

The City of East Helena has a few potential subdivisions/developments planned within the City limits. These developments would require solid waste services. There currently is a potential of 400 new residences, based on proposed development sizes, within the City. In addition, it is possible that some commercial development could follow the residential growth. For purposes of the following analysis a 15 percent growth in commercial development is assumed during the same time period as the potential residential growth.

5.A. Alternative 1: Future Growth Impact on Rates

In Alternative 1 it is also assumed with this growth that expenses will increase proportionally with number of customers. Assuming a 5-percent commercial growth would require approximately 8 additional 300-gallon containers, or an equivalent of 24 95-gallon containers.

It is difficult to predict when this potential growth will occur. For planning purposes, and to show the potential impact on rates of the new development it will be assumed that the development will be completed in fiscal year 2027. **Table 4** Shows the impacts of growth on proposed rates for fiscal year 2027.

Table 9: Estimated Rates with Future Growth 7-Term Loan

Estimated Rates with Future Growth 7-Year Term Loan	
Estimate with Existing Customer Base Expenses 2026	\$ 225,000
Estimate Expenses Increase Due to Growth	\$ 74,531
7-Year Term Payment	\$ 50,014
Total Expenditures	\$ 349,546
Equivalent 95-Gallon Pickups per Week	1704
New 95-Gallon Rate per Month	\$ 17.09
New 300-Gallon Rate per Month	\$ 51.28

Table 10: Estimated Rates with Future Growth 5-Term Loan

Estimated Rates with Future Growth 5-Year Term Loan	
Estimate with Existing Customer Base Expenses 2026	\$ 225,000
Estimate Expenses Increase Due to Growth	\$ 74,531
5-Year Term Payment	\$ 67,420
Total Expenditures	\$ 366,952
Equivalent 95-Gallon Pickups per Week	1704
New 95-Gallon Rate per Month	\$ 17.95
New 300-Gallon Rate per Month	\$ 53.84

As can be seen in **Table 5** and **Table 6** there is an economy in scale, and rates could be reduced with more development. However, due to nature of development, there are a lot of unknowns.

This information is provided as a guide only. As a matter of conservative financial management growth should not be considered for initial rate setting. If major development does occur rates could be re-evaluated.

5.B. Alternative 2: Future Growth Impact on Rates

Future growth will have a minimal impact on rates for all options in Alternative 2. The City will no longer own large amounts capital equipment, and Tri County disposal will retain the same base rate. All administrative cost for the City to administer solid waste services included in this alternative are almost directly proportional to the number of accounts. Since there is a lack of capital equipment and just proportional administrative expensive compared to growth in almost all the options under this alternative, there is little to no economy of scale. It is anticipated that future growth will have minimal to no impact on potential future rates.

6. SUMMARY

The City of East Helena has two viable alternatives for providing solid waste service to residents and businesses. Alternative 1 would keep the status quo and the public works would continue pickup and dispose of solid waste. For this Alternative to be viable the City will need to purchase new garbage truck. To afford the new truck and to keep up with increased expenses rates will need to be increase. The proposed rate some for this alternative is show in **Table 11**.

Table 11: Alternative 1 Proposed Rate Summary

7-Year Term Loan		5-Year Term Loan	
95-Gallon Container Rate per Month	\$17.90	95-Gallon Container Rate per Month	\$19.04
300-Gallon Container Rate per Month	\$53.71	300-Gallon Container Rate per Month	\$57.11

Alternative 2 consists of contracting out solid waste services to a private company. For purposes of this report this company will be Tri County Disposal even though this service will need to be bid out Tri County Disposal is the only likely company. Tri County Disposal has offered two options for both the residential and commercial services. These rates are summarized in **Table 12**.

Table 12: Alternative 2 Proposed Rate Summary

Tri County Residential Option 1							
Tipping fee Residential				\$ 15.75			
Tri County Residential Option 2							
Tipping fee Residential				\$ 13.48			
Tri County Commercial Option 1							
Size	Once/ Month	Every Other Week	Once/ Week	2x/Week	3x/Week	4x/Week	5x/Week
2YD	\$ 16.06	\$ 30.12	\$ 63.90	\$ 123.53	\$ 180.91	\$ 236.03	\$ 289.44
3YD	\$ 21.39	\$ 41.18	\$ 74.85	\$ 145.13	\$ 212.77	\$ 277.82	\$ 340.28
4YD	\$ 26.91	\$ 52.17	\$ 86.19	\$ 167.42	\$ 245.68	\$ 321.00	\$ 428.66
6YD	\$ 33.77	\$ 60.60	\$ 108.06	\$ 210.46	\$ 309.18	\$ 404.27	\$ 495.10
8YD	\$ 38.62	\$ 73.79	\$ 130.63	\$ 254.90	\$ 374.79	\$ 490.34	\$ 601.53
Tri County Commercial Option 2							
2YD	\$ 19.31	\$ 33.37	\$ 67.15	\$ 126.78	\$ 184.16	\$ 239.28	\$ 292.69
3YD	\$ 24.64	\$ 44.43	\$ 78.10	\$ 148.38	\$ 216.02	\$ 281.07	\$ 343.53
4YD	\$ 30.16	\$ 55.42	\$ 89.44	\$ 170.67	\$ 248.93	\$ 324.25	\$ 431.91
6YD	\$ 37.02	\$ 63.85	\$ 111.31	\$ 213.71	\$ 312.43	\$ 407.52	\$ 498.35
8YD	\$ 41.87	\$ 77.04	\$ 133.88	\$ 258.15	\$ 378.04	\$ 493.59	\$ 604.78

Appendix A



Tri County Disposal

HELENA, MONTANA

January 20, 2020

City of East Helena, Public Works Department
City Hall, 306 E Main St, PO Box 1170
East Helena, MT, 59635

Subject: Proposal for the City of East Helena, Public Works Department
Re: Solid Waste Services

Dear Committee:

Tri County Disposal is proud to present our proposal for providing the solid waste services to the City of East Helena. Our team is determined to help the city provide the public the highest quality waste management services and experience.

We have provided waste collection and disposal services as proposed since the company's creation in 1966. Throughout the years we have worked closely with the City of East Helena, Jefferson County, Broadwater County, and the State of Montana. We have served as environmental stewards and have done as much as possible to better serve the residents and businesses within our service area and community.

Below you will find Tri County Disposal's suggested options for residential and commercial solid waste services. The intent with all of these options is to help the City of East Helena find a way to better serve its residents at an affordable rate.

Residential Solid Waste Services:

Option 1 (Preferred Option)–

- \$8.25 per month for each residential address serviced weekly.
- Services will be invoiced to the City of East Helena, in advance.
- Tri County Disposal will provide and replace 95-gallon carts, as needed.
- Extra bagged garbage will be collected on the route at no additional charge. If a resident regularly has extra bags, the resident will be assigned more cans at an additional \$8.25 per month per can.
- Rate includes one special haul/bulk item removal per month (residential quantity).
- Additional special hauls/bulk item removals are charged to the city at \$40/occurrence.
- East Helena will be billed actual tonnage at \$30.00/ton.

- A cost of living adjustment up to 3% may apply at Tri County Disposals discretion.

Option 2 –

- \$5.50 per month for each residential address serviced weekly.
- Services will be invoiced to the City of East Helena, in advance.
- The City of East Helena will provide and replace 95-gallon carts.
- Extra bagged garbage will be collected on the route at \$5.00 per can extra. If a resident regularly has extra bags, we will request that the resident be assigned more cans.
- Special hauls/bulk item removals are charged to the city at \$40/occurrence.
- East Helena will be billed actual tonnage at \$30.00/ton.
- A cost of living adjustment up to 3% may apply at Tri County Disposals discretion.

Commercial Solid Waste Services:

Option 1 (Preferred Option)–

- Tri County Disposal will service the commercial accounts in the City of East Helena.
- Tri County Disposal will pay royalties of 5% for each quarter’s gross income for East Helena commercial customers.
- Tri County Disposal will supply the properly sized containers and pickup schedule for each commercial customer’s need.
- Tri County Disposal will invoice customers directly.
- All pricing will include tonnage.

Option 2 –

- Tri County Disposal will service the commercial accounts in the City of East Helena.
- The City of East Helena will continue to invoice the accounts and Tri County Disposal will invoice the City of East Helena for services provided, in advance.
- Tri County Disposal’s invoices will include commercial customers, number of dumpsters, sizes, and the overall commercial tonnage.
- Tri County Disposal will supply the properly sized containers and pickup schedule for each commercial customer’s need.
- All pricing will include tonnage.

City of East Helena Rate information:

	Once/Month	Every Other Week	Once/Week	2X/Week	3X/Week	4X/Week	5X/Week
2YD	\$ 16.06	\$ 30.12	\$ 63.90	\$ 123.53	\$ 180.91	\$ 236.03	\$ 289.44
3YD	\$ 21.39	\$ 41.18	\$ 74.85	\$ 145.13	\$ 212.77	\$ 277.82	\$ 340.28
4YD	\$ 26.91	\$ 52.17	\$ 86.19	\$ 167.42	\$ 245.68	\$ 321.00	\$ 428.66
6YD	\$ 33.77	\$ 60.60	\$ 108.06	\$ 210.46	\$ 309.18	\$ 404.27	\$ 495.10
8YD	\$ 38.62	\$ 73.79	\$ 130.63	\$ 254.90	\$ 374.79	\$ 490.34	\$ 601.53

Landfill and Other Services:

We would like to accept commercial and residential garbage at our landfill but bill customers directly for the landfill use. Our intent is to reduce the traffic to our facility and tonnage tracking of individual customers.

All landfill customer rules are as follows:

- \$39.00/ton or a \$7.00 minimum scale fee.
- All customers must have an active landfill account.
- \$0.10/pound for tires
- Freon containing items have an additional \$15.00 charge for freon removal.
- Access to the Valley View Landfill facility 7:00 a.m. to 3:00 p.m. Monday through Friday and 8:00 a.m. to 3:00 p.m. on Sunday.

Other special services:

- Same pricing and service for wastewater treatment plant roll-off containers.
- Same pricing and service for recycling roll-offs and cardboard containers.

Tri County Disposal would also like to offer buying all residential and commercial solid waste equipment and assets (i.e. waste collection trucks, carts, containers, etc.) at fair market value with any proposed option.

Tri County Disposal is looking forward to continuing to work with the City of East Helena. If you have any questions regarding the proposal, please do not hesitate to call or email me at any time. Also, if you would like to discuss these proposed options or any other alternatives to streamline solid waste services in the City of East Helena please contact me directly. We appreciate your consideration and this opportunity to serve the City of East Helena. I look forward to hearing from you soon.

Sincerely,

Chance Sparrow

Chance Sparrow
Tri County Disposal
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