



Pierce County Recycling, Composting and Disposal, LLC dba LRI
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OFFICE: 253-847-7555 • FAX: 253-847-7713

January 7, 2020

Harold LeMay Enterprises, Inc.
Pierce County Refuse
4111 192nd Street E
Tacoma, WA 98446

RE: Notice of Pierce County Disposal Fee Increase Effective March 1, 2020

To Whom It May Concern:

This is to notify you that the landfill rate for Federal facilities in Pierce County will decrease from \$112.64 per ton to \$112.38 effective March 1, 2020. This increase was calculated in accordance with the 2008 Solid Waste Handling Agreement between LRI and Pierce County.

Additionally, the increase is calculated on Components A and C of the Solid Waste Handling Agreement, and represents a reduction in rate for Federal facilities from that of the full Pierce County approved rate. Please refer to the enclosed copy of the Pierce County tipping fee increase letter, as written and calculated by Ryan Dicks, Solid Waste Administrator, for additional information regarding the increase.

If you have any questions please contact me at (253) 847-7555.

Sincerely,

Mitch Johnson
District Controller



October 14, 2019

John Rodgers, Division Manager
Pierce County Recycling Composting and Disposal LLC d/b/a LRI
17925 Meridian Street East
Puyallup, WA 98378

sent via E-Mail – paper copy will not follow

Subject: 2019-2020 Solid Waste Tipping Fees and Rate Setting Guidelines

Dear Mr. Rodgers:

On behalf of Pierce County Executive Bruce F. Dammeier, on August 30, 2019, I notified the County Council by letter of a proposed solid waste tipping fee increase. This proposal – prepared jointly by the Department and PCRCO dba LRI (the Company) and authorized by the County Executive – contained an increase of \$3.04 per ton, for a new tipping fee of \$167.38 per ton effective March 1, 2020.

Paragraph 16.11 of the Waste Handling Agreement outlines the Council's review process:

“...the County Council may hold a public hearing regarding the consistency of the proposed increase with the terms of this Agreement. If the County Council objects to the proposed increase on the grounds that the proposed increase is inconsistent with the terms of the Agreement, and such objection occurs within thirty (30) calendar days of receiving the County Executive's report, the County Council may request the County Executive and the Company to withdraw and resubmit the proposal.”

The Pierce County Council took no action in response to the letter.

The 2020 rate proposal is approved as submitted, subject to further County Council action relating to review and adoption of the 2020-21 Pierce County budget. If any changes are required as a result of budgetary review, the Planning and Public Works Department will contact you shortly after the budget is adopted, to discuss the changes made to the 2020 tipping fee.

Please contact me if you have any questions.

Respectfully,

Ryan Dicks

Sustainable Resources Administrator

Attachment: 2020 Rate Setting Guidelines

cc: Dennis Hanberg, Director, Planning and Public Works Department
Gary Robinson, Director, Finance Department
Toby Rickman, Deputy Director, Planning and Public Works
Kim Burnett, Acting Business and Financial Operations Manager, Planning and Public Works
Jim Dickman, Budget Manager, Finance Department
Michele Quinones, Senior Budget Analyst, Finance Department
Rick Johnston, Project Coordinator, Planning and Public Works
Chris Brown, Management Analyst, Planning and Public Works
Neil Holden, University Place Refuse
Matt O'Connell, Waste Connection



RATE SETTING AND SERVICES GUIDELINES
MARCH 1, 2020 TO FEBRUARY 28, 2021
PREPARED: AUGUST 31, 2019

Attachment 1 to the 2008 Pierce County – PCRCD dba LRI Waste Handling Agreement

1. CONCEPT

- 1.1 The 2008 Waste Handling Agreement (“Agreement”) provides, subject to the validity of certain assumptions, for a Base Rate comprised of several components which generally are adjusted only for inflation. These Rate Setting and Services Guidelines specify the components that make up the Base Rate, how to apply the Base Rate to different categories of waste, how to calculate the total Tipping Fees and how rates may change in the future.
- 1.2 These guidelines also contain procedures to adjust – in a revenue and expense neutral manner – certain operating conditions (e.g. hours of operation) relative to the operation of facilities or provision of specific services under the terms of the Agreement.
- 1.3 This attachment is adopted as part of the Agreement, but is bound as a separate document. To distinguish between the main volume of the Agreement and this attachment, the main volume shall be referred throughout as “the Agreement” and this attachment as “the Guidelines.”

2. DEFINITIONS

- 2.1 All terms used in these Rate Setting and Services Guidelines shall have the same meanings as given in the Agreement.
- 2.2 Any conflict between the application of these Guidelines and terms of the Agreement shall be decided in favor of the Agreement. The terms of the Agreement shall take precedence over the specific language of these Guidelines.

3. PROVISIONS FOR EXTRAORDINARY CIRCUMSTANCES

- 3.1 These Guidelines govern the setting of the "Base Rate", the calculation of the "Tipping Fees", and the setting of standard operating conditions, in a regular, annual process. In the event of an extraordinary and temporary circumstance impacting the financial stability or operational condition of one or more components of the system covered by the Agreement, the Parties may agree to impose – for a fixed duration – rate surcharges, rebates, or make operational changes, to return the system to stability. The County Executive shall notify the County Council of necessary surcharges or rebates pursuant to Sections 16.9 through 16.11 of the Agreement.

4. TIME LINE FOR RATE INCREASES

Table 4

<p>Step One: Not later than July 1</p>	<p>The Company and the County will have discussed any changes to the Agreement which could only be implemented through negotiation, arbitration, or amendment.</p> <p>The County and Company will discuss and come to agreement on proposed changes to any component of the Base Rate or to operating conditions.</p> <p>The County will have learned, from the haulers, of the estimated volume of waste to be handled in the upcoming rate period under any Hauler Cleanup Programs or Bulky Waste Collection Programs and will calculate the next year's Litter Collection and Illegal Dumping Abatement Program cost component.</p> <p>The County will notify the Company of any plans to change the County Program Cost component.</p> <p>A failure to achieve the above will be resolved through the arbitration procedures described in Sections 16.9, 16.10, 16.11, and 23.</p> <p>Proceed to Step Two.</p>
<p>Step Two: August 15 to August 30</p>	<p>During this period, the CPI for the first half of the year will become available from the Bureau of Labor Statistics. CPI adjustments will be calculated at this time. The Company and the County will prepare any final adjustments to rates based on the CPI and submit a rate package to the County Executive.</p> <p>Proceed to Step Three.</p>
<p>Step Three: Not later than September 1</p>	<p>The County Executive shall report to the County Council on the basis for any change in the Base Rate or the County Program Cost Component. (see Agreement Section 16.11)</p> <p>Proceed to Step Four.</p>
<p>Step Four: within thirty calendar days of receiving the County Executive's report</p>	<p>The County Council may hold a public hearing regarding the consistency of the proposed increase with the terms of this Agreement.</p> <p><u>If the County Council objects</u> to the proposed increase as being inconsistent with the terms of the Agreement within 30 calendar days of receiving the County Executive's report, the County Council may request the County Executive and the Company to withdraw and resubmit the proposal.</p> <p>Proceed to Step Four B.</p> <p><u>If the County Council does not object</u> to the proposed increase, the County shall notify the Company that rates may be increased as proposed.</p> <p>Proceed to Step Five.</p>
<p>Step Four B: Within thirty calendar days following an objection from the Council in Step Four</p>	<p>The County Executive and the Company will consider the Council's request.</p> <p>The Parties shall submit a revised proposal or resubmit the previous proposal within thirty (30) calendar days.</p> <p>Proceed to Step Four C.</p>

Step Four C: Within thirty calendar days following a response from Step Four B	<p>The Council may again hold a public hearing regarding the consistency of the proposed increase with the terms of this Agreement. Not later than thirty (30) days after receiving the revised proposal, the Council shall vote on the proposal, and, if it concurs, the County shall notify the Company that rates may be increased as proposed.</p> <p>Proceed to Step Five.</p> <p>If the Council votes to declare the proposal inconsistent with the terms of the Agreement, the County shall initiate arbitration proceedings pursuant to Section 23 of the Agreement. Any rate increase proposed by the County Executive shall go into effect as and when scheduled in the County Executive's report, notwithstanding any proposed or pending arbitration proceedings sought by the County Council.</p> <p>Proceed to Step Five.</p>
Step Five: Not later than December 14	The Company will notify Certificated and Contract Haulers and other customers of the rate increase within the time frame established by State law. City and Town (for Contract Haulers) and WUTC (for Certificated Haulers) regulatory review of haulers' request will occur within the time frame established by State law.
March 1:	Rate increase will take effect.

5. COST OF LIVING ADJUSTMENTS

- 5.1 Cost of living adjustments required elsewhere in these Guidelines shall be based on the cumulative increase in the Consumer Price Index Seattle-Tacoma-Bremerton Area Average for All Urban Consumers (CPI), Not Seasonally Adjusted, All Items (having the index base period of 1982-84 = 100). The reference period for comparison will be the First Half 2007 CPI published on or about August 15, 2007. The following table provides the formulas, and will be filled-in annually, to calculate the relevant cost of living adjustments.

Table 5.1

1. CPI for first half of current year (published on or about August 15)	276.23
2. Divided by the CPI for first half of 2007	213.81
3. Equals current year as a percentage of the first half of 2007	1.2919
4. Subtract 1 to equal percentage change	0.2919
5. Multiply by adjustment factor	95%
6. Equals	0.2773
7. Add one	1
8. Equals the cumulative cost of living adjustment factor from the base period	1.2773

6. CALCULATION OF COMPONENT COSTS

For purposes of calculating Base Rates, the system and Facilities covered by the Agreement will be divided into five components.

6.1 Component A – Transfer Facilities, Recycling, and Transportation Services

Providing for: the costs of operating the Purdy Transfer Station, Anderson Island Residential Waste Drop Box Site, Key Center Residential Waste Drop Box Site, Prairie Ridge Residential Waste Drop Box Site, and the Hidden Valley Transfer Station; recycling services at those sites; and transporting waste and recyclables from those sites. These services are detailed in Sections 2 through 4 of the Agreement.

The 2008 base year component cost is **\$39.15** per ton.

The adjustment factor to be used on Line 5, Table 5.1 is **95 percent**.

Calculating cost of living adjustments and future years' rates is a two step process when the tonnage of Mixed Municipal Solid Waste for the year ending June 30 falls below 350,000 tons. In the event of a "Failure of Assumptions" pursuant to Section 16 of the Agreement, the second step can be used to correct for such a failure. *Because tonnage exceeded 350,000 tons, the second step is not applicable for the 2019 – 2020 rate period.*

Step One: Multiply the 2008 Base Year Component Cost by the "cost of living adjustment factor" calculated on Line 8 of Table 5.1.

Step Two: Not Applicable.

The 2019-2020 Component A Cost will be \$50.01.

Step One Calculation: $\$39.15 * 1.2773 = \50.01 .

6.2 Component B – County Diversion Program

Providing for the processing of County Diversion Materials by the Company. These services are detailed in Sections 3, 4, 14, and 16.9.2.1 of the Agreement.

The 2008 base year component cost is **\$9.40** per ton.

The adjustment factor to be used on Line 5, Table 5.1 is **95 percent**.

Calculating cost of living adjustments and future years' rates is a two step process.

Step One: Multiply the 2008 Base Year Component Cost by the "cost of living adjustment factor" calculated on Line 8 of Table 5.1.

Step Two: This element requires additional adjustment based upon the tonnage of Yardwaste handled in the twelve month period concluding on June 30 preceding a proposed rate change (Y') with the Yardwaste tonnage handled in 2007 (52,981 tons); and the tonnage of Mixed Municipal Solid Waste handled in the twelve month period concluding on June 30 preceding a proposed rate change (SW') with the System Tonnage handled in 2007 (422,315 tons).

Step One Result * ((YW' / 52,981) * (422,315 / SW')) = Adjusted Rate for next period.

The 2019-2020 Component B Cost will be \$38.70.

Step One Calculation: $\$9.40 * 1.2773 = \12.01 .

Step Two Calculation: Y' 164,154 = and SW' = 406,071
 $\$12.01 * (164,154 / 52,981) * (422,315 / 406,071) = \38.70

6.3 Component C – Disposal Services

Providing for all aspects of the disposal of waste as detailed in Sections 4, 6, and 13 of the Agreement.

The 2008 Base Year component cost is **\$44.95 per ton**.

The adjustment factor to be used on Line 5, Table 5.1 is **95 percent**.

Calculating cost of living adjustments and future years' rates is a three step process.

When the tonnage of Mixed Municipal Solid Waste for the year ending June 30 falls below 350,000 tons – a “Failures of Assumptions” identified in Section 16 of the Agreement – the second step can be used to correct for such a failure. *Because tonnage exceeded 350,000 tons, the second step is not applicable for the 2019 – 2020 rate period.*

Step three is used to perform “Additional Adjustments” identified in Section 16 of the Agreement and/or to correct for Failures of Assumptions.

Step One: Multiply the 2008 Base Year Component Cost by the “cost of living adjustment factor” calculated on Line 8 of Table 5.1.

Base Rate $\$44.95 * 1.2773 = \57.42

Step Two: Not Applicable.

Step Three: Perform some or all “Additional Adjustments” as conditions warrant.

“Additional Adjustments” to Component C for the 2019 – 2020 rate period

1. *Leachate Transportation and Processing (March 2015 onward):* The parties anticipated that, on a going-forward basis and for the same reasons described above, leachate will continue to be diverted from the Chambers Creek Wastewater Treatment Plant. For 2015-16, LRI estimated it would incur \$1.75 in additional leachate management costs for every ton of garbage disposed. At the time this additional surcharge was initially approved, it was noted that this adjustment would be updated annually to reflect actual expenditures. Partially due to the summer 2015 drought, expenses trended closer to \$1.20 per garbage, which resulted in the Parties reducing the “cost per garbage ton” down to \$0.91 for the 2016-17 rate period. Costs then spiked to \$2.00 per garbage ton with a wet spring and winter (i.e. wet weather results in wet garbage which results in more leachate being generated per ton of garbage collected).

Rather than playing “catch-up” each year, for the 2017-18 rate period the Parties implemented a simpler approach modeled on the process used to reimburse LRI for credit card and debit card fees. The documented costs for leachate handling for the year ending June 30 will be added to the rates charged in the next rate period.

As reported in these Guidelines in August 2016, the \$797,000 difference between what had been collected through annual adjustment process will be held by LRI as a buffer against dramatic cost swings and in recognition of the 20 month lag between when costs are incurred and reimbursement received.

Leachate Diversion Going Forward

Total Leachate Handling Expenses for July 1, 2018 to June 30, 2019	\$ 1,482,711.86
Current Year County Waste Tonnage	406,071
Leachate Generating Tonnage	952,699
County Obligation Percentage	42.62%
PC Ratepayers’ Responsibility	\$ 631,931
CALCULATED SUB-COMPONENT RATE	\$ 1.56

2. *Leachate Treatment Facility 2020-30:* In 2019, Sustainable Resource and LRI agreed to start paying for a new Hidden Valley Leachate Treatment Facility. Initial estimates have the County obligation over 10 years at \$11,150,418.95. This facility is necessary because the Chamber’s Creek Sewer treatment plant’s inability to treat and handle the leachate coming from the landfill.

The cost of this facility will continue to be updated based on actual costs and the portion of the leachate that the County is responsible for (currently 42.62%). The interest rate for this project is 4%. Over the 10 year payout the County is expected to pay \$13,747,457.

New Leachate Treatment Facility 2020-30 Total Cost Estimate	\$11,150,419
Discount Rate	4.00%
Repayment Years	10

Annual Obligation	\$1,374,746
Recovery Goal (10 year obligation)	\$13,747,457
CALCULATED SUB-COMPONENT RATE	\$ 3.39

The 2019-2020 Component C Cost will be \$62.37.

Step One Calculation: $\$44.95 * 1.2773 = \57.42 .

Step Two Calculation: Not Applicable

Step Three Calculations: **\$4.95**

The adjustments described on this page are NOT applicable for 2020-2021

Excess Long Haul in a prior rate period: If the County approves “excess long haul” pursuant to Section 16.9.1.1 of the Agreement, and such approval caused the Company to long haul more than 110,000 tons in the twelve month period concluding on June 30 preceding a proposed rate change, rates will be adjusted in the next subsequent rate period to compensate the Company for the additional cost to long haul tonnage in excess of 110,000 tons in that year. This calculation will be made by applying the following:

Subtract 110,000 from the total tonnage of Mixed Municipal Solid Waste long hauled and multiply the result by 25% of Component C in effect during the prior rate period (exclusive of subsequent adjustments). This is the total cost for which the Company shall be compensated.

This cost divided by the tonnage of Mixed Municipal Solid Waste handled in the twelve month period concluding on June 30 preceding a proposed rate change is the per ton amount which shall be added to Component C as an additional adjustment for one rate period.

- Anticipating Excess Long Haul: If the County approves “excess long haul” pursuant to Section 16.9.1.1 of the Agreement, and such approval will cause the Company to long haul more than 110,000 tons in a future rate period, rates will be adjusted in that rate period to compensate the Company for the additional cost to long haul tonnage in excess of 110,000 tons in that year. This calculation will be made by applying the following:

Subtract 110,000 from the total of tonnage estimate of Mixed Municipal Solid Waste to be long hauled and multiply the result by 25% of Component C in effect during the prior rate period (exclusive of subsequent adjustments). This is the total cost for which the Company shall be compensated.

This cost divided by the tonnage of Mixed Municipal Solid Waste handled in the twelve month period concluding on June 30 preceding a proposed rate change is the per ton amount which shall be added to Component C as an additional adjustment for one rate period.

At the end of the rate period, actual long haul and System Waste quantities shall be calculated and the following year’s rate adjusted as necessary to account for over or under funding from the prospective rate adjustment herein.

- Intermodal Capital Costs: If Company action exercising Section 16.9.1.2 of the Agreement results in capital expenditures to construct a new Intermodal Facility, such capital costs shall be amortized over the remaining life of the Agreement or twenty (20) years, whichever is less, and shall be added to this component provided the Company provides sufficient documentation to support such inclusion.

- Change in long haul transportation services or expenses: As provided in Section 16.9.1.3, if Company action regarding a change in rail service or any future changes in rail rates, including fuel surcharges, that occur after 2012 results in an increase or decrease in transportation costs, the Company will document costs immediately prior to and subsequent to the change and will adjust this component appropriately. Any such change will be supported by documentation and will be noted in these Guidelines.

The "Additional adjustments" described on this page will be calculated into the rates if Company provides documentation to support the adjustment. Further, the Company shall monthly provide the County with copies of all invoices relative to such charges until otherwise notified by the County. These "additional adjustments" will be added to or, in the case of a negative or rebate calculation, subtracted from, the result calculated under Step One.

6.4 Component D – Community Solid Waste Reduction and Support Programs

Example Programs covered under this component:

- Handling waste under the Litter and Cleanup Program (Section 8 of the Agreement)
- Household Hazardous Waste Programs and Facilities (Section 5)
- Emergency Management Programs (Section 7)
- Environmental Management Programs (Section 10) including outside consulting services costs and other expenses associated with implementing the ISO 14001 program at Company- and County-owned Facilities
- R&D Program (Section 9)
- Annual Debit/Credit Card Adjustment (Section 16.9.3)

PC and LRI are working together to come up with an appropriate solution for yard waste that went to the landfill. This change will be reflected in the 21-22 Rates.

The costs to provide the programs included under this component shall be calculated annually.

Any cost factor for the disposal of any wastes generated by implementation of these programs will be based upon the calculated costs of Components A and C.

The total costs to be passed through to the rate base will be divided by the total tonnage of Mixed Municipal Solid Waste in the twelve-month period concluding on June 30 preceding a proposed rate change.

The 2020-2021 Component D Cost will be \$1.55

Addition of 2000 tons to Litter Credit @ \$112.38 per ton	\$ 224,760
Credit Card and Debit Card Fees	\$ 261,605
Prairie Ridge Facility Improvements (see 7.4.1, below)	(\$27,041.50)
Purdy Transfer Station and Compost Facility Improvements (see 7.4.1, below)	\$ 171,557
Total Current Year Component Cost	\$ 630,881
Current Year County Waste Tonnage	406,071
Component Cost	\$ 1.55

6.5 Component E – Reserved for Education and Community Outreach

This component is reserved for future development of an Education and Community Outreach Center located at/adjacent to the LRI Landfill. If implemented, this component will fund up to fifty percent of the costs incurred for planning, development, operations, and maintenance of an Education Center developed per Section 12 of the Agreement. Implementation is contingent upon approvals by the Pierce County Executive and the Pierce County Council following review of the scope and cost of the project. This component will not be used if the County chooses to fund such approved expenses out of its Solid Waste Fund and/or through the County Program Cost component.

The 2020-2021 Component E Cost will be \$0.00.

7. SERVICES SUBJECT TO ANNUAL REVIEW AND ADJUSTMENT

This section will be revised annually. Unless otherwise noted, for the rate period extending through February 28, 2020, all services will be as stated in the Agreement.

7.1. Facility Operations

7.1.1. Hours of Operation

7.1.1.1. Anderson Island

7.1.1.2. Hidden Valley

7.1.1.3. Key Center

7.1.1.4. Prairie Ridge

7.1.1.5. Purdy: The Parties will implement seasonal hours of operation – adding hours from Spring to Fall and reducing hours from Fall to Spring – in an expense-neutral manner, with documentation on file with Pierce County

7.1.2. Holiday Closures

7.2. Waste Diversion and Recycling Programs

7.2.1. Recyclables Accepted At Facilities

7.2.2. Diversion Materials

7.2.3. Curbside Diversion Programs

7.2.4. Additional Diversion Materials: Scrap Metal and other salvage/recovery at Hidden Valley and Purdy Transfer Stations per company letter dated 6/27/12 and as subsequently revised by the joint County-LRI project (“the Transfer Station Diversion Project”).

7.2.5. Construction and Demolition Debris Not Disposed at the LRI Landfill

7.2.6. Household Hazardous Waste

7.3. Community Cleanup Programs

7.3.1. Litter and Cleanup Program: Section 8.4 of the Agreement establishes a mechanism for funding costs associated with the disposal of waste collected through Litter Collection Programs or Illegal Dumping Abatement Programs. Per Section 8.5, unused “litter credit” carries forward from year-to-year. 2,000 tons of credit will be purchased @ \$112.38 per ton, the sum of Components A and C.

7.3.2. Bulky Waste Collection Program: This pilot program ended February 29, 2012 and was not extended.

7.3.3. Emergency Management Services

7.4. Best Management and Environmental Excellence

7.4.1. Research and Development (R&D) Program: LRI and the County had planned to jointly design and execute a “special project” as contemplated by WHA section 9.2. Running from March 2015 to February 2017, the Parties had agreed to jointly hire a third-party consultant to evaluate the operations, cost and performance of the Facilities covered under Sections 2 and 3 of the WHA. In 2015, the County consented to allow the expenditures on small capital improvements which would extend the services offered to the public, as such improvements were mutually identified by LRI and County staff. The rate component generated \$287,338 over the two years it was in effect. Rather than hiring a contractor to study County and LRI operations, in-house staff performed

the work so this amount will be credited against the project costs for one of the identified projects, of which there are two in the upcoming rate period.

Prairie Ridge Transfer Station – Access and Recycling Improvements

The Prairie Ridge Transfer Station is located at 11710 Prairie Ridge Drive East in unincorporated Pierce County between Bonney Lake and South Prairie. This facility primarily serves area residents, receiving self-hauled garbage, recyclables and yardwaste. On many weekends, traffic and queueing require traffic control from an off-duty Sheriff's Deputy and partial closure or turn restrictions on the streets surrounding the facility. This project will relocate the recycling center and construct additional load-out opportunities for waste and recyclables. These improvements will allow for adequate capacity to serve area residents, move recycling "in front of the scales," allow for the collection of additional recyclable materials, and relieve traffic congestion. The project had a preliminary scope and budget of \$1.78 million, including contingency. In the Summer in 2018 the County and LRI agreed to a changed scope of the project that removed a roof and lowered cost estimates.

Addition to Scale House	\$ 45,000
Covered Z Wall	\$ 879,865
Scale House Backup Generator System	\$ 15,000
Contingency	\$ 140,980
Preliminary Cost Estimate	\$ 1,080,845
Included in 2015 - 2017 Rates to be credited against cost estimated	\$ 287,338
Net Expenses to be Amortized (Preliminary cost minus previously collected fees)	\$ 793,507
Discount Rate	6.00 %
Years Amortized	5.00
Amount Due Per Year	\$ 188,376
Five-year Recovery Goal	\$ 941,878
Planned 2017-19 Payments	\$376,751
Trending 2017-19 Payments	\$520,606
Overpayment to Date (Trending minus Planned)	\$143,855
2019-20 Payment (\$259,441 less overpayment) – entered into section 6.4	\$60,911

The County will review and approve all plans as work proceeds. This will include coordinating activities with other improvements planned for the surrounding property (East County Maintenance Facility). The County will also review and approve all expenditures incurred by LRI as being appropriate for ratepayer coverage.

The amount to be included in rates each year, and the total amount due over five years will change based on how much contingency is approved for use and the extent to which these improvements result in operational cost savings. Fifty percent of operational cost savings will be credited against the ratepayers' obligation as stated in the five-year recovery goal.

As a county-owned facility, this project was in the County's 2017- 2022 Capital Facilities Plan and Pierce County will own all of the improvements made.

Purdy Transfer Station and Composting Facility

The Purdy Transfer Station is located at 14515 54th Avenue NW in unincorporated Pierce County, north of Gig Harbor. This county-owned facility serves area residents and businesses, receiving self-hauled garbage and commercial waste delivered by garbage haulers, recyclables and yardwaste. The Pierce County Composting Facility is located next to the Transfer Station. There is also a closed landfill and recycling center on-site.

This project will replace transfer station and compost facility lighting with energy-efficient LED, resurface the compost facility floor, and replace air vaults and lids in the compost facility. These improvements will preserve and maintain existing capacity. The project has a preliminary scope and budget of \$476,086.

Lighting Upgrade	\$ 13,000
Teleporbes Temp. Monitoring System	\$ 54,787
Asphalt Floor Curing Area	\$ 42,627
Paving	\$ 70,000
Replace Air Vaults	\$ 25,672
Floor Epoxy / Replacement	\$ 150,000
Recycling Pad	\$ 70,000
Scale House Backup Generator System	\$ 15,000
Key Center New Scale House	\$ 35,000
Project Cost	\$ 476,087
Discount Rate	4.00 %
Years Amortized	3.00
Amount Due Per Year – entered into section 6.4	\$ 171,557
Due in 2019-20	\$ 171,557
three-year Recovery Goal	\$ 514,671

The County will review and approve all plans as work proceeds. The County will also review and approve all expenditures incurred by LRI as being appropriate for ratepayer coverage.

The amount to be included in rates each year, and the total amount due over five years will change based on how much contingency is approved for use and the extent to which these improvements result in operational cost savings. Fifty percent of operational cost savings will be credited against the ratepayers' obligation as stated in the five-year recovery goal.

As a county-owned facility, this project was in the County's 2018- 2023 Capital Facilities Plan and Pierce County will own all of the improvements made.

- 7.4.2. Environmental Management System: In previous rate periods, the Company and County jointly developed an Environmental Management System (EMS) under the International Organization of Standardization ISO 14001 standards. Additional funding is not necessary in this rate period.
- 7.4.3. RESERVED – Education and Community Outreach
- 7.5. Disposal Services
 - 7.5.1. Leachate Disposal Capacity – see section 6.3, above
 - 7.5.2. Longhaul Program Adjustments
 - 7.5.3. Intermodal Facilities

7.6. Accepting Credit Cards, Debit Cards and Mobile Payments

The Parties added this section for 2018-2019 at the direction of the Pierce County Finance Department to follow County policy. The 2019-2020 Rate Setting and Services Guidelines reflect revised policy that LRI must follow for all applicable transactions.

- 7.6.1. Policy Background: In 2018, Pierce County issued a revised policy relating to Payment Card Industry Data Security Standard (PCI-DSS). This policy requires **each “County Department that has hired a third party vendor that accepts card payments for the County will:** 1. Ensure the contract with the vendor has language requiring PCI-DSS compliance and annual submittal of certifications to the IT Division... . [and] 2. Immediately notify the IT Division of any known or **suspected data breaches.”**

In 2018, Pierce County issued a revised policy relating to Credit Card, Gift Card, and Mobile Payment Acceptance Procedures. **This policy states: “When accepting payment by credit card, debit card, or check card, County departments, third party vendors, and agencies will follow appropriate Credit Card Acceptance Guidelines.”**

- 7.6.2. Inclusion in Rate Setting and Services Guidelines: In continuing fulfilment of section 16.9.3 of the Waste Handling Agreement (Credit or Debit Card Adjustment), these Rate Setting and Services Guidelines will document relevant County-issued policies and procedures until the Company and the County amend the Waste Handling Agreement incorporating such provisions into the Waste Handling Agreement. These Rate Setting and Services Guidelines incorporate both policies by reference.
- 7.6.3. Data Protection: LRI and **third-party vendors processing consumers’ credit cards on behalf of LRI (“Merchant Providers”)** shall have proper security measures in place for the protection of Cardholder data, and shall comply with the Data Security Standards adopted by the PCI Security Standards Council, LLC. (as amended, the “PCI DSS”), which may be reflected at the PCI DSS web site: <http://www.PCIsecuritystandards.org>, as updated from time to time. Where feasible, LRI and the Merchant Providers will use only services and merchant equipment that have been certified as PCI DSS compliant by one or more Bank Card Associations.

- 7.6.4. Information Security Affirmation: LRI affirms that, as of September 1, 2018, it and its Merchant Providers have complied with all applicable requirements so as to be Payment Card Industry Data Security Standard (PCI DSS) compliant, and have performed the necessary steps to validate their compliance. By April 1 each year throughout the term of this Agreement, LRI and the Merchant Providers are required to demonstrate their compliance with PCI DSS to the County by providing a current Attestation of Compliance pursuant to PCI requirements that is either signed by a PCI Qualified Security Assessor (QSA) or by LRI with a copy of the current appropriate Self-Assessment Questionnaire (SAQ).
- 7.6.5. Notification of Event, Incident or Condition: LRI will immediately notify the County if it learns that it or a Merchant Provider is no longer PCI DSS compliant and will immediately notify the County in writing of the steps being taken to remediate the non-compliant status. Further, LRI will immediately notify the County of any suspected or confirmed event, incident, breach or other condition which may impair the security of Cardholder data. LRI shall timely make the security disclosures and notifications required by RCW Ch. 19.255 or other applicable law unless the Merchant Provider(s) make all necessary disclosures and notifications in a timely and accurate fashion.
- 7.6.6. Costs: LRI shall fully defend and indemnify the County concerning any claims, suits or actions of any nature brought by third parties relating to loss, disclosure, theft or compromise attributable to a breach by LRI of any provisions of this Section 7.6. If LRI elects to use a Merchant Provider other than the Merchant Provider which is under contract with the County or an equivalent high quality Merchant Provider approved in writing by the County, then LRI shall fully defend and indemnify the County concerning any claims, suits or actions of any nature brought by third parties relating to loss, disclosure, theft or compromise attributable to a breach of duty by its Merchant Provider of any provisions of this Section 7.6.
- 7.6.7. Remedy: LRI's failure to comply with any of the provisions of this section of the Rate Setting and Services Guidelines is to be treated as a material breach of the Waste Handling Agreement.
- 7.6.8. Updates: This section of the Rate Setting and Service Guidelines will be reviewed annually, and updated as appropriate

8. CALCULATION OF THE SYSTEM BASE RATE

The System Base Rate shall be calculated by adding the per ton costs calculated for each of the Components A through E. The “default” situation is that the System Base Rate shall be charged equally to all customers disposing Mixed Municipal Solid Waste unless the Agreement or these Guidelines specifically provide otherwise.

- 8.1. Section 16.8 of the Agreement sets parameters and allows the Parties options for establishing and altering the Base Rates for the each category of Mixed Municipal Solid Waste. Annually the Parties will discuss and choose whether or not to:
 - 8.1.1. Alter Base Rates calculated for each of the categories of Mixed Municipal Solid Waste;
 - 8.1.2. Create new categories within Mixed Municipal Solid Waste;
 - 8.1.3. Divide the Base Rate into “per transaction” and “per ton” components;
 - 8.1.4. Alter Base Rates for specialized waste deliveries; and/or
 - 8.1.5. Round to the nearest dollar the posted minimum rate for residential self-haul customers.

- 8.2. The Company and the County may select to make alterations annually to reflect operational concerns or to advance policy goals. If the Company and the County cannot reach mutual agreement on items 8.1.1 through 8.1.5, above, the default situation shall apply.

9. COUNTY PROGRAM COST, CALCULATION OF TIPPING FEE, MINIMUM CHARGES

- 9.1. Except as noted in Section 9.5 of these Guidelines, in addition to the Base Rate, the Company will add the County Program Cost (“CPC”, as set by the County in accordance with Section 17 of the Agreement) to rates charged for the categories of System Waste listed in Sections 16.2 and 16.7 of the Agreement and handled at the Facilities under the Agreement. The CPC shall increase to \$14.75 per ton for the 2019-2020 rate period.
 - 9.1.1. The Company shall remit monthly payments to the County equal to \$14.75 multiplied by the total monthly tonnage of categories of System Waste listed in Section 16.2 and 16.7. This remittance shall be labeled as COUNTY PROGRAM COST.
 - 9.1.2. The Base Rate plus the County Program Cost shall be known as the Tipping Fee.
 - 9.1.3. When setting the County Program Cost component, the County may take into account the transactional and customer service benefits of posting Tipping Fees that, after applying the effects of the state refuse tax, results in a Tipping Fee that is a “round dollar amount.” (see also section 8.1.5 of these Guidelines).

- 9.2. Unless noted in Section 9.5 of these Guidelines, all Mixed Municipal Solid Waste handled at the Facilities specified in the Agreement shall be subject to a Minimum Charge which shall be equal to the Tipping Fee for up to 400 pounds of waste. Upon paying the Minimum Charge, customers shall be entitled to dispose up to 400 pounds at Facilities with scales (or one cubic yard at Facilities without scales) of waste. Waste in excess of that amount will be accepted for the posted per ton or per cubic yard fee.

- 9.3. Conversion to Cubic Yards: For facilities without scales, the tipping fee per cubic yard shall be twenty percent of the per ton Tipping Fee (the equivalent of 400 pounds).

- 9.4 The chart which appears at the end of these Guidelines will be revised annually to show Rate Components (from Section 6 of these Guidelines), the setting of the System Base Rate(s) or Base Rates for categories of Mixed Municipal Waste (Section 8 of these Guidelines), the amount of the County Program Cost, and the Tipping Fees for the categories of System Waste listed in Sections 16.2 and 16.7 of the Agreement.
- 9.5 Effective March 1, 2017, Self-Hauled Residential Waste was no longer exempt from the County Program Cost component of the Tipping Fee.

10. SURCHARGES

- 10.1 If LRI accepts Non-System Waste at a Transfer Station (see Sections 3.6 and 4.14 of the Agreement) or at the Intermodal Facility that LRI operated effective on the Effective Date of this Agreement (Section 6.2.2), LRI shall remit to the County **\$0.25 per ton**, except to the extent that such surcharge has already been charged at another Facility. These monies shall be deposited into the Solid Waste Fund to be appropriated consistent with the allowed uses of that Fund. This fee shall be paid to the County within forty-five (45) days of the end of each calendar year.
- 10.2 If LRI expands or otherwise makes capital improvements to the Intermodal Facility that LRI operated on the Effective Date of this Agreement, or relocates said Facility, and such capital costs are added to Component C pursuant to Section 16.9.1.2 of the Agreement, the following surcharge will apply when LRI accepts Non-System Waste at an Intermodal Facility (see Section 6.2.2 of the Agreement), or whenever LRI arranges to handle materials other than System Waste at the Intermodal Facility. LRI shall remit to the County **\$0.65 per ton**, except to the extent that such surcharge has already been charged at another Facility. These monies shall be deposited into the Solid Waste Fund to be appropriated consistent with the allowed uses of that Fund. This fee shall be paid to the County within forty-five (45) days of the end of each calendar year. This surcharge shall be collected until the cumulative amount of surcharge revenue equals the amount to be collected by the Company over the amortization period established pursuant to Section 16.9.1.2 of the Agreement.

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RATE SETTING SUMMARY CHART	Effective Until February 28, 2020	Effective Starting March 1, 2020
Component Fees		
Component A Transfer Facilities, Recycling, and Transportation	\$48.84	\$50.01
Component B County Diversion Program	\$37.19	\$38.70
Component C Disposal Services	\$63.80	\$62.37
Component D Community Solid Waste Reduction and Support Programs	\$1.26	\$1.55
Component E Education and Community Outreach	\$0.00	\$0.00
System Base Rate (expressed on a dollars per ton basis)	\$151.09	\$152.63
Base Rates for Categories of Waste (per ton, except as noted)		
Mixed Municipal Solid Waste	\$151.09	\$152.63
Self-Hauled Residential Waste at facilities with scales		
Construction and Demolition Debris, Self-Hauled Commercial Waste, Other		
Self-Hauled Residential Waste at facilities without scales (per cubic yard)	\$30.22	\$30.53
County Program Cost Component		
Expressed as dollars per ton	\$13.25	\$14.75
Expressed as dollars per cubic yard	\$2.65	\$2.95
Tippling Fees for Categories of Waste - Hidden Valley, Prairie Ridge and Purdy - Per Ton		
Mixed Municipal Solid Waste	\$164.34	\$167.38
Construction and Demolition Debris, Self-Hauled Commercial Waste, Other		
MINIMUM CHARGE - first 400 pounds	\$32.87	\$33.48
Self-Hauled Residential Waste	\$164.34	\$167.38
MINIMUM CHARGE - first 400 pounds		
PER TON RATE FOR LOADS OVER 400 POUNDS		
Tippling Fees - Anderson Island and Key Center		
Self-Hauled Residential Waste	\$32.87	\$33.48
MINIMUM CHARGE - first cubic yard		
PER YARD RATE FOR LOADS OVER ONE CUBIC YARD		
All fees, except minimum fees, are prorated to the next pound or 1/4 cubic yard		
Fees exclude 3.6 % Washington State Refuse Tax		