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MEMORANDUM

TO: Board of County Commissioners
Gary Schmidt, County Administrator

FROM: Dan Johnson, Director

DATE: June 1, 2021

RE: Determination of Waste Management Fees

In accordance with County Code Chapter 10.03.340, Determination of Waste Management Fees, staff has completed and presented the Annual Review of garbage and recycling collection fees to the Solid Waste Commission in preparation for review and action by the Board of Commissioners.

A policy session is scheduled for June 15, 2021 to present and discuss the results of this year's annual review and recommended garbage and recycling collection fees for FY 2021-2022.

About the Annual Review

The Sustainability & Solid Waste Program, part of the Department of Transportation and Development (DTD), manages the County's Integrated Solid Waste Collection System. This work includes an annual review of the production records of the eight franchised solid waste collection companies.

The review helps ensure that solid waste collection services are provided to residents and businesses safely, cost-effectively, efficiently, and in a manner that supports the environmental or financial benefits of recovering and recycling materials. The review is used to establish the fees charged for the variety of services required by the County, and to ensure a fair return to the collectors.

Calculation of Fees

The cost of providing service, derived from detailed reports from our collectors, is used to calculate a per customer 'composite' or average cost. Fees are designed to allow franchisees the opportunity to recover the per customer composite cost of providing service plus a return equal to 10% of revenues. The County also collects a 5% franchise fee, which becomes restricted revenue used to manage the program.

The review and fee-setting process incorporates residential, commercial, and drop-box service, in multiple fee zones (urban, rural, distant rural, and mountain).

Key Cost Factors in this Year's Review

Labor hours are reported by franchisees and reviewed by the CPA. Labor costs for our garbage

and recycling companies (union contract wages, health & welfare, and pension) are increasing approximately 2.4 percent.

Fuel costs for diesel, biodiesel, renewable diesel, and Compressed Natural Gas (CNG) have all increased, and are anticipated to increase further in the upcoming year. This year's annual review process recommends an allowance for a 25.7 percent increase in the weighted average fuel costs.

Garbage Disposal Costs (Can Weights and Tip Fees) Disposal costs incurred by collectors are a function of the amount of garbage collected from customers and the cost of disposing of it at transfer stations (disposal fees are also called "tip fees").

Garbage disposal weights are calculated using several data sources, including aggregate reported disposal tonnages and estimates of garbage container weights by container size.

Garbage tip fees. Our franchisees use multiple transfer stations, some privately-owned, and two operated by Metro. The County uses the Metro fee as the benchmark for disposal costs, though several private transfer station used by the franchisees currently have fees higher than Metro fees. Disposal fee at Metro's two transfer stations will increase 17 percent (\$16.80) to \$115.15/ton. The trend is expected to continue.

On May 20, 2021, the Solid Waste Commission reviewed the Annual Review and voted to recommend the Board approve increases to the County's Waste Management Fees, effective July 1, 2021. Increased costs of providing collection service include disposal, labor, and fuel costs. The proposed increases for residential customers range from 4-6%, for commercial customers 7-8%.

In light of future discussions concerning this recommendation, staff wanted to take this time to offer one on one informational updates to any commissioner who may have questions or desire a deeper dive into the process prior to the scheduled June 15th Policy Session.