

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Presentation Date: June 11, 2019 **Approx. Start Time:** 11:00 **Approx. Length:** 30 minutes

Presentation Title: Annual Review of Clackamas County Solid Waste Collection Fees

Department: DTD Sustainability & Solid Waste

Presenters: Rick Winterhalter, Eben Polk

Other Invitees: Dan Johnson, Cheryl Bell, Beth Vargas Duncan representing *Clackamas County Refuse & Recycling Assoc.*

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

Accept the annual review of the County's solid waste collection fees and the recommendation of the Solid Waste Commission to increase fees.

EXECUTIVE SUMMARY:

The Sustainability & Solid Waste Program of the Department of Transportation and Development (DTD) is responsible for managing the County's Integrated Solid Waste Collection System. This includes an annual review of the production records of the nine franchised solid waste collection companies. The purpose of the review is to ensure that solid waste collection services are provided to residents and businesses safely, cost-effectively, efficiently, and in a manner that supports the benefits of recovering materials from the system. The review is used to establish the fees charged for the variety of services required by the County and ensure a fair return to the collectors. The review process is assisted by a contracted certified public accountant to review franchisee financial records, create summaries and provide analysis.

Historically the County has recognized the administrative and strategic value of an annual review, coupled with annual adjustments *as necessary*, to keep fees and real costs aligned. The adjustments may come in the form of fee increases, additional collection services or a combination. This governance model prevents large and unexpected increases resulting from a less frequent review.

The County is divided into four fee zones: 1) Urban; 2) Rural; 3) Distant Rural and 4) Mountain. The Urban zone is within the Metro Urban Growth Boundary established prior to March 2003. Zones are differentiated by services offered (curbside Yard Debris service is not offered outside the Urban zone) and the distances traveled between houses and from disposal sites.

The Solid Waste Commission recommended increasing fees in 2018. The Board adopted and made effective new fees on May 1, 2018. Last year's review focused primarily on determining the increase required to provide adequate revenue to address the unprecedented and unanticipated increasing costs to process recyclables. The adjusted returns to revenue in the Urban zone fall within the acceptable range of 8-12%. The combined rural zone is at the bottom of the range. The total composite is approaching the 10% target.

The Metro Council has adopted an increase to the cost of yard debris disposal of \$6.38 per ton effective July 1, 2019. The cost to dispose garbage is not increasing. (See Attachment 1 Metro Fee)

Annual Fee Review and Recommendations

Cart & Container Fees

In this year's review, focus continued on the increasing costs to process recyclables. The primary driver for increasing processing costs is the continued drop of prices paid for the material. However, the material collected for recycling continues to be sold to manufacturers where the environmental benefits of recycling are realized. Additionally, labor, health benefits and a slight increase in yard debris disposal is considered in the proposed increase. The cost of disposing yard debris is projected to increase by 6.7%.

These are the primary drivers for the proposed fee adjustment, to take effect on July 1, 2019. Using the most common service level, the 32/35-gallon can/cart collected weekly as an example; the fee would increase from \$32.55 to \$33.15 per month (a \$0.60 increase) in the Urban fee zone. Residential customers in the Rural fee zone would see an increase of \$0.85 per month. The proposed increase for the Distant Rural and Mountain zones is \$0.75. All other classes of service follow similar proposed increases, relative to the 32/35-gallon can/cart. (See Attachment 2 Annual Financial Review)

The following tables illustrate the recommended proposed fees for each zone, along with a historical review of adjustments. The 32-35 gallon can/cart is the predominant service level. (See Attachment 3 FeeBackground and Attachment 4 Proposed Fees)

Residential 32/35-gal can/cart	Current	Proposed	Change	
Urban	\$32.55	\$33.15	\$0.60	1.8%
Rural	\$29.35	30.20	\$0.85	2.9%
Distant Rural	\$34.35	35.10	\$0.75	2.2%
Mountain Zone	\$35.60	36.35	\$0.75	2.1%

Recent History of Monthly 32/35-gal can/cart Fees							
	2013	2014	2015	2016	2017	2018	Proposed
Urban	\$28.90	\$28.90	\$29.95	\$30.05	\$30.05	\$32.55	\$33.15
Rural	25.60	25.60	26.25	26.35	26.35	\$29.35	30.20
Distant Rural	30.60	30.60	31.25	31.35	31.35	\$34.35	35.10
Mountain	31.85	31.85	32.50	32.6	32.6	\$35.60	36.35

Staff also recommends an increase for commercial container service based on cubic yard serviced. This reflects the adjustments to labor, disposal and processing costs as mentioned above and a revenue adjustment to bring them into the range.

Commercial Container Fee Monthly Increase	
Fee Zone	Per Cubic Yard
Urban	\$0.20
Rural/Distant Rural/Mountain	\$0.50

Drop Box Fees

The returns in drop box service are below the targeted range. This is placing downward pressure on the composite returns. The Commission recommended an increase in general drop box service fees in 2017. The following table illustrates the proposed increase to drop box services for 2019.

Open Box	Current	Proposed	Change	
10 and 20 cu.yd	\$125.00	\$150.00	20.0%	\$25.00
30 cu.yd	\$145.00	\$160.00	10.3%	\$15.00
40 cu.yd	\$165.00	\$170.00	3.0%	\$ 5.00

NOTE: The fees adopted by the Board for drop box service do not include the cost of disposal at a landfill or transfer station. The franchisee pass that cost through to the customer separately.

The proposed fees are to take effect on July 1, 2019.

FINANCIAL IMPLICATIONS:

Residential customers and businesses with container and cart service will experience an increase in their garbage and recycling collection bill. Customers using drop box service will experience increases in all sizes of open boxes. Other drop box fees will remain the same. The County’s revenues, from franchise fees, will remain relatively flat.

LEGAL/POLICY REQUIREMENTS:

ORS 459 and 459A authorize the County to franchise solid waste collection services. The County’s purpose, codified in Chapter 10.03 of the Code, is to protect the health, safety, and welfare of the people of Clackamas County and to provide a coordinated program on accumulation, collection, and disposal of solid waste and wastes and recyclable materials. It is the County’s policy to regulate the accumulation, collection,

and disposal of solid waste and wastes; and the recycling resource recovery and utilization of recyclable materials. The Code further requires a review of the solid waste collection system's production records to ensure the public receives the services required and the County's franchisees are able to provide those services safely, efficiently and with a reasonable return.

STAFF/FRANCHISEE PARTICIPATION:

Sustainability & Solid Waste staff, Bell & Associates, Inc. and the franchisees have participated in the annual review and staff is bringing a recommendation to increase fees to the Board of County Commissioners.

OPTIONS:

1. Maintain fees at current levels.
2. Accept staff's recommendation to increase fees for cart, container and drop box service to be effective July 1, 2019.

RECOMMENDATION:

At its meeting on May 30, 2019 the Solid Waste Commission accepted this year's financial review and unanimously recommended the Board of County Commissioners approve the proposed Waste Management Fees for can, cart, container and drop box collection service as presented and be made effective July 1, 2019.

ATTACHMENTS:

1. Metro Fee report
2. Annual Financial Review
3. Fee Background
4. Proposed Fees

SUBMITTED BY:

Division Director/Head Approval _____

Department Director/Head Approval _____

County Administrator Approval _____

For information on this issue or copies of attachments, please contact Rick Winterhalter @ 503-742-4466

STAFF REPORT

IN CONSIDERATION OF ORDINANCE NO. 19-1433 FOR THE PURPOSE OF ADOPTING
SOLID WASTE CHARGES AND USER FEES FOR FY 2019-20.

Date: March 14, 2019

Presented by: Cinnamon Williams, FRS/PES (Ext. 1695)

Summary

The Property & Environmental Services Finance Manager proposes the new solid waste rates as part of the budget process. The changes are needed to keep current with costs and tonnage flows.

Main points of this legislation.

- Metro’s tip fee for garbage will remain at \$97.45 in FY 2019-20, which provides consistent and predictable fees for the region.
- Transaction fees will remain unchanged at \$10 for staffed loads (fees paid by self-haulers) and \$2 for automated loads.
- The minimum load size will be remain 360 pounds with a minimum \$28 per load charge.
- Tip fee increases are proposed for residential organic waste accepted at Metro regional transfer stations. This increase stems from increases in Metro’s per-ton contract cost and lower tonnage forecast, creating more of a fixed cost burden on the ton. The rate model also suggests an increase of \$13.76 per ton for commercial organics, however, staff is proposing to keep the rate flat to support Metro’s recovery work in this area. The impact of this rate buy-down is projected to be \$228,161 in FY 2019-20. This rate decision will be reviewed annually for appropriateness.
- Tip fees for clean wood and yard debris have increased, \$7.39 and \$6.38 per ton due to increases in Metro’s per-ton contract costs.

Adoption of Ordinance No. 19-1433 would authorize the following charges at Metro regional transfer stations, effective July 1, 2019.

Table 1. Proposed Solid Waste Charges at Metro Regional Transfer Stations Rates Effective July 1, 2019			
Rates	Current	Proposed	Change
Fees per transaction			
Users of staffed scales	\$10.00	\$10.00	\$ - 0 -
Users of automated scales	2.00	2.00	- 0 -
Fees per ton (Tip Fees)			
Mixed solid waste ("refuse")	\$ 97.45	\$ 97.45	\$ - 0 -
Clean wood	57.84	65.23	7.39
Yard Debris	49.62	56.00	6.38
Residential organics	67.08	77.99	10.91
Commercial organics	66.23	66.23	- 0 -

Background Part 1. Overview of Metro’s Solid Waste Rates

Metro maintains two classes of solid waste rates. One class, the Regional System Fee, is charged on all disposal. The second class is a suite of charges for services at Metro regional transfer stations only.

- 1. Regional System Fee** is a universal charge on the disposal of garbage. It is levied at all landfills, the Marion County waste to energy facility, and the Metro stations. There are two levels of system fee: one for mixed solid waste, and a reduced rate for environmental cleanup materials. The proposed rates are \$18.58 and \$2.50 per ton, respectively. System fees raise about \$26.7 million per year and pay for Metro’s regional solid waste programs and services: household hazardous waste, latex paint recovery, St. Johns Landfill management, facility regulation, illegal dumpsite cleanup, and resource conservation and recycling.
- 2. Charges for services at the Metro stations** cover the costs of Metro’s transfer station operations, transport, processing and disposal. Each customer pays a two-part fee: a fixed charge for the transaction costs and a variable charge (“tip fee”) for each ton in the load.
 - **“Transaction Charges”** are the fixed fees for each load of waste accepted. There are two levels of transaction fee: one for users of the staffed scales (mainly self-haulers), and another for users of the automated scales (mainly commercial haulers). Together they raise about \$3.2 million dollars per year and pay for the cost of operating the scalehouses and related functions.
 - **“Tip Fees”** are different for each waste stream – garbage, residential organics, commercial organics, and wood/yard debris – and reflect the costs that are specific to each stream. The current and proposed rates are shown in Table 1.

Every tip fee is made up of a **Tonnage Charge** and various pass-throughs (Table 2). The tonnage charge pays for the costs of doing the work. In this region, the Regional System Fee, Metro excise tax, and DEQ fees are charged on all disposal. Together, Metro’s tonnage charges raise about \$35.9 million per year, and pay for the costs of station operations, recovery, transport, processing, disposal, capital and management.

Of the add-on components, the Regional System Fee will increase, while the excise tax is set to decrease. The Regional System Fee is increasing by 77 cents, the excise tax is decreasing 84 cents and DEQ fees are expected to increase by 7 cents in April 2019. These changes kept the Metro tip fee \$97.45 per ton.

Table 2. Components of Proposed Metro Tip Fees by Waste Stream

Rates Effective July 1, 2019

Rate Component	Mixed Solid Waste	Organic Waste			
		Yard Debris	Clean Wood	Residential Organics	Commercial Organics
Tonnage Charge <i>Covers costs of transfer, transport, recovery, disposal.</i>	\$64.41	\$55.00	\$64.23	\$76.99	65.23
Pass-Throughs <i>Government fees and taxes levied at disposal sites.</i>					
Regional System Fee	\$18.58	.*-	.*-	.*-	.*-
Metro excise tax	11.57	.*-	.*-	.*-	.*-
DEQ fees	1.89	.*-	.*-	.*-	.*-
Enhancement Fee	1.00	1.00	1.00	1.00	1.00
Total = Tip Fee	\$97.45	\$56.00	\$65.23	\$77.99	\$66.23

* It is the policy of Metro and DEQ to support material recovery and recycling by levying solid waste surcharges and taxes on the waste that is ultimately disposed. For this reason, the Regional System Fee, Metro excise tax, and DEQ fees are not included in the tip fees for organic wastes.

Background Part 2. Understanding the Proposed FY 2019-20 Rates

Metro's solid waste rates are set to recover Metro's solid waste costs. When tonnage growth keeps pace with cost increases, in general per-ton costs will remain relatively constant. When tonnage increase faster than costs, per-ton costs decrease. Slow tonnage growth or declines can put upward pressure on per-ton costs.

1. **Trash.** Costs for handling trash have increased. Inflation, higher contract and facility costs, and increased oversight of facilities are contributing factors. Mixed solid waste tonnage growth has kept pace with cost increases, allowing Metro to hold the garbage tip fee constant this year, while recovering the costs of doing business.
2. **Recoverable waste.** Recoverable waste tonnage—clean wood, yard debris, residential organics—not only did not keep pace with inflation and other cost increases, but actually declined from the year before. This drove up per-ton costs of handling yard debris, wood, and residential yard debris, and, hence, proposed rates for acceptance of these waste types are significantly higher than the previous year. Increases are \$7.39 for clean wood, \$6.38 for yard debris and \$10.91 for residential organics.
3. **Commercial food scraps.** Commercial food scraps tonnage is projected to increase. This may be due to growing local jurisdiction and business interest in the nascent program, and Metro's adoption in 2018 of policies to drive better capture of this material. Like the other waste streams, the costs for handling commercial food scraps increased, but Metro is able to continue subsidizing the per-ton rate for commercial food scraps by keeping that rate at \$65.23, to incentivize better participation regionally in food scraps separation.
4. **Regional programs.** The cost of regional waste reduction, household hazardous waste, and other programs with regional benefit are recovered via the Regional System Fee, which is collected on all waste delivered for disposal, at public and private facilities, not just on waste delivered to Metro's transfer stations. Regional program costs have increased faster than regional tonnage, resulting in a 4.3% (77 cents) increase in the Regional System Fee.
5. **The excise tax.** The tax rate is set automatically by a formula in the Code each year, and is never a formal part of the rate ordinance. However, it is related to the rate actions because it is part of the tip fee (Table 2). For FY 2019-20, the excise tax rate will decrease 84 cents to \$11.57 per ton.

Information/Analysis

1. **Known Opposition.** There is one industry business in opposition of the mixed solid waste blended rate. Staff continues to feel that this is the correct approach and incentivizes the recovery initiatives of the region. Although there will be no increase or decrease to the mixed solid waste rate, the majority of ratepayers at Metro stations will experience an increase in Metro's fee for residential organic waste, clean wood and yard debris.
2. **Legal Antecedents.** The process for setting Metro's solid waste rates are set forth in Metro Code Chapter 5.02. Ordinance 14-1323 removed the specific Metro solid waste rates from Metro Code Chapter 5.02 and requires adoption of the rates via a separate ordinance and rate schedule. Metro reviews solid waste rates annually. The proposed FY 2019-20 rates comply with the restriction set forth in Chapter III, Section 15 of the Metro Charter limiting user charges to the amount needed to recover the costs of providing goods and services.

The excise tax rate is established automatically by a passive mechanism set forth in Metro Code sections 7.01.020 and 7.01.022 and does not require council action to take effect.

- 3. Anticipated Effects:** If adopted, this ordinance would keep the tip fee for mixed solid waste at Metro transfer stations at \$97.45. It would also increase the tip fees for clean wood, yard debris and residential organic wastes as set forth in Table 1.
- 4. Budget Impacts.** The rates established by this ordinance are designed to raise \$71 million in enterprise revenue during FY 2019-20. This revenue would cover the cash requirements of the proposed FY 2019-20 solid waste budget.

RECOMMENDATION

The Chief Operating Officer recommends adoption of Ordinance No. 19-1433.

Clackamas County

Projected 2019 Results

Annual Financial Review

Return on Revenues with Disposal Increase Pass Through
All Regions

	Residential	Commercial	Drop Box	Grand Totals
Collection & Service Revenues	21,267,328	8,733,532	6,986,649	37,309,336
Fee Increase (Tip Fee & Recycling)	204,835	68,740	111,290	384,865
Direct Costs of Operations	9,135,551	4,671,718	6,325,830	28,998,135
Disposal Expense	3,700,194	2,575,511	3,945,417	12,617,062
Labor Expense	2,503,855	957,174	1,247,972	8,403,935
Truck Expense	1,498,609	485,996	661,453	4,714,800
Equipment Expense	296,972	213,794	117,558	1,117,145
Franchise Fees	960,193	388,879	267,160	1,635,873
Other Direct Expense	175,728	50,364	86,270	509,320
Indirect Costs of Operations	3,428,310	1,355,916	344,835	5,129,061
Management Expense	805,041	291,381	73,418	1,169,840
Administrative Expense	1,176,644	472,986	96,252	1,745,882
Other Overhead Expenses	1,446,625	591,549	175,165	2,213,339
Less Unallowable Costs	61,929	18,622	4,392	84,943
Revenues	21,759,851	8,836,411	7,097,939	37,694,201
Direct Costs of Operations	16,237,709	6,434,597	6,325,830	28,998,135
Indirect Costs of Operations	3,428,310	1,355,916	344,835	5,129,061
Total Cost	19,666,019	7,790,513	6,670,665	34,127,196
Less Unallowable Costs	61,929	18,622	4,392	84,943
Allowable Costs	19,604,090	7,771,891	6,666,273	34,042,253
Franchise Income	2,155,761	1,064,520	431,667	3,651,948
Projected Return on Revenues	9.91%	12.05%	6.08%	9.69%

**Urban Zone Composite
Return on Revenues
2018 Adjusted Results**

	Can / Cart Service	Container Service	Drop Box Service	Total
Collection & Service Revenues	9,977,269	5,565,857	5,036,171	20,579,297
Direct Costs of Operations	7,604,817 % of revenue	4,203,786 % of revenue	4,513,027 % of revenue	16,321,630 % of revenue
Disposal Expense	2,845,323 29%	2,258,803 41%	2,928,077 58%	8,032,203 39%
Labor Expense	2,556,758 26%	962,817 17%	843,095 17%	4,362,670 21%
Truck Expense	1,383,383 14%	460,251 8%	422,488 8%	2,266,122 11%
Equipment Expense	301,001 3%	257,327 5%	52,906 1%	611,234 3%
Franchise Fees	438,723 4%	242,683 4%	213,123 4%	894,529 4%
Other Direct Expense	79,629 1%	21,905 0%	53,338 1%	154,872 1%
Indirect Costs of Operations	1,433,669	800,179	250,699	2,484,547
Management Expense	330,725 3%	177,106 3%	55,425 1%	563,256 3%
Administrative Expense	394,379 4%	220,084 4%	61,468 1%	675,931 3%
Other Overhead Expenses	708,565 7%	402,989 7%	133,806 3%	1,245,360 6%
Total Cost	9,038,486	5,003,965	4,763,726	18,806,177
Less Unallowable Costs	5,715	3,484	965	10,164
Allowable Costs	9,032,771	5,000,481	4,762,761	18,796,013
Franchise Income	944,498	565,376	273,410	1,783,284
Return on revenues	9.47%	10.16%	5.43%	8.67%
Customer Count /Cubic Yards/Drop Box Pulls	23,770	320,827	10,893	

2019 Projected Results

	Can / Cart Service	Container Service	Drop Box Service	Total
Collection & Service Revenues	10,207,630	5,711,929	5,036,171	20,955,730
Rate Increase	85,572	36,136	77,740	199,448
Direct Costs of Operations	7,736,951	4,256,162	4,533,733	16,526,845
Disposal Expense	2,922,195	2,290,155	2,928,077	8,140,427
Labor Expense	2,607,742	982,034	859,914	4,449,690
Truck Expense	1,383,383	460,251	422,488	2,266,122
Equipment Expense	301,000	257,327	52,906	611,233
Franchise Fees	443,002	244,490	217,010	904,501
Other Direct Expense	79,629	21,905	53,338	154,872
Indirect Costs of Operations	1,437,392	802,149	251,297	2,490,838
Management Expense	332,074	177,812	55,650	565,536
Administrative Expense	396,753	221,348	61,841	679,942
Other Overhead Expenses	708,565	402,989	133,806	1,245,360
Total Cost	9,174,343	5,058,311	4,785,030	19,017,683
Less Unallowable Costs	21,518	13,223	965	35,706
Allowable Costs	9,152,825	5,045,088	4,784,065	18,981,977
Franchise Income	1,140,377	702,977	329,846	2,173,201
Return on revenues	11.08%	12.23%	6.45%	10.27%

Rural + Distant Rural Zone Composite
Return on Revenues
2018 Adjusted Results

	Can / Cart Service	Container Service	Drop Box Service	Total
Collection & Service Revenues	11,003,525	2,969,432	1,937,998	15,910,955
Direct Costs of Operations	8,405,085 % of revenue	2,158,420 % of revenue	1,783,286 % of revenue	12,346,791 % of revenue
Disposal Expense	2,550,006 23%	869,015 29%	1,017,340 52%	4,436,361 28%
Labor Expense	2,855,469 26%	640,404 22%	380,363 20%	3,876,236 24%
Truck Expense	1,872,357 17%	337,356 11%	238,965 12%	2,448,678 15%
Equipment Expense	341,142 3%	108,574 4%	64,652 3%	514,368 3%
Franchise Fees	521,470 5%	146,196 5%	49,034 3%	716,700 5%
Other Direct Expense	264,641 2%	56,875 2%	32,932 2%	354,448 2%
Indirect Costs of Operations	1,983,874	551,979	93,235	2,629,088
Management Expense	471,128 4%	113,051 4%	17,699 1%	601,878 4%
Administrative Expense	774,686 7%	250,368 8%	34,177 2%	1,059,231 7%
Other Overhead Expenses	738,060 7%	188,560 6%	41,359 2%	967,979 6%
Total Cost	10,388,959	2,710,399	1,876,521	14,975,879
Less Unallowable Costs	40,411	5,399	3,427	49,237
Allowable Costs	10,348,548	2,705,000	1,873,094	14,926,642
Franchise Income	654,977	264,432	64,904	984,313
Return on revenues	5.95%	8.91%	3.35%	6.19%
Customer Count /Cubic Yards/Drop Box Pulls	26,663	130,416	3,586	

2019 Projected Results

	Can / Cart Service	Container Service	Drop Box Service	Total
Collection & Service Revenues	11,347,386	3,055,742	1,950,478	16,353,606
Rate Increase	119,263	32,604	33,550	185,417
Direct Costs of Operations	8,508,318	2,178,435	1,792,097	12,478,850
Disposal Expense	2,584,793	874,502	1,017,340	4,476,635
Labor Expense	2,912,885	653,302	388,058	3,954,245
Truck Expense	1,872,357	337,356	238,965	2,448,678
Equipment Expense	346,209	108,574	64,652	519,435
Franchise Fees	527,433	147,826	50,150	725,409
Other Direct Expense	264,641	56,875	32,932	354,448
Indirect Costs of Operations	1,990,918	553,767	93,538	2,638,223
Management Expense	472,967	113,569	17,768	604,304
Administrative Expense	779,891	251,638	34,411	1,065,940
Other Overhead Expenses	738,060	188,560	41,359	967,979
Total Cost	10,499,236	2,732,202	1,885,635	15,117,073
Less Unallowable Costs	40,411	5,399	3,427	49,237
Allowable Costs	10,458,825	2,726,803	1,882,208	15,067,836
Franchise Income	1,007,824	361,543	101,821	1,471,187
Return on revenues	8.79%	11.71%	5.13%	8.90%

Solid Waste Collection Supporting Documents

May 30, 2019

Solid Waste Collection Fee Adjustment

- ORS 459A.085(3) allows the Counties and Cities to “...displace competition with a system of regulated [integrated solid waste] collection service by issuing franchises which may be exclusive if service areas are allocated.”
- The State also provides to Cities and Counties the authority to assess fees that are adequate to provide necessary collection service and allow the recovery of the costs necessary to provide the opportunity to recycle.
- The Sustainability and Solid Waste program in the Department of Transportation and Development (DTD) is responsible for managing the County’s Integrated Solid Waste Collection System.
- One condition of maintaining a County franchise in good standing is:
On an annual basis submit production, sale and purchase records, which include income and expense statements, labor hours, truck hours, customer and receptacle counts, tonnage reports, and which may include, at the County’s option, financial statements and tax returns, for 12 month periods, beginning January 1 and ending December 31 of the previous year, for purposes of Solid Waste Management Fee review...(Clackamas County Solid Waste and Recycling Collection Services Administrative Regulations for Franchisee & Customer; Adopted 10/10/1994, Last amended 11/5/2009)
- The County currently franchises 9 companies to collect solid waste. Of the 9 companies three are publicly traded corporations and six are locally owned Subchapter C corporations. Some of the franchises consolidate their annual reports, resulting in fewer reports than franchisees.
- The County has a contract with Bell & Associates, Inc. a consulting firm specializing in solid waste financial analysis, to perform an analysis of the data submitted.
- The information submitted by the individual franchises is consolidated to create a composite ‘franchisee’. Costs are adjusted to eliminate those allowed for tax purposes but not allowed for determining collection fees. This composite is used to analyze the financial health of the entire system.
- The County determines the systems’ health based on return on revenues. The county’s policy is to measure the health of the solid waste collection system within a range of 8-12% return on revenues. When the system falls within this range typically consideration is given to contractual labor increases and increases in disposal costs. Special circumstances, such as the addition of new programs or anticipated increases in expenses outside the control of the companies, may cause exceptions.

History of Fee Adjustments (copied from previous reports)

May 1, 2018

- Note the 2 month early effective date.
- The County’s collection system (and others across the state) has been impacted by an increase in the cost to process recyclables. Costs to process recyclables have increased 300-500% above the cost reflected in our current fees, and are expected to remain at this level for the time being.
- Analysis focused primarily on what was needed to capture the increasing processing costs in the future and a slight look back to the beginning of 2018.
- While the full annual review is not complete, we have reviewed the impact of increased processing costs, and known contractual increases in labor and disposal for the coming year. The Metro Council had their first hearing on March 15th of a recommended 2.6% increase in the cost of disposal (\$2.50 per ton) effective July 1, 2018. Labor costs are expected to rise by 4%.
- Reflecting known costs would result in an estimated increase of approximately \$2.50 to the monthly fee for a residential 35 gallon cart in the urban fee zone (from \$30.05/month), and \$1.50 per yard for urban commercial customers with container service (see Container Service table below). The rural zones would increase \$3.00 for a residential 35 gallon cart and container service would increase by \$2.00. All other fees would increase similarly.

July 1, 2017

- The Metro Council has adopted a small decrease to the cost of disposal of \$1.30 per ton effective July 1, 2017.
- No change to cart and container fees is proposed for 2017. This year’s analysis recognizes a slight decrease in cost of garbage disposal in the coming year. Other expenses will increase in the coming year but our past increases and efficiencies gained by the franchisees have allowed the system to finally move into the middle of the targeted range of returns.
- The returns in drop box service are driving overall returns below the targeted range for the composite. The last increase in general drop box service fees was adopted by the Board in 2013. Specifically, the last fee adjustment was approved in 2013 for the standard roll off service-both open box and compactors. In 2015 a separate fee was approved for lidded boxes. Staff recommends an increase to the drop box collection fees for drop box and compactor collection services. The following table illustrates the proposed increase to drop box services for 2017.

Open Box	Current	Proposed	Change	
10 and 20 yd	\$119.00	\$125.00	5.0%	\$ 6.00
30 yd	\$136.00	\$145.00	6.6%	\$ 9.00
40 yd	\$153.00	\$165.00	7.8%	\$ 12.00
Lidded/Specialized 10/20 yard	\$135.00	\$150.00	11.1%	\$ 15.00

Compactor	Current	Proposed	Change

<25 yards	\$135.00	\$150.00	11.1%	\$ 15.00
25-34 yards	\$169.00	\$189.00	11.8%	\$ 20.00
>34 yards	\$196.00	\$218.00	11.2%	\$ 22.00

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- Drop Box Collection from Industrial sites with Special Wastes required to be delivered to an appropriately permitted out of the region landfill

	Current	Proposed	<i>Change</i>	
10/20 Yards	\$119.00	\$161.00	40.3%	\$42.00
30 Yards	\$136.00	\$178.00	37.5%	\$42.00

- Food Scrap collection included in commercial container service under current fees without an additional increase.
- The fee increases presented are proposed to take effect on July 1, 2017.

July 1, 2016

- Metro Council has approved an increase in the disposal fee by \$1.27 per ton effective July 1, 2016; increasing the tip fee to \$96.25. The current transaction fee, for customers with accounts (franchisees), is decreasing from \$3.00 to \$2.00. For analytical purposes when calculating disposal it is assumed each transaction is a five (5) ton load; therefore an additional \$0.40 (to account for the transaction fee at the transfer station) is added to the disposal fee to arrive at an effective disposal fee of \$ 96.65 beginning July 1, 2016. This increase has been factored into the projections calculated in the financial review.
- This year’s analysis recognizes a slight increase in cost of garbage disposal, and known increases in contractual labor. While other upward pressures on expenses exist, past increases have allowed the system to finally move into the middle of the targeted range of returns. The minimal increase is being proposed to keep the composite within the range. Disposal and labor represent almost 50% of the costs to provide service and staff believes it is important to stay current with providing revenues necessary to cover expenses.
- The fee adjustment presented is proposed to take effect on July 1, 2016. Staff is proposing an increase for the most common service level, the 32 gallon can/cart collected weekly, of \$0.10 per month across all fee zones. This represents an incremental adjustment of about 0.3%.. All other classes of service follow similar adjustments for disposal. *(See Fee Background attachment for history)*
- The following tables illustrate staff’s current proposed fee adjustments necessary in each zone to continue the provision of solid waste collection services the public has come to expect. The 32-35 gallon can/cart is the predominant service level. *(See attachment Composite Summaries for proposed changes to other service levels.)*

32/35 gallon can/ cart	Current	Proposed	<i>Change</i>
Urban	\$29.95	\$30.05	\$0.10

Rural	\$26.25	\$26.35	<i>\$0.10</i>
Distant Rural	\$31.25	\$31.35	<i>\$0.10</i>
Mountain Zone	\$32.50	\$32.60	<i>\$0.10</i>

- Staff is proposing an increase for container service based on cubic yard serviced. This reflects the adjustments to labor, disposal and processing costs as mentioned above.

Fee Zone	Adjustment Per Cubic Yard
Urban	\$0.09
Rural	\$0.09
Distant Rural/Mountain	\$0.09

- In 2013 the Solid Waste Commission approved bringing the commercial cart fees in the Rural, Distant Rural to parity with the residential cart fees. This was accomplished through incremental adjustments resulting with the 35 and 60 gallon commercial cart fees the same as residential services. An administrative oversight resulted in the 90 gallon commercial cart service not reaching parity this year. Bringing this service to parity with residential service will require an increase, in addition to the proposed disposal increase, of \$3.05 and \$3.40 for the Rural and Distant Rural zones respectively. This adjustment affects approximately 400 commercial customers. Staff recommends making the adjustment this year.

32/35 gallon can/ cart	Current	Proposed	<i>Change</i>
Rural	\$39.85	\$43.15	<i>\$3.30</i>
Distant Rural	\$43.40	\$47.05	<i>\$3.65</i>

July 1, 2015

- Metro Council has approved an increase in the disposal fee by \$1.65 per ton on July 1, 2015; increasing the tip fee to \$94.98. The ‘transaction fee’ of \$3.00 for customers with accounts (franchisees) is to remain the same. For analytical purposes when calculating disposal it is assumed each transaction is a five (5) ton load; therefore an additional \$0.60 (to account for the transaction fee at the transfer station) is added to the disposal fee to arrive at an effective disposal fee of \$ 95.58 beginning July 1, 2015. This increase has been factored into the projections calculated in the financial review.
- A 30% increase in the cost of disposing yard debris has been factored into the projections.
- The cost to remove contaminants from recyclables has been on the rise in recent years while commodity prices respond to global market conditions. In quarter four of 2014 was the first period where there was not a positive return when delivering materials to the processor. Over the past few years the fee adjustments have calculated a decrease in the returns from recyclables. Because of recent issues at ports and lower markets for some materials, there has been zero revenue and a \$25.00 processing fee calculated for delivering recyclables to the processor.
- General inflation has not been applied.
- There has been an increase in the demand for lidded drop boxes by businesses employing best management practices for storm water management. Lids add equipment cost currently not included in the drop box fee structure. Boxes with lids or other specialty boxes require a round trip return to the business of origin. The drop box fee structure for compactors includes this in the fee structure, the open box fees do not. Therefore a monthly fee has been added to address the purchase and maintenance cost for the lid. The collection fee for small compactors will be applied to the lidded and specialized boxes.

Open Drop Box-All Zones	Current	Proposed	Change
Lidded/Specialized box	\$119.00	\$135.00	<i>\$16.00</i>
Monthly Fee for Lid	\$0.00	\$20.00	<i>\$20.00</i>

- After reviewing the production records submitted by the franchisees, and making agreed upon adjustments and applying known increases for the processing of yard debris and recyclables and the disposal of garbage, it has been determined that collection fee adjustments will need to be made in each of the collection zones for the coming year.
- The following tables illustrate staff’s current proposed fee adjustments necessary in each zone to continue the provision of solid waste collection services the public has come to expect. The 32-35 gallon can/cart is the predominant service level. (See attachments for proposed changes to other service levels.)

32/35 gallon can/ cart	Current	Proposed	Change
Urban	\$28.90	\$29.95	\$1.05
Rural	\$25.60	\$26.25	\$0.65
Distant Rural	\$30.60	\$31.25	\$0.65
Mountain Zone	\$31.85	\$32.50	\$0.65

- Staff is proposing an increase for container service based on cubic yard serviced. This reflects the adjustments to fuel and disposal costs as mentioned above.

Fee Zone	Adjustment Per Cubic Yard
Urban	\$0.47
Rural	\$0.47
Distant Rural/Mountain	\$0.47

July 1, 2014

No Fee adjustment was made in 2014.

- Metro Council approved a decrease in the disposal fee by \$1.00 per ton on July 1, 2014; lowering the tip fee to \$93.33. The ‘transaction fee’ of \$3.00 for customers with accounts (franchisees) is to remain the same. For analytical purposes when calculating disposal it is assumed each transaction is a five (5) ton load; therefore an additional \$0.60 (to account for the transaction fee at the transfer station) is added to the disposal fee to arrive at an effective disposal fee of \$93.93 beginning July 1, 2014. This increase has been factored into the projections calculated in the financial review.
- A 25% increase in the cost of disposing yard debris has been factored into the projections.
- Other notable expenses are rising, but at a lower percentage in the recent past. Driver wages are increasing by 1.24% and health insurance for all employees was held flat this year.
- Last year fuel was projected to decrease by 1.21%. This year the projected adjustment is set at -1.76%.
- General inflation is anticipated to be 2.12%.

September 1, 2013

- Metro Council has approved an increase in the disposal fee by \$0.49 per ton on September 1, 2013; raising the tip fee to \$94.33. The ‘transaction fee’ of \$3.00 for customers with accounts (franchisees) is to remain the same. For analytical purposes when calculating disposal it is assumed each transaction is a five (5) ton load; therefore

an additional \$0.60 (to account for the transaction fee at the transfer station) is added to the disposal fee to arrive at an effective disposal fee of \$94.93 beginning September 1, 2013. This increase has been factored into the projections calculated in the financial review.

- A 0% increase in the cost of disposing yard debris has been factored into the projections.
- Other notable expenses are rising, but at a lower percentage in the recent past. Driver wages are increasing by 2.0% and health insurance for all employees was held flat this year.
- Last year fuel was projected to increase by 4.99%. This year the projected adjustment is set at -1.21%.
- Other costs have not been projected to increase.
- The following tables illustrate staff’s current proposed fee adjustments necessary in each zone to continue the provision of solid waste collection services the public has come to expect. The 32-35 gallon can/cart is the predominant service level. (See attachments for proposed changes to other service levels.)

32/35 gallon can/ cart	Current	Proposed	Change
Urban	\$28.65	\$28.90	\$0.25
Rural	\$25.30	\$25.60	\$0.30
Distant Rural	\$30.35	\$30.60	\$0.25
Mountain Zone	\$31.60	\$31.85	\$0.25

- Staff is proposing an increase for container service based on cubic yard serviced. This reflects the adjustments to fuel, labor and disposal costs as mentioned above.

Fee Zone	Adjustment Per Cubic Yard
Urban	\$0.95
Rural	\$1.04
Distant Rural/Mountain	\$1.04

- In addition to the adjustment presented above, an additional adjustment to commercial carts is recommended. A historical differential has existed between the carts collected from residential and commercial customers, with commercial customers having a lower fee, except in the Rural zone. In the Urban area this differential can be attributed to the collection of yard debris from residential customers. However, in the rural, distant rural and mountain zones yard service is not offered in these zones. Staff is proposing this differential be equalized over the next three years.

32/35 gallon can/ cart	Current	Proposed	Change
Rural	\$25.35	\$25.60	\$0.25
Distant Rural	\$28.90	\$29.65	\$0.75

Mountain Zone	\$30.15	\$30.90	\$0.75
60 gallon cart	Current	Proposed	Change
Rural	\$35.80	\$36.30	\$0.50
Distant Rural	\$38.05	\$39.30	\$1.25
Mountain Zone	\$39.30	\$40.25	\$1.05

90 gallon cart	Current	Proposed	Change
Rural	\$38.40	\$38.90	\$0.50
Distant Rural	\$40.65	\$41.70	\$1.05
Mountain Zone	\$41.90	\$42.95	\$1.05

- Staff is recommending a slight adjustment in the hauling fees associated with open drop box service and for small compactors. Currently the composite earnings for the drop box falls below the acceptable range and has for several years. The system has seen an increase in use of lidded boxes as businesses attempt to avoid illegal dumping in their open drop boxes and adhere to storm water best management practices. The cost of new equipment along with the associated increases in labor expenses warrants this slight adjustment. The last increase on the haul portion of drop box fees was done in 2011.

Open Drop Box-All Zones	Current	Proposed	Change
10/20 Cubic Yards	\$113.00	\$119.00	\$6.00
30 Cubic Yards	\$130.00	\$136.00	\$6.00
40 Cubic Yards	\$147.00	\$153.00	\$6.00

Compactors-All Zones	Current	Proposed	Change
Less than 25 Cubic Yards	\$128.00	\$135.00	\$7.00

Proposed Fee Changes 2019

Urban		Adjustment		
Current Fee	Service Level	\$	Proposed	% ▲
\$ 28.65	20 gal Single-family	0.50	\$ 29.15	1.75%
\$ 32.55	32 gal	0.60	\$ 33.15	1.84%
\$ 42.05	60 gal	0.75	\$ 42.80	1.78%
\$ 49.00	90 gal	0.90	\$ 49.90	1.84%
\$ 14.65	On Call	0.25	\$ 14.90	1.71%
\$ 15.35	Monthly	0.30	\$ 15.65	1.95%
\$ 24.15	20 gal Multifamily	0.50	\$ 24.65	2.07%
\$ 28.05	32 gal	0.60	\$ 28.65	2.14%
\$ 28.60	35 gal Commercial	0.60	\$ 29.20	2.10%
\$ 40.00	60 gal	0.75	\$ 40.75	1.88%
\$ 42.85	90 gal	0.90	\$ 43.75	2.10%
\$ 7.20	Recycling Only	0.15	\$ 7.35	2.08%
\$ 5.70	YD Subscription	0.25	\$ 5.95	4.39%

Distant Rural		Adjustment		
Current Fee	Service Level	Proposed	\$	% ▲
\$ 30.20	20 gal Single-family	0.65	30.85	2.15%
\$ 34.35	32 gal	0.75	35.10	2.18%
\$ 44.60	60 gal	1.00	45.60	2.24%
\$ 50.35	90 gal	1.10	51.45	2.18%
\$ 15.35	On Call	0.35	15.70	2.28%
\$ 17.40	Monthly	0.40	17.80	2.30%
\$ 28.60	20 gal Multifamily	0.65	29.25	2.27%
\$ 32.75	32 gal	0.75	33.50	2.29%
\$ 34.35	35 gal Commercial	0.75	35.10	2.18%
\$ 44.60	60 gal	1.00	45.60	2.24%
\$ 50.35	90 gal	1.10	51.45	2.18%
\$ 10.05	Recycling Only	0.20	10.25	1.99%

Rural		Adjustment		
Current Fee	Service Level	\$	Proposed	% ▲
\$ 25.48	20 gal Single-family	0.75	\$ 26.23	2.94%
\$ 29.35	32 gal	0.85	\$ 30.20	2.90%
\$ 40.75	60 gal	1.20	\$ 41.95	2.94%
\$ 46.45	90 gal	1.35	\$ 47.80	2.91%
\$ 14.90	On Call	0.45	\$ 15.35	3.02%
\$ 15.75	Monthly	0.45	\$ 16.20	2.86%
\$ 23.90	20 gal Multifamily	0.75	\$ 24.65	3.14%
\$ 27.75	32 gal	0.85	\$ 28.60	3.06%
\$ 29.35	35 gal Commercial	0.85	\$ 30.20	2.90%
\$ 40.75	60 gal	1.20	\$ 41.95	2.94%
\$ 46.45	90 gal	1.35	\$ 47.80	2.91%
\$ 9.85	Recycling Only	0.30	\$ 10.15	3.05%

Mountain		Adjustment		
Current Rate	Service Level	Proposed	\$	% ▲
\$ 31.45	20 gal Single-family	0.65	\$ 32.10	2.07%
\$ 35.60	32 gal	0.75	\$ 36.35	2.11%
\$ 15.65	On Call	0.35	\$ 16.00	2.24%
\$ 17.70	Monthly	0.40	\$ 18.10	2.26%
\$ 29.85	20 gal Multifamily	0.65	\$ 30.50	2.18%
\$ 34.00	32 gal	0.75	\$ 34.75	2.21%
\$ 35.60	35 gal Commercial	0.75	\$ 36.35	2.11%
\$ 10.05	Recycling Only	0.20	\$ 10.25	1.99%