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DEVELOPMENT SERVICES BUILDING
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Solid Waste Commissioners
Clackamas County

Members of the Commission:

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 seven parent companies holding solid waste collection franchises in the County. 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.

When looking at the annual review results, it is helpful to understand the service zones established in the County. The County is divided into four fee zones:

- 1) Urban (within the Metro Urban Growth Boundary established prior to March 2003);
- 2) Rural;
- 3) Distant Rural, and;
- 4) Mountain.

Zones are differentiated by services offered (for example, curbside yard debris service is not included in the fee zones outside the Urban zone) and the distances traveled between customers and from disposal sites.

County Code allows the Solid Waste Commission (Commission) and the Board of County Commissioners (Board) to give due consideration to all the costs of collection, investment in trucks and equipment, and management and administrative costs when determining waste management fees for collection services. Further, the code allows "a reasonable return and operating margin for the owner(s) of the business".

Since uniform fees were established in the mid-eighties, the County has included a ten percent return on revenue in approved waste management fees. This ten percent return is intended:

- to pay for income taxes (three percent);
- to be allocated to reserves to run operations and pay for capital purchases (three percent); and
- provide a return to owners (four percent-also subject to tax).

The annual review of the franchisees' production records, from the previous calendar year, involves assembling all the individual reports into a composite "company" for a system-wide review by fee zone. The target return on the composite is ten percent with an acceptable range between eight and twelve percent.

Historically the County has recognized the administrative and strategic value of conducting this 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 of these options.

When the composite falls within the range of acceptable returns, an increase will be limited to "known and measurable" expenses. Typical "known and measurable" expenses include costs that are known to have increased, such as contracted labor and disposal costs. Some or all "known and measurable expenses" may be considered in the rate setting process. When the composite return falls below the acceptable range, in addition to "known and measurable" expenses, consideration is given to increasing fees to provide the revenue necessary to bring the return within the range. This review model prevents large and unexpected increases that can result from a less frequent review.

The Commission last recommended increasing fees in 2024. The increase was based on the known and measurable increase in labor costs, recycling processing costs, disposal costs, and truck expenses. The Board adopted the Solid Waste Commission's recommendation and made effective new fees on August 1, 2024.

Annual Fee Review

In keeping with the County practice of providing annual fee adjustments, as necessary, to keep fees and real costs aligned, this year's review indicates a fee increase is warranted due to increasing costs.

The review's composites separate drop box collection service from cart and container collection service. The Total County projected cart and container composite falls to the bottom of the acceptable range, so a further review of the cart costs/revenues was warranted to account for additional costs that will be incurred in 2025.

Based on the available information, the Urban and Combined Rural zones projected returns, that include the proposed increase for 2025, will be within the target range when considering the known monthly and per yard increases to driver labor and disposal. The disposal increase includes the transaction fee calculated on a per ton basis. These represent a 3.6-5.8% increase in cart and container collection depending on service level. (*Attachment 1*)

The Metro tip fee on disposed waste is effective July 1, 2025, and represents an 8.9% increase to disposal expense calculated in the collection fee. Tip fees at private transfer stations are not regulated and may increase. The County calculates the disposal portion of the collection fee based on the publicly reviewed Metro disposal fee. The Metro Council (Council) has not officially approved the fee that has been presented to them by Metro staff. There is always the possibility Council may approve a different amount. County staff will make any adjustments necessary.

An adjustment to the projection was made to recognize the sunseting of a fuel tax credit for companies using CNG as their primary fuel. While the estimated 2025 returns for the composite remain within the acceptable range, it is important to realize there will be additional costs appearing in the 2025 review that cannot be reliably estimated at this time. We anticipate another increase in disposal fees and labor in 2026.

Cart & Container Fees

Applying the known and measurable costs above with a July 1, 2025 effective date to the most common service level, the 35-gallon can/cart collected weekly, the fee is proposed to increase \$1.55, from \$39.05 to \$40.60 per month (4% increase) in the Urban fee zone.

Residential customers in the Rural, Distant Rural, and Mountain fee zones will see a similar increase. All other classes of service follow similar proposed increases, relative to the 35-gallon cart. Without a fee increase the composite is projected to fall below the target, at the bottom of the acceptable range. *(Attachment 2)*

The following tables illustrate the proposed fees for each zone, along with a historical review of adjustments. The 35-gallon can/cart is the predominant residential service level.

Residential 35-gallon cart	Current	Proposed	\$ Change	% Change
Urban	\$ 39.05	\$ 40.60	\$ 1.55	4.0%
Rural	\$ 36.25	\$ 37.70	\$ 1.45	4.0%
Distant Rural	\$ 41.80	\$ 43.35	\$ 1.55	3.7%
Mountain Zone	\$ 43.05	\$ 44.60	\$ 1.55	3.6%

Recent History of Monthly 35-Gallon Cart/Can Fees							
Fee Zone	2018	2019	2020	2021	2022	2023	2024
Urban	\$32.55	\$33.15	\$33.70	\$35.05	\$35.60	\$37.10	\$39.05
Rural	\$29.35	\$30.20	\$30.75	\$32.25	\$32.80	\$34.30	\$36.25
Distant Rural	\$34.35	\$35.10	\$35.65	\$37.65	\$38.15	\$39.80	\$41.80
Mountain	\$35.60	\$36.35	\$36.90	\$38.85	\$39.40	\$41.05	\$43.05

The table below reflects the increase in the disposal, labor and fuel portion of container service fees. The 4 cubic yard container serviced twice a week is a common commercial service level.

Fee Zone	Increase Per Cubic Yard	Current 4yd 2x/week	Proposed Fee	\$ Monthly Change	% Change
Urban	\$ 1.28	\$ 758.97	\$ 803.31	\$ 44.34	5.8%
Rural	\$ 1.28	\$ 921.46	\$ 965.80	\$ 44.34	4.8%
Distant Rural	\$ 1.28	\$ 986.78	\$1,031.12	\$ 44.34	4.5%
Mountain	\$ 1.28	\$1,139.20	\$1,183.54	\$ 44.34	3.9%

Drop Box Fees

The following tables illustrate the proposed increase to the collection fees for drop box service for 2025. The increase is based on the rising labor expenses. We are also proposing an increase in daily and monthly rental fees based on the rising costs of drop boxes. (Attachment 3)

Open Box	Current	Proposed	\$ Change	% Change
10 and 20 cu.yd	\$170.50	\$ 176.18	\$ 5.68	3.3%
Lidded/Specialized	\$202.50	\$ 208.18	\$ 5.68	2.8%
30 cu.yd	\$180.50	\$ 186.18	\$ 5.68	3.1%
40 cu.yd	\$190.50	\$ 196.18	\$ 5.68	3.0%

Compacted Box	Current	Proposed	\$ Change	% Change
Less than 25 cu.yd	\$202.50	\$ 208.18	\$ 5.68	2.8%
25 - 34 cu.yd	\$231.50	\$ 237.18	\$ 5.68	2.5%
35 cu.yd and greater	\$250.50	\$ 256.18	\$ 5.68	2.3%

Rental Fee	Current	Proposed	\$ Change	% Change
Per day	\$ 7.00	\$ 10.00	\$ 3.00	43%
Per month	\$ 70.00	\$ 100.00	\$ 30.00	43%

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 franchisees pass that cost through to the customer separately.

Transfer Station Fees

The County’s transfer station, located east of the City of Sandy, is a small drop-off facility serving about 30,000 customers a year dropping off trash, metal, electronics and other recyclables. The last fee adjustment at the Transfer Station was approved and made effective by the Board on July 1, 2023. The increase (approximately 8.3%) was intended to cover the cost of building a new storm water management facility.

The increasing disposal and labor costs affecting the collection companies are also having an impact on the transfer station operations. For this reason, staff is recommending a small increase in the per-can fees of approximately 3.4%. Handling fees for small tires will also increase. An increase in the cubic yard charge for household and demo waste is also proposed.

Transfer Station	Current	Proposed	Change
Per can-Heavy	\$9.70	\$10.00	\$0.30
Per can-Household	\$8.70	\$9.00	\$0.30
Passenger Tire Off Rim	\$3.50	\$4.00	\$0.50
Light Waste or General Garbage (per cubic yard)	\$26.00	\$28.00	\$2.00
Heavy Waste or Demo Debris (per cubic yard)	\$41.20	\$44.00	\$2.80
Heavy Waste Minimum <1 Cubic Yard	\$26.00	\$33.00	\$7.00

Attachment 4 is a table of all the fees at the Clackamas County Garbage & Recycling Transfer Station.

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 also experience increases in collection fees and rental charges. Transfer Station users will experience price increases. With the proposed changes, 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. County Code Chapter 10.03 requires a review of the solid waste collection system to ensure residents and businesses receive timely service at a reasonable cost and the County’s franchisees are able to provide those services safely, efficiently, and with a reasonable return.

STAFF/FRANCHISEE PARTICIPATION:

Staff, Bell & Associates, Inc. and the franchisees have participated in the annual review.

OPTIONS:

1. Maintain fees at current levels until 2026. In this scenario, the 2025 estimated composite return will fall at the bottom of the 8-12% acceptable range.
2. Increase fees for cart, container, and drop box, as proposed, effective July 1, 2025. In this scenario, the estimated 2025 Total County composite will be within the range, slightly above the 10% target.
3. Propose an alternative to Options 1 and 2.

RECOMMENDATION:

Staff respectively requests the Solid Waste Commission consider this report and propose a recommendation to the Board of County Commissioners for their consideration.

Fee Zone Composite *Cart and Container Only*
Return on Revenues
2024 Adjusted

	Urban		Combined Rural		Total County
Collection & Service Revenues	26,914,475		18,977,873		45,892,348
Direct Costs of Operations	20,751,664	% of revenue	14,444,756	% of revenue	35,196,420
Disposal Expense	8,589,923	32%	5,137,155	27%	13,727,078
Labor Expense	6,507,942	24%	4,758,588	25%	11,266,530
Truck Expense	3,203,423	12%	2,662,476	14%	5,865,899
Equipment Expense	792,094	3%	490,126	3%	1,282,220
Franchise Fees	1,237,743	5%	915,403	5%	2,153,146
Other Direct Expense	420,539	2%	481,008	3%	901,547
Indirect Costs of Operations	3,919,532		2,677,696		6,597,228
Management Expense	880,941	3%	655,228	3%	1,536,169
Administrative Expense	735,601	3%	903,521	5%	1,639,122
Other Overhead Expenses	2,302,990	9%	1,118,947	6%	3,421,937
Total Cost	24,671,196		17,122,452		41,793,648
Less Unallowable Costs	55,551		13,037		68,588
Allowable Costs	24,615,645		17,109,415		41,725,060
Franchise Income	2,298,830		1,868,458		4,167,288
Return on revenues	8.54%		9.85%		9.08%

2025 Projected Results

	Urban		Combined Rural		Total County
Collection & Service Revenues	27,777,333		19,561,615		47,338,948
Rate Increase	635,702		393,225		1,028,927
Direct Costs of Operations	21,705,445		15,158,910		36,864,355
Disposal Expense	9,188,655		5,531,028		14,719,683
Labor Expense	6,708,343		4,905,762		11,614,105
Truck Expense	3,314,928		2,806,396		6,121,324
Equipment Expense	792,094		490,126		1,282,220
Franchise Fees	1,280,886		944,590		2,225,476
Other Direct Expense	420,539		481,008		901,547
Indirect Costs of Operations	3,946,195		2,711,393		6,657,588
Management Expense	880,941		655,228		1,536,169
Administrative Expense	762,264		937,218		1,699,482
Other Overhead Expenses	2,302,990		1,118,947		3,421,937
Total Cost	25,651,640		17,870,303		43,521,943
Less Unallowable Costs	55,551		13,037		68,588
Allowable Costs	25,596,089		17,857,266		43,453,355
Franchise Income	2,816,946		2,097,574		4,914,520
Return on revenues	9.91%		10.51%		10.16%

Fee Zone Composite *Cart and Container Only*
Return on Revenues
2024 Adjusted

	Urban		Combined Rural		Total County
Collection & Service Revenues	26,914,475		18,977,873		45,892,348
Direct Costs of Operations	20,751,664	% of revenue	14,444,756	% of revenue	35,196,420
Disposal Expense	8,589,923	32%	5,137,155	27%	13,727,078
Labor Expense	6,507,942	24%	4,758,588	25%	11,266,530
Truck Expense	3,203,423	12%	2,662,476	14%	5,865,899
Equipment Expense	792,094	3%	490,126	3%	1,282,220
Franchise Fees	1,237,743	5%	915,403	5%	2,153,146
Other Direct Expense	420,539	2%	481,008	3%	901,547
Indirect Costs of Operations	3,919,532		2,677,696		6,597,228
Management Expense	880,941	3%	655,228	3%	1,536,169
Administrative Expense	735,601	3%	903,521	5%	1,639,122
Other Overhead Expenses	2,302,990	9%	1,118,947	6%	3,421,937
Total Cost	24,671,196		17,122,452		41,793,648
Less Unallowable Costs	55,551		13,037		68,588
Allowable Costs	24,615,645		17,109,415		41,725,060
Franchise Income	2,298,830		1,868,458		4,167,288
Return on revenues	8.54%		9.85%		9.08%

2025 Projected Results

	Urban		Combined Rural		Total County
Collection & Service Revenues	27,777,333		19,561,615		47,338,948
Rate Increase	0		0		0
Direct Costs of Operations	21,705,445		15,158,910		36,864,355
Disposal Expense	9,188,655		5,531,028		14,719,683
Labor Expense	6,708,343		4,905,762		11,614,105
Truck Expense	3,314,928		2,806,396		6,121,324
Equipment Expense	792,094		490,126		1,282,220
Franchise Fees	1,280,886		944,590		2,225,476
Other Direct Expense	420,539		481,008		901,547
Indirect Costs of Operations	3,946,195		2,711,393		6,657,588
Management Expense	880,941		655,228		1,536,169
Administrative Expense	762,264		937,218		1,699,482
Other Overhead Expenses	2,302,990		1,118,947		3,421,937
Total Cost	25,651,640		17,870,303		43,521,943
Less Unallowable Costs	55,551		13,037		68,588
Allowable Costs	25,596,089		17,857,266		43,453,355
Franchise Income	2,181,244		1,704,349		3,885,593
Return on revenues	7.85%		8.71%		8.21%

Drop Box: Total County-No Disposal

	Adjusted Drop Box (no disposal)	Proposed Increase Drop Box (no disposal)	No Increase Drop Box (no disposal)
Collection & Service Revenues	4,203,618	4,335,919	4,312,195
Rate Increase		50,634	
Direct Costs of Operations	3,415,295	3,543,657	3,514,642
Disposal Expense	0	0	0
Labor Expense	1,732,904	1,786,258	1,786,258
Truck Expense	955,563	997,422	997,422
Equipment Expense	183,542	183,542	183,542
Franchise Fees	358,793	391,942	362,927
Other Direct Expense	184,493	184,493	184,493
Indirect Costs of Operations	387,400	390,468	390,468
Management Expense	86,149	86,149	86,149
Administrative Expense	84,108	87,176	87,176
Other Overhead Expenses	217,143	217,143	217,143
Total Cost	3,802,695	3,934,125	3,905,110
Less Unallowable Costs	14,161	14,161	14,161
Allowable Costs	3,788,534	3,919,964	3,890,949
Franchise Income	415,084	466,589	421,246
Return on revenues	9.87%	10.64%	9.77%

Clackamas County Transfer Station Current & Proposed Fees As of July 1, 2023						
	Current Fees		Proposed		Proposed Increase	
	Fee	Minimim	Fee	Minimim	Fee	Minimim
Garbage:						
Light Waste or General Garbage	\$26.00	\$26.00	\$28.00	\$26.00	\$2.00	No Change
(per cubic yard)		<1cuyd		<1cuyd		
Light can - 32 Gallon	\$8.70	\$26.00 <=3 Cans	\$9.00	\$26.00 <3 Cans	\$0.30	No Change
Heavy Waste or Demo Debris	\$41.20	\$26.00	\$44.00	\$33.00	\$2.80	\$7.00
(per cubic yard)		<1cuyd		<1cuyd		
Heavy Can - 32 Gallon	\$9.70	\$26.00 <=2 Cans	\$10.00	\$26.00 <=2 Cans	\$0.30	No Change
Tires	On rim	Off rim	On rim	Off rim	On rim	Off rim
Passenger/Lt Truck <=16"	\$5.00 ea	\$3.50 ea	\$5.00 ea	\$4.00 ea	No Change	\$0.50
Large Truck/Trailer 17"-21"	\$16.00 ea	\$10.00 ea	\$16.00 ea	\$10.00 ea	No Change	No Change
Tires over 21"	Inquire	Inquire	Inquire	Inquire		
Furniture, Appliances:						
Refrigerators, Freezers, Air conditioners - even if refrigerant is removed	\$22.00 ea	NA	\$23.00 ea	NA	\$1.00	
Stuffed Chair/Recliner/ Love seat or Couch	\$12.00 ea	NA	\$12.00 ea	NA	No Change	
Sectional or Hide a bed	\$17.00 ea	NA	\$17.00 ea	NA	No Change	
Twin Mattress	\$12.00 ea	\$12.00 Set	\$12.00 ea	\$12.00 Set	No Change	
Full/Double Mattress	\$12.00 ea	\$17.00 Set	\$12.00 ea	\$17.00 Set	No Change	
Queen Mattress	\$16.00 ea	\$24.00 Set	\$16.00 ea	\$24.00 Set	No Change	
King Mattress	\$17.00 ea	\$25.00 Set	\$17.00 ea	\$25.00 Set	No Change	
Large Loads	\$75 per ton	NA	\$75 per ton	NA	No Change	
may be weighed						