

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Policy Session Worksheet

Presentation Date: 6/7/23 **Approx. Start Time:** 10:30 am **Approx. Length:** 30 minutes

Presentation Title: Annual Review of Solid Waste Collection Service

Department: Transportation and Development

Presenters: Dan Johnson, DTD Director; Cheryl Bell, Assistant Director

Other Invitees: Rick Winterhalter, Sr. Sustainability Analyst; Beth Vargas Duncan representing the *Clackamas County Refuse & Recycling Association*;

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

To take action on the recommendation from the Solid Waste Commission to increase Solid Waste Collection Fees effective July 1, 2023.

EXECUTIVE SUMMARY:

The purpose of this policy session is to present the findings of the County's annual solid waste fee review and the fee increase recommendation from the Solid Waste Commission.

Overview

The Sustainability & Solid Waste Program, which is part of the Department of Transportation and Development (DTD), is responsible for managing the County's Integrated Solid Waste Collection System. This work includes an annual review of the production records of the seven parent companies holding Board approved solid waste collection franchises.

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 the County requires our franchised collectors to offer, and to ensure a fair return to the collectors. A contracted certified public accountant assists in this review process by reviewing franchisee financial records, creating summaries, and providing 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. These adjustments may come in the form of adding additional collection services, fee increases or a combination of these options. This review model prevents large and unexpected increases for customers that can result from less frequent reviews.

Annual Fee Review and Cost Factors

During the annual review process, franchisees submit detailed reports which are reviewed by staff and the contracted CPA. As questions arise, they are submitted to the franchisees for clarification. Site visits are conducted, as needed, to confirm the validity and accuracy of reported costs. County staff adjust or exclude reported costs as necessary to ensure the costs included in our review are appropriate.

This review includes an assessment of appropriate operating margins. The County's practice, consistent with other communities in Oregon, is to set fees at a level that targets a

10% operating margin, with an acceptable range of 8-12%. The franchised collectors cover costs from their margin, and use this capital to cover taxes, provide reserves for operations and capital purchases, and to provide a return to ownership.

As part of the review, we evaluate costs and test the impact of known costs and potential fee increases or decreases on the operating margins for each service zone, and for the system as a whole. When looking at the annual review results, it is helpful to know that the County is divided into four fee zones:

- Urban (within the Metro Urban Growth Boundary established prior to March 2003)
- Rural
- Distant Rural
- 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.

Our review of the allowable costs and revenues for calendar year 2022 showed:

- The margins for the Urban fee zone were within the range at just over 11%
- The margins for the Combined Rural zones were slightly above the range at 12.69%
- The margins for Drop Box services, across all fee zones, falls well below the range at 5.83%. (*Attachment 3*)
- The analysis of all fee zones combined (which we term the 'composite'), revenues provided a system-wide margin of 11.86%, as illustrated in *Attachment 2 (see the 2022 Adjusted Results – Total County)*.

Cost Increases

Known and measurable cost increases of providing garbage and recycling services, included in our calculations of an estimated margin for 2023, are:

1. Driver labor costs (up 10.6%)
2. Liability insurance (up 15%)
3. An increase to the Metro tip fee and transaction fee on disposed waste effective July 1, 2023, representing an 11.4% increase to disposal costs over the current FY. The FY 23/24 increase is a departure from the fee predictability policy directive established by Metro Council in 2022 that capped increases at 8%.

Estimated increase:

4. Repair and maintenance to trucks and equipment (up 7.5%).

23/24 Fee Discussion

When the known, measurable and estimated cost increases listed above and a fee increase are considered, the 2023 estimated margins fall within the acceptable range. There are additional factors and costs anticipated in 2023 that cannot be reliably estimated but can impact the operating margin. These factors include:

- 1) Keeping up with disposal cost increases as they occur to help avoid more significant increases later (for example in 2024 when disposal fees are projected to increase 8% or more).
- 2) Increased costs related to implementation of food waste collection among restaurants, coffee shops and other smaller food businesses in the urban fee zone.

- 3) A number of planned truck replacements in 2022 did not occur due to supply chain issues that affected many parts of the economy, so the depreciation costs associated with new equipment may show up disproportionately on 2023 cost reports.

A fee increase appears warranted in order to give due consideration to all the costs of collection, investment in trucks and equipment, management and administrative costs and allowing a reasonable return for the owner(s) of the collection companies.

A fee increase is proposed and is presented in *Attachment 1*. If the proposed fee increase is approved, the total county system estimated margin would be 9.79% (*Attachment 2*), which is within the acceptable range.

Without a fee increase, the estimated 2023 margin for the entire system is 7.64% (*Attachment 2*) which falls below the acceptable range.

Transfer Station Fees

The County’s transfer station, located east of the City of Sandy, is a small drop off facility serving over 35,000 customers a year who drop off trash, metal, electronics and other recyclables.

Over the years there have been minimal fee increases for the transfer station:

- The last operating increase was adopted in 2016.
- An adjustment in 2021 was approved in order 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. To account for these costs an approximately 8.3% increase in the minimum, per can and per yard fees is proposed. An increase is also proposed to the handling fees for tires and refrigerant, and for the per ton disposal charge for large loads.

Clackamas County Transfer Station – Current and Proposed Fees

Service	Current	Proposed	Change
Minimum-Household	\$24.00	\$26.00	\$2.00
Per can-Household	\$8.00	\$8.70	\$0.70
Per Ton	\$70.00	\$75.00	\$5.00

Attachment 4 provides a full fee table for the transfer station, including all current and proposed fees.

Solid Waste Commission Recommendation

The Solid Waste Commission, the County’s formal advisory body reflecting public participation in managing the solid waste system, met on May 17, 2023 to consider the Annual Review and the proposed fee increases. The Commission voted 4-0-1 (abstain) to accept the Review, and recommended the fee increases (based upon known and measurable costs) to both the franchised services and the transfer station, to be forwarded to the Board for consideration.

FINANCIAL IMPLICATIONS (current year and ongoing):

Is this item in your current budget? **N/A** YES NO

What is the cost? \$ **N/A** What is the funding source? **N/A**

STRATEGIC PLAN ALIGNMENT:

- **How does this item align with your Department’s Strategic Business Plan goals?**
Our Departmental and program mission includes providing franchise oversight of the solid waste system to ensure franchisees have the ability to provide, and customers continue to receive, safe, efficient and timely garbage and recycling services.
- **How does this item align with the County’s Performance Clackamas goals?**
Every county resident and business has access to safe, convenient garbage and recycling services to *ensure a safe and healthy community*. The annual review provides assurances customers are provided fair value for the services they receive.

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.

PUBLIC/GOVERNMENTAL PARTICIPATION:

The Solid Waste Commission, the County’s formal advisory body reflecting public participation in managing the solid waste system, convened to discuss the Annual Review and make recommendations to the Board. Staff, Bell & Associates, Inc. and the franchisees have participated in the annual review.

OPTIONS:

1. Maintain fees at current levels until next year’s annual fee review.
2. Approve fee increases effective July 1, 2023, as approved and recommended by the Solid Waste Commission.
3. Propose an alternative to the proposed increase.

RECOMMENDATION:

Option 2. Approve fee increases effective July 1, 2023, as approved and recommended by the Solid Waste Commission.

ATTACHMENTS:

1. Proposed Fee Changes 2023 (Table)
2. Composite and Rate of Return by Zone – With & Without Proposed Fee Increase
3. Drop Box Countywide Composite
4. Transfer Station – Proposed Fees

SUBMITTED BY:

Division Director/Head Approval _____

Department Director/Head Approval *_ Dan Johnson*

County Administrator Approval _____

For information on this issue or copies of attachments, please contact Rick Winterhalter at rickw@clackamas.us or 503-742-4466.

Proposed Fee Changes 2023

Attachment 1

Urban		Adjustment		
Current Fee	Service Level	Proposed	\$	%
\$ 30.90	20 gal Singlefamily	\$ 32.00	1.10	3.6%
\$ 35.60	32 gal	\$ 37.10	1.50	4.2%
\$ 46.45	60 gal	\$ 48.55	2.10	4.5%
\$ 54.85	90 gal	\$ 57.60	2.75	5.0%
\$ 16.55	On Call	\$ 17.60	1.05	6.3%
\$ 17.30	Monthly	\$ 17.90	0.60	3.5%
\$ 26.40	20 gal Multifamily	\$ 27.50	1.10	4.2%
\$ 31.10	32 gal	\$ 32.60	1.50	4.8%
\$ 31.65	32 gal Commercial	\$ 33.15	1.50	4.7%
\$ 44.40	60 gal	\$ 46.50	2.10	4.7%
\$ 48.70	90 gal	\$ 51.45	2.75	5.6%
\$ 7.55	Recycling Only	\$ 7.70	0.15	2.0%
\$ 6.15	YD Subscription	\$ 6.30	0.15	2.4%
\$ 4.60	YD 2nd Cart	\$ 4.75	0.15	3.3%
Urban		Adjustment		
Current Fee	Service Level	Proposed	\$	%
\$ 112.62	1 yard weekly	\$ 118.08	5.46	4.8%
\$ 192.61	2 yard weekly	\$ 203.52	10.91	5.7%
\$ 377.49	2 yard 2x weekly	\$ 399.31	21.82	5.8%
\$ 670.29	4 yard 2x weekly	\$ 713.94	43.65	6.5%

Rural		Adjustment		
Current Fee	Service Level	Proposed	\$	%
\$ 28.10	20 gal Singlefamily	\$ 29.20	1.10	3.9%
\$ 32.80	32 gal	\$ 34.30	1.50	4.6%
\$ 45.70	60 gal	\$ 47.80	2.10	4.6%
\$ 52.90	90 gal	\$ 55.65	2.75	5.2%
\$ 17.10	On Call	\$ 18.15	1.05	6.1%
\$ 17.90	Monthly	\$ 18.95	1.05	5.9%
\$ 26.50	20 gal Multifamily	\$ 27.60	1.10	4.2%
\$ 31.20	32 gal	\$ 32.70	1.50	4.8%
\$ 32.80	32 gal Commercial	\$ 34.30	1.50	4.6%
\$ 45.70	60 gal	\$ 47.80	2.10	4.6%
\$ 52.90	90 gal	\$ 55.65	2.75	5.2%
\$ 10.30	Recycling Only	\$ 10.75	0.45	4.4%
Rural		Adjustment		
Current Fee	Service Level	Proposed	\$	%
\$ 129.45	1 yard weekly	\$ 135.60	6.15	4.8%
\$ 228.91	2 yard weekly	\$ 241.21	12.30	5.4%
\$ 444.98	2 yard 2x weekly	\$ 469.57	24.59	5.5%
\$ 827.24	4 yard 2x weekly	\$ 876.43	49.19	5.9%

Proposed Fee Changes 2023

Attachment 1

Distant Rural		Adjustment		
Current Fee	Service Level	Proposed	\$	%
\$ 33.15	20 gal Singlefamily	\$ 34.40	1.25	3.8%
\$ 38.15	32 gal	\$ 39.80	1.65	4.3%
\$ 49.85	60 gal	\$ 52.10	2.25	4.5%
\$ 57.05	90 gal	\$ 59.95	2.90	5.1%
\$ 17.65	On Call	\$ 18.50	0.85	4.8%
\$ 19.75	Monthly	\$ 20.60	0.85	4.3%
\$ 31.55	20 gal Multifamily	\$ 32.80	1.25	4.0%
\$ 36.55	32 gal	\$ 38.20	1.65	4.5%
\$ 38.15	32 gal Commercial	\$ 39.80	1.65	4.3%
\$ 49.85	60 gal	\$ 52.10	2.25	4.5%
\$ 57.05	90 gal	\$ 59.95	2.90	5.1%
\$ 10.70	Recycling Only	\$ 10.90	0.20	1.9%
Distant Rural		Adjustment		
Current Fee	Service Level	Proposed	\$	%
\$ 144.83	1 yard weekly	\$ 150.98	6.15	4.2%
\$ 251.43	2 yard weekly	\$ 263.73	12.30	4.9%
\$ 481.76	2 yard 2x weekly	\$ 506.35	24.59	5.1%
\$ 892.56	4 yard 2x weekly	\$ 941.75	49.19	5.5%

Mountain		Adjustment		
Current Rate	Service Level	Proposed	\$	%
\$ 34.40	20 gal Singlefamily	\$ 35.65	1.25	3.6%
\$ 39.40	32 gal	\$ 41.05	1.65	4.2%
\$ 17.95	On Call	\$ 18.80	0.85	4.7%
\$ 20.05	Monthly	\$ 20.90	0.85	4.2%
\$ 32.80	20 gal Multifamily	\$ 34.05	1.25	3.8%
\$ 37.80	32 gal	\$ 39.45	1.65	4.4%
\$ 39.40	32 gal Commercial	\$ 41.05	1.65	4.2%
\$ 10.70	Recycling Only	\$ 10.90	0.20	1.9%
Mountain		Adjustment		
Current Rate	Service Level	Proposed	\$	%
\$ 163.88	1 yard weekly	\$ 170.03	6.15	3.8%
\$ 289.53	2 yard weekly	\$ 301.83	12.30	4.2%
\$ 557.97	2 yard 2x weekly	\$ 582.56	24.59	4.4%
\$ 1,044.98	4 yard 2x weekly	\$ 1,094.17	49.19	4.7%

Open Box	Current	Proposed	\$Change	% Change
10 and 20 cu.yd	\$159.50	\$170.50	\$11.00	6.90%
30 cu.yd	\$169.50	\$180.50	\$11.00	6.49%
40 cu.yd	\$179.50	\$190.50	\$11.00	6.13%

Fee Zone Composite

2022 Adjusted Results

	Urban		Combined Rural		Total County	
Collection & Service Revenues	23,723,060		17,038,873		40,761,933	
Direct Costs of Operations	17,467,630	% of revenue	12,410,629	% of revenue	29,878,259	% of revenue
Disposal Expense	7,279,101	31%	3,972,930	23%	11,252,031	28%
Labor Expense	5,185,317	22%	3,977,501	23%	9,162,818	22%
Truck Expense	2,824,449	12%	2,576,377	15%	5,400,826	13%
Equipment Expense	819,147	3%	590,830	3%	1,409,977	3%
Franchise Fees	1,033,389	4%	846,059	5%	1,879,448	5%
Other Direct Expense	326,227	1%	446,932	3%	773,159	2%
Indirect Costs of Operations	3,614,270		2,559,775		6,174,045	
Management Expense	956,705	4%	541,805	3%	1,498,510	4%
Administrative Expense	731,497	3%	786,180	5%	1,517,677	4%
Other Overhead Expenses	1,926,068	8%	1,231,790	7%	3,157,858	8%
Total Cost	21,081,900		14,970,404		36,052,304	
Less Unallowable Costs	30,236		93,461		123,697	
Allowable Costs	21,051,664		14,876,943		35,928,607	
Franchise Income	2,671,396		2,161,930		4,833,326	
Return on revenues	11.26%		12.69%		11.86%	

2023 Estimated Results *With an Increase*

	Urban		Combined Rural		Total County
Collection & Service Revenues	23,961,184		17,190,356		41,151,540
Rate Increase	597,680		385,917		983,597
Direct Costs of Operations	18,695,271		13,249,041		31,944,312
Disposal Expense	7,919,900		4,370,830		12,290,730
Labor Expense	5,622,542		4,315,659		9,938,201
Truck Expense	2,962,160		2,671,157		5,633,317
Equipment Expense	819,147		590,830		1,409,977
Franchise Fees	1,045,295		853,633		1,898,928
Other Direct Expense	326,227		446,932		773,159
Indirect Costs of Operations	3,628,701		2,574,309		6,203,010
Management Expense	960,842		544,921		1,505,763
Administrative Expense	736,126		792,551		1,528,677
Other Overhead Expenses	1,931,733		1,236,837		3,168,570
Total Cost	22,323,972		15,823,350		38,147,322
Less Unallowable Costs	44,916		93,461		138,377
Allowable Costs	22,279,056		15,729,889		38,008,945
Franchise Income	2,279,808		1,846,384		4,126,192
Return on revenues	9.28%		10.50%		9.79%

Fee Zone Composite

2022 Adjusted Results

	Urban		Combined Rural		Total County	
Collection & Service Revenues	23,723,060		17,038,873		40,761,933	
Direct Costs of Operations	17,467,630	% of revenue	12,410,629	% of revenue	29,878,259	% of revenue
Disposal Expense	7,279,101	37%	3,972,930	23%	11,252,031	28%
Labor Expense	5,185,317	20%	3,977,501	23%	9,162,818	22%
Truck Expense	2,824,449	12%	2,576,377	15%	5,400,826	13%
Equipment Expense	819,147	3%	590,830	3%	1,409,977	3%
Franchise Fees	1,033,389	4%	846,059	5%	1,879,448	5%
Other Direct Expense	326,227	1%	446,932	3%	773,159	2%
Indirect Costs of Operations	3,614,270		2,559,775		6,174,045	
Management Expense	956,705	3%	541,805	3%	1,498,510	4%
Administrative Expense	731,497	3%	786,180	5%	1,517,677	4%
Other Overhead Expenses	1,926,068	7%	1,231,790	7%	3,157,858	8%
Total Cost	21,081,900		14,970,404		36,052,304	
Less Unallowable Costs	27,633		93,461		121,094	
Allowable Costs	21,054,267		14,876,943		35,931,210	
Franchise Income	2,668,793		2,161,930		4,830,723	
Return on revenues	11.26%		12.69%		11.86%	

2023 Estimated Results *Without an Increase*

	Urban		Combined Rural		Total County
Collection & Service Revenues	23,961,184		17,190,356		41,151,540
Rate Increase					
Direct Costs of Operations	18,695,271		13,249,041		31,944,312
Disposal Expense	7,919,900		4,370,830		12,290,730
Labor Expense	5,622,542		4,315,659		9,938,201
Truck Expense	2,962,160		2,671,157		5,633,317
Equipment Expense	819,147		590,830		1,409,977
Franchise Fees	1,045,295		853,633		1,898,928
Other Direct Expense	326,227		446,932		773,159
Indirect Costs of Operations	3,628,701		2,574,309		6,203,010
Management Expense	960,842		544,921		1,505,763
Administrative Expense	736,126		792,551		1,528,677
Other Overhead Expenses	1,931,733		1,236,837		3,168,570
Total Cost	22,323,972		15,823,350		38,147,322
Less Unallowable Costs	44,916		93,461		138,377
Allowable Costs	22,279,056		15,729,889		38,008,945
Franchise Income	1,682,128		1,460,467		3,142,595
Return on revenues	7.02%		8.50%		7.64%

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	4,122,646	4,329,544	4,329,544
Rate Increase		108,257	
Direct Costs of Operations	3,442,748	3,696,097	3,696,097
Disposal Expense		0	0
Labor Expense	1,666,672	1,807,980	1,807,980
Truck Expense	1,115,547	1,155,568	1,155,568
Equipment Expense	152,146	152,146	152,146
Franchise Fees	313,005	385,025	385,025
Other Direct Expense	195,378	195,378	195,378
Indirect Costs of Operations	444,615	446,122	446,122
Management Expense	115,787	116,276	116,276
Administrative Expense	79,291	79,814	79,814
Other Overhead Expenses	249,537	250,032	250,032
Total Cost	3,887,363	4,142,219	4,142,219
Less Unallowable Costs	4,916	5,332	5,332
Allowable Costs	3,882,447	4,136,887	4,136,887
Franchise Income	240,199	300,914	192,657
Return on revenues	5.83%	6.78%	4.45%

Clackamas County Transfer Station Current & Proposed Fees As of January 1, 2021						
	Current Fees		Proposed		Proposed Increase	
	Fee	Minimim	Fee	Minimim	Fee	Minimim
Garbage:						
Light Waste or General Garbage (per cubic yard)	\$24.00	\$24.00 <1cuyd	\$26.00	\$26.00 <1cuyd	\$2.00	\$2.00
Light can - 32 Gallon	\$8.00	\$24.00 <=3 Cans	\$8.70	\$26.00 <=3 Cans	\$0.70	\$2.00
Heavy Waste or Demo Debris (per cubic yard)	\$38.00	\$24.00 <1cuyd	\$41.20	\$26.00 <1cuyd	\$3.20	\$2.00
Heavy Can - 32 Gallon	\$9.00 ea	\$24.00 <=2 Cans	\$9.70	\$26.00 <=2 Cans	\$0.70	\$2.00
Tires	On rim	Off rim	On rim	Off rim		
Passenger/Lt Truck <=16"	\$3.85 ea	\$2.50 ea	\$5.00 ea	\$3.50 ea	\$1.15	\$1.00
Large Truck/Trailer 17"- 21"	\$14.50 ea	\$8.50 ea	\$16.00 ea	\$10.00 ea	\$1.50	\$1.50
Tires over 21"	Inquire	Inquire	Inquire	Inquire		
Furniture, Appliances:						
Refrigerators, Freezers, Air conditioners - even if refrigerant is removed	\$20.00 ea	NA	\$22.00 ea	NA	\$2.00	
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	\$70 per ton	NA	\$75 per ton	NA	\$5.00	
may be weighed						