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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 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 and the 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 Solid Waste Commission last recommended increasing fees in 2022. The increase was based on the known and measurable increase in disposal expenses. The Clackamas County Board of Commissioners adopted the Solid Waste Commission's recommendation and made effective new fees on July 1, 2022.

## **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.

When reviewing calendar year 2022 reports, the adjusted returns to revenue in the Urban fee zone are within the targeted range at 10.4%. The Combined Rural zones (rural & distant rural) fall within the acceptable range at 9.66%.

Based on the available information, the Urban zone estimated returns for 2023 will be within the target range when considering the known increases to driver labor (10.6%), liability insurance (15%), repair and maintenance (7.5%) and disposal (11.4%). The disposal increase includes the transaction fee calculated on a per ton basis. The Combined Rural zone's 2023 estimated returns will stay within the range with the proposed fee increase. For additional context, a three-year review of the total county composite is provided. (*Attachment 1*).

The Metro tip fee on disposed waste is effective July 1, 2023, and represents an 11.4% increase to disposal expense calculated in the collection fee. Tip fees at private transfer stations are not regulated and may increase. Some of the private stations have posted fees in excess of the Metro fee. The County calculates the disposal portion of the collection fee based on the publicly reviewed Metro disposal fee.

This year the review's composites separate drop boxes from carts and containers. While the estimated cart and container composites fall within the targeted range, a further review of the cart costs/revenues (largely residential) was warranted to account for additional costs that could be incurred in 2023.

While the estimated 2023 returns for the composite remain within the acceptable range, it is important to realize there will be additional costs appearing on the 2023 review that cannot be reliably estimated at this time. The costs associated with the implementation of the food waste collection program will put downward pressure on the Urban composite returns in the second half of 2023. We can anticipate another increase in disposal fees in 2024.

The franchisees maintain fleet readiness by regular truck replacement; however, the problems with the supply chain for new trucks and replacement parts continued to delay deliveries that were expected in 2022. As a result, when the new collection trucks are put into service later this year or next, the depreciation expense will increase compared to the amounts reported in 2022. While not quantifiable, these additional costs may have an effect on the 2023 review.

### **Cart & Container Fees**

Applying the known and measurable costs above with a July 1, 2023 effective date to the most common service level, the 35-gallon can/cart collected weekly, the fee would increase \$1.50, from \$35.60 to \$37.10 per month (a 4.2% increase) in the Urban fee zone.

Residential customers in the Rural, Distant Rural, and Mountain fee zones would see a similar increase. All other classes of service follow similar proposed increases, relative to the 35-gallon cart. (*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.

<b>Residential 35-gallon cart</b>	<b>Current</b>	<b>Proposed</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Urban</b>	\$35.60	\$37.10	\$1.50	4.2%
<b>Rural</b>	\$32.80	33.70	1.50	4.2%
<b>Distant Rural</b>	\$38.15	39.80	1.65	4.3%
<b>Mountain Zone</b>	\$39.40	41.05	1.65	4.2%

<b>Recent History of Monthly 35-Gallon Cart / Can Fees</b>							
<b>Fee Zone</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Urban</b>	\$30.05	\$30.05	\$32.55	\$33.15	\$33.70	\$35.05	\$35.60
<b>Rural</b>	26.35	26.35	29.35	30.20	30.75	32.25	32.80
<b>Distant Rural</b>	31.35	31.35	34.35	35.10	35.65	37.65	38.15
<b>Mountain</b>	32.60	32.60	35.60	36.35	36.90	38.85	39.40

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

<b>Fee Zone</b>	<b>Increase Per Cubic Yard</b>	<b>Current 4 yd 2x/week</b>	<b>Proposed Fee</b>	<b>\$ Monthly Change</b>	<b>% Change</b>
Urban	\$1.26	\$670.29	\$713.94	\$43.65	6.5%
Rural	1.42	\$827.24	876.43	49.19	5.9%
Distant Rural /Mountain	1.42	\$892.56	941.75	49.19	5.5%

## **Drop Box Fees**

The following table illustrates the proposed increase to the collection fees for drop box service for 2023. The increase is based on the rising labor expense, insurance, and repair and maintenance on equipment and trucks.

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

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.

Without a fee increase the estimated returns for 2023 are slightly below the target range. Attachment 3 shows the estimated 2023 returns if a fee increase is not considered.

## **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 January 1, 2021. The increase 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. It is for this reason staff is recommending an increase in the minimum, per can and per yard fees of approximately 8.3%. Handling fees for tires and refrigerant will also increase as will the per ton disposal charge for large loads.

Transfer Station	Current	Proposed	<i>Change</i>
<b>Minimum-Household</b>	\$24.00	\$26.00	<i>\$2.00</i>
<b>Per can-Household</b>	\$8.00	\$8.70	<i>\$0.70</i>
<b>Per Ton</b>	\$70.00	\$75.00	<i>\$5.00</i>

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 experience increases in collection fees. Transfer Station users will experience 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 2024. In this scenario, the 2023 estimated composite return will fall below the 8-12% acceptable range.
2. Increase fees for cart, container, and drop box, as proposed, effective July 1, 2023. In this scenario, the estimated 2023 Total County composite will be within the range, but below the 10% target.
3. Propose an alternative to Options 1 and 2.

**RECOMMENDATION:**

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