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2021-22 Residential Curbside Collection Ratemaking Update

Residential curbside garbage, recycling, and yard debris/food scraps collection service includes single-family homes and small plexes (duplexes, triplexes and fourplexes). Portland's residential curbside service is provided by 10 private companies that operate in assigned territories through a franchise system. The City establishes the services offered to residential curbside customers and sets service standards as well as the allowed rates.

In contrast, the commercial sector, including businesses and multifamily properties with 5 or more units, is not franchised. The City issues permits to haulers and sets general standards for collection. Commercial customers can arrange their service level and rates with any of about 30 permitted haulers.

This residential curbside ratemaking update lays out the rate review process and an initial look at key drivers that may influence proposed residential curbside rates for 2021-22.

Proposed final rates will be presented to PSC at a hearing on May 4 and PSC will vote on whether to recommend the rates to City Council. The rates will be considered by City Council at the Utility Rates hearing on May 19. Adopted 2021-22 rates will take effect July 1, 2021.

RATE REVIEW PROCESS

Ongoing Monitoring

Throughout the year, haulers file a variety of reports with BPS detailing customer counts, quarterly revenues, and tons of recycling, yard debris/food scraps and garbage collected.

CPA Review of Hauler Financial Reports

Residential franchisees file a Detail Cost Report documenting their revenues and expenses for the previous calendar year. Using a random selection process weighted by customer count, a set of sample haulers is chosen that represents at least 75 percent of the total 156,000 residential customers. A CPA firm under contract to BPS is reviewing the sample haulers' 2020



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detail cost reports. This year, four haulers were selected that provide service to 79% of the customer base.

Calculation of Rates

The cost of providing curbside service (as reported by the sample of haulers) is used to calculate a per customer composite cost. Rates are designed to allow haulers the opportunity to recover the per customer composite cost of providing service plus a return equal to 9.5% of revenues. Rates also include a 5% franchise fee paid to the City.

Ratemaking Policy

Once cost-of-service rates are established, incentive discounts are applied to smaller garbage cans and disincentive premiums to larger garbage carts in order to encourage waste reduction.

CURRENT RATES

Below are the rates and the percent of customers subscribed for the most common service levels. All service levels include weekly recycling and compost collection. The most common service level is still the 35-gallon roll cart collected every other week. During calendar year 2020, we did see a trend of customers right-sizing their service level, moving toward larger containers while they were home more due to the pandemic.

Service level	Current Rate	Customers Subscribed
every-four-weeks service	\$25.85	6%
20 gallon service	\$28.55	7%
35 gallon service	\$33.15	47%
60 gallon cart	\$37.35	30%
90 gallon cart	\$43.60	6%

KEY COST FACTORS

Inflation Adjustments

All previous year expenses reported by the sample haulers are reviewed by the independent CPA firm hired by BPS. Allowable expenses incurred in CY 2020 form the basis for rates for the upcoming rate year. Inflation adjustments are added looking forward for the 18-month period of January 2021 through June 2022. It is important to note that inflation adjustments are applied to the actual costs of providing service as reported by the sample haulers and not across the board to the existing rates. In this way, reduced operating costs can mitigate the effect of inflationary pressure.

Inflation is forecast to be 2.8 percent on an annualized basis.



Labor hours are reported by haulers, reviewed by the CPA, and adjusted using a weighted average of union contract wage increases and the general cost-of-living increase. Adjustments for wages, health & welfare, and pension are projected to range between 2.8 and 3.7 percent.

Clean Fleet refers to Portland haulers' use of newer, cleaner trucks that reduce air emissions. BPS required haulers to phase in fleet upgrades beginning in 2009. Given the depreciation cycle for collection vehicles, we are still seeing a decrease in vehicle costs as previous hauler investments are coming out of the rates.

Fuel costs for biodiesel, renewable diesel, and Compressed Natural Gas (CNG) are all anticipated to increase in the upcoming rate year. The weighted average increase for the fuels haulers use is anticipated to be about 11 percent.

Garbage Disposal Costs (Can Weights and Tip Fees)

Disposal costs incurred by haulers are a function of the amount of garbage collected from customers and the cost of disposing of it at transfer stations (so called "tip fees").

Garbage disposal weights are calculated using several data sources, including aggregate reported disposal tonnages and estimates of garbage container weights by container size. The latter information is obtained from residential "can weight" studies conducted by the Portland State University's Community Environmental Services.

Garbage Tip fees charged by Metro at its two transfer stations will increase 17 percent to \$115.15/ton.

Yard Debris/Food Scraps Tip Fees

Haulers pay a tip fee for depositing yard debris/food scraps at Metro's two transfer stations, where the material is reloaded for delivery to composting facilities. The current tip fee at Metro transfer stations is \$77.99 per ton and is not anticipated to change.

Recyclable Materials

In the past haulers received payment for recyclable materials, helping to reduce rates. Global market conditions shifted in 2017 and now lower prices and higher sorting costs have resulted in charges to haulers for processing recycling. At this time the cost in the rates remains relatively flat. Looking forward, demand for recyclable materials appears to be increasing, which may reduce charges to haulers in future rate years.

Metro Supportive Housing Services Tax

This voter-approved tax funds housing services for individuals experiencing homelessness. Beginning January 1, 2021, businesses in the Metro boundary with gross receipts above \$5 million must pay a 1% business income tax on net income. BPS is still finalizing analysis and estimates the impact will be minor.



COVID-19 FINANCIAL RELIEF PILOT PROGRAM

BPS is piloting a program to provide one-time garbage bill credits during the COVID-19 pandemic to Portland residents with past-due garbage bills. The purpose of the program is to maintain waste collection services for customers experiencing financial hardship. Up to \$125,000 in funding was made available for residents in owner-occupied homes as landlords are required to set up and pay for service for their tenants.

The pilot will be evaluated this summer and learnings will be incorporated into an interim hardship assistance program. Portland is currently working with other jurisdictions in the Metro region to explore options for an ongoing bill assistance or hardship voucher program. This is an action prioritized for the next 1-3 years in the [2030 Regional Waste Plan](#).

