

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 targeted return equal to 9.5% of revenues on average. This year's proposed rates also include an 8% franchise fee paid to the City, an increase from 5%.

KEY COST FACTORS

Metro Tipping Fee Increases

- Garbage tipping costs will increase as Metro increases the per-ton waste disposal fee by somewhere between 8.4% and 11.2% (to be determined), and automated transaction fees by 58.8%. The impact of the waste disposal fee increase is offset a little this year by the fact that the average weight of garbage in cans has decreased slightly. The proposed fees presented here reflect the low end of the Metro disposal fee range, and would increase by a further \$0.40 to \$0.55 per month if Metro Council adopts a higher disposal fee increase of 11.2%.
- Yard Debris / Food Scrap tipping fee will increase from \$82.38/ton to \$87.15/ton, a 4.5% increase.

Projected Inflationary Increases

- Labor hours are 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 at about a 10% increase.
- Inflation was a significant background driver for the 2022 cost increases in most categories; forecast upcoming inflation is around 2.8 percent on an annualized basis.

Reduced Fuel Costs

- Fuel costs for biodiesel and Compressed Natural Gas (CNG) are anticipated to decrease in the upcoming rate year. Biodiesel is anticipated to decrease by almost 20% and Compressed Natural Gas (CNG) by 16%.

Increased BPS Franchise Fee

- The BPS Franchise Fee will be increased from 5% to 8%. Due to increased operating costs and inflation, residential revenue is no longer sufficient to maintain BPS programs which support the solid waste and recycling system. Because of this we are proposing to increase the fee on total hauler revenue.

Previous Investments in Cleaner Trucks

- In prior years haulers invested in new trucks to comply with BPS's Clean Fleet requirement. Reduced depreciation for those purchases continues to offset other anticipated cost increases.



Downswing in Recyclable Materials Markets

- From year-to-year recyclable materials vary in cost widely, sometimes generating revenue and other years entailing a cost. Global market conditions shifted in 2017 and now lower prices and higher sorting costs have resulted in charges to haulers for processing recycling. During the latter half of CY 2022, the market for recycled materials weakened, increasing charges paid by haulers.

PROPOSED RATES

The City's rate sheet includes a number of service options and is attached within the Planning Commission packet of materials.

This table illustrates the most frequently used service levels.

Service Level	Current Rate	Proposed Rate	Increase*	Customers Subscribed
Every 4 Weeks Service	\$27.35	\$33.40	\$6.05	5%
20 Gallon Service	\$30.15	\$33.90	\$3.75	5%
35 Gallon Service	\$34.90	\$38.90	\$4.00	43%
60 Gallon Service	\$39.45	\$43.45	\$4.00	34%
90 Gallon Service	\$45.70	\$49.70	\$4.00	7%

*These recommended fees incorporate an 8.4% per-ton disposal fee increase and a 58.8% automated transaction fee increase by Metro. The fees recommended to City Council would increase if Metro elects to adopt a larger disposal fee increase. For example, these increases would go up by another \$0.40 to \$0.55 per month depending on the service level, if Metro elects to increase its disposal fee by 11.2%.

TERRAIN FEE

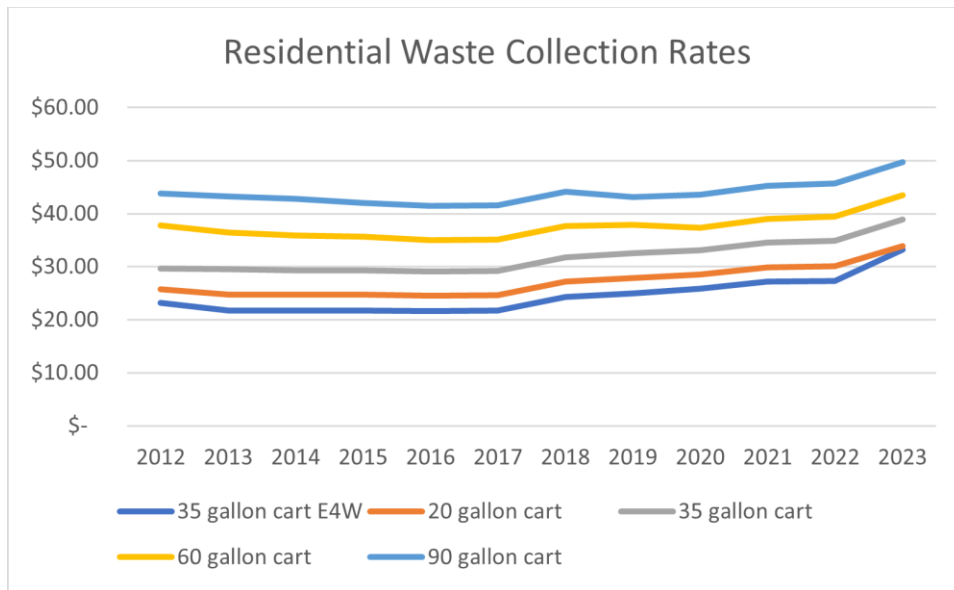
The terrain fee is applied in areas of Portland's hillier west side where low levels of street connectivity, larger lots, and narrow, steep and, windy roads make collection more expensive per customer. Increases in fuel and wages necessitate a \$0.70 bump in the terrain fee to \$5.55 per month.

RESIDENTIAL WASTE COLLECTION RATES OVER TIME

The following table shows residential collection rates over the past 11 years and the proposed rates for July 2023. The proposed increase in the every-four-week (E4W) 35 gallon cart is steeper than the increases in the other service levels and the increase in the 90-gallon service is dampened somewhat, because BPS is proposing to eliminate a subsidy for the monthly service that results in higher rates for

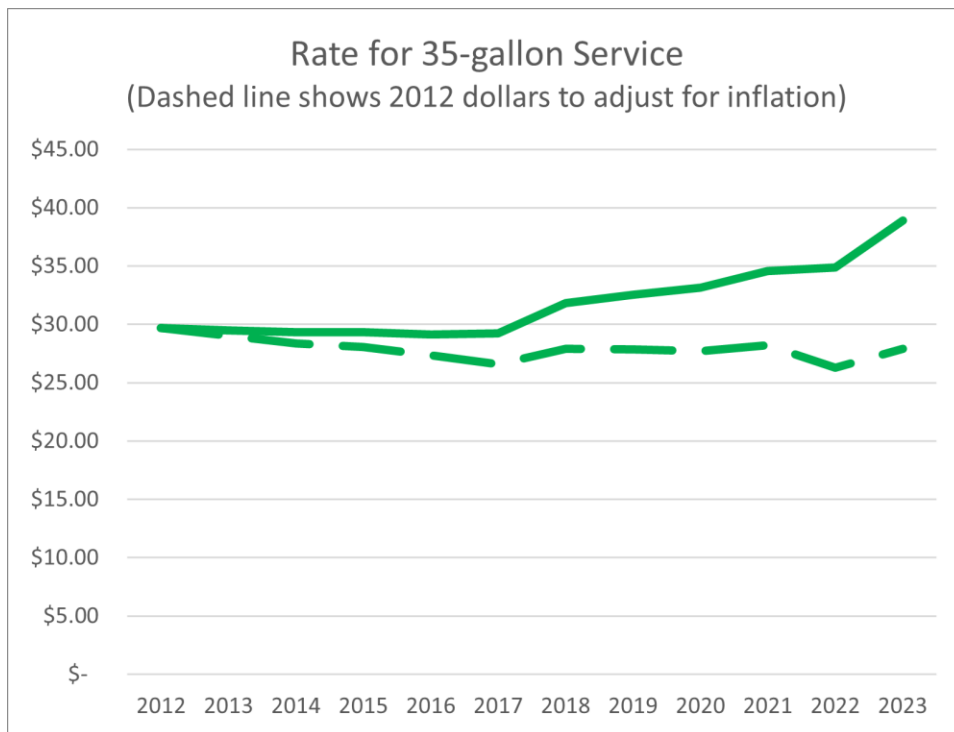


60 and 90 gallon customers. Monthly service is relatively expensive to offer because on those collection weeks, it can be logistically disruptive to the otherwise-standardized collection routes.



The next table illustrates the cost of service when adjusted for inflation, including the proposed rates for July 2023. The upper line shows the adopted fees for the common 35 gallon residential service, and the lower dashed line shows those fees in 2012 dollars. After adjusting for inflation, Portland’s residential collection fees have remained consistent over time and are in fact a bit less expensive than in 2012.





RESIDENTIAL RATE REVIEW NEXT STEPS

At the May 9 hearing, staff will seek a Planning Commission vote to recommend the residential garbage, recycling, and composting rates to City Council. The rates will be considered by City Council at the Utility Rates hearing on May 24. Adopted 2023-24 rates will take effect July 1, 2023.

HEARING RECOMMENDATION: Staff recommends that the Planning Commission support the adoption of the proposed residential garbage, recycling, and composting collection rates, for FY 23-24, pending the Metro disposal fee, effective July 1, 2023.

In previous years, the Planning and Sustainability Commission has supported the rate review process and its outcomes, and has submitted a letter to City Council indicating its participation in the process and its support.

PLANNING COMMISSION INQUIRIES AT APRIL 25 BRIEFING

In the April 25 briefing, Planning Commissioners asked some questions about the upcoming low income rate assistance project, and the status of BPS efforts around zero-emissions garbage and recycling trucks.

Low Income Rate Assistance Program



BPS will soon initiate a project to evaluate a reduced collection fee for qualifying low income residential customers. A process facilitated by the same CPA firm that reviews our collectors' Detailed Cost Reports (Merina+Co) will model the options and costs for this rate, based on BPS's priorities and input from key program partners. The options will be brought to an advisory body and to City Council for consideration.

This approach will include:

- Developing a thorough understanding of the existing rate structure and policies.
- Incorporating perspectives from an array of stakeholders.
- Collaborating with other City departments to identify opportunities to align with existing programs.
- Assessing program alternatives against a defined set of success criteria to ensure the resulting program meets the intended objectives.

Electric Garbage Trucks

Portland has been a leader in reducing emissions from our garbage and recycling trucks. Currently we require a twenty percent biodiesel blend (B20) fuel or greater, and require newer trucks that carry the best pollution controls. By 2025 all trucks providing service must be 2010 or newer.

In part as a result of these policies, there are 155 compressed natural gas (CNG) trucks used by our haulers, and 337 diesel trucks with diesel particulate filters (DPFs) fueled by at least B20. At least 30 trucks use renewable diesel (R99).

Electric garbage trucks are at the innovative edge for this heavy-duty use. We support and encourage our haulers regularly to pursue grants in order to gain experience with electric trucks. Staff understands that at least two may submit a grant application to DEQ in the upcoming cycle.

Neither manufacturing lead times or performance are predictable, and the technology is expected to keep changing significantly as manufacturers learn from early experience. Other zero-emission drive technologies may prove more successful for heavy duty vehicles. One electric truck has been ordered by a hauler (COR) in the commercial collection system. This truck was ordered approximately 3 years ago and has yet to arrive. Two other haulers in our region have ordered electric garbage trucks about 2 years ago, and have not yet taken delivery.

We will continue to develop policy options to further reduce emissions. The City's Renewable Fuel Standard passed in late 2022 and is in administrative rule development, which is expected to be final in July 2022. The RFS requires sale of diesel in Portland to include biodiesel and/or renewable diesel blends up to 99% by July 1, 2030. This will bolster the transition to clean vehicles in our garbage and recycling fleet. BPS may consider extending the reach of our RFS via administrative rule to effectively ensure that collection services use clean fuels.

