

918281

185349

Portland, Oregon

FINANCIAL IMPACT and PUBLIC INVOLVEMENT STATEMENT For Council Action Items

(Deliver original to Financial Planning Division. Retain copy.)

1. Name of Initiator Bruce Walker		2. Telephone No. 3-7772	3. Bureau/Office/Dept. BPS
4a. To be filed (date): 5/16/2012	4b. Calendar (Check One) Regular <input checked="" type="checkbox"/> Consent <input type="checkbox"/> 4/5ths <input type="checkbox"/>		5. Date Submitted to Commissioner's office and FPD Budget Analyst: 5/8/12
6a. Financial Impact Section: <input checked="" type="checkbox"/> Financial impact section completed		6b. Public Involvement Section: <input checked="" type="checkbox"/> Public involvement section completed	

1) Legislation Title:

Revise residential solid waste and recycling collection rates and charges, effective July 1, 2012.
(Ordinance; amend Code Chapter 17.102)

2) Purpose of the Proposed Legislation:

This ordinance is the outcome of the annual rate review for the residential solid waste and recycling collection system. The costs of franchised residential haulers have been independently reviewed and adjustments made to reflect anticipated inflationary increases, such as wage increases and higher fuel costs, the increased cost of solid waste disposal, the costs of City programs such as the clean fleet truck replacement policy, and changes in the recycling market revenue.

3) Which area(s) of the city are affected by this Council item? (Check all that apply—areas are based on formal neighborhood coalition boundaries)?

- City-wide/Regional Northeast Northwest North
- Central Northeast Southeast Southwest East
- Central City
- Internal City Government Services

FINANCIAL IMPACT

4) Revenue: Will this legislation generate or reduce current or future revenue coming to the City? If so, by how much? If so, please identify the source.

This ordinance continues the five percent franchise fee that funds solid waste and recycling program administration costs. Because hauler revenues will increase an estimated 4.2%, City revenues should also increase by that amount.

5) **Expense:** What are the costs to the City related to this legislation? What is the source of funding for the expense? (Please include costs in the current fiscal year as well as costs in future years. If the action is related to a grant or contract please include the local contribution or match required. If there is a project estimate, please identify the **level of confidence**.)

No additional costs are caused by this ordinance.

6) **Staffing Requirements:**

- Will any positions be created, eliminated or re-classified in the current year as a result of this legislation? (If new positions are created please include whether they will be part-time, full-time, limited term, or permanent positions. If the position is limited term please indicate the end of the term.) No.
- Will positions be created or eliminated in future years as a result of this legislation? No

(Complete the following section only if an amendment to the budget is proposed.)

7) **Change in Appropriations** (If the accompanying ordinance amends the budget please reflect the dollar amount to be appropriated by this legislation. Include the appropriate cost elements that are to be loaded by accounting. Indicate "new" in Fund Center column if new center needs to be created. Use additional space if needed.)

None

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount

[Proceed to Public Involvement Section — REQUIRED as of July 1, 2011]

PUBLIC INVOLVEMENT

8) Was public involvement included in the development of this Council item (e.g. ordinance, resolution, or report)? Please check the appropriate box below:

- YES:** Please proceed to Question #9.
 NO: Please, explain why below; and proceed to Question #10.

9) If "YES," please answer the following questions:

a) What impacts are anticipated in the community from this proposed Council item?

The monthly rate for the most common service level, the 35-gallon roll cart will increase by \$1.20 per month, from \$28.50 to \$29.70, or 4.2%. Rates for all service levels can be found in Exhibit A: Figure 6.

b) Which community and business groups, under-represented groups, organizations, external government entities, and other interested parties were involved in this effort, and when and how were they involved?

These rates, and the methodology used to develop them, were reviewed and supported by the Portland Utilities Review Board.

c) How did public involvement shape the outcome of this Council item?

These rates, and the methodology used to develop them, were reviewed and supported by the Portland Utilities Review Board.

d) Who designed and implemented the public involvement related to this Council item?

Bruce Walker, Solid Waste and Recycling Manager

e) Primary contact for more information on this public involvement process (name, title, phone, email):

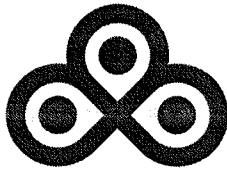
Bruce Walker, Solid Waste and Recycling Manger, 503-823-7772,
bruce.walker@portlandoregon.gov

10) Is any future public involvement anticipated or necessary for this Council item? Please describe why or why not.

The public will be notified of rate changes prior to their July 1, 2012 implementation.

Susan Anderson

BUREAU DIRECTOR



Bureau of Planning and Sustainability
Innovation. Collaboration. Practical Solutions.

MEMO

DATE: May 9, 2012
TO: Mayor Sam Adams
FROM: Susan Anderson, Director

1. **Ordinance Title:** Revise residential solid waste and recycling collection rates and charges, effective July 1, 2012. (Ordinance; amend Code Chapter 17.102)
 2. **Contact:** Bruce Walker, BPS, 3-7772
-

3. **Requested Council Date:** date

4. Consent Agenda Item Regular Agenda Item
 Emergency Item (explain below) Non-Emergency Item

5. **Purpose of Agenda Item:** To revise the solid waste and recycling rates

6. **History of Agenda Item/Background:** The Bureau of Planning and Sustainability (BPS) Solid Waste and Recycling Program conducts an annual rate review process to determine an appropriate charge for collection services. This process is assisted by an economist who analyzes various factors that affect rates and an independent certified public accountant to review hauler financial records. BPS also contracts with Portland State University to sample weights of garbage actually set out by residential customers and with a recycling market consultant to forecast recycling revenues.

Staff reviewed a range of factors that impact the cost of providing service, including labor, equipment and fuel costs, the average weight of garbage in each can size, disposal charges for solid waste and yard debris and the market value of recyclables. The result of this review proposes that the monthly rate for the most common service level, the 35-gallon roll cart will increase by \$1.20 per month, from \$28.50 to \$29.70, or



4.2%. Approximately \$0.90 of the \$1.20 increase is driven by the City's Clean Fleet truck retirement policy, adopted by City Council in 2008.

- 7. **Legal Issues:** There are no legal issues.
- 8. **What individuals or groups are or would be supportive or opposed to this action?**
Despite the methodology used to develop rates, some citizens may be displeased by an increase in charges.
- 9. **How does this relate to current City policies?** These rates, and the methodology used to develop them, were reviewed and supported by the Portland Utilities Review Board.





CITY OF PORTLAND

Sam Adams, Mayor
Staffed by Bureau of Financial Services
1120 SW Fifth Ave., Suite 125
Portland, Oregon 97204-1911
(503) 823-5288
FAX (503) 823-5388
TTY (503) 823-6868
185349

Portland Utility Review Board

Janis Adler
PURB Chair
NE/SE Portland
Representative

Thomas Badrick
East Portland
Representative

John Gibbon
West Portland
Representative

Charlie Van Rossen
Public Interest
Advocacy

Gordon Feighner
Public Interest
Advocacy

Roger Cole
Commercial/Industrial
Representative

Vincent Sliwoski
Local Business
Representative

Sharon Kelly
At-Large Member

Catherine Howells
At-Large Member

Lisa Shaw
Staff Liaison, OMF
Financial Planning

To: Mayor Sam Adams
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Randy Leonard
Commissioner Dan Saltzman
Auditor LaVonne Griffin-Valade

From: Members of the Portland Utility Review Board

Subject: PURB Committee Recommendations for Utility Rate Hearing

Date: May 16, 2012

Solid Waste and Recycling

1. Solid Waste recommendation: Adoption of Proposed Rates

The PURB recommends the City Council adopt the proposed solid waste and recycling rate increase of 4.2 % for FY 2012-2013.

Background

Although rates are set to increase, this recommendation is based on the fact that the projected rates have remained stable with respect to inflation over the past 20 year period. This has occurred despite the introduction of recent programs such as the Clean Fleet Policy and the curbside food scrap recycling program, which have placed upward pressure on rates.

2. Solid Waste recommendation: Franchise Agreement Revision

The PURB recommends that the PURB participate in the upcoming Franchise Agreement mid-term review in order to: (1) secure an earlier due date for franchisee Detailed Cost Reports; and (2) establish substantive and timing requirements for the provision of rate promulgation data to the PURB.

Substantive requests for data provided to the PURB will include, at a minimum: background recycling revenues, inflation factors and operating margins. The cutoff date for this data will coincide with the end of the calendar year (i.e. all data will be subject to the same cutoff date as information provided in the Detailed Cost Report). The PURB also will request comparable rate information from other jurisdictions within the Portland metro region showing current and historic rates from the previous five years for the following rate factors: inflation, tip fees, franchise fees, recycling revenues and hauler operating margins.

An Equal Opportunity Employer

To help ensure equal access to programs, services and activities, the Office of Management & Finance will reasonably modify policies/procedures and provide auxiliary aids/services to persons with disabilities upon request.

Background

The goal of this recommendation is to establish proposed rates in time to provide the PURB with at least one month to review the relevant data and proposed rates prior to making its recommendation.

A continuing issue has been the PURB's inability to make the best-considered recommendations regarding residential solid waste rates because it doesn't get information in a timely matter. This year, some delay was caused by a desire to have as much data as possible about the new food scrap recycling program before proposing rates. Nonetheless, the current Franchise Agreement provides that haulers are not required to submit Detailed Cost Reports until March. By the time those reports were reviewed, and additional data were considered, draft rates weren't available to the PURB Solid Waste Committee until April 30, and to the PURB at large until May 10th.

The haulers' Franchise Agreement is scheduled for a mid-term review this month, which represents a great opportunity to change the franchise rate methodology and rectify this problem.

3. Solid Waste recommendation: Clean Fleet Policy Revision

The PURB strongly recommends that the city adopt the pending proposal to relax the scheduled implementation of the Clean Fleet policy in order to minimize the policy's disproportionate impact on ratepayers.

Background

The bulk of this year's proposed rate increase (75%) is due to the "Clean Fleet" policy adopted by the City in 2008. While the PURB supports the green goals of this policy, its implementation seems to ensure perpetual operating cost increases with related increases in household solid waste and recycling rates. The Solid Waste and Recycling group of BPS has drafted a proposal to relax the fleet upgrade schedule to reduce, in part, the impact of this policy on residential rates.

Sewer / Stormwater

1. Sewer recommendation: Rate Adoption

The PURB recommends that City Council adopt the Bureau of Environmental Services (BES) budget including the 5.9% requested rate increase. We feel it is necessary to maintain existing infrastructure and provide capacity for critical issues that may arise in the coming year. The PURB also recommends that should Council direct BES to make cuts to their budget, those cuts be made in such a way as to not have significant impacts on programmatic operations. Examples of such cuts might include those cuts already identified by staff as projects that were already complete or postponed to future budget cycles due to timing issues.

In light of Mayor Adams' proposed budget and the revised budget request of BES, the PURB has modified its recommendation and supports a rate increase of 5.4%.

Supporting Rationale

Two members of the PURB Sewer Committee endorsed the budget recommendation of the BES Budget Advisory Committee (BAC). The BES Committee subsequently makes our recommendations regarding the 2013 BES budget, based upon the BAC recommendation.

In summary, the BAC recommendations are as follows:

- Council not focus on a specific rate target below 6.4% but rather take only cuts that were identified by staff as projects that were already complete, postponed to future budget cycles due to timing issues, or which would not have significant impacts on programmatic operations. We believe that many of the cuts being considered, especially those associated with a 5.5% rate increase, could have a significant negative impact on mission-critical

objectives. In fact, there is a considerable backlog of maintenance work that could justify a rate increase of greater than 6.4%. One of the significant factors that played into our deliberations was the benefit to the ratepayer relative to the potential impacts to the sewer and stormwater systems.

- We (the BAC) would also note that this year's budget process allowed only for cuts and prohibited the inclusion of any add packages. This approach results in a stagnant budget in which critical new priorities cannot be incorporated. Regardless of where the rates are set, the BAC believes that it is important to consider both cut and add packages to ensure that use of available rates is optimized.

Water

1. Water Recommendation: Monthly Billing

As the cost of implementing the Monthly program, as originally outlined by the Water Bureau in the FY 2012-13 Requested Budget, will impact rates by 2% in addition to multiple year rate increases and the lack of significant benefit, the PURB does not support the implementation of this program.

Given that the bureau has modified the project scope (opt in rather than mandatory and ebilling rather than paper billing for participants) which has reduced costs of the program to the equivalent of a 0.2% rate increase, the PURB no longer objects to implementing monthly billing.

Background

The billing change could provide some relief to customers in managing cash flow; however, the program does not provide substantial benefit to either the Water Bureau or the customer. Meters will continue to be read on the current cycle and the data will be averaged over a period to produce a monthly charge.

Future events such the end of the deferred rate catch ups or ultimately the implementation of a computerized monthly read systems offer points in time when this approach could perhaps be implemented. Alternatively consideration might well be given to a program for monthly billing that requires those ratepayers using the service to bear the cost either through a stated charge (as often done by insurance companies) or through a percentage charge (similar to property tax billing).

2. Water Recommendation: Rate Adoptiong

PURB does not support the 11% rate increased as per the Water Bureau's FY 2012-13 Requested Budget based on the inclusion of the new monthly billing program. The PURB believes that the program should be removed or delayed and that the rate increase should be closer to 9%.

Now that the bureau has modified the most expensive components to the monthly billing program as well as made additional budgetary adjustments, the PURB now endorses the Water Bureau's revised rate increase of 8.1%.

3. Water Recommendation: Base Charges

The bureau's Budget Advisory Committee and PURB recommend that the City undertake a phased transition to the standard cost of service formula for the base charge.

4. Water Recommendation: Schedule Adjustments of the LT2 Requirement

The proposed schedule adjustment was sent to the Oregon Health Authority on February 10, 2012 after review by the Budget Advisory Committee. The PURB supports this adjusted schedule.

Background

The schedule adjustment would give the Water Bureau seven more years to comply with the LT2 rule and allow the Water Bureau to sequence a key set of projects necessary for LT2 compliance. These project substantially reduce the risk of supply interruption posed by the simultaneous implementation of many projects that was necessary to reach the original compliance schedule. This schedule adjustment will also allow the Water Bureau to create a rate schedule that more gradually incorporates project costs for ratepayers during the current difficult economy. It has lowered the CIP by \$100M

PURB observations and concerns regarding the Water budget

- **Water Revenue/Decreasing Usage - Operational Efficiency**
Revenue projections from commercial, residential, and contracted sales have a direct effect on the water rates. A revenue projection that experiences a significant shortfall increases the cost per unit sold and thus requires a higher rate. Given decreasing water usage, there is a need to strategically develop an approach to covering operating costs without incurring multiple year rate increases to adjust for the revenue projections.

One approach might be to compare and analyze current operational practices with a variety of industry practices that could yield a new approach.

- **CIP Reporting**
As a result of Council's recommendations, the adoption of the new CIP reporting format as a result of a PURB suggested budget note has proceeded well and helps in understanding all the City's programs. One addition that PURB recommends be included in the CIP entries for each specific project is an express statement of any emergency preparedness component for the project. This will help the city advisory committees and the public understand the some of the prioritization that occurs with the CIP.



Bureau of Planning and Sustainability
Innovation. Collaboration. Practical Solutions.

May 16, 2012

New Curbside Collection Service Six Month Program Update

On October 31, 2011, the City of Portland launched a new curbside collection service that included weekly collection of all food scraps along with yard debris and shifted garbage collection to every other week. No changes were made to weekly recycling collection. Portlanders have been using this new curbside collection service for over six months. During this time, the City has been gathering data and evaluating progress.

Customer Service

BPS started tracking customer calls and emails related to the new program in mid-September, when customers first began receiving outreach information in the mail. BPS added new customer service staff and extended call hours, including weekend hours. Calls spiked significantly for the several weeks surrounding the rollout. By the end of the year, BPS had logged close to 10,000 calls and emails related to the new program. By December, however, calls were down to pre-rollout levels and by the end of the year BPS was back down to normal staffing levels and hours.

The top reasons for calling the hotline were schedule information, kitchen pails, and what could be put in the compost roll cart for collection.

Community Outreach

This spring, BPS coordinated a 12-week door-to-door outreach campaign as part of the City's efforts to offer residents technical assistance. More than 100 community volunteers participated in the canvassing effort,



including neighborhood associations, churches, ethnic organizations, school groups and volunteers with the Master Recycler program. They answered questions about what can go into the green roll cart and shared tips with thousands of households in several neighborhoods across Portland.

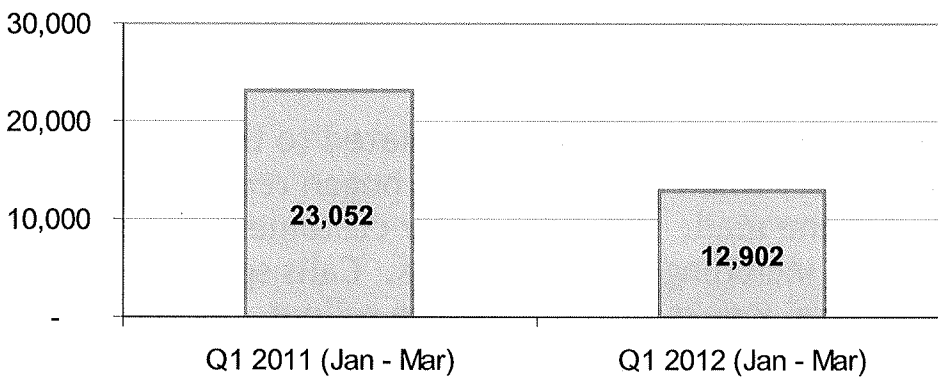


Reduction in Garbage

Comparing the first three months of 2012 with the same time period last year, there has been a 44 percent decrease in the amount of residential garbage collected curbside.

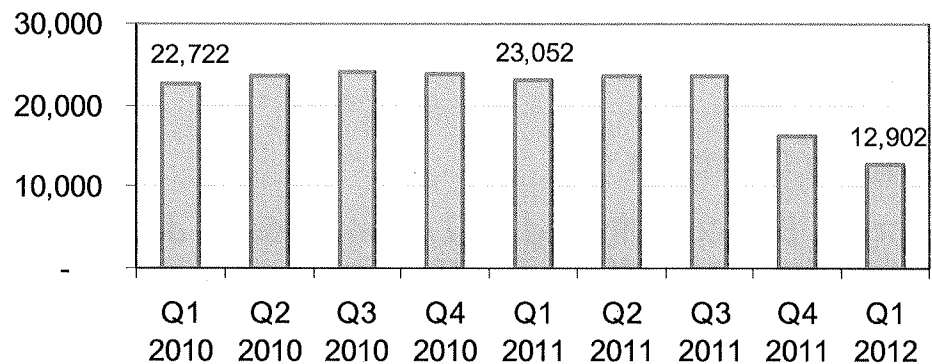
Residential Garbage

(tons collected)



Residential Garbage

(Tons Collected)

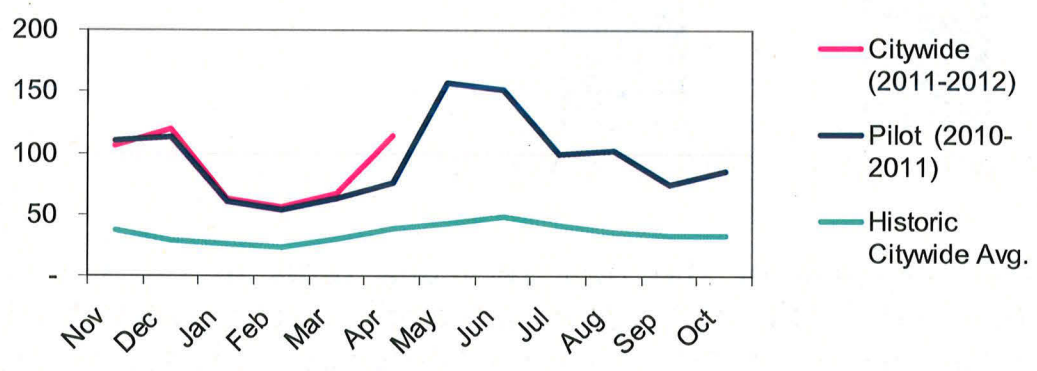




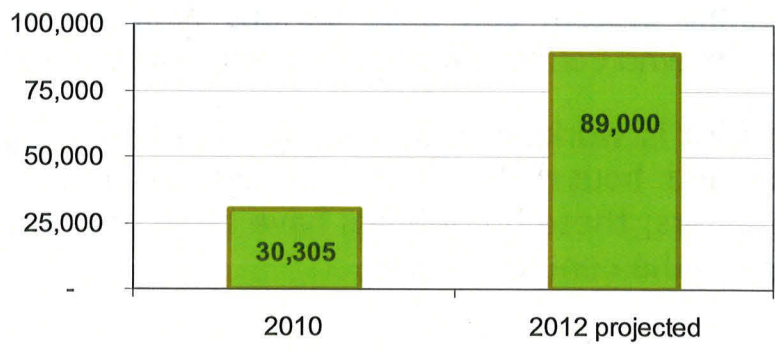
Increase in Yard Debris and Food Scraps

The new curbside collection service has contributed to a large increase in the material collected from Portland residents for composting. This graph shows the amount of yard debris and food scraps collected since the beginning of the program, in pink, next to the pilot amounts in blue. We estimate that Portland residents will compost 89,000 tons in the first year of the program. By comparison, in the past garbage and recycling companies have reported collecting about 30,000 tons of yard debris each year.

Yard Debris + Food Scraps Collected
(pounds per customer per month)



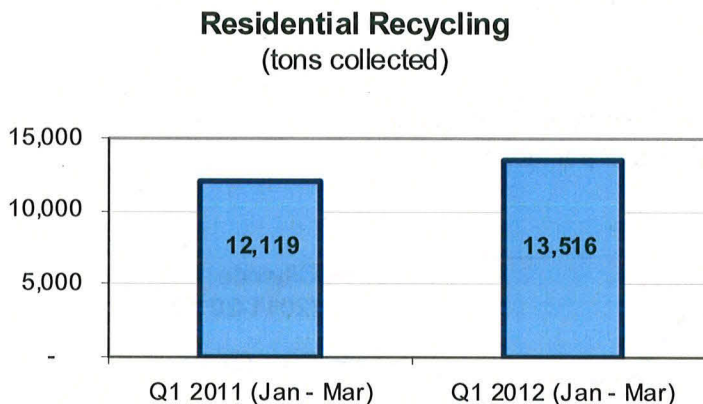
Residential Compost
(tons collected)





Increase in Recycling

Portlanders are also recycling more, too. Comparing the first three months of 2012 with the same time period last year, we see a 12% increase in recyclable material. According to waste composition studies we conducted during the month of April, Portlanders are recycling 90% of the materials that are possible to recycle curbside.



While Portland has one of the best recycling rates in the country, employees that sort Portland's recycled materials have reported finding increased contamination, notably bagged household garbage, at local recycling facilities.

While most Portland residents continue to do an excellent job properly sorting their waste materials, even a small amount of garbage in the recycling system can pose serious health and safety concerns for the workers who collect and process Portland's recycled materials.

The City is working with garbage and recycling companies and we have identified households with garbage in their recycling and composting containers; these households have been notified with a cart tag informing them of the contamination.



Bureau of Planning and Sustainability
Innovation. Collaboration. Practical Solutions.

2012-13 SOLID WASTE & RECYCLING RATES and FEES May 16, 2012

The Bureau of Planning and Sustainability Solid Waste & Recycling Program conducts an annual rate review process to determine rates that franchised haulers charge for residential solid waste, recycling and composting collection services. The rate ordinance submitted to City Council is set to take effect on July 1, 2012 and proposes a rate increase for the 35 gallon roll cart, the most common service level, of \$1.20 per month, from \$28.50 to \$29.70, or 4.2%.

Major factors that impact the cost of providing service include:

- **Labor and Fuel Costs:** Inflation factors are developed for an 18 month period (mid-2011 to the end of 2012). The general inflator is 4.15% (or 2.75% per year). Separate inflators are also calculated for labor costs (wages 4.58%, pension 4.58%, health and welfare 4.15%) and fuel (7.58% or 4.99% per year). Increased labor and fuel costs raise rates by approximately 60 cents per customer per month.
- **Vehicle purchases:** Haulers have made substantial additional investment in new trucks for increased fuel efficiency, improved safety standards and reduced air emissions (a brief description of The City's "clean fleet" truck replacement policy is on the next page). These truck purchases increase costs by approximately 90 cents per customer per month.
- **Revenue from recyclables:** Revenue from recyclable materials is forecast to be lower than the previous year, which means upward pressure on rates of about 37 cents per customer per month.
- **Solid waste tip fee:** The solid waste tip fee charged by Metro at its two transfer stations will increase to \$93.84/ton from the current fee of \$89.53. This change increases rates for different garbage can sizes depending on the weight of garbage measured in the can weight study. The higher tip fee increases costs by approximately 12 cents per customer per month.



As the table below illustrates, though the factors above have provided upward pressure on rates, other factors have reduced the proposed rate increases, including hauler efficiencies and the underlying lower costs of the new program. In addition, some of the projected costs of the new program turned out to be higher than the actual costs.

Factors affecting the cost of providing service	Rate impact for 35 gallon roll cart, per customer per month
Fuel and labor costs.	\$ 0.60
Investments in less-polluting collection vehicles	\$ 0.90
Drop in recyclable material value due to world markets	\$ 0.37
Metro solid waste tip fee increase	\$ 0.12
Hauler efficiencies and lower costs of new program	\$ (0.79)
Total change in monthly rate for 35 gallon roll cart	\$ 1.20

Proposed 2012-2013 Rates					
Service Level	FY 2012-13 Rates	Current Rates	Difference	Incentive / Disincentive	Customer Base %
Every Four Weeks - 32 can	\$ 21.85	\$ 19.95	\$ 1.90	\$ (2.49)	6%
Every Four Weeks - 35 small rollcart	\$ 23.15	\$ 21.25	\$ 1.90	\$ (2.49)	3%
20 minican	\$ 24.85	\$ 23.70	\$ 1.15	\$ (2.49)	8%
20 rollcart	\$ 25.80	\$ 24.20	\$ 1.60	\$ (2.49)	1%
32 can	\$ 28.20	\$ 27.00	\$ 1.20	\$ (0.45)	26%
35 small rollcart	\$ 29.70	\$ 28.50	\$ 1.20	\$ -	36%
60 rollcart	\$ 37.80	\$ 37.45	\$ 0.35	\$ 4.80	14%
90 rollcart	\$ 43.80	\$ 43.40	\$ 0.40	\$ 7.10	3%

Commercial Tonnage Fee In order to generate necessary revenues in the future, the commercial tonnage fee is proposed to increase by \$1.50 per ton from \$6.80 to \$8.30 in FY 2012-13. Funds generated by the fee are used for management of the commercial solid waste and recycling program.

