



Bureau of Planning and Sustainability  
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Portland Planning and Sustainability Commission  
September 8, 2015

**SOLID WASTE & RECYCLING RATE PROCESS BRIEFING**

**BACKGROUND**

Garbage, recycling and composting collection in Portland works differently for single-family residents than for multifamily buildings and businesses. Single-family collection service, also called curbside service, includes single-family homes, duplexes, triplexes and fourplexes (also known as “smallplexes”). Portland’s curbside service is provided by 15 private companies that have been awarded franchises to operate in assigned territories. The City establishes rates, service standards and the services offered to single-family and smallplex customers. In the commercial sector, the City does not set rates. Businesses and multifamily communities arrange services and rates with permitted commercial haulers.

This briefing introduces Portland’s curbside rate review process and general timeline and provides information on policy and key factors that influence rate changes.

**CURRENT RATES**

Below are the rates and the percent of customers subscribed for the most common service levels. By far the most common service level is the 35 gallon roll cart collected every other week. All service levels include weekly collection of recycling and composting (yard debris and food scraps).

Service level	Current Rate	Customers Subscribed
32/35 gallons every four weeks	\$21.75	8%
20 gallon service	\$24.75	9%
32 gallon can	\$28.55	15%
35 gallon cart	\$29.35	42%
60 gallon cart	\$35.65	18%
90 gallon cart	\$42.05	3%



City of Portland, Oregon | Bureau of Planning and Sustainability | [www.portlandoregon.gov/bps](http://www.portlandoregon.gov/bps)  
1900 SW 4th Avenue, Suite 7100, Portland, OR 97201 | phone: 503-823-7700 | fax: 503-823-7800 | tty: 503-823-6868

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## RATE REVIEW PROCESS

### **On-Going Monitoring**

Throughout the year, haulers file reports with the Bureau of Planning and Sustainability (BPS) detailing customer counts, quarterly revenues and recycling and solid waste tonnage, among other information.

### **CPA Review of Hauler Financial Reports**

Each year residential franchisees file a "detail cost report" documenting their revenues and expenses for the previous calendar year. A sample of haulers is chosen via customer-weighted random sample that must include at least 75% of the city's 150,000 residential customers. A CPA firm under contract with BPS reviews the reports of the haulers chosen in the sample. The CPA firm makes adjustments to hauler reports based on allowed costs and may reconcile any reporting discrepancies.

### **Calculation of Rates**

The sample haulers' reviewed costs for providing curbside collection service are used to calculate an average per customer cost. Rates are designed to allow haulers the opportunity to recover the average cost of providing service plus a return equal to 9.5% of revenues. Rates also include a 5% franchise fee paid to the City.

## ANNUAL TIMELINE

<b>Date</b>	<b>Rate Review Process</b>
Early March	Receive financial reports from haulers, select random sample, and send sample hauler financials to CPA
<b>Mid March</b>	<b>Meet with PSC and Portland Haulers Association (PHA) to review rate process and initial rate factors</b>
Early April	Receive recycled market price forecast
Mid April	Receive CPA's review with recommended adjustments
<b>Late April</b>	<b>Meet with PSC and PHA to review draft cost-of-service rates</b>
Early May	Final rate model complete including inflation adjustments and recycling revenue projections
<b>Early May</b>	<b>Meet with PSC and PHA to review final proposed rates</b>
Mid May	Rate ordinance filed with Auditor
<b>Late May</b>	<b>First reading of rate ordinance at City Council</b>
Late May	Second reading of rate ordinance
July 1	Rates effective



## **KEY COST FACTORS**

### **Labor and Fuel Costs as Adjusted for Inflation**

All previous year expenses reported by the sample haulers are reviewed by an independent CPA firm hired by the City. Critical among these expenses are direct labor and fuel costs. Labor hours are reported by haulers, reviewed by the CPA and then multiplied by projected wages (based on labor contracts) to project future labor costs. Fuel costs are adjusted annually to reflect changes in pricing. Allowable expenses incurred during the previous calendar year will form the basis for rates for the next fiscal year along with verified changes in operating expenses of the curbside collection program.

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. This often allows reduced operating costs to mitigate the effect of inflationary pressure.

### **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 operated by Metro (so called "tip fees").

Solid waste disposal weights are calculated using several data sources, including aggregate reported disposal tonnages and estimates of garbage container weights by container size. This latter information is obtained from residential "can weight" studies.

Tip fees charged for garbage by Metro at its two transfer stations are currently \$94.98 per ton. There is also a \$3.00 transaction fee charged for each visit to the transfer stations.

### **Yard Debris/Food Scraps Tip Fees**

Haulers pay a tip fee of \$59.45 per ton for depositing yard debris/food scraps at Metro's two transfer stations.

### **Recyclable Material Sales Revenue**

The revenues earned by haulers from the sale of recyclable materials partially offset the cost of providing service and therefore serve to reduce the rates paid by customers. The per-customer monthly recyclable material sales revenue is calculated by averaging the actual recyclable material sales revenue collected by haulers for the prior two years together with a projection of market prices for the subsequent year. This methodology was developed in order to dampen the year-to-year volatility of this rate component.



## **RATEMAKING POLICY**

The annual rate review process analyzes hauler financial records and determines the cost of providing service for the different garbage container sizes used by customers. Once costs are determined, rates are established that apply an incentive discount to smaller garbage cans and a disincentive premium to larger garbage carts to encourage waste reduction.

Portland's rate-setting process has included rate incentives and disincentives every year since the beginning of the franchise system in 1992. As noted above, the most common service level is a 35-gallon garbage roll cart collected every other week. To encourage customers to minimize the amount of garbage they generate, the rates for service levels with less garbage capacity include an incentive discount. Rates for service levels with garbage capacities greater than 35 gallons collected every other week include a disincentive premium.

## **COMMERCIAL TONNAGE FEE**

As noted above, for the commercial sector, the City does not set rates; however, it does collect a tonnage fee on each ton of garbage collected by commercial haulers. Currently this fee is \$8.30 per ton of garbage disposed.

## **PSC ROLE IN CURBSIDE COLLECTION RATE REVIEW PROCESS**

The Portland Utility Review Board (PURB) provided oversight of Portland's curbside collection ratemaking process through the development of the FY 2015-16 rates. In June 2016, City Council replaced the PURB with the Portland Utility Board to provide oversight to the Bureau of Environmental Services and the Water Bureau; the same ordinance assigned responsibility for reviewing and recommending solid waste rates to the PSC as follows:

The Planning and Sustainability Commission, as established by City Code 33.710.040, shall consider and develop recommendations for the Council regarding establishing or modifying the rates and charges for solid waste collection.

