

DRAFT RESIDENTIAL FRANCHISE REVIEW EQUITY OPTIONS REPORT

11/30/2017

I. Introduction and background

In 1992, Portland franchised residential garbage service in order to introduce high-quality curbside recycling and yard debris collection in compliance with Oregon's Opportunity to Recycle Act. In addition to improving recycling collection, the franchise approach accommodated the dozens of small businesses that provided residential collection at that time. All companies with residential customers were awarded a franchise territory commensurate with their current customer base; 69 companies were initially issued franchises. The franchise also enabled standardized rates, facilitated more efficient collection routes, and reduced truck traffic on neighborhood streets. Finally, the franchise system provided a predictable revenue stream that allowed franchisees to invest in vehicles and equipment as well as sell their franchises. Over the past 25 years, most of the small haulers have elected to sell their franchises, often when an owner retired. These sales have resulted in the consolidation of franchisees, and today 13 companies hold franchises to provide residential service.

The residential franchise system has performed well in achieving its original intent. The partnership between the City of Portland and the private service providers has resulted in an excellent recycling, composting, and waste reduction system. Portland's recycling rate for curbside materials is 67 percent, almost double the average recycling rate in the United States. Franchisees have made continual investments to provide more efficient, cost-effective, comprehensive curbside service in an environmentally-friendly manner. According to the City Auditor's 2016 Community Survey, more than three quarters of Portland residents rate the quality of their garbage and collection service as good or very good.

On August 3, 2017 City Council directed staff to conduct a midterm review of Portland's residential waste collection franchise agreement using the guiding principles in Appendix A of this document, including two principles focused on improving equity and diversity in the system:

- a) Increase participation of women and minority workers.
- b) Reduce barriers to economic opportunities for minority-owned and women-owned companies.

While City Council has not adopted goals related to these two guiding principles, BPS has interpreted these as aspirational directives to explore ways to increase diversity in the franchise workforce, as well as ownership of participating companies, to better align with the composition of Portland's overall population.

This document presents a variety of options to address the two guiding principles mentioned above. It includes findings from stakeholder interviews, results from a demographic survey of the franchisee workforce, and a set of potential measures for improving equity and diversity in Portland's residential garbage, recycling, and composting collection system that are informed by research into best practices in Portland and other cities.

Please note that the options in this document are intended to represent the range of options heard in stakeholder interviews and are currently under review by City staff. They are intended to spark discussion and may ultimately prove to have challenges that preclude implementation.

This document first summarizes the project activity to date. It then breaks the discussion of equity challenges and opportunities into two sections – one focused on workforce participation, and the other focused on economic opportunity for minority- and women-owned businesses.

PROJECT ACTIVITY TO DATE:

Stakeholder interviews

BPS hired a consulting team to conduct in-depth conversations with stakeholders. The conversations oriented stakeholders to the process and solicited stakeholder perspectives on challenges and opportunities for improving equity in the franchise system. A list of stakeholders and interview questions are attached as Appendix B.

Workforce survey

BPS worked with WorkSystems, Inc. to develop and administer an employee survey to gather baseline demographic data of the franchisee workforce. Preliminary analysis of that survey data is presented below.

The snapshot formed from the survey results provides the basis for initial recommendations for improving workforce diversity. It is important to note that this snapshot is not comprehensive. The survey was developed and deployed on a short timeline and the data is all self-reported. Going forward it will be necessary to establish regular, rigorous methods for collecting this type of information on the workforce.

Additional research

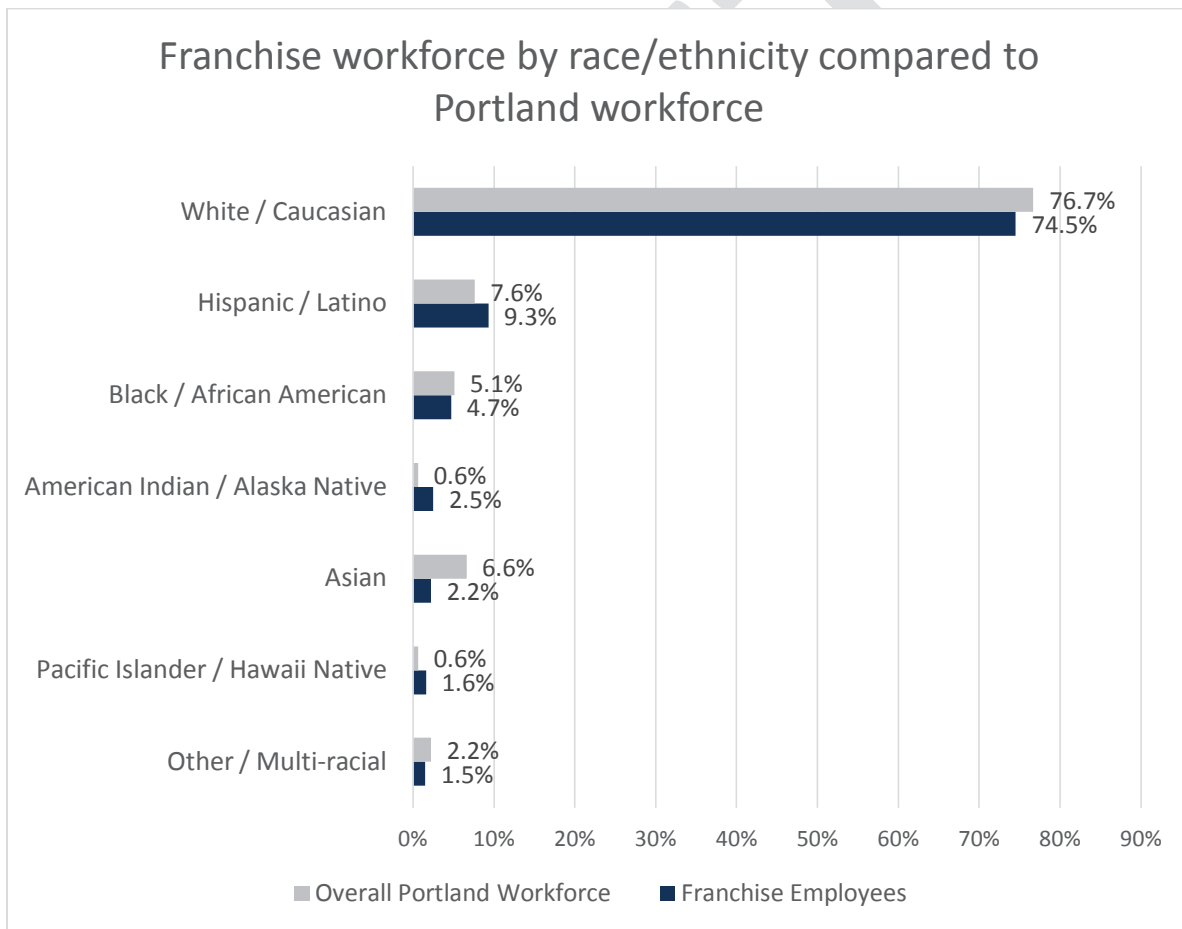
The team researched and analyzed best practices for increasing workforce diversity and for reducing barriers to economic opportunity for minority- and women-owned companies that are currently employed by the City of Portland, Multnomah County, and Metro, as well as examining relevant examples from other jurisdictions.

II. Increasing participation of minority and women workers

CURRENT CONDITIONS

Preliminary franchise workforce demographic survey data

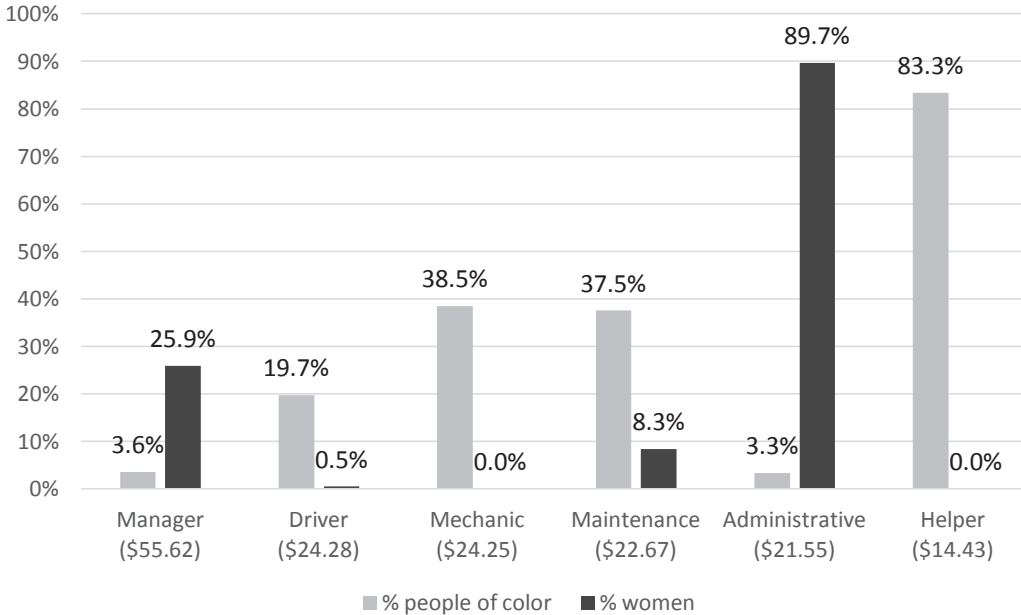
All 13 franchisees voluntarily provided information on 322 employees that serve Portland’s residential customers. Not all information requested was provided for all employees. Appendix C contains a full summary of the survey results, along with important notes and caveats about the data that are not included in the highlights below.



The racial demographics of the franchise employees match Portland’s overall workforce fairly closely. The percent of respondents identifying as a race/ethnicity other than White / Caucasian is 21.8 percent, compared to 22.7 percent in the city of Portland’s workforce.

Position	Employees with reported wages	Mean hourly wage	Median hourly wage
Manager	16	\$ 55.62	\$ 48.25
Driver	206	\$ 24.28	\$ 24.76
Mechanic	13	\$ 24.25	\$ 24.00
Maintenance	3	\$ 22.67	\$ 19.00
Administrative	28	\$ 21.55	\$ 19.13
Helper	5	\$ 14.43	\$ 13.07
All Non-Management Positions	255	\$ 23.77	\$ 24.76
All Positions	271	\$ 25.67	\$ 24.76

Percentage of positions held by people of color and women (n=317)



The mean wage is \$25.67, which is a little under the mean hourly wage for all Portland occupations of \$25.94 (https://www.bls.gov/oes/current/oes_38900.htm#00-0000). For non-management positions, the mean wage is \$23.77.

Managers comprise 9 percent of the franchise workforce and make more than double the wage. People of color and women are underrepresented in management positions.

Under 13 percent of the total franchise workforce are women. Of the 40 women, 65 percent are in administrative positions and 18 percent are managers.

Interview results

The first round of franchisee interviews revealed a range of diversity practices. At least one large hauler has a formal code of conduct that focuses on inclusion. A representative of The Portland Haulers Association reports that it is starting a program to evaluate and support diversity efforts among its members. Smaller haulers reported that while they do not have the HR infrastructure to have standalone workforce diversity programs, they welcome workers of all backgrounds and have experience employing women and people of color.

Franchisees universally reported challenges recruiting qualified candidates of any background and retaining them once hired. One hauler reported creating a new budget account to accurately track his increased spending on recruitment. Haulers also reported supporting new hires by paying for Commercial Driver's License (CDL) certification and in some cases permitting new hires to use company trucks when they took their CDL exam.

While large haulers reported having dedicated HR divisions that handle recruitment, small haulers rely on online advertising and word of mouth.

Some companies reported hiring from job training or placement programs, with mixed success. No companies reported having ongoing institutional relationships with workforce development or job placement organizations.

Barriers to increasing the participation of women and minority workers

Fully understanding barriers to women and minority workers participation and advancement would require investigating the issue from the perspective of current, prospective, and ideally, former women and minority workers themselves in order to gain insight into hiring and onboarding practices, retention and promotion strategies, and company culture. This project has instead focused on establishing a baseline from which to measure future progress.

Until now, there has not been a focus on workforce demographics in the residential franchise system. No workforce demographic information has been collected and there are no established goals or benchmarks for the participation rates of women and minority workers in the residential franchise system. Franchisees have received no direction from the City to encourage more targeted efforts.

Potential measures to increase the participation of women and minority workers

Strategy 1 - Establish an agreed upon baseline and goals for women and minority participation in the workforce. Set up regular data collection processes to evaluate progress toward goals.

This can include goals for minority and women in management positions as well as in the overall workforce. Further conversations with franchisees will shed light on career pathways within the industry and how advancement occurs. This understanding will also be enriched through conversations with current, prospective, and ideally, former employees in order to directly understand workforce participation and promotion barriers.

Strategy 2 - Partner with workforce development organizations to implement best practices for increasing workforce diversity.

The City could support or incent some or all of the following:¹

1. Conduct outreach to targeted populations through partnerships with workforce agencies, like [WorkSystems](#) and community organizations, which have access to those populations and can provide the technical support needed to help new hires qualify for the job.
2. Improve hiring performance by participating in targeted and first source hiring measures. Targeted hiring programs prioritize job access for certain populations for hiring by income, geography, or other specific factors. First source hiring programs partner with workforce agencies or community job centers to draw first from a labor pool of targeted populations that the agency or job center has developed, before hiring from the population at large.
3. Identify training needs and partner with workforce agencies, community organizations and labor organizations to access or create training programs. Programs in other cities like [RecycleForce](#), [Homeboy Recycling](#), and [CivicCore](#) specialize in working with disadvantaged workers and providing job training and employment skills. These programs, as well as similar programs in the Portland region, can be used as models for the residential waste collection sector.
4. Raise pay and benefits standards to improve recruitment and retention. Higher wage and benefit standards ensure that jobs are sustainable for disadvantaged workers and that the industry is competitive versus other job options.
5. Offer trainings to address internal culture issues that can make recruitment and retention of minorities and women more difficult and less effective.
6. Ensure frequent reporting to the City of diversity in workforce hiring performance, set up procedures for problem solving together with government and community partners, and incentivize performance and create meaningful consequences for non-compliance.

¹ Practices similar to those described have been implemented in the City of Portland through its [Model Community Benefits Agreement](#), [Clean Energy Works](#), and Multnomah County through its [Supplier Diversity Program](#). Strong examples of similar workforce diversity provisions can be found in community benefits agreements negotiated between local governments and private enterprise in [Oakland](#), [Los Angeles](#), and [New York](#).

III. Reducing barriers to economic opportunity for minority-owned and women-owned companies

Current Conditions

Franchisees and other stakeholders report that franchises are valuable assets. Anecdotal information indicates that purchasers are willing to pay more for a franchise than they would for a different type of business with similar earnings because it is a regulated utility with a stable customer base, predictable revenue, and regulated rates that include a target operating margin.

Informal accounts and some reported information on franchise owner demographics suggest that all 35 owners of the ten privately held franchises are white. Ten owners are women, nine of which are co-owners of five franchises. A sixth franchise is 100 percent woman-owned. Three of the 13 franchisees are publicly-traded companies.

One common method that public agencies use to increase minority-owned and women-owned business participation in procurement and service provision is to focus on subcontracting with those companies. While subcontracting is allowed by the franchise agreement (and at one point smaller companies were required to subcontract for collection of recycling), franchisees reported that currently subcontracting residential services is rare and they do not see subcontracting as an efficient or economical means of delivering service. However, initial stakeholder interviews did not include a full exploration of subcontracting opportunities in the franchise system.

Franchise system history and context

One component of an equity analysis is understanding the historical context for currently inequitable situations. As noted in the introduction, when the franchise system was created in 1992, franchises were allocated to 69 hauling companies. Companies received a franchise if they were currently collecting residential waste in the city of Portland, and the size of the franchise was commensurate to the number of customer accounts that they had at that time. In years preceding the establishment of the franchise system, Portland haulers had built businesses, purchased trucks, invested in facilities and equipment, and secured customer accounts independent of City support or intervention. The conversion to the franchise system created longer-term business stability for those haulers who had pre-existing businesses, while allowing the City to exercise greater control over the system's outcomes, particularly with regard to customer service and curbside recycling goals.

There were a small number of minority-owned companies in the late 1980s that either sold or received a franchise when the new system was set up.² However, it is not known what business conditions existed for people of color owners prior to 1992, and to what extent now well-documented forms of structural

² Interview with Bruce Walker.

racism like discriminatory access to capital and discrimination by customers impacted those haulers' ability to grow their business, or prevented other people of color from entering the industry.

Since 1992, some companies have purchased others' businesses and franchise rights, leading to a consolidation down to today's thirteen haulers. At least one minority-owned firm was awarded a franchise and sold it to another company before service began under the new franchise system.³

Currently three franchises are held by large national companies and ten are held by small and medium-sized local, family-owned companies.

Franchisees (September 2017)	Customers	Percent Share
Republic Services	1,136	1%
Deines, M. Sanitary Service	1,451	1%
Sunset Garbage Collection	1,505	1%
Lehl Disposal	1,807	1%
Wacker Sanitary Service	2,288	2%
Elmer's Sanitary Service	2,318	2%
Walker Garbage Service	2,833	2%
Gruetter Sanitary Service	3,571	2%
City Sanitary Service	6,549	4%
Heiberg Garbage Service	16,690	11%
Waste Connections	19,366	13%
Portland Disposal & Recycling	35,167	23%
Waste Management	54,987	37%
Total	149,668	100%

Barriers to economic opportunity for women and minority owned businesses

Currently the primary pathway to economic opportunity in the residential franchise system for women- and minority-owned businesses is via the purchase of a franchise. However, minority- and woman-owned businesses face significant barriers to purchasing a franchise. Those barriers include: lack of access to market information, lack of capital, lack of proven experience, as well as the simple fact of a shrinking number of franchises up for sale.

It is important to note that many of the barriers to economic opportunity in the Portland residential franchise system also apply to any small businesses seeking entry to the system. These barriers are

³ Interview with Bruce Walker. Document review and research forthcoming.

compounded, however, for women- and minority-owned businesses that face additional structural and historic discrimination and disadvantages.

Market information

According to stakeholder interviews, business transactions of franchises are the result of networking and “knocking on doors” by interested purchasers. Many franchisees report that they were able to purchase other franchises over the years because of long-term relationships with the other companies, including knowledge about the retirement plans of other owners. Some purchasers of franchises report initiating conversations about purchasing years before owners sold.

Because the purchase and sale of franchises granted by the City of Portland is conducted entirely in the private sector, it is possible that minority- or women-owned firms that are looking to enter the system do not have access to pertinent market information. It is also possible that the minority- and women-owned companies who do not have historic relationships with sellers encounter socio-cultural barriers to forming relationships necessary for business transactions of what in most cases are family businesses.

Capital access

Minority and women-owned companies are at a disadvantage in capital markets.⁴ Franchises are capital intensive to purchase and to operate, and the sale price of a franchise can be as much as several times annual earnings. The operation of franchises requires upfront investment in equipment, including trucks and containers. The City requires that vehicles are upgraded regularly to stay up-to-date with pollution control technologies. While recognizing the air quality benefits, current franchisees are very clear about the capital burden that the City’s mandatory truck upgrades place on their businesses.

Experience

One of the factors BPS staff considers when evaluating a proposed franchise sale is evidence that the purchasing company can provide quality service to customers. Typically purchasers submit their experience providing residential service in Portland or elsewhere. Staff could evaluate other evidence as well, but thus far all potential purchasers have been able to show experience providing residential collection service.

Few opportunities exist for minority-owned, woman-owned, and/or small businesses to enter the franchise system

Businesses who may be able to surmount the challenges described above face an additional and even more substantial barrier.

The residential franchise system is in effect a closed system, where the only pathway for a new business to enter is via the purchase of a franchise from an existing franchise holder. Any small business seeking to enter the market via franchise purchase faces numerous challenges:

⁴ See [U.S. Small Business Administration Issue Brief Number 3 \(2015\)](#)

1. Due to consolidation, there are only thirteen remaining franchises. Three of those are owned by large national waste companies that are unlikely to sell unless leaving the Portland market altogether. Two of the remaining ten are mid-sized haulers with multiple owners (often family members) who have been buying smaller franchises and do not appear interested in selling. The remaining franchises may be too small to be profitable for a new entrant, for the reasons described in #4 below.
2. A prospective buyer has no control over whether, when, to whom, and under what terms those franchises go up for sale.
3. Small businesses seeking to purchase a franchise that is offered for sale face stiff competition from established companies – on both sale price of franchises and on the ability to turn a system-wide target operating margin into profitable returns on investment.
4. Current franchisees say that they believe it would be difficult for a new entrant to the system to be able to make enough money from a small franchise to cover the costs of the equipment purchases and administrative costs (including customer service and dispatching) that would be necessary to provide services to the franchise area. In order to be profitable, new entrants would need to purchase a larger franchise with enough customers (volume) to turn margins into profit, which then requires both that a large franchise be offered for sale, and that a prospective new entrant has sufficient access to capital.

Potential measures to reduce barriers to economic opportunity for women- and minority-owned businesses.

Strategy 3 – Solve for market information, capital access, and lack of proven experience

Despite the challenges to market entry described above, there are a number of actions that the City could take that would improve the ability of minority-owned and women-owned businesses to purchase a franchise if and when one became available.

OPTION 3-A: REQUIRE NOTICE OF IMPENDING FRANCHISE SALES

BPS could maintain a contact list of minority- and women-owned firms who are interested in purchasing a franchise. Upon receiving notice of an impending sale, BPS could notify companies on the list and provide them the opportunity to contact the owners to compete with other sellers for the right to buy the franchise.

Considerations:

- It is important to the franchisees that this notice not be a public notice. The sale of franchises can create stress for employees. Owners need to be able to manage the way that their employees learn about potential sale of the company.
- This would require BPS to regularly publicize the existence of the notification list and system to minority- and women-owned companies. BPS would also need to keep the list updated with current contact information.

- Notice does not address other barriers to opportunity and seems unlikely to substantially affect the overall ownership makeup of companies providing residential waste collection services for the city.

OPTION 3-B: IMPROVE CAPITAL ACCESS THROUGH PARTNERSHIPS WITH CAPITAL PROVIDERS

The City could form partnerships with mission-based capital providers to assist minority- and women-owned companies in finding financing. This approach is common in other sectors.

OPTION 3-C: PROVIDE TECHNICAL ASSISTANCE TO BUILD CAPACITY

The City could provide technical assistance to minority- and women-owned companies to build their capacity and prove their capability to provide Portland residential collection service. There are a number of examples of this from other sectors, including the City’s Prime Contractor Development Program and the federal Small Business Administration’s 8(a) Business Development Program for disadvantaged businesses. The SBA and the Port of Portland both have Mentor-Protégé Programs that help starting businesses partner with and learn the ropes from companies with greater experience.

OPTION 3-D: LENGTHEN THE TERM OF THE FRANCHISE AGREEMENT

Lengthening the term of the Franchise Agreement could help improve access to capital. The current franchise agreement has a ten-year term. In previous franchise cycles, the City and haulers have elected to renew the franchise agreement for another ten-year term after five years. Franchisees report that this approach makes it difficult for them to finance equipment upgrades. The franchise agreement provides a seven-year depreciation schedule for garbage and compost trucks and a five-year schedule for recycling trucks. Near the midterm review, it can be difficult to get financing for new trucks or other equipment upgrades since franchisee revenue is only secured for five years. Longer Franchise terms extend the guaranteed revenue from the customer base and could improve access to capital by showing lenders a longer-term, predictable source of revenue with which to pay off loans.

There are two options for lengthening the term of the franchise agreement:

1. The term of the franchise agreement could be extended from 10 years to 15 years with reviews taking place every seven years. This would ensure the term of the agreement never dropped below seven years.
2. An abbreviated annual renewal process could be added to ensure the term of the agreement never dropped below nine years.

Considerations:

- #2 would require some type of franchise review every year, but it could be minimal. The more in-depth reviews could still take place every five years
- State law sets a maximum franchise term length and thus prohibits “evergreen” franchise agreements

OPTION 3-D: ENCOURAGE SUBCONTRACTING AS A PATHWAY TOWARD BUILDING RELEVANT EXPERIENCE

The City could set aspirational goals for minority- and women-owned business subcontracting, requiring that franchisees develop a plan for subcontracting to women- and minority-owned firms. That plan would then become a required component of the franchise agreement. This was the approach taken in the [Zero Waste LA Commercial Franchise](#). Note that Los Angeles used a broad definition of subcontracting that included business support services such as equipment repair and accounting services to provide more opportunities for minority- and women-owned firms.

The City could also suggest or require unbundling and/or repackaging services to identify and increase subcontracting opportunities.

The City could require that franchisees conduct vigorous outreach, including maintaining a list of minority- and women-owned businesses that are solicited directly as subcontracted work goes out to bid, via pre-solicitation meetings, and frequent participation at community events. The [City of Portland's Model CBA](#), and the City of Seattle's contracts with [Waste Management](#) and [Cleanscapes](#) include outreach requirements. [Metro's 2016 Equity in Contracting](#) report describes their outreach efforts.

Considerations

- Franchisees have expressed concern that subcontracting components of residential collection could decrease efficiency. This is less of a concern with a broader definition of subcontracting that includes business support services.

Strategy 4 – Solve for limited opportunities to purchase a franchise.

OPTION 4-A: ESTABLISH A PROCESS FOR DIVIDING FRANCHISE TERRITORIES

Currently there is no clear pathway in the franchise agreement for dividing granted franchise territories. The City has received requests to do so. Establishing a process would provide more flexibility to franchisees and potentially create more opportunities to purchase franchise sections.

Considerations

- This approach merely creates the potential for more opportunities to purchase a franchise.

Under the following three options, the City would create a new franchise designed to encourage the growth of small businesses generally, and minority-owned and women-owned businesses specifically. This could be similar to the approach that the City of Los Angeles took when it recently franchised commercial and multifamily collection. LA's approach is described below in order to illustrate the concept. However, Portland could and should design a new entrant zone according to local context and needs.

City of Los Angeles “Small Zones”

The City of Los Angeles recently franchised commercial and multifamily waste collection. Before the franchise, over 200 companies provided service to commercial and multifamily in an open competitive market. Policy makers wanted to ensure that smaller haulers would be able to compete with large national and regional waste companies to continue to provide service within the franchise. The City created eleven franchise areas, three of which were “Small Zones” that contained 2-3% of the total accounts. Any bidder that was awarded a Small Zone could not also be awarded a large zone. As a result, the larger waste companies bid on larger zones, leaving the Small Zones to be bid on by smaller haulers. Haulers who won the small zones are building the necessary experience and track record to be able to competitively bid on the larger zones when the franchises are put back out to bid.

Portland could create a New Entrant Zone in a variety of ways:

OPTION 4-B: CREATE A RIGHT OF FIRST REFUSAL FOR THE CITY TO PURCHASE A FRANCHISE

In addition to notice of an impending sale, the new franchise agreement could stipulate that the City has the right to make an offer. If the City’s offer is accepted, the City could turn the territory into a New Entrant Zone.

Considerations:

- The City would have to secure funding to buy the franchise and might not recoup that total amount in a sale that is intended to achieve additional public policy objectives of reducing barriers to entry for women- and minority-owned firms. The cost impacts would be difficult to predict and to budget for.
- This solution has the potential to make accessible a customer base that minority- and women-owned firms could compete to serve, but there is no guarantee that the necessary competitive process would produce that result. In a competitive bidding situation, companies without direct experience providing residential collection service may be at a disadvantage.
- The City would need to have the business expertise on hand to participate in valuation and competitive bidding that might occur with a sale.
- Are any of the franchises likely to go up for sale big enough to be financially viable to a new entrant?

OPTION 4-C: LOWER THE CAP ON PERCENTAGE OF TOTAL CUSTOMERS FOR ANY ONE FRANCHISEE AND DISTRIBUTE EXCESS CUSTOMERS TO A NEW ZONE

Reduce the cap on the maximum allowed percentage of total customers for any one franchisee from the current 40%. The cap could be set to a level sufficient to create a viable franchise territory for new entrants. Current franchise boundaries could be reorganized to consolidate orphaned customers into a New Entrant Zone.

Considerations:

- There will likely be resistance from haulers over the new cap.
- This solution creates a potential customer base that in theory could go to minority- and women-owned firms, but, as with strategy 4-B, there is no certainty that it would produce that result. Companies over the new cap may choose to sell their excess customer base to another hauler that meets City requirements. If the City purchased the excess customer base, companies without direct experience providing residential collection service may be at a disadvantage in a competitive bidding situation.
- This is essentially a “one-time fix.” After the cap is lowered, opportunities for additional companies would remain limited in the ways described above.

OPTION 4-D: EXPLORE EXPANDED REGULATION OF A SEGMENT OF THE MULTIFAMILY MARKET CURRENTLY OUTSIDE THE RESIDENTIAL SYSTEM

Under this scenario, the City would embark on a process to consider expanded regulation of multifamily collection as a means to meet broader goals of equitable provision of services and improving multifamily program performance. The process would necessarily include deep engagement with multifamily property owners and advocates for renters / housing affordability.

Considerations:

- Is expanded regulation necessary and the best approach to meet the City’s goals for the multifamily program?
- This approach would disrupt current multifamily customer-hauler relationships.
- How large is the multifamily customer base and is it large enough to be financially viable for a new entrant?

Strategy 5: Do not renew the franchise agreement. Plan to put collection service for residential garbage, recycling, and composting out to bid in a competitive RFP.

This would create an opportunity for the City to develop a new system for provision of curbside garbage, recycling and composting collection including best practices for equity in terms of workforce and minority- and women-owned businesses. An approach similar to the Los Angeles “Small Zones” franchise system could be considered.

Considerations:

- This option would be a significant change to a system that current participants agree is working well.
- This option would require significant City staff time and resources.
- In a competitive bidding situation, companies without direct experience providing residential collection service may be at a disadvantage.
- This option would allow consideration of sustainability and social benefits to be included in the competitive RFP.

Guiding Principles for Franchise Review

The City of Portland regulates residential garbage, recycling and composting service through a franchise system that aims to provide reliable, cost-efficient, and environmentally and socially sustainable curbside collection. City Council establishes the service offerings and rates, endeavoring to meet waste reduction and recovery policy goals and the needs of a diverse customer base.

1. Advance Climate Action Plan goals.

- Reduce food scraps sent to landfills by 90 percent.
- Reduce per capita solid waste by 33 percent.
- Recover 90 percent of all waste generated.

2. Ensure cost-effective, safe, and environmentally sound operations.

- Establish rates through a process that promotes operational efficiencies while meeting policy goals, including equity.
- Employ a rate-setting methodology that provides franchisees the opportunity to earn a reasonable operating margin without guaranteeing a specific return to any franchisee.
- Develop programs and conduct operations to ensure public and worker safety.
- Reduce air emissions from collection vehicles.
- Improve the safety of collection vehicles for hauler employees and for other road users.

3. Provide exemplary customer service.

- Respond promptly to and communicate appropriately with customers.
- Use technologies to provide more responsive, reliable, and convenient customer service.
- Keep and maintain accurate and accessible customer and operational records.

4. Develop a resilient and equitable system.

- Increase participation of women and minority workers.
- Reduce barriers to economic opportunities for minority-owned and women-owned companies.
- Collect clean and marketable recyclable and compostable material streams.
- Maintain the ability to adapt to emerging policy goals.

APPENDIX B – STAKEHOLDERS AND INTERVIEW QUESTIONS

In-depth in-person interviews:

1. Harley Bird, former general manager and part-owner of Rabanco's U.S. Disposal and Recycle Seattle
2. Alando Simpson, City of Roses
3. Tony Jones, Minority Contractor Improvement Program
4. Nate McCoy, National Association of Minority Contractors – Oregon (+consultant)
5. Vallerie Hill, Gruetter Sanitary
6. Brian Heiberg (+ other owners and staff), Heiberg Garbage Service
7. Jason Hudson, Waste Connections
8. Dean Kampfer (+ other executives and staff), Waste Management
9. Dave Cargni (+ other owner), Portland Disposal and Recycling
10. Beth Vargas-Duncan, ORRA and Portland Haulers Association (+ consultant)
11. Mike Mercer, M Mercer Consulting
12. Cherrie Louis, Elmer's Garbage Service
13. Liz Start, SCRAP PDX

(Interview questions on next page)

Interview Questions:

Agenda and Questions:

1. Introductions
2. Reminder: Purpose, Outcomes, Process
3. How do you think this process will work or not work? Concerns/Fears?
 - a. Do you believe that this process will help us meet produce the outcomes that City council is looking for? How could the process be more effective?
 - b. What are your concerns or fears about the process? What is the worst-case scenario from your perspective?
 - c. Are there other stakeholders that we should engage in this process?
4. Discussion: Increasing participation of women and minority workers
 - a. What are your company's goals with regard to workforce diversity?
 - b. What steps are you already taking to increase workforce diversity?
 - c. What challenges or successes have you had hiring and retaining women or minorities?
 - d. What could we do together to overcome those challenges or build on those successes?
5. Discussion: reducing barriers to economic opportunities for minority-owned and women-owned companies
 - a. What are the current barriers to economic opportunities for minority-owned and women-owned companies?
 - b. What could we do to reduce those barriers and get more minority-owned and/or women-owned companies involved in residential waste collection?
6. How confident are you that we can work together to develop a set of recommendations for City Council that increases workforce diversity and reduces barriers to MWBE while also aligning with the rest of the guiding principles for the franchise review?
 - a. What would give you even more confidence that we can achieve this objective?

*The agenda and questions are guides for our conversation. We look forward to discussing these issues with you. Please feel raise other pertinent issues that are not covered above.

Information on the Participation of Women and Minority Workers in Portland’s Residential Solid Waste and Recycling Collection Franchise System

Source Information: 2017 Franchise Review Employee Data Survey

The Portland City Council established (among others) the following guiding principle for the 2017 franchise review: Increase the participation of women and minority workers.

In order to gather information on the current workforce and to establish a preliminary baseline, Bureau of Planning and Sustainability staff and a team of consultants developed and administered a survey of franchisees. The survey requested the following information on all franchisee employees serving the residential franchise system: position/job/classification, full-time/part-time, wage/salary, health benefits, retirement benefits, race/ethnicity, gender, home zip code, date hired, and percent time serving Portland’s residential franchise. The survey included a form for employers to provide employees so that they could self report their race/ethnicity, gender, and home zip code.

All thirteen current franchisees voluntarily submitted information on 322 individual workers (also referred to as “employees” in this document.) The data that the franchisees submitted is not uniform. It is possible that a few companies only submitted data on drivers and managers, while others included administrative positions in addition to drivers and managers. Not all companies submitted data for all fields, and a number of employees chose “decline to state” on the individual demographic survey form. The tables and figures below indicate the number of records (N) being used to generate any particular presentation of the data.

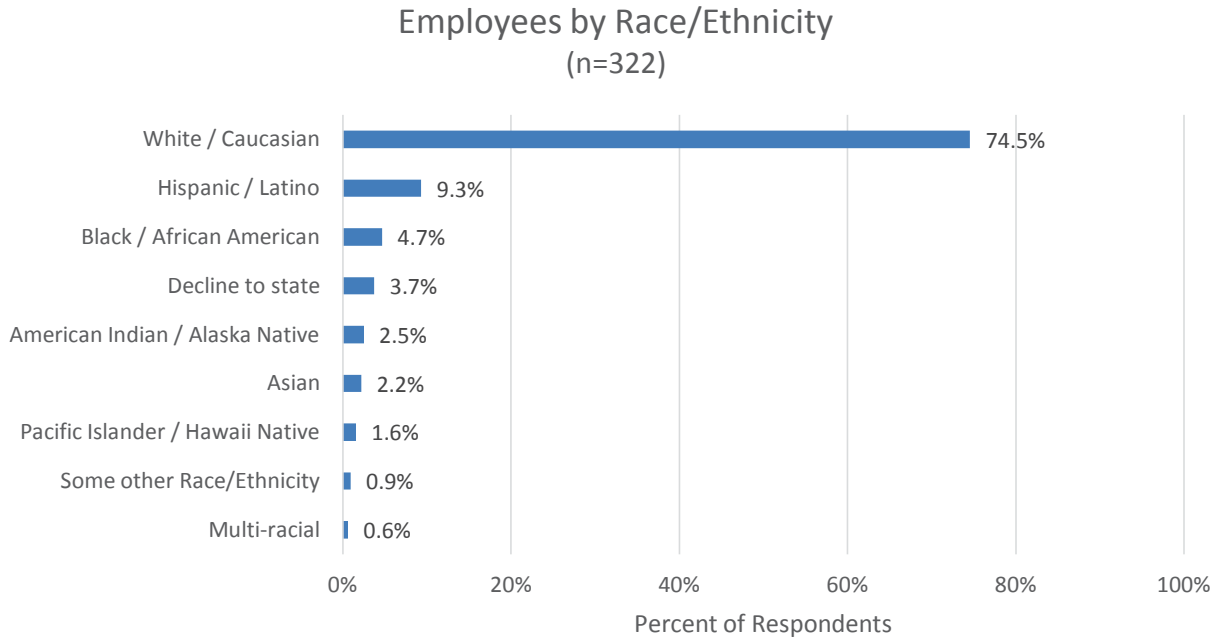


Figure 1. Employees by Race/Ethnicity (9 categories)

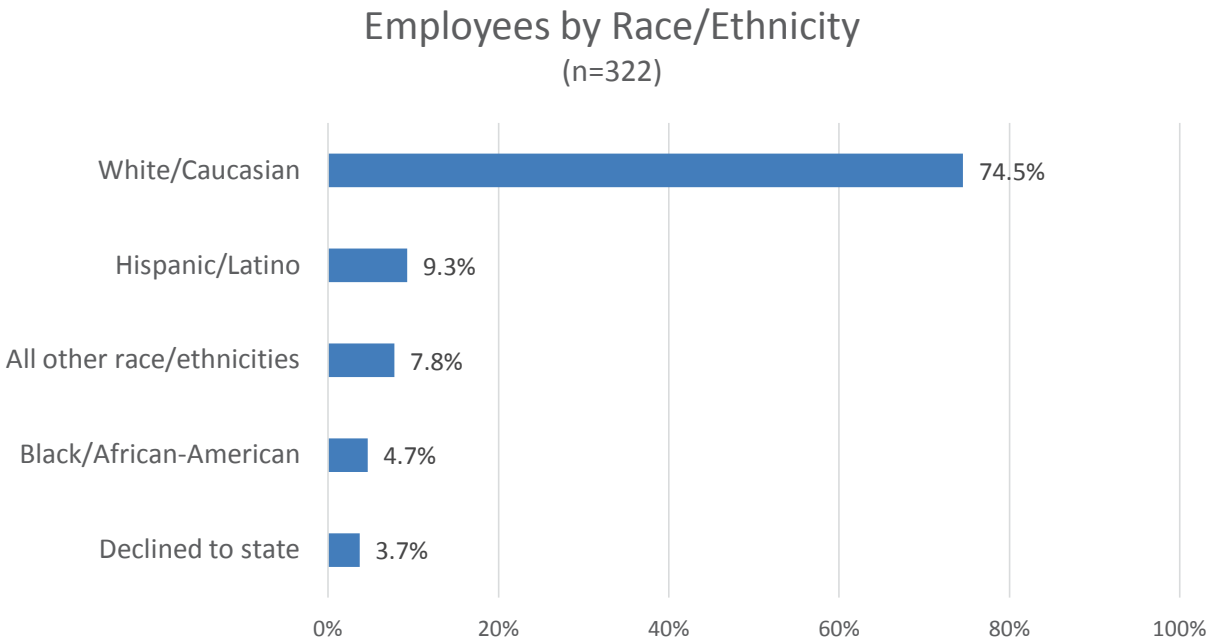


Figure 2. Employees by Race/Ethnicity (5 categories)

Table 1. Comparison of residential franchise workforce demographics to the region's overall workforce demographics

	Residential Franchise Employees	Percent of Total Residential Franchise Employees	Percent of Total City of Portland Workforce	Percent of Total Portland-Vancouver-Hillsboro MSA Workforce
Race (Summary)				
White / Caucasian	240	74.5%	76.7%	79.4%
People of Color	70	21.7%	22.7%	20.0%
Declined to state	12	3.7%	NA	NA
Total	322	100.0%	99.4%	99.4%

Race (Detail)				
White / Caucasian	240	74.5%	76.7%	79.4%
Hispanic / Latino	30	9.3%	7.6%	9.2%
Black / African American	15	4.7%	5.1%	2.4%
American Indian / Alaska Native	8	2.5%	0.6%	0.5%
Asian	7	2.2%	6.6%	5.6%
Pacific Islander / Hawaii Native	5	1.6%	0.6%	0.4%
Some other race/ethnicity	3	0.9%	NA	NA
Two or More	2	0.6%	2.2%	1.9%
Declined to state	12	3.7%	NA	NA
Total	322	100.0%	99.4%	99.4%

Gender				
Male	276	85.7%	53.4%	52.0%
Female	40	12.4%	46.6%	48.0%
Other	1	0.3%	NA	NA
Declined to state (2) / blank (3)	5	1.5%	NA	NA
Total	322	100.0%	100.0%	100.0%

Notes on Table 1:

- 1) Source for Portland City and Portland MSA data is the EEO Tabulation of U.S. Census Bureau, 2006-2010 ACS Survey data.
- 2) NA = not applicable due to fact that the Census does not have a “decline to state” option; the Franchisee survey included a “decline to state” option.
- 3) Percentages in the Census data add up to between 99%-100% due to the way that the Census calculates the Two or More Races category.
- 4) People of Color = all race/ethnicities other than White / Caucasian.

Franchise Workforce by Race/Ethnicity compared to Portland Workforce

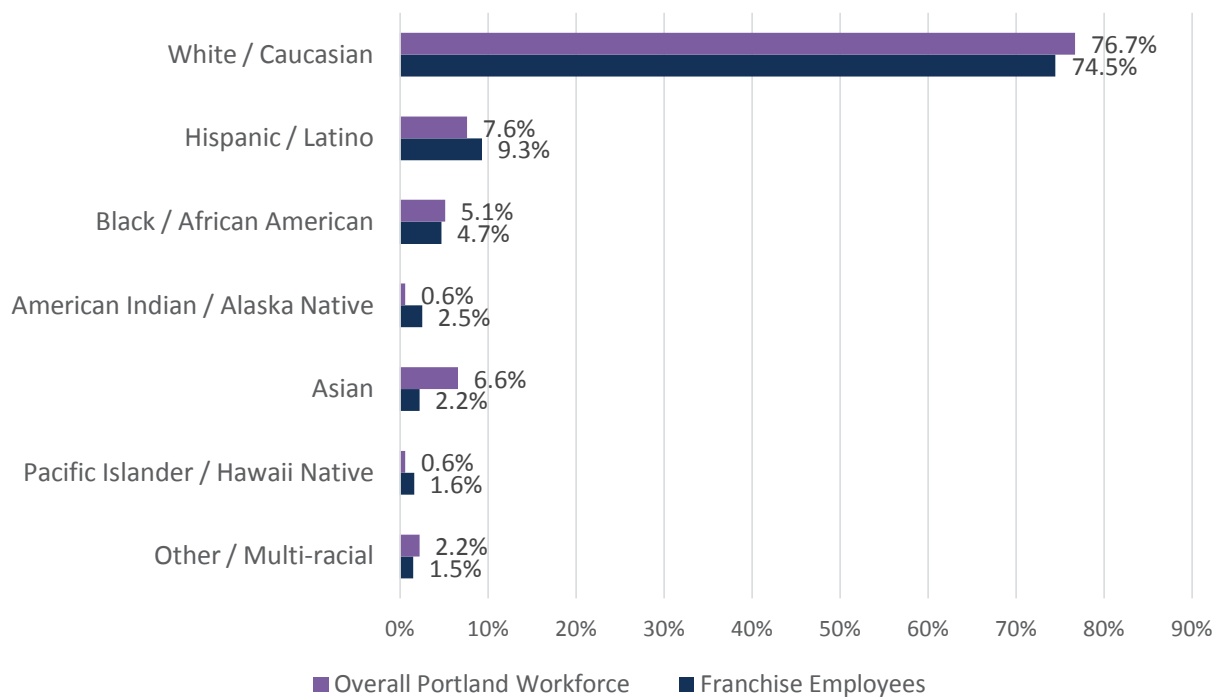


Figure 3. Franchise Workforce by Race/Ethnicity compared to Overall Portland Workforce

Table 2. Occupational positions by people of color and women employees

Occupational position	Total employees	People of Color		Women	
		# of employees	% of position	# of employees	% of position
Driver	205	41	19.7%	1	0.5%
Administrative	29	1	3.3%	26	89.7%
Manager	27	1	3.6%	7	25.9%
Maintenance	24	9	37.5%	2	8.3%
Mechanic	13	5	38.5%	0	0.0%
Helper	6	5	83.3%	0	0.0%
Unknown	6	5	83.3%	1	16.7%
Ops Specialist	4	0	0.0%	2	50.0%
Controller	1	1	100.0%	1	100.0%
Driver/Supervisor	1	1	100.0%	0	0.0%
Supervisor	1	1	100.0%	0	0.0%
Total	317	70	21.7%	40	12.6%

Notes on Table 2:

- 1) People of color = all race/ethnicity categories other than "White/Caucasian" and "decline to state"
- 2) N = 317 workers with position and demographic information

Table 3. Hourly wage by position and percent people of color and women

Position	# of employees	Mean hourly wage	Median hourly wage	% in position who are POC	% in position who are Women
Manager	16	\$ 55.62	\$ 48.25	3.6%	25.9%
Driver	206	\$ 24.28	\$ 24.76	19.7%	0.5%
Mechanic	13	\$ 24.25	\$ 24.00	38.5%	0.0%
Maintenance	3	\$ 22.67	\$ 19.00	37.5%	8.3%
Administrative	28	\$ 21.55	\$ 19.13	3.3%	89.7%
Helper	5	\$ 14.43	\$ 13.07	83.3%	0.0%
All positions	271	\$ 25.67	\$ 24.76	21.7%	12.6%

Notes on Table 3:

- 1) Two franchisees did not supply wage data for all of their employees; data are missing for 39% of workers in one instance and 31% in the other.
- 2) As a result, we only have wage data for 271 out of 322 employees.
- 3) When annual salary was provided instead of hourly wages, the salary was divided by 2,080 (hours) to transpose it to a wage figure.
- 4) Representation of percentages of people of color and women in these positions are calculated from all records with occupational and demographic data, including those records that lacked wage data.

Percentage of Positions (Average Wage) Held by People of Color and Women

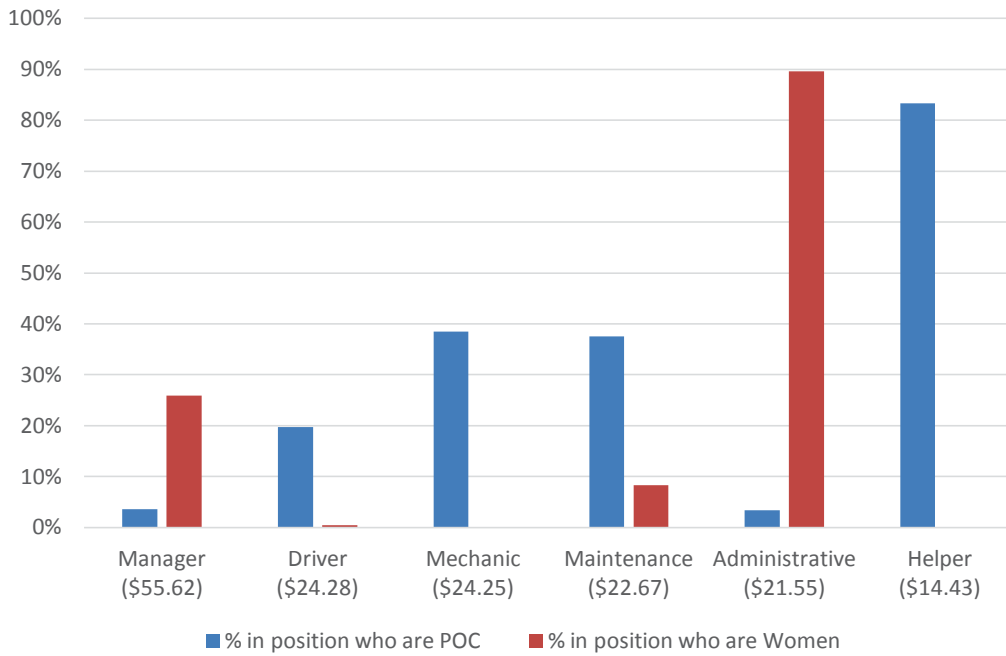


Figure 4. Percentage of Positions (with Mean Wages) held by People of Color and Women

Table 4. Participation of Women and People of Color by Franchise Workforce Size (measured by total employees working in residential franchise)

# Employees	# of companies in this category	% POC employees	% Women employees
1-9	5	25.0%	12.5%
10-19	4	20.0%	18.9%
20-49	2	18.8%	22.6%
50+	2	23.0%	7.5%
All categories	13	21.7%	12.6%