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191301

Ordinance

Revise solid waste and recycling rates and fees for franchised residential collection and the commercial tonnage fee effective July 1, 2023 (amend Code Chapter 17.102)

Passed

The City of Portland ordains:

Section 1. The Council finds:

1. In 1991, the Council granted residential solid waste, recycling, and yard debris collection franchises to introduce service and set standards and rates to encourage increased recovery of recyclable material from the waste stream (Ord. No. 164701).
2. In 2018, the Council renewed the residential franchise system for a 12-year term (Ord. No. 189242).
3. Section 9 of the residential franchise agreement requires the Bureau of Planning and Sustainability (BPS) to conduct an annual rate review to determine the rate franchisees may charge their residential customers for collection services.
4. BPS staff reviewed the rates during the spring of 2023, based on costs and management operations data. The review showed cost increases for disposal fees, inflation, wages, insurance, and recycling processing costs. To meet the rate review criteria set forth in the franchise agreement, rates must increase – for example the monthly rate for the most common service level, a 35-gallon garbage roll cart collected every two weeks, should increase \$4.10 due to above-noted increases in disposal fees, wages, and general inflation.
5. BPS staff recommend Council approve the proposed amendments to the residential rate schedule, set forth in Exhibit A.
6. Under Portland City Code Chapter 17.102, the City issues permits to commercial garbage and recycling collection companies. Commercial permittees are charged an assessment on each ton of garbage

Changes

[Ordinance 191301](#)

July 1, 2023

[View all changes](#)

Introduced by

[Commissioner Carmen Rubio](#)

Bureau

[Planning and Sustainability \(BPS\)](#)

Contact

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Requested Agenda Type

Regular

Date and Time Information

Requested Council Date

May 31, 2023

Changes City Code

collected from commercial accounts. Funds generated by the fee are used to manage the commercial garbage and recycling program, including public place trash collection.

7. The costs of managing the garbage and recycling program are rising as the City aims to achieve greater recovery of materials, expand public place trash collection citywide, and enhance waste collection systems for businesses and residents of multifamily properties while addressing racial equity. To align program costs and revenue, it is warranted to increase the commercial tonnage fee by \$1.00 per ton from \$14.60 to \$15.60 and the residential collection franchise fee to 8%.

NOW, THEREFORE, the Council directs:

- A. Portland City Code Chapter 17.102 is amended by deleting the old Figure 6 and replacing it with the Figure 6 contained in Exhibit A. Pursuant to the Franchise Agreement (Ordinance 189242) and as incorporated into the rates in Exhibit A, the franchise fee is specified to be 8%.
- B. Portland City Code Section 17.102.250 (Commercial Tonnage Fee) is amended as follows:

Commercial Permittees shall, when invoiced quarterly by the Director, pay a tonnage fee to the City. Fees shall be assessed up to ~~\$14.60~~\$15.60 per ton of commercial Solid Waste collected within the City and deposited in disposal facilities authorized by Metro. Payments shall be made within 30 days of the date of the invoice. Interest shall accrue at 1 percent per month on balances which remain unpaid as of 30 days after the date of invoice, compounded daily from the due date.

- C. The amendments are effective on and after July 1, 2023.

Documents and Exhibits

 [Exhibit A \(https://www.portland.gov/sites/default/files/council-documents/2023/exhibita_ratesfigure6.pdf\)](https://www.portland.gov/sites/default/files/council-documents/2023/exhibita_ratesfigure6.pdf) 129.91 KB

An ordinance when passed by the Council shall be signed by the Auditor. It shall be carefully filed and preserved in the custody of the Auditor (City Charter Chapter 2 Article 1 Section 2-122)

Passed by Council
May 31, 2023

Auditor of the City of Portland
Simone Rede

Impact Statement

Purpose of Proposed Legislation and Background Information

Portland Ordinance 189242 (Franchise Agreement) governs rate-setting process for solid waste and recycling fees. This Ordinance requires annual review and requires City Council to adjust rates to cover overall cost of service, target operating margin, plus the franchise fee. The franchise system incentivizes haulers to deliver service in a cost-effective and efficient way because each hauler is not guaranteed a specific profit.

This ordinance adopts FY 2023-24 rates for residential garbage, recycling, and food scraps/yard debris collection, as per the process cited above; and increases the commercial tonnage fee charged to permitted garbage and recycling collection companies for each ton of garbage collected from business and multifamily accounts.

The proposed rates for residential curbside collection result from the annual rate review required by the franchise with residential haulers. Costs incurred by the haulers during 2022 have been independently reviewed by a certified public accounting agency and adjustments made to reflect multiple increases:

- Regional disposal fees (Metro approved a 11.2% increase to the per ton garbage fee, a 4.5% increase to residential organics fees, and a 58% increase in the automated transaction fee).
- Collection costs (including wages and insurance).
- Processing costs for recyclable materials fluctuate from year to year, and were approximately twice as much per ton in our rate analysis.

In contrast the rate analysis includes decreased costs for fuel and for general / administrative costs for the haulers.

In addition to the increased direct costs of delivering garbage and recycling service to single-family households, the City has significantly expanded its public trash can program, increased programming for multifamily properties, and used these as opportunities to include haulers that historically have not been part of the residential franchise system.

To bring costs and revenue into alignment, this Ordinance amends City Code Chapter 17.102.250, Commercial Tonnage Fee, by \$1.00 per ton, from \$14.60 to \$15.60, beginning FY 2023-2024.

Financial and Budgetary Impacts

This ordinance adopts an 8% franchise fee to meet the City's budgeted costs for the Council-directed expanded public trash collection program which is currently \$2.6M in the current Fiscal Year, but which has not yet been supported with ongoing funding. This increase will also help to maintain minimum reserves in the Solid Waste Fund.

This ordinance also raises the commercial tonnage fee by \$1.00 per ton from \$14.60 to \$15.60 on July 1, 2023. City revenues from the commercial tonnage fee are expected to increase by approximately 7 percent, or \$327,000.

Community Impacts and Community Involvement

The residential curbside collection rates were developed in accordance with the methodology laid out in the franchise agreement that governs residential garbage, recycling, and yard debris/food scrap collection which requires City Council to adopt rates that cover the costs of service, the operating margin, and pass-through expenses (such as the franchise fee).

Adjusting rates to meet costs identified in the rate review process will increase monthly fees roughly nine to twelve percent (\$4.20 to \$3.78) for most customers, respectively, per month, for residential garbage, recycling, and composting service. For example, the recommended monthly rate for the most common service level, the 35-gallon cart, will be \$39.00.

The residential rates were also reviewed by the Planning Commission. Typically, these rates would have been considered by the Planning and Sustainability Commission, but since that commission was discontinued, staff worked with Planning Commission on an interim basis. At a hearing on May 9, 2023, the Planning Commission voted 6-2 to support the recommended fees, excepting the increased franchise fee. In a scenario without a franchise fee increase, the example of the 35-gallon cart would see an increase due to other costs, from \$34.90/mo to \$37.75/mo, but would also result in the above-noted revenue impacts, translating to reduced capacity for public trash collection and/or loss of operational funding including programming that meets state and regional requirements and continued declines in the Solid Waste Fund reserves. As mentioned above, the recommended franchise fee increase would result in the bill for that example service level increasing to \$39.00/mo and would meet Council direction for expansion of the public trash can collection program.

As a result of the proposed commercial tonnage fee, permitted commercial garbage and recycling collection companies will pay the City an additional \$1 per ton for commercial garbage collected in Portland.

Bureau of Planning and Sustainability staff sent an email to all permitted garbage and recycling collection companies on May 3, 2023, announcing the proposed increase.

In considering the community impacts of this rate-setting process, we note the following:

- Garbage and recycling haulers provide a critical community service with a record of success. When costs increase, the city franchise agreement requires the city to acknowledge these costs via adjusted rates. If it fails to do so, in effect the haulers will solely bear the increased cost without any ability to recoup those costs.

- The service has a track record of being very cost effective and performing well. After adjusting for inflation, even with the recommended increase, costs remain at or below the cost for the same service in 2012.
- Garbage and recycling service is not required except that City code directs landlords to ensure service is provided to tenants.
- The community benefits from climate and sustainability programs and public trash collection programs funded by the franchise fee.
- This is a fee for service system; customers pay effectively what it costs to provide the service, to oversee it, and to deliver solid waste and sustainability related programs directed and/or required by either state, regional, or City policy.

Testimony is expected from the Portland Haulers Association.

100% Renewable Goal

n/a

Agenda Items

421 Time Certain in [May 24, 2023 Council Agenda](https://www.portland.gov/council/agenda/2023/5/24)
(<https://www.portland.gov/council/agenda/2023/5/24>)

Passed to second reading

Passed to second reading May 31, 2023 at 9:30 a.m.

449 Regular Agenda in [May 31-June 1, 2023 Council Agenda](https://www.portland.gov/council/agenda/2023/5/31)
(<https://www.portland.gov/council/agenda/2023/5/31>)

Passed

Commissioner Dan Ryan Yea

Commissioner Rene Gonzalez Yea

Commissioner Mingus Mapps Yea

Commissioner Carmen Rubio Yea

Mayor Ted Wheeler Nay