



Bureau of Planning and Sustainability
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**Portland Planning and Sustainability Commission Officer Briefing
April 14, 2016**

2016-17 SOLID WASTE & RECYCLING RATEMAKING UPDATE

Portland has a residential franchise system through which private haulers provide solid waste, recycling and yard debris/food scraps collection services in assigned territories. The residences included in this system are single-family homes, duplexes, triplexes, and fourplexes. The City sets the service standards and rates that the 14 franchised haulers charge their residential customers.

The commercial sector, including multi-family properties with 5 or more units, is not franchised. The City sets general standards for collection and issues permits to haulers. Commercial customers can arrange their service level and rates with any permitted hauler.

This ratemaking update includes a preliminary list of key factors that may influence proposed residential rates for 2016-17. As these and additional rate factors are analyzed, draft rates will be developed and presented to PSC for discussion at the April 26th meeting. Proposed final rates will be presented to PSC at the May 10th meeting and considered by City Council on May 19th. Adopted 2016-17 rates will take effect July 1, 2016.

RATE REVIEW PROCESS

On-Going Monitoring

Throughout the year, haulers file a variety of 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

Residential franchisees file a "detail cost report" documenting their revenues and expenses for the previous calendar year. These 2015 reports are currently being reviewed by a CPA firm under contract to BPS. Haulers subject to this CPA review are chosen by a customer-count weighted random sample that includes at least 75% of the City's 150,000 residential customers. This year, six haulers were selected that provide service to 85% of the customer base.

Calculation of Rates

The cost of providing curbside collection 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 return equal to 9.5% of revenues. Rates also include a 5% franchise fee paid to the City.



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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.

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	12%
35 gallon cart	\$29.35	43%
60 gallon cart	\$35.65	20%
90 gallon cart	\$42.05	4%

KEY COST FACTORS

All previous year expenses reported by the sample haulers are reviewed by the independent CPA firm hired by BPS. Allowable expenses incurred in CY 2015 will form the basis for rates for the next 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. In this way, reduced operating costs can mitigate the effect of inflationary pressure.

Labor hours are reported by haulers, reviewed by the CPA, and adjusted using a weighted average of union contract wage increases and general cost-of-living increases.

Clean Fleet refers to Portland haulers' use of newer, cleaner trucks that reduce air emissions. BPS developed requirements for hauler fleet purchases that have been phased in over the past seven years. Beginning this year, haulers are required to use trucks that are less than 12 years old for all residential collections. Newer diesel engines are much cleaner than older trucks, and some haulers have switched to trucks using compressed natural gas, which further reduces emissions. Truck purchase and interest expenses are included in establishing hauler operating costs.

Fuel costs decreased in 2015 and this component will be lower in the proposed 2016-17 rates.

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. The latter information is obtained from residential "can weight" studies conducted by the Portland State University's Community Environmental Services.



Tip fees charged by Metro at its two transfer stations will increase by \$1.27 per ton to \$96.25 per ton on July 1, 2016. A \$2.00 transaction fee is also charged for each transfer station visit.

Yard Debris/Food Scraps Tip Fees

Haulers pay a tip fee for depositing yard debris/food scraps at Metro's two transfer stations, where the material is reloaded for delivery to composting facilities. The yard debris/food scraps tip fee will increase by \$4.16 per ton to \$63.61 per ton.

Recyclable Materials

In prior years the revenues earned by haulers from the sale of recyclable materials partially offset the cost of providing service and therefore served to reduce the rates paid by customers. However, poor market conditions have resulted in no revenue offset for the upcoming year. The effect of this loss of revenue will be calculated by averaging a projection based on analysis of market prices with the actual recyclable material sales revenue collected by haulers for the prior two years. This methodology was developed several years ago 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 in order to encourage waste reduction. Proposed incentives and disincentives will be presented at the May 10th PSC meeting.

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 in Portland. These revenues fund the City's commercial solid waste programs, including work to reduce waste and increase recycling and composting in the commercial sector. For 2016-17, this fee is proposed to increase \$1.30 per ton to \$9.60 per ton of garbage disposed. The proposed fee increase has been submitted as a decision package in the City budget process in order to provide funding for an expansion of the public trash can program to business districts throughout the city.

