
AGENDA ITEM SUMMARY
FLORENCE CITY COUNCIL

ITEM NO: 6
Meeting Date: May 21, 2018
Department: Planning

ITEM TITLE: Solid Waste Rate Amendments

DISCUSSION/ISSUE:

Process-- The City Council establishes rates for solid waste and recycling services as outlined in Title 9, Chapter 4 of the Florence City Code (FFC). On a "Base Year" a comprehensive financial review is performed on the haulers and solid waste rates adjusted accordingly. Current policy is to set the rates such that the when the financial reporting of profits and expenses are averaged a profit margin of 10% with a range of 2% on either end is achieved. The last base year rate review was conducted and approved via Resolution 6, Series 2016 where solid waste collection rates increased by 1% (80.6% of 1.23% CPI) in July 2016. In July 2017 the rates were increased by 1.7% (80.6% of CPI) and again in August 2017 to absorb the County's \$3.33 per ton tipping fee increase. Rates were to be reviewed again in 2018 for the 2017 reportable year. In November 2017 the City entered into a contract for solid waste rate review services with Bell & Associates. The haulers presented their financial reports in November and December. On February 28, 2018 Chris Bell presented his initial draft report. The EMAC after holding two meetings to review and discuss the proposal held their hearing on April 17th and made their recommendation on May 1st.

In accordance with FCC 9-4-5-1-C-6 the City Council must have a hearing on proposed rate changes with changes adopted by June 1, 2018 and effective July 1, 2018. The following presents Bell & Associates and EMAC's recommendations to the City Council.

Bell & Associates Recommendation:

1. Assess a recycling surcharge of \$.75 per residential and commercial cart customer and .65 per yard for commercial container customers.
2. Increase drop box rates an average of 30% and add a mileage rate of \$4 per mile for disposal outside of 15 miles of service location. Add a \$70 delivery fee.
3. Increase all rates 4% +/-, the result of recalculating for non-regulated services (weekly recycling service).

EMAC Recommendation:

1. Approve the recommendations outlined by Bell & Associates in the Solid Waste Rate Review, v2.3:
 2. Haulers will monitor seasonal costs and revenues associated with non-regulated services (yard debris, electronics, antifreeze, biohazard, etc.) for one year to clarify impacts on solid waste rates and provide data for potential future programs.
 3. Recycling Surcharge is temporary and to be reviewed again in 6 months or if recycling costs increase or decrease by more than 30%, with any changes effective 30 days from the date of review.
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4. Multiple customer accounts will pay full price on first container.
5. Review vacancy counts in multiple customer developments and revise with any changes effective July 1, 2019. EMAC will provide direction for determining actual vacancy rates.
6. Continue annual CPI adjustments but change to CPI-W U.S. City Average or CPI-U West Market Size B/C to better reflect market size.
7. Costs for revising the financial summaries, analysis, reporting, and additional meeting related expenses due to late financial reporting and submission errors shall be passed-through to the haulers.
8. Contract with Bell & Associates to provide an updated and improved financial reporting template.

Staff Comments: Council at their May 9th work session requested an assemblage of the various Council, EMAC, staff, and hauler recommendations related to solid waste rate increases. This is included as Attachment 5 in a decision making format. Council should either approve the above recommendations or work through and select from the list of decision points affecting the % of rate increase and then add the above recommendations . Additionally an annual rate increase summary was requested and is included as Attachment 6.

FISCAL IMPACT:

There is no direct impact to increasing the solid waste rate fees.

RELEVANCE TO ADOPTED COUNCIL GOALS:

Goal 2, Livability & Quality of Life, Greater Community.

ALTERNATIVES:

RESOLUTION 8, SERIES 2018

1. Approve Resolution 8, Series 2018 selecting from the highlighted and underlined scenarios with aid from the Discussion & Decision Point, Attachment 5 related to solid waste fee increase.
2. Amend the proposed rate schedule and direct staff to modify the resolution accordingly.
3. Continue the discussion to a date certain in order to obtain additional information.
4. Do not make any amendments to the rate schedule.

STAFF

RECOMMENDATION:

Approve Resolution 8, 2018 with Staff's recommendations as annotated within.

AIS PREPARED BY: Wendy FarleyCampbell, Planning Director

CITY MANAGER'S

Approve

Disapprove

Other

RECOMMENDATION: Comments:

ITEM'S ATTACHED: Attachment 1 – Resolution 8, Series 2018
Exhibit A: Schedule 1, 2018
Attachment 2 – EMAC Recommendation
Attachment 3 – Solid Waste Rate Report, Bell &
Associates, April 25, 2018
Attachment 4 – Testimony
Attachment 5 – Discussion & Decision Points
Attachment 6 – Rate Increase Summary by Year

RESOLUTION NO. 8, SERIES 2018

**A RESOLUTION GOVERNING RATES FOR SOLID WASTE SERVICES AND
REPEALING RESOLUTION NO. 16, SERIES 2017**

The City Council of the City of Florence hereby resolves to amend the solid waste licensee fees and solid waste collection service fees for residential and commercial customers:

Section 1.

- A. The following fees are hereby established for applicants and licenses for solid waste services:

Nonrefundable application fee	\$350.00
Nonrefundable reapplication fee	\$80.00

Provided reapplication was made within one month of expiration date of the original application and the cause requiring reapplication was no fault of the applicant.

The license fee shall be calculated as follows:

Three percent of the gross receipts (excluding Lane County disposal fees collected for drop box service) collected each year by the licensee from its operations in the provision of solid waste collection and management services beginning July 1, 2016. The license fee shall be increased annually 0.5 percent each July 1, beginning July 1, 2017 until the license fee is 5.0 percent of gross receipts.

- B. The license fee shall be paid quarterly, within thirty days of the end of each quarter; (quarters are July 1 - September 30, October 1 - December 31, January 1 - March 31, and April 1 - June 30. Licensee shall provide support for the calculation of the license fee amount due from a qualified consultant within thirty days of request by the City. If the quarterly payment is not paid within 30 days of the due date, license revocation proceedings (re: FCC 9-4-7-1) will be initiated by the City Manager. Such proceedings may be discontinued only when the licensee pays the unpaid amount.
- C. The City may inspect the financial records of a licensee or the licensee's agents or assigns at all reasonable times for any purpose relevant to the performance or enforcement of the licensee. The City may require an audit of a licensee's financial records to determine compliance with the payment of the licensee fee pursuant to this section, or if there is a public need therefor.

Section 2.

- A. Rates are listed in attached *Schedule 1, 2018 to FCC 9-4 Solid Waste Management*. Can/Cart/Bin rates are changed to increase by **SELECT ONE: 4% or 1.4% or other%** and also includes a recycling surcharge of .75 on can/cart services and .65 per ton on bin services. Drop Box rates increase an average of 30%, add a mileage rate of \$4 per mile for disposal outside of 15 miles of service location, and add a \$70 delivery fee. These new rates

will take effect July 1, 2018 in accordance with Florence City Code Title 9 Chapter 4 Section 5-1-A.

- B. The rates adopted under this resolution are designed to permit the licensee to ultimately collect the cost of service + 10%. After review of the financials during a base year review the rates will not increase if the returns fall within the range of 2% above or below 10% and may decrease if they exceed 12%. During interim years after reviewing financials if profit margin exceeds 12% the rates may decrease.

Section 3.

After July 2018 rates shall be increased annually on July 1st by 80.6% of the Consumer Price Index published by the Bureau of Labor. The following Consumer Price Index categories shall be used: **SELECT ONE: CPI-W U.S. City Average or CPI-U West Market Size B/C.** These adjustments shall be made by resolution.

Section 4.

All contractual arrangements for solid waste services within city limits must be submitted by the hauler to the city for its review of compliance with city code and resolutions. The contracts shall include the number of dwellings and/or businesses served, types and frequency of service, and cost of service. The city's review must be completed within 30 days of receipt.

Section 5.

Haulers will monitor seasonal costs and revenues associated with non-regulated services (yard debris, electronics, antifreeze, biohazard, etc.) for one year to clarify impacts on solid waste rates and provide data for potential future programs. Recycling Surcharge is temporary and to be reviewed again in **SELECT ONE: 6 months or if recycling costs increase or decrease by more than 30% or 1 year or with a hauler submitted request for rate review in accordance with Title 9 Chapter 4 with any changes effective 30 days from the date of review and approval.** EMAC will provide direction on reviewing vacancy counts in multiple customer developments and revise with any changes effective July 1, 2019. Contract with Bell & Associates to provide an updated and improved financial reporting template. Costs for revising financial summaries, analysis, reporting and additional meeting related expenses due to late financial reporting and submission error shall be passed through to the haulers.

Passed By the Florence City Council this 21st day of May, 2018

Joe Henry, Mayor

ATTEST:

Kelli Weese, City Recorder

Schedule 1, 2018 to FCC 9-4 Solid Waste Management
Will be distributed at the May 21, 2018 City Council Meeting

Attachment 2

CITY OF FLORENCE ENVIRONMENTAL MANAGAMENT ADVISORY COMMITTEE

Recommendation to the City Council Related to the 2018 Solid Waste Rate Review

RECITALS:

1. The City of Florence City Council established the City's Environmental Management Advisory Committee (EMAC) (formerly) Solid Waste & Recycling Committee prior to 1994, and tasked the Committee to propose rates and classifications of solid waste services, as found in Section 9-4-5 of the Code, to be provided by solid waste service licensees.
2. EMAC met in 4 meetings in March, April, and May 2018 to review hauler financials and summaries, consultant analysis, and consultant and staff recommendations on the 2018 Solid Waste Rate Review.

THE EMAC RECOMMENDS THE CITY COUNCIL APPROVE OR COMMENCE THE FOLLOWING:

1. Approve the recommendations outlined by Bell & Associates in the Solid Waste Rate Review, v2.3:
 - a. Assess a recycling surcharge of \$.75 per residential and commercial cart customer and .65 per yard for commercial container customers.
 - b. Increase drop box rates an average of 30% and add a mileage rate of \$4 per mile for disposal outside of 15 miles of service location. Add a \$70 delivery fee.
 - c. Increase all rates 4% +/- the result of recalculating for non-regulated services (weekly recycling service)
2. Approve the following recommendations:
 - a. Haulers will monitor seasonal costs and revenues associated with non-regulated services (yard debris, electronics, antifreeze, biohazard, etc.) for one year to clarify impacts on solid waste rates and provide data for potential future programs.
 - b. Recycling Surcharge is temporary and to be reviewed again in 6 months or if recycling costs increase or decrease by more than 30%, with any changes effective 30 days from the date of review.
 - c. Multiple customer accounts will pay full price on first container.
 - d. Review vacancy counts in multiple customer developments and revise with any changes effective July 1, 2019. EMAC will provide direction for determining actual vacancy rates.
 - e. Continue annual CPI adjustments but change to CPI-W U.S. City Average or CPI-U West Market Size B/C to better reflect market size.
 - f. Costs for revising the financial summaries, analysis, reporting, and additional meeting related expenses due to late financial reporting and submission errors shall be passed-through to the haulers.
 - g. Contract with Bell & Associates to provide an updated and improved financial reporting template.

COMMITTEE APPROVAL:

This Recommendation is passed by EMAC vote on the 1st day of May, 2018.



Maureen Miltenberger
EMAC Chairperson



City of Florence

Solid Waste Draft Rate Report



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Solid Waste System Background

Collection of waste and recycling within the City of Florence (City) is accomplished under a regulated open market system. Florence City Code, Section 9, Chapter 4 is the regulatory authority covering the management of waste and recycling within the city limits. The City manages competition by licensing two collection companies, County Transfer & Recycling (CTR) and Central Coast Disposal (CCD), and establishing collection rates to service approximately 3,000 residential and 250 business customers. By setting the collection rates with one uniform fee for each level of service, service providers compete within the market by providing quality service.

Annual Cost Report

Both haulers are required to submit an annual detailed financial report to the City on November 1 for the past twelve month period ending August 31. The report provides line-item costs and revenues associated with providing service within the City as well as combined line item totals for their operations outside the City. The format of the report provides the capacity to calculate the cost of service for each line of business (cart, container, and drop box). Cart collection is primarily residential customers whereas business customers are serviced with a container. Reported results were analyzed and the following tasks were completed:

- a. Analyze reported route collection hours to the reported customer counts for each line of business. Determine if the collection productivity is reasonable using industry standards for similar collection operations.
- b. Using a predictive test of revenue for cart collection, ensure the reported revenues are reasonable for the number of reported customers.
- c. By thoroughly reviewing the reported direct cost line items, determine if the expense is reasonable in relation to the customer and operational data entered from the detailed cost report.
- d. Determine if the reported disposal expense is reasonable by employing a predictive test of disposal cost.
- e. Using the reported administrative line items, determine if the expense is reasonable in relation to the operational data entered from the detailed cost report.
- f. Review the costs between the City and other collection operations to determine if the allocations are reasonable.

Adjusted Report

Financial data was consolidated by service, showing the collection systems total revenues and expenses. This consolidated report allows the calculation of the system's return-on-revenue and provide a measure of the adequacy of rates. The return-on-revenue is percentage derived from a simple calculation:

$$\text{Total Revenues} - \text{Total Allowable Expenses} / \text{Total Revenues}$$

Table 1 details the return for the composite results of each collection service provided within the Florence licensed collection system.

**Table 1: Adjusted Results of Collection Operations from September 2016 to August 2017**

Description	Can / Cart	Container	Drop Box	Total
Revenue	\$883,322	\$792,101	\$133,838	\$1,809,261
Allowable Expense	\$792,849	\$645,293	\$152,259	\$1,590,401
Income	\$90,473	\$146,808	\$(18,421)	\$218,860
Return on Revenue	10.2%	18.5%	-13.8%	12.1%

Table 2 summarizes the composition of expenses incurred to provide collection services to the City over the rate review year.

Table 2: Composition of Collection Costs – September 2016 to August 2017

Cost	Amount
Solid Waste Disposal	\$461,035
Recycling Processing	\$43,769
Collection Labor	\$400,738
Truck Expense	\$305,427
Equipment Expense	\$32,341
Other Direct Expense	\$47,462
City License Fees	\$47,121
Total Direct Cost	\$1,337,893
Management Labor	\$40,046
Administrative Labor	\$136,475
Overhead Expenses ¹	\$75,987
Total Indirect Cost	\$252,508
Total Composite Cost	\$1,590,401

¹ Unallowable contributions were adjusted from this amount.

Disposal of waste is typically the largest expense incurred for regulated collection operations within Oregon, followed by labor and truck expenses. Truck expense is primarily repair and maintenance costs of the collection fleet plus fuel costs. Depreciation expense is incurred on new or overhauled trucks and equipment. Other direct expenses are comprised of property rent and property expenses.

Within the region, indirect costs range from 13% to 24% of total costs. Management expenses are owner's salaries whereas administrative labor are customer service representatives and billing clerks. Other overhead expenses are comprised of communication, postage, banking, and other office expenses.



The results reveal margins above 12% for collection services and a loss for drop box service for the reviewed year. Because the results are based on past operations, projecting the results over the upcoming year is accomplished by adjusting line item expenses to calculate the operating margin during the current year. Table 3 details the line item expenses and the adjustment factors utilized to project the operational results from September 2016 to August 2017.

- Driver wages are based on employee wage increases effective January 2018.
- Health insurance premiums increased by \$3,324 in January 2018 primarily due to CCD providing coverage to all employees.
- Lane County increased the waste disposal fee by \$2.08 or 2.6% per ton effective July 1.
- Inflation is indexed using the CPI – All City Index from 2016 to 2017.
- Diesel fuel is estimated to increase by 16.4% compared to the prior year.
- City requirement of painting collection trucks in 2018 is expected to cost \$25,000. The amortized cost is \$8,333 or 18.3% increase. Cost is amortized over the next three years.
- Truck replacement is expected to increase costs by \$8,779; the impact is an increase of 16.1%.
- Replacement of carts and containers will increase costs by 28.5% from the prior year as both companies incur replacement costs.
- City license fees will increase by 0.5%

Expense	Increase
Driver Wages	7.6%
Health Insurance / Employee Benefits	33%
SW Disposal	2.6%
Inflation / Insurance	2.13%
Diesel Fuel	16.4%
Truck Painting	18.3%
Truck Replacement	16.1%
Cart and Container Replacement	28.5%
City License Fees	0.5%

Recycling

On July 18, 2017, the Chinese government notified the World Trade Organization of the country’s intention to stop accepting 24 categories of waste and recyclables as of January 1, 2018, causing speculation and concern in the markets. This ban has had a profound effect on the ability to market various grades of mixed papers and plastics as we head into spring and the City’s peak recycling months. These are commonly collected materials in many recycling programs, and China has been the primary consumer of many of these recyclable materials recovered locally and globally.

The short-term financial impact for local haulers ranges from \$60 to \$90 per ton to process commingled materials. The effect has also drastically decreased Old Cardboard Container (OCC) values. A significant amount of the #1 (PET, water bottle, pop bottle) and the #2 Clear and Colored HDPE, milk jug, detergent bottle) collected in the NW is sold domestically. However, with the coming changes from China, the US market has been overwhelmed with this material. Most of the collected plastics that were being exported now have no market outlets. The markets for #3 through #7 plastic bottles and tubs has become nonexistent. There are three primary reasons for China’s coming ban on recyclables:



- 1). The Chinese government is no longer willing to allow recyclables into their country that do not meet very strict quality standards. Recent contamination levels for recycled materials sent in from the US and other countries have ranged from 5% to greater than 15%. As of January 1, 2018, China will no longer allow material with this level of contamination into the country. China's stated goal is that no recyclables will be imported unless the contamination level is less than 0.5%.
- 2). The Chinese government is working to develop a strong domestic collection infrastructure to supply recyclable materials to domestic mills.
- 3). The Chinese government is eliminating manufacturing facilities that generate excessive pollution. The government is shutting down over 2,000 antiquated recycling plants across the country. Many of these plants recycled various grades of plastic containers and film. China has announced that they will no longer allow for the import of plastic that has not been ground, washed and pelletized. There is a factory in St. Helens, Oregon that processes PET from the bottle redemption; however, the facility was not designed to sort and process mixed plastics from the curbside commingled mix.

Local recycling facilities have been forced to run at nearly half speed to attempt to make the quality specs demanded by the Chinese. This has significantly increased the processing cost at a time when market value for the material has dropped to all-time lows. This in turn has caused another problem - there is no remaining capacity in Oregon and southern Washington to handle all the commingled material collected by the haulers. Many haulers outside the Metro region have petitioned Oregon DEQ to allow for the recyclable materials they collect to be landfilled. Currently in Oregon, the cost to collect, process and market residential commingle material is greater than the cost to collect and landfill the same material.

Mixed waste paper comprises approximately 50% of the residential recycle stream. All this material was exported to China. Prior to the ban, mixed waste paper ranged in value from \$30 to \$60 per ton. With the restrictions in-place, the market for most of the mixed waste paper has evaporated. If processors can't find a market for mixed waste paper, the cost of this material will be a combination of the processing costs and the cost of landfilling, which could be over \$100 per ton.

A significant portion of the plastic that is exported to China is landfilled. China wants the quality materials, but will no longer have the infrastructure to sort the materials. Currently, the sorting of plastic is done manually. Buyers will purchase the bales, extract what is needed by hand, and dispose of the rest. The long-term solution is to manufacture the facilities domestically to sort the plastic, pelletize, and market the output.

Many Oregon material processors need to upgrade their facilities to meet the higher standards. These upgrades range from \$1M to more than \$8M. Facility upgrades will increase the quality of material and increase the processing cost per ton. As China develops its internal collection infrastructure, the demand for recyclable material from foreign suppliers will decrease, as will the value of the sorted materials. The net impact to haulers is a processing cost per ton that will be passed back to the residential and commercial rate payers.



The improved quality of material may create a demand by domestic mills in the Pacific Northwest. There are also serious conversations regarding the development of a facility to process recyclable plastics in the NW and in California. These facilities would sort, grind, wash and pelletize the plastics collected by the haulers and create a product that would be marketable both domestically and internationally.

Short Term

We have not yet felt the full effect of the recycling changes that will be imposed by the Chinese government. There is a strong chance that markets for some curbside plastics and paper products may disappear. The market for unprocessed plastics into China has ceased. There are other alternatives, however they are limited. The market for #3 through #7 plastic is nearly non-existent.

Long-Term

If recycling facilities invest in equipment to dramatically improve paper quality, there will likely be demand for the material; however, the value paid to the hauler / rate payer will be lower than the historic value in similar markets. If investment is made in facilities on the west coast to fully process plastics to quality pellets, there should be on-going domestic and foreign markets for #1 and #2 plastics and possibly other grades as well.

Reported revenue in 2017 from the sale of recyclable materials was \$38,313; \$8,847 for residential commingled and \$29,466 for commercial. Projected revenue from the sale of recyclable materials is expected to be \$0 for residential commingled and only \$11,660 for source separated cardboard in 2018. Processing costs are estimated to increase by \$30,042; from \$43,769 to \$73,811, an increase of 69%. Combined with the elimination of \$26,653 of material value, the net rate impact to Florence is an increase of \$56,695 (\$30,042 processing costs + \$26,653 revenue decrease).

Projected Cost of Processing Commingled Recycling

The haulers will incur two costs for recycling once the materials are collected; transport to the material recovery facility and a processing charge assessed on each ton. County Transfer & Recycling transports collected recycling to Pioneer Recycling in Clackamas. The current cost of transport and processing to Pioneer is \$89 per ton. Central Coast Disposal transports recycling to International Paper (IP) in Springfield at a cost of \$65 per ton.

Collected commingled tons from the prior year was 962 (486 tons from cart customers and 476 from container customers) and is expected to remain at the same levels for 2018. The cost to process recycling in 2018 is projected at \$73,811, an increase of \$30,042. CTR reported a minimal amount for revenue from sale of commingled recyclables in 2017; however, no revenue is expected in 2018.

Recycling Surcharge

The cost of the recycling will fluctuate and can be calculated; therefore, a recycling surcharge is recommended for the short-term. If the processing costs decrease and the value of the collected materials increase, the recycling surcharge can be adjusted for market conditions. Table 4 details the proposed surcharge to cover the cost to process collected commingled recycling for



residential customers and a per yard surcharge assessed on collected waste for commercial customers.

DRAFT



**Table 4: Recycling Cost per Line of Business**

Description	Note	Residential	Commercial
2017 Material Revenue	A	\$(8,847)	\$(17,806)
2017 Processing	B	\$21,429	\$22,340
2018 Additional Processing Cost	C	\$16,923	\$13,119
Net Impact	D	\$25,770	\$30,925
Monthly Cost	E	\$2,148	
Cart Customers	F	2,809	
Monthly Surcharge per Customer	G	\$0.75	
Collected Yards	H		46,765
Surcharge per Collected SW Yard	I		\$0.65

Table Calculations

A: Reported revenue in 2017 from the sale of recyclable materials

B: Reported cost to process recycling in 2017

C: Projected additional cost in 2018 to process recycling – both total \$29,867

D: Net Impact is the loss of material revenue plus the additional processing cost (A + C) - total impact is \$56,520 $(-\$8,847 + \$17,806) + (\$16,748 + \$13,119)$

E: Monthly Cost is Net Impact divided by 12 months

F: Reported cart customers

G: Monthly Surcharge per Customer is the Monthly Cost divided by the number of Cart Customers (E/F) rounded to the nearest \$0.05.

H: Annual yards of collected commercial waste

I: Surcharge per Collected SW Yard is the Net Impact for commercial business divided by Collected Yards (D/H) rounded to the nearest \$0.05.



Projected 2018 Results

Factoring the line item adjustments from Table 3, the projected impact from expense increases to the collection costs in the City is \$147,401. Table 5 summarizes the increases costs.

Table 5: Reviewed Year Compared to Projected 2018

Expense	2017	\$ ▲	2018	% ▲
Recyclables Processing Fees	\$43,769	\$30,042	\$73,811	19.6%
SW Disposal Fees	\$460,643	\$11,976	\$472,619	7.8%
License Fees	\$44,969	\$8,854	\$53,823	5.8%
Wages	\$427,341	\$24,369	\$451,710	15.9%
Benefits / Medical	\$80,485	\$26,592	\$107,077	17.4%
Vehicle O&M	\$148,677	\$3,166	\$151,843	2.1%
Fuel	\$59,341	\$9,732	\$69,073	6.4%
Supplies	\$21,173	\$450	\$21,623	0.3%
Containers	\$2,008	\$43	\$2,051	0.1%
Depreciation Trucks	\$44,701	\$12,379	\$57,080	8.1%
Leases Vehicles	\$8,729	\$8,333	\$17,062	5.5%
Depreciation Containers	\$26,929	\$8,142	\$35,071	5.3%
Rent Property	\$43,958	\$1,876	\$45,834	1.2%
DP & Accounting	\$36,286	\$772	\$37,058	0.5%
Advertising	\$14,774	\$315	\$15,089	0.2%
Other Administrative Expense	\$16,904	\$360	\$17,264	0.2%



Proposed Rates

An increase will be necessary to bring the operating margin to 10%. Table 6 details the rate calculation increase for cart and container collection service.

Table 6: Calculation of the Collection Rate Increase for 2018

Description	Amounts
Cart and Container Allowable Costs	\$1,530,435
Operating Margin @ 10%	\$170,049
City License Fee @ 4%	\$70,854
Required Revenue (sum of above costs)	\$1,771,338
Projected 2018 Cart and Container Revenue	\$1,648,770
Plus Recycling Surcharge Revenue	\$56,695
Revenue Subtotal (Projected 2018 + Surcharge)	\$1,705,465
Additional Revenue (Required Revenue – Subtotal)	\$65,873
Rate Increase Percentage (Add 'l Rev. / 2018 Rev.)	4.0%

Table 7 applies the rate increase calculated in Table 6 plus the recycling surcharge calculated from Table 4 to most popular collection services provided in Florence.

Table 7: Comparison of Current Rates to Proposed Rates

Service	Current Rate	Recycling Surcharge	Operational Increase	Proposed Rate
35 gal weekly	\$25.70	\$0.75	\$1.05	\$27.50
48 gal weekly	\$28.95	\$0.75	\$1.15	\$30.85
60 gal weekly	\$31.50	\$0.75	\$1.25	\$33.50
1.5 yd. weekly	\$150.40	\$4.22	\$6.02	\$160.64
2 yd. weekly	\$188.50	\$5.63	\$7.54	\$201.67
4 yd. weekly	\$355.80	\$8.44	\$14.23	\$378.47



Proposed Rates with Every-Other-Week Collection of Recycling

A second alternative to reduce the cost of recycling is to reduce the collection frequency from weekly to every-other-week. The estimated savings from the reduction is \$36,705. Table 8 details the rate calculation and Table 9 the rate comparison.

Table 8: Calculation of the Collection Rate Increase for 2018 with Every-Other-Week Collection of Recycling

Description	Amounts
Cart and Container Allowable Costs	\$1,493,730
Operating Margin @ 10%	\$165,970
City License Fee @ 4%	\$69,155
Required Revenue (sum of above costs)	\$1,728,855
Projected 2018 Cart and Container Revenue	\$1,648,770
Plus Recycling Surcharge Revenue	\$56,695
Revenue Subtotal (Projected 2018 + Surcharge)	\$1,705,465
Additional Revenue (Required Revenue – Subtotal)	\$23,390
Rate Increase Percentage (Add 'l Rev. / 2018 Rev.)	1.4%

Table 9: Comparison of Current Rates to Proposed Rates with Every-Other-Week Collection of Recycling

Service	Current Rate	Recycling Surcharge	Operational Increase	Proposed Rate
35 gal weekly	\$25.70	\$0.75	\$0.35	\$26.80
48 gal weekly	\$28.95	\$0.75	\$0.40	\$30.10
60 gal weekly	\$31.50	\$0.75	\$0.45	\$32.70
1.5 yd. weekly	\$150.40	\$4.22	\$2.11	\$156.73
2 yd. weekly	\$188.50	\$5.63	\$2.64	\$196.77
4 yd. weekly	\$355.80	\$8.44	\$4.98	\$369.22



Drop Box Rates

Detailed costs submitted by CTR were utilized to calculate the costs of service for drop box hauls. The estimated haul time to provide service within the City is one hour. Table 10 details the calculated cost for drop box service.

Table 10: Drop Box Cost of Service

Description	Amount
Direct Costs	\$14,831
Indirect Costs	\$4,633
Total Cost	\$19,464
Reported Hours	141
Cost per Truck Hour	\$138.04
Plus 10% Op Margin	\$15.34
Total Cost per Hour	\$153.38
Reported Hauls	151
Average Time per Haul	.93 hr. (56 minutes)
Cost per Haul	\$142.64

The current drop box rates are differentiated on the box size; however, the size of the box has a minimal effect on the haul time. Therefore, it is recommended to consolidate the haul rates from three levels to two. Additionally, it is recommended that a mileage charge of \$4 be assessed on the disposal leg of the haul if the mileage is greater than 15 miles from the box pick-up to the disposal site. The mileage charge would be assessed one-way from the point of collection to the disposal / recycling site. For example, if a haul had to be made from Florence to the Short Mountain Landfill in Eugene, which is 75 miles from Florence, the mileage charge would be calculated as follows: 75 miles – 15 miles = 60 miles x \$4.00 = \$240.00. Table 11 details the proposed changes to drop box service.

Table 11: Proposed Drop Box Rates

Haul Cost	Current	Proposed
9 to 10-yard drop box	\$104.00	\$143.00
11 to 30-yard drop box	\$114.00	\$143.00
31 to 40-yard drop box	\$124.00	\$148.00
Box Relocation / Delivery	\$59.00	\$70.00
Box Rental		
9-20 yards	\$9.00	\$10.00
21 - 40 yards	\$13.00	\$14.00
Mileage to Disposal Site	Not Established	\$4.00



Adjusted Results

City of Florence							
Licensed Haulers Adjusted Financial Results							
September 1 to August 31, 2017							
	Cart SW and Recycling Collection		Container SW and Recycling Collection		Drop Box		Grand Totals
Waste Collection Revenues	874,475		762,635		133,838		1,770,948
Recycling Collection Revenues	8,847		29,466				38,313
Direct Costs		% of direct cost		% of direct cost		% of direct cost	
Waste Disposal	181,242	27.5%	189,568	35.3%	90,225	63%	461,035
Recycling Processing Expense	21,429	3.3%	22,340	4.2%			43,769
Labor Expense	211,941	32.2%	175,117	32.6%	13,680	10%	400,738
Truck Expense	161,908	24.6%	109,648	20.4%	33,871	24%	305,427
Equipment Expense	19,210	2.9%	10,446	1.9%	2,685	2%	32,341
Other Direct Expense	21,025	3.2%	23,944	4.5%	2,493	2%	47,462
License Fees	41,583	6.3%	5,538	1.0%	0	0%	47,121
Collection Costs	455,667		324,693		52,729		833,089
		% of G&A cost		% of G&A cost		% of G&A cost	
Management Expense	19,715	15%	18,008	16%	2,323	25%	40,046
Administrative Expense	75,055	55%	57,987	53%	3,433	37%	136,475
Other Overhead Expenses	40,899	30%	33,387	31%	3,549	38%	77,835
Indirect Costs of Operations	135,669		109,382		9,305		254,356
Less Unallowable Costs	1,158		690		0		1,848
Revenues	883,322		792,101		133,838		1,809,261
		% of revenue		% of revenue		% of revenue	
Disposal / Processing Costs	202,671	23%	211,908	27%	90,225	67%	504,804
Collection Costs	455,667	52%	324,693	41%	52,729	39%	833,089
Indirect Costs of Operations	135,669	15%	109,382	14%	9,305	7%	254,356
Total Cost	794,007		645,983		152,259		1,592,249
Less Unallowable Costs	1,158	0%	690	0%	0	0%	1,848
Allowed Costs	792,849		645,293		152,259		1,590,401
Income (Revenue - Allowed Exp.)	90,473		146,808		-18,421		218,860
Operating Margin (Income / Rev)	10.24%		18.53%		-13.76%		12.10%



Projected Results

City of Florence							
Licensed Haulers Projected Financial Results							
For the Current Year September 1 to August 31, 2018							
	Cart SW and Recycling Collection		Container Collection		Drop Box		Grand Totals
		% ▲ from prior year		% ▲ from prior year		% ▲ from prior year	
Waste Collection Revenues	874,475	0.0%	762,635	0.0%	133,838	0.0%	1,770,948
Recycling Collection Revenues	0	-100.0%	11,660	-60.4%			11,660
Direct Costs							
Waste Disposal	185,945	2.6%	194,496	2.6%	92,570	2.6%	473,011
Recycling Processing Expense	44,626	108.3%	29,185	30.6%			73,811
Labor Expense	238,476	12.5%	197,994	13.1%	15,229	11.3%	451,699
Truck Expense	180,039	11.2%	124,369	13.4%	35,079	3.6%	339,487
Equipment Expense	23,555	22.6%	14,001	34.0%	2,970	10.6%	40,526
Other Direct Expense	25,397	20.8%	27,757	15.9%	2,544	2.0%	55,698
License Fees	42,545	2.3%	6,401	15.6%	669		49,615
Collection Costs	510,012	11.9%	370,522	14.1%	56,491		937,025
Management Expense	19,715	0.0%	18,008	0.0%	2,323	0.0%	40,046
Administrative Expense	75,055	0.0%	57,987	0.0%	3,433	0.0%	136,475
Other Overhead Expenses	41,675	1.9%	34,003	1.8%	3,604	1.5%	79,282
Indirect Costs of Operations	136,445		109,998		9,360		255,803
Less Unallowable Costs	1,158	0.0%	690	0.0%	0	0.0%	1,848
Composite Data	Weekly Cans / Carts Collected	2,809	Annual Collected Yards	39,070			
Revenues	874,475		774,295		133,838		1,782,608
		Increase %		Increase %		Increase %	
Disposal / Processing Costs	230,571	13.8%	223,681	5.6%	92,570	2.6%	546,822
Collection Costs	510,012	11.9%	370,522	14.1%	56,491	7.1%	937,025
Indirect Costs of Operations	136,445	0.6%	109,998	0.6%	9,360	0.6%	255,803
Total Cost	877,028		704,201		158,421		1,739,650
Less Unallowable Costs	1,158	0.0%	690	0.0%	0		1,848
Allowable Costs	875,870		703,511		158,421		1,737,802
Income (Revenue - Allowed Exp.)	-1,395		70,784		-24,583		44,806
Operating Margin (Income / Rev)	-0.16%		9.14%		-18.37%		2.51%
Inflation Assumptions							
	Driver Wage	7.61%					
	Health Ins	33.04%					
	Fuel	16.40%					
	Inflation / Ins	2.13%					
	Disposal Fee	2.60%					

MEMO

To: Members of the Florence Environmental Management Advisory Committee

From: County Transfer & Recycling (CTR)

Date: May 1, 2018

Regarding: Comments on the Staff's Report & Proposed EMAC Recommendations and Bell & Associates Draft Report dated April 16, 2018

CTR is committed to providing a high level service at a good value to the residents of the City of Florence. We care about the City and this program and do not want to see it compromised for a small reduction in customer bills. Given that context, we give the following comments.

Comments and concerns related to Staff's Report

- **Staff Recommendation (page 3):** Exclude non-regulated services with no customer-based revenue from allowable expenses (yard debris, sharps, oil, antifreeze, electronics, etc.)
CTR's Comment: We believe that the greater good benefits from the current offering of yard debris service. Even though not all customers are currently able to participate in this program, we believe that the whole City benefits from the diversion of what would otherwise be treated as MSW. Additionally, this is helping build the infrastructure to eventually offer this service to a wider range of customers. Based on these reasons we believe that the costs related to this service should be considered an allowable expense.
- **Staff Recommendation (page 3):** Review vacancy counts in multiple customer developments and revise as necessary on rate schedule during recycle surcharge review.
CTR's Comment: Please clarify what will be reviewed and what is needed from CTR.
- **Staff Recommendation (page 3):** Reduce residential recycling pick-up from weekly to every other week or monthly. Adjust and reduce project recycling expenses and rate increases accordingly. Consultant anticipated adjustment if monthly is roughly 25% savings in operational costs.
CTR's Comment: Due to the time restraint caused by when this information was provided and the May 1st meeting we have not had adequate time to review the impact that changing the frequency of residential recycle pick-ups will have. We are concerned that we will not save 25% in operational costs due to increased route loads, the need to increase the container sizes, and the inability to reduce our staffing. We will need more time to do a full analysis of the impact this will have.
- **Staff Recommendation (page 3):** Pass costs on to the haulers for revising the financial summaries analysis and reporting and continuing/delaying meetings related to late financial submittals and reporting error.

CTR's Comment: There were adjustments made by the other hauler to include a forecast piece to his financials, there was an adjustment needed related to CTR's recycle tons, and the City has requested additional analysis be performed on how to reduce costs. Therefore we believe that the cost of revising the financial summaries should be equally split between all parties.

- **Staff's Recommendation (Recommendation to the City Council page. 1):** Continue annual CPI adjustments but change to CPI-U-US City Average to be consistent with other City CPI usage.

CTR Comment: We believe that using the West Coast CPI index is more appropriate. The West Coast CPI is more inline with what CTR is seeing in Florence, OR. For example, a hauler in the City is carrying out a significant market rate adjustments far in excess of the US City average.

- **CTR General Comment:** We noticed that the comments made by the public and the haulers on 4/17/18 were not included in this report. We would like the staff report to be amended to include our comments regarding several items. These include retaining yard debris as an allowable cost, the advantage of two hauler competitive rate model, and fixed pricing structure versus minimums and maximums.

Additionally, we have some comments related to Bell & Associates report which we have included below.

- In reviewing the Solid Waste Rate Review (the Report) provided by Bell & Associates we noticed that we did not see version 2.3, but rather the report that was updated on 4/16/18. Can you please clarify if this is the correct report?
- On page 1 of the Report we noticed that equation for the return-on-revenue is not correct. See below for our recommended change.
$$\frac{(\text{Total Revenues} - \text{Total Allowable Expenses})}{\text{Total Revenues}}$$
- On page 3 of the Report, in Table 3: Inflation Factors, there is a 7.6% increase in driver wages. We have identified that this is related largely to one hauler that did a significant pay increase for employees who were paid below competitive market rates. Typical wage increases are 2.5%-3%.
- On page 8 of the Report, in Table 5: Reviewed Year Compared to Projected 2018, we noticed that while the dollars are correct the percentages do not appear to be.
- On page 10, there is an estimated savings from reducing the frequency of residential recycling pick-ups of \$36,705. We would like to know how this amount was determined. We can not support this recommendation without more transparency in this calculation.

We appreciate your consideration on these issues and hope to see these items explored in the final comments and recommendations to the City Council.

Discussion & Decision Point

May 17, 2018

Recycle Surcharge: *Recycling processing fees are increasing 19.6% (up \$30,042). Proposed surcharge covers: lost revenue & processing costs (Table 5, page 8 & Table 4, page 7))*

.75 cart service (Increase varies from 1.8% – 4.2% for weekly service) &

.65 p/yd. bin service (increase varies from .5% – 1% for weekly service)

Decision Point: When does the City evaluate recycling processing fees and adjust Recycle Surcharge?

- 6 months or when there is a 30% change in costs
 - 1 year
 - And/or
 - Hauler request via procedure set in code.
-

Base Rate Increase: *Additional needed revenue: \$65,873 (Table 6, page 9) to meet cost of service + 10% profit margin. Costs include: allowable expenses, 10% operating margin, & 4% city license fee. Bell proposes 4% increase of can/cart/bin rates to cover needed revenue.*

Decision Point: Should the base rates increase by the consultant recommended amount of 4% or should policy change on any of the above listed costs to reduce needed revenue?

- 4%--Consultant recommended increase
 - Reduce one or more costs to reduce needed revenue. (yard debris etc....are already removed from the allowable expenses.)
 - See below option to reduce base rate increase
-

Adjust Recycling Pick-up

Frequency or Materials: *Plastics recycling is not presently offered making volume available in the recycling bin or cart. Weekly recycling pick-up counts towards a DEQ programmatic requirement. We need 3 program elements. With weekly recycling we have 4.*

Decision Point: Should frequency of recycling pick-up reduce or should #1 &/or #2 plastics be added?

- Switch to every-other-week recycling pick-up thereby reducing above base rate increase to 1.4%.
- Keep weekly pick-up thereby keeping proposed 4% rate increase.

And/or

- Within 3 to 6 months add #1 &/or #2 plastics back into list of recyclable materials to be picked up.
-

Consumer Price Index: *Since 2013 solid waste rates have increased annually using CPI Portland-Salem, OR-WA, All Urban Consumers (CPI-U), Not Seasonally Adjusted. This category has been discontinued.*

Decision Point: Which category of CPI do we change to?

- CPI-W U.S. City Average consistent with other city rate increases
 - CPI-U West Market Size B/C to better reflect market size
-

Other Discussion/Decision Points:

- Require vehicle replacement
- Change code to better enforce vehicle maintenance requirement
- Change to Customer/Hauler Zones of Service
- Create a local business utilizing recycled plastics or processing recyclable plastics
- Investigate and resolve vacancy/occupancy rates
- Haulers should be responsible for any additional costs incurred to the city due to their errors/omissions
- Change code to establish a deadline after which additional/corrected information will not be considered in setting next cycle's rates
- Replace current financial reporting template that requests all of the information needed to complete a rate review
- Consider how/if the City can ensure that both haulers' DEQ reporting is consistent, complete and accurate
- Ensure that mechanisms and capacity are in place for the City/EMAC to monitor and enforce the terms of the license agreements and solid waste rates, e.g. conducting audits of customer counts, vehicle signage inspections, etc.
- Use financial reports from hauler with most customers, rather than compiling financials of both haulers due to variations in individual business performance
- Hauler to provide weekly service as a disallowed expense if every other week recycling is approved.

Attachment 6

Utility Billing Rate Increases 2005- 2017

Type of Utility	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Water	3.0%	5.0%	6.0%	8.0%	8.0%	10.0%	21.4%	4.0%	3.0%	1%	1.70%	0.0%	9.0%	80.1%
Wastewater	3.0%	3.0%	6.0%	8.0%	20.0%	8.0%	0.0%	15%	3.0%	2%	1.70%	0.0%	2.8%	72.5%
Solid Waste-Residential	0.0%	0.0%	5.0%	0.0%	3.0%	0.0%	3.0%	6.0%	6.0%	6.0%	0.0%	1.0%	2.4%	32.4%
Solid Waste-Commercial	0.0%	0.0%	5.0%	0.0%	3.0%	0.0%	3.0%	9.0%	6.5%	7.0%	0.0%	1.0%	2.6%	37.1%
Stormwater (est. 2006)	n/a	n/a	0.0%	4.0%	0.0%	0.0%	25%	0.0%	0.0%	0%	1.70%	0.0%	2.9%	33.6%
Streetlight (est. 2009)	n/a	n/a	n/a	n/a	0.0%	0.0%	0.0%	n/a	n/a	n/a	n/a	n/a	n/a	0.0%
Street Maintenance (est. 2011)	n/a	n/a	n/a	n/a	n/a	n/a	0%	0%	0%	0%	10%	9.1%	8.3%	27%

Solid Waste Notes

2012-2014 Residential-Varied by service level. Used 35 gallon weekly, the most # residential accounts.

2013 Commercial 4.5% base + 2% cpi

2014 Commercial 4.5% + 2.5% cpi

2016 Commercial and residential 1% cpi

2017 Commercial & residential tip fee increase + 1.7% cpi (Varied by 1 % due to tipping fee tonage. Used 35 gallon weekly & 1 yard commercial)