

City of Falls City  
City Council Regular Meeting Minutes  
June 29, 2018 1:30 PM  
Meeting Location: 320 N Main Street, Falls City, Oregon 97344

**Council Present:** Lori Jean Sickles, Jennifer Drill, Tony Meier, Cliff Lauder, Dennis Sickles, Charlie Flynn

**Staff Present:** Mac Corthell, City Manager, JoHanna Birr, City Clerk

Mayor Gordon called the meeting to order at 1:28 pm.

**A. Roll Call**

Clerk Birr took roll call. Jennifer Drill was excused.

**B. Pledge of Allegiance**

Mayor Gordon led the pledge.

**C. Motion to adopt the entire Agenda**

A motion was made by Councilor Lauder and seconded by Councilor Flynn to adopt the entire agenda. Motion carried 5-0-0. Ayes: Lori Jean Sickles, Tony Meier, Cliff Lauder, Dennis Sickles, Charlie Flynn

**D. Consent Agenda**

A motion was made by Councilor L. Sickles and seconded by Councilor Meier to adopt the Consent Agenda. Motion carried 5-0-0. Ayes: Lori Jean Sickles, Jennifer Drill, Tony Meier, Cliff Lauder, Dennis Sickles, Charlie Flynn

**E. Public Comments**

None.

**F. New Business**

**A. Resolution 14-2018: 2018-2019 Budget Adoption Amendment**

Language was added to enable the City to collect Fire Levy taxes.

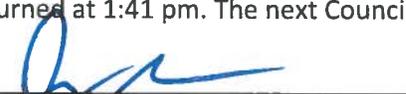
A motion was made by Councilor D. Sickles and seconded by Councilor Lauder that the City Council of the City of Falls City approve Resolution 14-2018, a Resolution appropriating property taxes at the rate of \$2.2902 per \$1000.00 of assessed value, Fire Levy at the rate of \$1.00 per \$1,000.00 of assessed value and adopt the Fiscal Year 2018-2019 budget in the account of \$2,515,00.00). Motion carried 5-0-0. Ayes: Lori Jean Sickles, Tony Meier, Cliff Lauder, Dennis Sickles, Charlie Flynn

**B. Resolution 15-2018 Contract with MWV-COG**

A motion was made by Councilor Flynn and seconded by Councilor L. Sickles that the City Council of the City of Falls City adopt Resolution 15-2018, a Resolution establishing a contract for land use planning services with Mid-Willamette Valley Council of Governments. Motion carried 5-0-0. Ayes: Lori Jean Sickles, Tony Meier, Cliff Lauder, Dennis Sickles, Charlie Flynn

**G. Adjourn**

The meeting adjourned at 1:41 pm. The next Council meeting will be held July 19, 2018.

  
\_\_\_\_\_  
Mayor, Jeremy Gordon

Attested:   
\_\_\_\_\_  
City Clerk, JoHanna Birr

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## AGENDA REPORT

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**To:** City Council  
**From:** City Manager, Mac Corthell  
**Subject:** Resolution 16-2018, Recycling Surcharge  
**Date:** July 19, 2018

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### SUMMARY

Republic Services is requesting a \$2.00 surcharge per customer, per month for recycling services.

### BACKGROUND

Republic Services represents that the requested recycling surcharge is in response to a drop in the allowable contamination level for recycling sent to China from 2% or more, down to 0.5% or less. This switch in Chinese policy has caused changes in local sorting techniques, the time it takes to sort, and the locations recycling can be taken after processing. All of the local changes combined with the new inability to recycle material between 0.5% and 2% contamination has caused cost increases to solid waste recycling. This issue is affecting cities and counties throughout the nation. In Oregon, 60 municipalities have already improved similar surcharges.

The requested surcharge is in addition to the yearly adjustment (mentioned below). Falls City Municipal Code Section 53.01.070(E) prescribes the mechanism to request and consider additional adjustments to solid waste rates. In relevant part the code requires:

- Written notice requesting the rate increase including the new proposed rates, and a statement with relevant facts and justification for the increase. (Exhibit A).
- Within 30 days of the requested rate change the City Administrator must make specific findings of fact considering:
  - Changes in cost of operation
  - Comparative collection rates of other cities
  - Cost of acquiring and replacing equipment
  - Cost of providing for future
  - Added or different service
  - A reasonable operating margin between 8%-12%
- Once the City Administrator's recommendation is made, the City Council may adopt, modify, or reject the recommendation.

### PREVIOUS COUNCIL ACTION

Ordinance 533-2013 adopted an agreement between the City of Falls City and Republic Services to provide for solid waste disposal services. That ordinance anticipates a yearly adjustment to rates based on certain consumer price indexes and provides a method by which such adjustments must be calculated in Falls City Municipal Code Sections 53.01.070(C) – (D). This year's regular adjustment of \$0.74 per customer, per month, was approved by the City Council on June 14, 2018.

## **ALTERNATIVES**

Denial of the surcharge will result in **cancellation of recycling services citywide**. This may ultimately prove more costly to customers who would be forced to acquire an additional trash receptacle to dispose of waste that would have gone in recycling. Additionally, this may lead to hoarding of garbage to dispose of at the Spring clean event, or some other way (possibly unlawful dumping).

## **FINANCIAL IMPLICATIONS**

Will increase citizen cost for recycling services by \$2.00 per month.

## **STAFF REPORT**

The following findings of fact are required under Falls City Municipal Code 53.01.070(E)-

### Changes in cost of operation

Prior to the Chinese policy change Republic received close to \$4,700 per year for the recycling generated in Falls City. The same amount of recycling this year will actually cost Republic \$6,800 to recycle. This is a total loss of about \$11,500 annually related to Falls City recycling alone. With 262 customers, that is \$3.65 per person, per month. With a \$2.00 offset, Republic is still losing about \$1.65 per customer, per month.

Finding: The change in cost of operations justifies the \$2.00 surcharge.

### Comparative collection rates of other cities:

Falls City will remain in the middle of the pack for solid waste disposal costs with the addition of the \$2.00 surcharge (see exhibit ?).

Finding: The comparative collection rates of other cities justifies the \$2.00 surcharge.

### Cost of acquiring and replacing equipment:

N/A.

### Cost of providing for future:

The Chinese policy change that brought about this situation mathematically cannot repeat itself. The contamination rate was lowered to ¼ of its original value. The resulting 0.5% contamination rate leaves little room to decrease in the future even if they wanted to. The circumstances cannot mathematically repeat themselves.

Finding: The uniqueness of the circumstances justifying the surcharge are highly unlikely to cause future increases.

### Added or different service:

The change in service at the customer level will consist only of asking customers to be more selective with what they recycle and to abide more strictly by the recycling policies already in place regarding contamination. Failure to adopt the surcharge will lead to a cancellation of recycling services.

Finding: The surcharge guarantees the continuation of recycling services.

### Reasonable operating margin of between 8%-12% return on revenue:

In 2017 the operating margin was at 9% for a net income of \$9,939. The loss of \$11,500 annually would put the margin at -1.2% or a loss of \$1,500. Approval of the \$2 surcharge would mitigate approximately \$6,400 of the \$11,500 loss making the actual loss of income year over year \$5,100. That would ultimately provide an operating margin of \$4,800 or 4.5% for 2018.

Finding: The surcharge is necessary to allow the franchisee to operate at a gain of 4.5%. Even with the \$2 surcharge the operating margin is lower than what is contemplated in the franchise agreement. If anything, the franchise agreement would call for a higher surcharge.

Recommended Action:

Staff recommends that the City Council adopt the \$2 recycling surcharge in order to continue recycling services, prevent the need for citizens to pay for additional trash receptacles, and prevent potential hoarding.

**EXHIBITS**

- Exhibit A, Resolution 16-2018 Republic Surcharge
- Exhibit B, Falls City Municipal Code 53.01.070 Rates
- Exhibit C, Letter from Republic May 8, 2018
- Exhibit D, Letter from Republic June 11, 2018
- Exhibit E, Republic Services Income Statement
- Exhibit F, Republic Services Rate Comparison
- Exhibit G, Republic Services Falls City Rate Sheet
- Exhibit H, Republic Services commingle analysis
- Exhibit I, Municipalities increasing recycling rates

I will open the public hearing for raising the fees for solid waste services. at \_\_\_\_\_ pm.  
Public Comments:

I will close the public hearing for raising the fees for solid waste services. at \_\_\_\_\_ pm.

**PROPOSED MOTIONS**

I move that the City Council of the City of Falls City adopt resolution 16-2018, A RESOLUTION ESTABLISHING A \$2.00 SURCHARGE PER CUSTOMER, PER MONTH FOR RECYCLING SERVICES PURSUANT TO CHAPTER 53.



53.01.070 Rates.

(A) The rates to be charged to all persons by the franchisee shall be adequate, reasonable and uniform based upon the level and type of service rendered.

(B) Nothing in this section is intended to prevent:

(1) The reasonable establishment of uniform classes of rates based on the type of waste collected, transported, disposed of, recycled or resource recovered; or the number, type and location of customers served; or upon other factors so that rates are reasonably based on the cost of the particular service.

(2) The franchisee from volunteering service at reduced cost for a civic, community, benevolent or charitable purpose.

(C) The initial rates established under the authority of this ordinance for collection service charges shall be adjusted effective June 1, 2014, according to the change in the Refuse Rate Index (RRI), as described below for the period January 1, 2013 to December 31, 2013.

Thereafter, on and as of June 1 on each year, beginning with June 1, 2015, the rates for collection service charges, as previously adjusted, shall be adjusted according to the change in the RRI for the immediately preceding calendar year, subject to Section 5 below; provided, that the adjustment in collection service charges shall not exceed four percent (4%) in any calendar year.

(D) The Refuse Rate Index described in section (C), above, will be a weighted index based on the following:

(1) The annual Consumer Price Index for Urban Wage Earners and Clerical Workers Falls City, OR Code of Ordinances

American Legal Publishing Corporation 71

for the Portland-Salem Area, all items, not seasonally adjusted, or successor indices, which will have a weight of seventy-five percent (75%).

(2) The annual adjustments for actual disposal fees and yard wasted processing fees charged to franchisee, which will have a weight of fifteen percent (15%) and ten percent (10%), respectively.

(E) Franchisee or city may request other or additional adjustments in rates pursuant to the following criteria and procedures:

(1) In the event either the city or the franchisee proposes a rate change, written notice shall be given to the city or franchisee, respectively.

(2) The notice of proposed rates shall include the new proposed rates and a statement including relevant facts and/or dates justifying the proposed rate.

(3) Within 30 days following the written request for a rate change, the city administrator shall make specific findings of fact, giving due consideration to the following factors:

(a) Changes in cost of operation, comparative collection rates of other cities, cost of acquiring and replacing equipment, cost of providing for future, added or different service, and a reasonable operating margin of between eight to 12 percent, stated as a "return on revenue."

(b) Based upon the findings, the city administrator shall render a decision recommending to the city council either that the request for a rate change be

approved or denied, or that the rate change requested be approved in a different form.

(4) Within 60 days of the receipt of the city administrator's decision, findings of fact and other materials deemed necessary for a decision, the council shall act upon the proposed rate change. The council may accept, reject or modify the city administrator's decision and enact any resulting rate increase by resolution.

(F) Rates established by the council are fixed and the franchisee shall not charge more or less than the fixed rate except as provided in subsections (B)(2) and C of this section.

(G) When no rate has been established for a service which the franchisee can provide at customer request, the franchisee shall charge a rate based on the factors outlined in subsections (A) and (D)(3)(a) of this section.

(H) By resolution of the council, fees or charges imposed by a governmental body or agency and any increase in disposal fees charged to solid waste collectors shall be passed through to the customers of the franchisee on a proportional basis according to type or class of receptacle.



May 8, 2018

## A letter from Republic Services

City of Falls City Council, Mayor, and Staff.

In this letter you will find information necessary to calculate the Refuse Rate Index effective July 1, 2018. As stated in the Rate Modification and Rate Adjustment Statement this calculation is based on the Consumer Price Index, fuel pricing and disposal cost. Based on these factors, the adjustment effective July 1, 2018 will be calculated at 3.5%, or an average of \$0.74 per residential account per month.

You may be hearing, there have been significant changes in processing of all curbside recycled materials. This is due to changes made in China, where 60% of the world and nearly all of the West Coast recyclables are processed. We have been fortunate in Oregon to be a leader in waste recovery and have had plentiful markets for the material collected. This is all changing and what and how we recycle must adapt too. China has severely restricted what is being accepted, causing problems for the sorting facilities in Oregon, across the country and around the world. In the past 2% or more contamination was allowed. The standard is now 0.5% for contamination. Bales of material are randomly searched at Chinese ports and entire ship loads have been rejected as a result of too much contamination. As you can imagine, there is great cost associated with this process and many shippers are hesitant to send material to market.

Locally, we work with a sorting facility in Clackamas called Pioneer Recycling. Pioneer has made changes to the way and speed at which they are able to sort to meet contamination specifications from Asian markets. This means they must slow down the sorting line significantly to remove undesirable material. At the same time, they are looking for and have been able to find new markets in places around the world.

Below is information about recycling in Oregon:

### **Recycling Laws and Regulation**

Oregon's recycling laws and rules begin at the state level. The Oregon Department of Environmental Quality implements relevant state laws, found in ORS Chapters 459 and 459A. Among other important standards, the law sets forth the economic test for recycling at ORS 459.005(19), which states that "recyclable material means any material or group of materials that can be collected and sold for recycling at a net cost

equal to or less than the cost of collection and disposal of the same material.” If this test is not met, then the material is not recyclable.

Cities and counties have the authority to establish recycling collection programs, including the materials that will be recycled in their communities. If they choose to set recycling collection service standards, they must also set rates that cover the costs of collectors to provide the service. That requirement is found at ORS 459A.085(8).

Rates for recycling have been built with some payment for the resulting material. We have always weathered the ups and downs of that market, but we are now in a unique situation where the cost of recycling is far above the cost to landfill.

In addition to the 3.5% Refuse Rate Increase, based on CPI, Republic Services is taking steps with all franchises to implement a \$2.00 surcharge for recycling rather than landfilling recycling material. The surcharge is based solely on unforeseen and extreme costs to recycle. This would result in an approximately \$2.74 increase for customers.

We will all need to work together to educate the public and endeavor to remove as much contamination as possible to keep future pricing down. Attached is a list of material that is allowed in the recycle cart going forward. This will be inserted in all customer invoices in June and July.

Best Regards,

Julie Jackson  
Municipal Manager  
Republic Services  
[ljackson6@republicservices.com](mailto:ljackson6@republicservices.com)



June 11, 2018

Mac,

I've addressed your questions below and attached Statement of Income, Direct Expenses, Current Rate Sheet and area Rate Comparisons. Please feel free to contact me with any questions.

#### Changes in Cost of Operation

The changes in cost of operation are based solely on recycle market commodity pricing. Our rates have always assumed a small margin on recycle commodities. As the chart attached shows, what we used to receive payment for is now costing us per ton. The comparisons were generated in March when we began this process in all communities. We are now paying over \$65.00 per ton to recycle. If we recalculated, the cost would be closer to \$2.50. We don't plan to recalculate and will leave the recycling increase request at \$2.00.

#### Current Rates for Public Use

Included

#### Differences in Recycle (pre and post surcharge)

Service will remain the same if the surcharge is approved. Recycling is currently being collected every other Thursday. What goes in the recycle cart has changed, based on what will be recycled. We can no longer allow "wishful" recycling in the cart.

#### Republic's Operating Margin for Calendar

This is included, but it is important to note that margins for 2016 and 2017 as shown do not reflect the current recycle market. 2018 margins will show an increase in cost of operation and decrease in revenue, based on market prices and likely a negative value for net income.

Best Regards,

Julie Jackson  
Municipal Manager  
Republic Services  
[ljackson6@republicservices.com](mailto:ljackson6@republicservices.com)

*Republic Services of Corvallis*  
*Falls City*  
*Statement of Income*  
*For the Year Ended December 31, 2016 and 2017*

	<u>2016</u>	<u>2017</u>	<u>% Change</u>
<i>Revenue</i>	98,081	110,869	13.0%
<i>Cost of Operations</i>	68,818	80,916	17.6%
<i>Gross Profit</i>	<u>29,263</u>	<u>29,953</u>	2.4%
<i>Sales, General and Administrative</i>	12,345	13,388	8.4%
<i>Operating Income</i>	<u>16,917</u>	<u>16,565</u>	-2.1%
<i>Provision for Income Taxes</i>	6,767	6,626	-2.1%
<i>Net Income</i>	<u><u>10,150</u></u>	<u><u>9,939</u></u>	-2.1%
<i>Net Income as a Percent of Sales</i>	10.3%	9.0%	

## Rate Comparison 2018

Company	Republic Services	Republic Services	Republic Services	Republic Services	Republic Services	Republic Services	All Salem Haulers	Republic Services	Sweet Home Sanitation
Franchise Area	Falls City Current	Falls City w/RRR	Falls City w/\$2.00	Philomath	Corvallis	Dallas	Marion Co.	Benton Co.	Sweet Home
32-gallon Cart	\$19.52	\$20.34	\$22.34	\$21.45	\$23.09	\$18.50	\$28.05	\$28.48	\$23.49
90-gallon Cart	\$32.45	\$33.81	\$35.81	\$35.77	\$37.06	\$34.46	\$41.87	\$43.60	\$28.84
2 cu/yd container 1 x WK	\$168.20	\$175.26	\$175.26	\$185.23	\$179.67	\$166.21	\$137.70	\$191.99	\$168.45

RRR Increase @ 4.2%

\* Indicates requested \$2.00 to cover cost of increased recycling.

## RS of Corvallis Commingle Analysis

March 2017 Commingle Rate	\$	47.68
March 2018 Commingle Rate	\$	(51.80)
Change in Price	\$	(99.48)
Estimated Annual Commingle Volume		7,500
Annual Lost Revenue	\$	(746,100)
Customer Count		27,898
Annual Per Customer Lost Revenue	\$	(26.74)
<b>Monthly Per Customer Lost Revenue</b>	<b>\$</b>	<b>(2.23)</b>



## **Republic Services, Corvallis Division**

### **Commingle Analysis**

March 2017 Commingle Rate \$ 47.68

March 2018 Commingle Rate \$ (45.50)

Change in Price \$ (93.18)

Estimated Annual Commingle Volume 7,500

Annual Lost Revenue \$ (698,850)

Customer Count 27,898

Annual Per Customer Lost Revenue \$ (25.05)

**Monthly Per Customer Lost Revenue \$ (2.09)**

## Increased Recycle Rates

Sherwood	\$1.20 per resident/\$2.86 per commercial/\$5.00 per 32 gallon bag @ depot
Ashland	\$3.00 per resident
Springfield	5.9% across all customers
Eugene	5.9% across all customers
Florence	5.9% across all customers
S. Coast	5%/ \$5.00 at recycle depot
Newport	\$10.00 at recycle depot
Gresham	\$2.50-\$3.10
Jackson Co.	Landfilling Recycling
Josephine Co.	Landfilling Recycling
Medford	Landfilling Recycling
Washington Co.	\$3.00
City of Portland	\$2.55
Beaverton	\$3.00
Hillsboro	\$3.00
Newport	\$3.00
Albany	\$2.00
Philomath	\$2.00
Adair Village	\$2.00
Dallas	\$2.00
Harrisburg	\$2.00
Millersburg	\$2.00
Benton County	\$2.00
Corvallis	\$2.00
Lebanon	\$2.00
Wilsonville	\$2.00
Lake Oswego	\$2.00