



Bureau of Planning and Sustainability  
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## Residential Garbage, Recycling, and Composting Service Franchise Review Report January 24, 2018

### Summary

On August 3, 2017, Portland City Council adopted a resolution to initiate a review of the franchise agreement that regulates residential garbage, recycling, and composting collection for Portland single-family homes and smallplexes up to 4 units. The current franchise agreement requires the City of Portland Bureau of Planning and Sustainability (BPS) to report back to City Council on the status of the franchise review within 180 days of the resolution adoption. This report satisfies that requirement.

### Additional time required to complete research and evaluation

This report contains an update about the franchise review process and findings thus far. The report also presents option packages that address equity and diversity, which staff wants to explore further, and a description of the research and evaluation work that will be conducted in the next six months.

BPS will work with stakeholders to further research and analyze three equity and diversity option packages that will reduce barriers to economic opportunities for minority- and women-owned companies. Then, staff will assess potential impacts, and return to Council in July with a recommendation.

Franchise Review Next Steps	Timeline
1) Research	January – April
2) Draft report	April – May
3) Share findings with stakeholders / get feedback	May - June
4) Present recommendations to City Council	July

### Background about Portland’s franchise system

BPS is responsible for the oversight of Portland’s garbage, recycling, and composting collection system. Since 1992, BPS has managed a residential franchise system where private garbage and recycling collection companies provide residential curbside collection to households living in single-family homes and smallplexes up to four units. The City of Portland has established a franchise system to ensure affordable, efficient and effective collection service while implementing waste reduction and recovery policies as directed by City Council.

## Midterm review provides opportunity to update and renew Franchise Agreement

The current agreement between the City of Portland and the 12-franchised garbage and recycling collection companies was adopted December 19, 2012 and took effect on February 17, 2013. The agreement is for ten years. The agreement will expire in February of 2023 if City Council does not vote to renew it. The Franchise Agreement provides for a midterm review to determine whether it is in the public interest to continue the Franchise Agreement and make any desired changes. If Council chooses not to renew the Franchise Agreement, BPS would be required to identify and establish another system for ensuring proper collection of residential discards.

## Guiding principles for franchise review now include equity considerations

City Council adopted a set of guiding principles to help focus the franchise review process (see Appendix A). The four primary principles are:

1. Advance Climate Action Plan goals.
2. Ensure cost-effective, safe, and environmentally sound operations.
3. Provide exemplary customer service.
4. Develop a resilient and equitable system.

Under the last bullet, new direction was included relating to diversity and equity:

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

## Review indicates franchise system is serving Portland well on most counts

### ***Principle 1: Advance Climate Action Plan goals***

The 2030 objectives related to solid waste and recycling in the 2015 *Climate Action Plan* are:

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

The franchise system has facilitated changes to the residential collection program that are instrumental to achieving the *Climate Action Plan* goals. Per-capita waste generation declined by 16 percent between 2005 and 2015 and since 2011, the amount of landfilled waste collected from residents has decreased by 32 percent. Meanwhile, the amount of food scraps and yard debris collected has more than doubled, reducing the amount sent to landfill while at the same time increasing the recovery rate. At 63 percent, Portland's recovery rate outperforms the U.S. at 35 percent, the Portland Metro region at 48 percent, and Seattle at 59 percent.

### ***Principle 2: Ensure cost-effective, safe, and environmentally-sound operations***

The current franchise system lays out a methodology for annual rate review that promotes operational efficiency. Since the franchise began, annual rate changes have tended to be less than inflationary increases. In contrast, cities that employ a contract system typically have a built-in annual inflationary increase. In addition, while a target operating margin of 9.5 percent is included in the rate methodology, no franchisee is guaranteed a specific return. The franchisees must operate efficiently in order to achieve the target operating margin. BPS conducted a study of the target operating margin, which found that Portland's 9.5 percent target operating margin is in line with other local jurisdictions and reflects the expected revenue requirement for industries with similar levels of capital investment.

The franchise system has also allowed for safety and environmental upgrades to be implemented over time in a cost-effective manner. All franchisees have been required to phase out trucks with older pollution technology and buy newer, cleaner vehicles. This transition is almost complete. Meanwhile, a pilot project is underway to install and test sideguards on a variety of collection vehicles to assess the potential for requiring sideguards as part of a comprehensive package including driver safety training.

***Principle 3: Provide exemplary customer service***

The franchise enables franchisees to provide direct customer service for service-related issues as well as billing. BPS ensures accurate, high-quality program messaging is provided to customers by distributing the *Portland Curbsider* newsletter twice a year along with a suite of basic informational pieces to new customers in a welcome packet. BPS also provides program information and fields some customer complaints via the Curbside Hotline. Complaints are typically resolved by connecting customers directly to their hauler. In the 2016 Community Survey conducted by the City Auditor, 77 percent of residential customers rated their garbage, recycling, and composting service as “good” or “very good.”

***Principle 4: Develop a resilient and equitable system***

One of the clear benefits of the franchise system is the flexibility the City retains to adapt to emerging policy goals. Since the beginning of the franchise system in 1992, the program has evolved significantly from the yellow recycling bins. BPS provided recycling and composting roll carts, moved to weekly yard debris and food scrap collection, and reduced pollution through cleaner collection vehicles. In contrast, cities that employ a contract system may need to wait to schedule program changes and upgrades to align with the beginning of a new contract. The City of Portland is able to test new program elements and roll them out on a timeline that aligns with the City’s needs.

The franchise system has also shown its ability to provide program resiliency by enabling the collection and recovery of a wide array of clean and marketable material. Portland works with franchisees and processors to strike the balance between pushing to collect additional materials, while also ensuring those materials have a strong and stable market. For example, Portland successfully collected food scraps from residents for almost five years before any other jurisdiction in the region added the service. Another important factor in maintaining a dependably marketable material stream is keeping it clean—Metro recently conducted a regional study that found a lower level of contamination in Portland’s recycling compared with the rest of the region.

**BPS process gathers data and identifies options for improving equity and diversity**

In order to assess the ability of the franchise system to achieve the City’s values related to equity and diversity, BPS has engaged a diverse set of stakeholders through one-on-one interviews as well as group meetings. Staff also collected and summarized baseline data on franchisee workforce demographics, researched other sectors and jurisdictions, and solicited feedback on a Draft Residential Franchise Review Equity Options Report (see Appendix B).

The process revealed that the franchise workforce is representative of Portland’s overall workforce in terms of minority participation, though women make up only 12 percent of the franchise workforce. Both women and people of color are underrepresented in management. Research also confirmed that women are partial owners (and in one case, a sole owner) in six of the twelve franchises. Female ownership represents 11 percent of the total customer base (22 percent of the customer base served by local companies).

Currently large national corporations hold three franchises representing 50 percent of the residential customer base. Small and medium-sized local, family-owned companies hold nine franchises representing the other half of the customer base. Two of the local companies are majority-owned by women (their ownership represents eight percent of the total customer base). In all, 33 people own shares in the nine local companies. Ten are women. All are White.

A key finding in the Draft Residential Franchise Review Equity Options Report is that there are significant barriers for new entrants to participate in the franchise system. The identified barriers are access to market information, access to capital, opportunity to build relevant experience, and opportunities to purchase a franchise territory from a willing seller. All potential entrants into the franchise system face these barriers, but the barriers are amplified for minority- and woman-owned companies.

The stakeholders met twice to provide feedback on the Draft Residential Franchise Review Equity Options Report and it was clear that additional work was needed to provide more clarity around the options to allow staff, stakeholders, and decision-makers to more accurately assess and weigh potential impacts.

Following the stakeholder meetings in December, BPS staff identified four recommendations to move forward regardless of other changes made to the system. Staff also developed three options packages that need further discussion along with a set of research questions that will help staff, stakeholders, and decisionmakers better understand and evaluate the options packages.

## **Equity and diversity measures identified for draft recommendation**

Staff intends to include these workforce and economic opportunity measures in the recommendation that will be brought to City Council in July, independent of other recommended changes to the system.

### ***Diverse Workforce***

- 1) Establish an agreed upon baseline and goals for women and minority participation in the workforce across all organizational levels. Set up regular data collection processes to evaluate progress towards goals.
- 2) Partner with workforce development organizations to implement best practices for increasing workforce diversity, including:
  - Conduct outreach to targeted populations through partnerships with workforce agencies that serve diverse populations. Connect employers to pools of qualified job candidates. Provide technical support and training to prospective job candidates.
  - Offer trainings to address internal culture issues that can make recruitment and retention of minorities and women more difficult and less effective.

### ***Reducing Barriers to Economic Opportunities***

- 1) Improve capital access through partnerships with capital providers and provide technical assistance to build capacity among potential minority- and woman-owned companies.
- 2) Reconfigure the contracts for collection from City facilities and public garbage and recycling containers to facilitate participation by smaller companies.



**Equity and Diversity Options Packages to reduce barriers to economic opportunities for minority- and women-owned companies**

BPS will work with stakeholders to finalize the research questions, further explore the three option packages listed below along with others that arise in the process, assess potential impacts, and return to Council in July with a recommendation.

OPTIONS	INTENDED OUTCOMES	RESEARCH QUESTIONS
<b><i>Package 1: Create more opportunity for new entrants within the current residential franchise system</i></b>		
Create a “right of first refusal” for the City to purchase a territory and subsequently bid it out	Has potential to make available territories that new entrants could compete to serve.	<ul style="list-style-type: none"> <li>• How can the City structure the competitive process to create a level playing field for minority-owned and women-owned businesses?</li> <li>• Are there currently minority- and woman-owned companies with the interest and ability to competitively bid on a territory? (To answer this question, BPS will post a Request for Information in February.)</li> </ul>
Establish a process for dividing franchise territories that could be sold	Has potential to create additional territories and in combination with the above “right of first refusal,” make available territories that new entrants could compete to serve.	
Incentivize or require subcontracting	Creates pathways toward building relevant experience as well as dependable revenue streams for future new entrants.	<ul style="list-style-type: none"> <li>• What is an effective mechanism for incentivizing subcontracting in the franchise system?</li> </ul>
Lengthen the term of the franchise agreement to 15 years	Improves access to capital by offering current and new franchisees a longer-term source of revenue.	

OPTIONS	INTENDED OUTCOMES	RESEARCH QUESTIONS
<b><i>Package 2: Package 1 + Create one or more zones for new entrants</i></b>		
Create one or more franchise territories for new entrants, either by redistributing customers in the current residential franchise or by conducting a process to explore expanding regulation of a customer base not currently franchised.	Makes available one or more territories that new entrants could compete to serve (occurs once, then the opportunity remains fixed as it is now).	<ul style="list-style-type: none"> <li>• What size territory would be most viable for new entrants?</li> <li>• What are the benefits and challenges of expanding regulation beyond the residential customer base?</li> <li>• How can we assess potential impacts to customers in terms of disruption, cost, and customer service?</li> </ul>
<b><i>Package 3: Do not renew the franchise agreement. Plan to put collection service for residential garbage, recycling, and composting out to bid in a competitive RFP.</i></b>		
Create new service territories that encourage small companies to compete in the bidding process, provide points for social responsibility, and encourage subcontracting as a pathway toward building relevant experience	Regularly makes available territories that new entrants could compete to serve (opportunity is ongoing at regular intervals, though smaller firms may still face considerable challenges to submit a competitive bid).	<ul style="list-style-type: none"> <li>• What is the best approach for optimizing City's goals in a contract system?</li> </ul>



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### APPENDIX A

#### 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

### PRELIMINARY RESIDENTIAL FRANCHISE REVIEW EQUITY OPTIONS REPORT

1/24/18

#### 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<sup>1</sup> 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.

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<sup>1</sup> There has been additional consolidation in the franchise system since this report was drafted. In January 2018, City Sanitary Service acquired Deines M. Sanitary Service, bringing the total number of franchises to 12. The body of the report has not been updated to show this change in order to reflect the shared understanding of the franchise system stakeholders had during their December 2017 review of this document.



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.

A draft version of this report was distributed to stakeholders on November 30, 2017 and was discussed in detail in two subsequent group stakeholder meetings on December 4 and on December 14. Feedback, information, concerns, and ideas from stakeholders on the potential measures are captured and presented in the "Considerations" sections of the report.

***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 self-reported. Going forward it will be necessary to establish regular, rigorous methods for workforce data.

Additional research

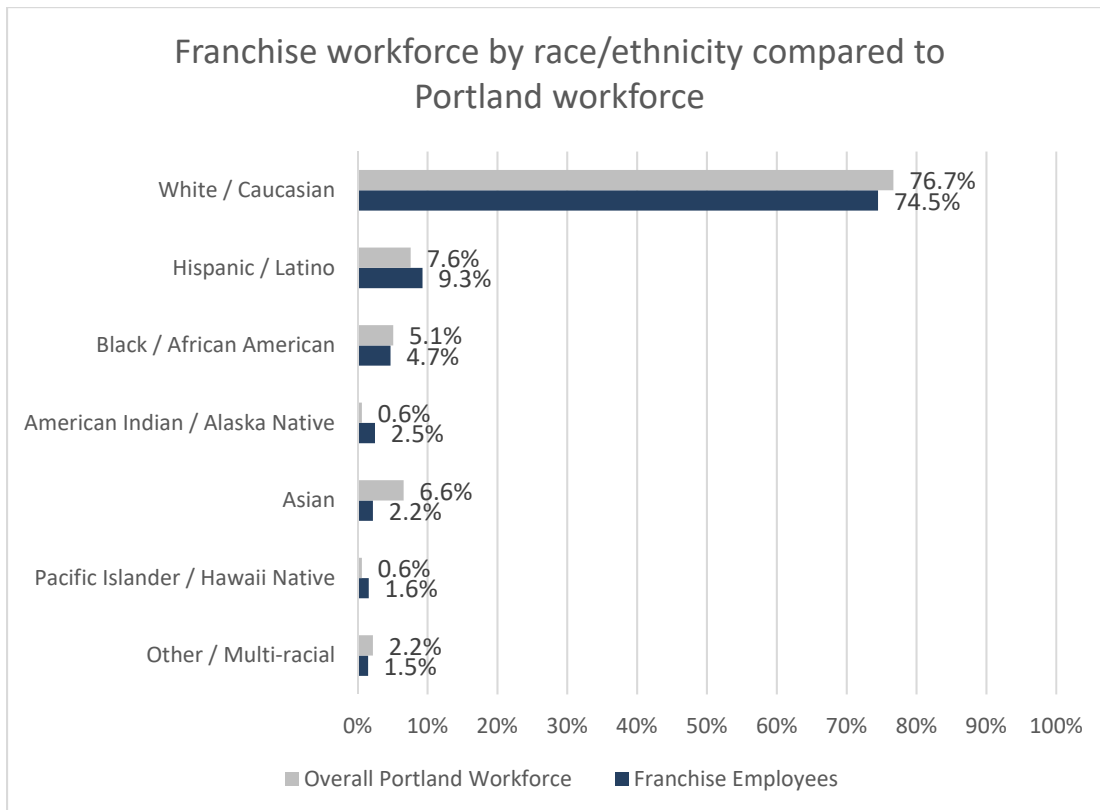
The team researched and analyzed best practices for increasing workforce diversity and for reducing barriers to economic opportunity for minority- and women-owned companies that are currently employed by the City of Portland, Multnomah County, and Metro, as well as examining relevant examples from other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

## II. Increasing participation of minority and women workers

### Current conditions

Preliminary franchise workforce demographic survey data

All 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.

The mean wage is \$25.67, which is a little under the mean hourly wage for all Portland occupations of \$25.94. 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 stated 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.

Considerations:

- Data collection should be standardized in the future (There were differences in how companies reported their data in this preliminary survey). Mandatory reporting requirements and some type of spot-check or auditing feature would increase the quality of the data. Creating good forms and efficient and clear data collection processes will make it easier on reporting businesses in future years.

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:<sup>2</sup>

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, allowing a focus on 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

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<sup>2</sup> 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](#).

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.

Considerations:

- Practices for increasing workforce diversity in the residential franchise system should also focus on the opportunities and obstacles for people of color to serve in management positions, which are well-compensated positions in which people of color are currently underrepresented compared to the broader workforce. Any effort to help diversify management positions should be informed by the way that franchises approach succession planning and promotion pathways within their companies.

### 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<sup>3</sup> 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.

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<sup>3</sup> There have been changes to franchise ownership structure since this report was originally drafted. Here is an updated characterization of franchisee ownership: Three of the 12 franchisees, representing 50 percent of the residential customer base, are publicly-traded companies for which ownership demographics cannot be determined. There are now nine privately held franchises with 33 total owners. All are white. Ten women hold ownership in six franchises, representing 11 percent of the total residential customer base (22 percent of the customer base served by privately-held companies). Two companies are now majority woman-owned (one of which is 100 percent woman-owned); they represent eight percent of the total customer base.

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.<sup>4</sup> 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 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.<sup>5</sup>

As of September 2017, three franchises were held by large national companies and ten were held by small and medium-sized local, family-owned companies.

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<sup>4</sup> Interview with Bruce Walker, Solid Waste & Recycling Program Manager at City of Portland Bureau of Planning and Sustainability.

<sup>5</sup> Ibid.

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%
<b>Total</b>	<b>149,668</b>	<b>100%</b>

*Note: As described in Footnote 1, there has been additional consolidation in the franchise system since the original writing of this report. In January 2018, City Sanitary Service acquired Deines M. Sanitary Service, bringing City Sanitary's total customer count to 8,000.*

### **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 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.<sup>6</sup> Franchises are capital intensive to purchase and to operate, and the sale price of a franchise can be 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:

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. Concerns have been raised that 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.

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<sup>6</sup> See [U.S. Small Business Administration Issue Brief Number 3 \(2015\)](#)



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. Some stakeholders have voiced concern that the smaller existing franchises that could become available to new entrants may not be conducive to the success of new entrants in the system. Some stakeholders 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. On the other hand, a smaller franchise would require less capital expenditure for a new entrant to the system. City staff needs to do additional research to understand how franchise size could affect the potential viability of new entrants to the system.

### **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. 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:

- City of Portland's charter sets a maximum franchise term length and prohibits "evergreen" franchise agreements. Thus, option #2 would require action by City staff each year to renew the franchise in addition to a more in-depth review every five years.

*OPTION 3-E: 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 [Cleancescapes](#) include outreach requirements. [Metro's 2016 Equity in Contracting](#) report describes their outreach efforts.

#### Considerations

- Some franchisees currently subcontract portions of their collection responsibilities to other franchisees. Future efforts to encourage subcontracting should be informed by and build on the business models and practices that subcontracting franchisees use now.
- Some 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.
- This approach is generally supported by current franchisees because it provides them with additional flexibility.
- There might be incentives for franchisees to subdivide their territories in order to sell areas or routes that are difficult or costly to serve, which would not make ideal territories for new entrants / minority- and woman-owned businesses.

*NEW ENTRANT ZONE(S) – OPTIONS 4-B THROUGH 4-D*

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 (described below). 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 100 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.<sup>7</sup>*

Portland could create a New Entrant Zone in multiple ways; Options 4-B through 4-D describe a few.

*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.
- The City would need to have the business expertise on hand to participate in valuation and competitive bidding that might occur with a sale.
- 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:
  1. this option would create an appropriate and desired opportunity for new entrants, and
  2. new entrants would prevail in the necessary competitive process, as companies without direct experience providing residential collection service may be at a disadvantage.

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<sup>7</sup> While the City of Los Angeles’ approach resulted in one woman-owned company being awarded a small zone, no minority-owned companies received a franchise. Los Angeles addressed lack of access to opportunity by requiring and reviewing outreach and subcontracting plans as part of the competitive process to award zones to haulers.

*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 one or more viable franchise territories for new entrants. Current franchise boundaries could be reorganized to consolidate customers into New Entrant Zones.

Considerations:

- Current franchisees have expressed opposition to proposals that take away customers from existing companies.
- This solution creates a potential customer base that in theory could go to minority- and women-owned firms, but, as with Option 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 and a new entrant zone or zones are created and granted to new entrants, then the opportunities for additional companies would remain limited in the ways described above.
- Current franchisees are concerned that if a new entrant were granted a territory below market rate, it would lower the value of their companies.

*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? Could expanded regulation help increase recovery of recycling and food scraps, reduce contamination in recovered materials, reduce waste, and increase equity for tenants?
- The City and stakeholders have previously explored regulating the commercial open market (most recently in 2006). The City decided not to pursue that approach due to significant opposition from businesses that value choice in service provider and report that they pay lower rates in Portland’s open market than in adjacent franchised jurisdictions.
- This approach would disrupt current multifamily customer-hauler relationships. Most residential franchisees also have multifamily customers that they could lose if this option is

implemented (though they could potentially gain other multifamily customers in the process). Current franchisees have expressed opposition to proposals that take away customers from existing companies.

- Depending on how this option is implemented, it could channel growth opportunities to those businesses with a franchise, as most new housing is projected to be multifamily.
- How large is the opportunity in the multifamily sector? Stakeholders requested data on the commercial market. Staff provided a preliminary overview of the commercial market data, included as Appendix D.
- Stakeholders asked the questions: Are there equity concerns related to the open market system in the commercial and multifamily sector? Are larger, vertically-integrated companies dominating the market and making it harder for smaller, minority- and woman-owned companies to participate and benefit?

*OPTION 4-E: EXPLORE RECONFIGURING THE CITY FACILITIES AND PUBLIC CONTAINER COLLECTION CONTRACTS TO FACILITATE PARTICIPATION BY MINORITY- AND WOMAN-OWNED COMPANIES*

This option was added after the first group stakeholder meeting. Current franchisees identified the opportunity associated with an RFP for collection from City facilities that was posted in early December. Staff examined options associated with the City facilities contract as well as the collection contracts for garbage and recycling containers on public sidewalks. Information about these contracts was shared with stakeholders before the second group meeting (Appendix D). The City facilities contract paid \$640,000 to the current contractor in FY 16-17 to collect an estimated 5,000 tons of material from 129 facilities. A franchise with equivalent revenue would include about one percent of the residential customer base (1,500 customers) and would generate about 2,000 tons of material. A franchise that generates 5,000 tons of material would be the sixth largest. The City currently pays about \$600,000 annually for the public container collection contracts. However, the program is expanding and collection costs are projected to reach \$2 million annually in five years, which is equivalent revenue to a franchise with about 3.5 percent of the customer base. Stakeholders discussed this option in group meeting number two.

Considerations:

- Some stakeholders felt that the City contract could be a good “training ground” for new entrants—providing them an opportunity to establish weekly pickup and monthly billing, while building their overall business.
- Some stakeholders felt that the City facilities contract does not provide the right kind of opportunity to a new entrant for the following reasons: the facilities and public containers are spread out across the city, making collection less efficient; the overall tonnage is limited; and there are limited opportunities for growth over time.
- While franchisees suggested the City facilities contract could be franchised, City staff believes the City can take steps outside of the franchise system to level the playing field for minority- and woman-owned businesses in the contracting process.

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.

Considerations:

- This option would be a significant change to a system that current participants, staff, and most customers agree is performing well as measured against all the previously established metrics of success – cost containment, recovery rates, customer satisfaction, etc.
- This option would allow consideration of sustainability and social benefits to be included in the competitive RFP, perhaps modeled on L.A.’s “Small Zones” approach.
- In a competitive bidding situation, companies without direct experience providing residential collection service may be at a disadvantage.
- The current franchisees strongly oppose this option. In addition to considerations above, franchisees report that they have made significant investments to successfully meet the City’s requirements within the franchise system in anticipation of being able to continue to operate their business in the franchise system in the years ahead.
- Many stakeholders who are not current franchisees – including equity advocates – also have reservations about going to a contract system. They believe that the franchise system works well for local businesses and they believe the City can address equity within the franchise system. However, they have also indicated that if barriers to opportunity for minority-owned businesses cannot be reduced within the franchise system then this option would need to be considered as a potential remedy.
- Some stakeholders believe that the barriers to entry in the current franchise system should be viewed as part of a functional approach to providing service like a utility. The system is built on a stable partnership between the City and the franchisees that has many benefits to the City and customers – like being able to invest over the long-term in clean fleets, or being able to weather downturns in the commodities markets. Going to new contracts and providers even every 10-15 years removes that stable partnership and restarts the relationship between haulers, the City, and customers.
- Most contract systems in other cities have tended to award a small number of contracts to large national firms (for example, Seattle has two contractors providing residential collection). If the City of Portland wants to preserve market share that local small businesses currently have in the residential collection markets, staff will have to design the contract system to try to deliver those outcomes.
- There are costs involved in changing service providers, including purchasing and distributing containers (which are the property of the service provider).
- A contract system would result in increased disruption for customers when contracts and service providers change.
- This option would require significant City staff time and resources.

## **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 free to raise other pertinent issues that are not covered above.

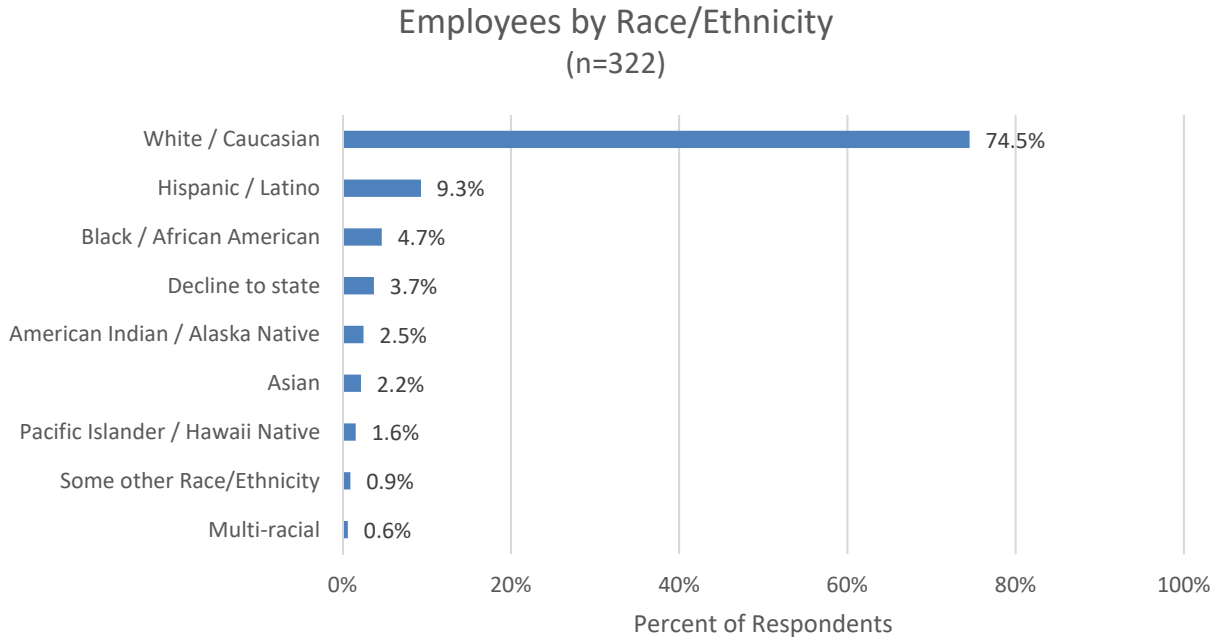
## **Information on the Participation of Women and Minority Workers in Portland’s Residential Solid Waste and Recycling Collection Franchise System**

Source Information: 2017 Franchise Review Employee Data Survey

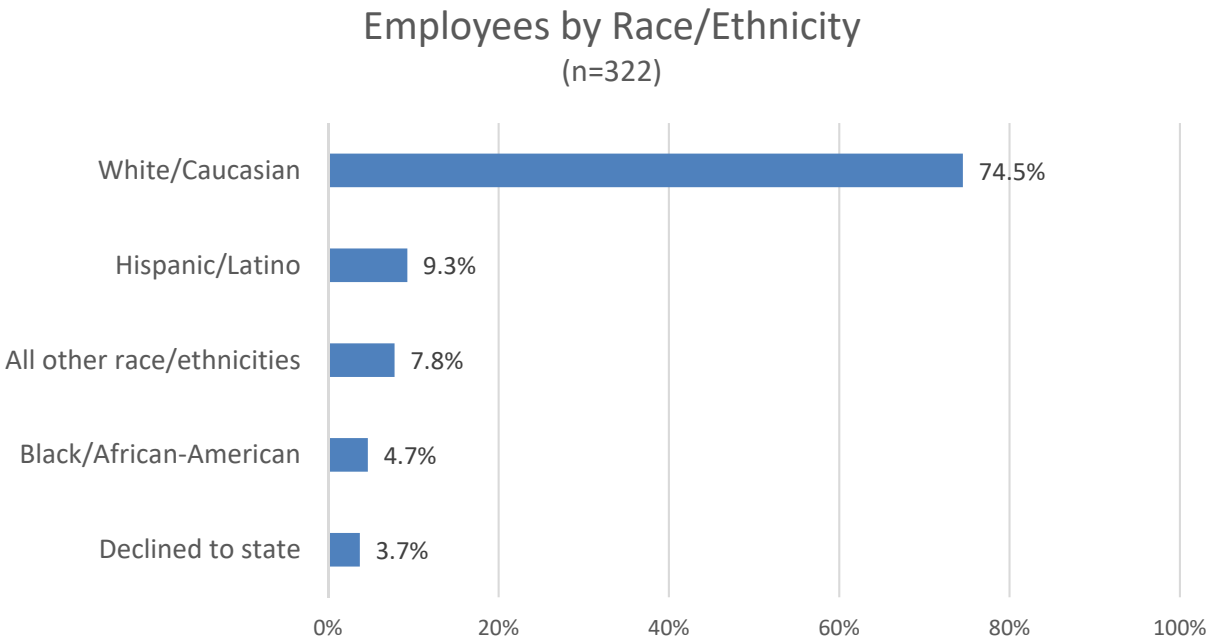
The Portland City Council established (among others) the following guiding principle for the 2017 franchise review: Increase the participation of women and minority workers.

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%

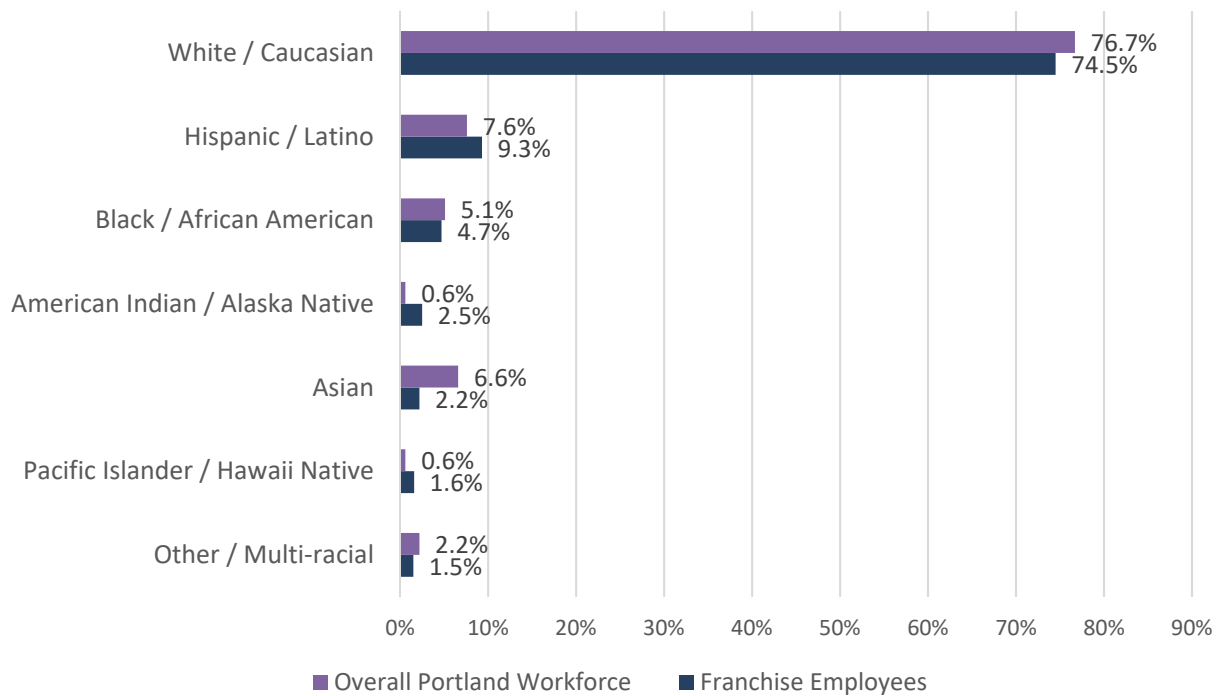
Race (Detail)				
White / Caucasian	240	74.5%	76.7%	79.4%
Hispanic / Latino	30	9.3%	7.6%	9.2%
Black / African American	15	4.7%	5.1%	2.4%
American Indian / Alaska Native	8	2.5%	0.6%	0.5%
Asian	7	2.2%	6.6%	5.6%
Pacific Islander / Hawaii Native	5	1.6%	0.6%	0.4%
Some other race/ethnicity	3	0.9%	NA	NA
Two 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%
<b>Total</b>	<b>317</b>	<b>70</b>	<b>21.7%</b>	<b>40</b>	<b>12.6%</b>

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**

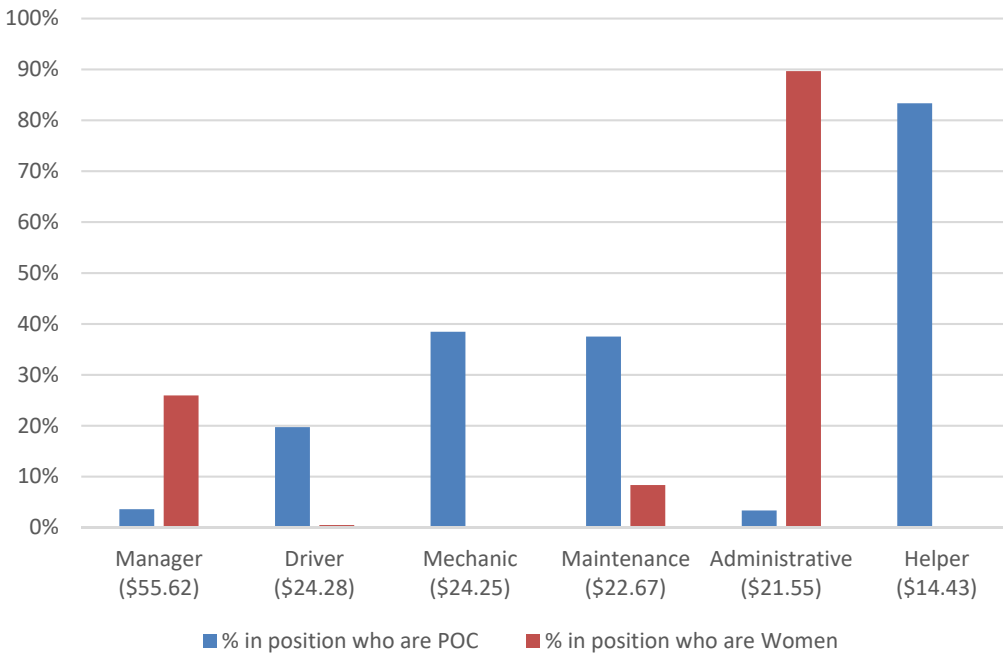
Position	# of employees	Mean hourly wage	Median hourly wage	% in position who are POC	% in position who are Women
Manager	16	\$ 55.62	\$ 48.25	3.6%	25.9%
Driver	206	\$ 24.28	\$ 24.76	19.7%	0.5%
Mechanic	13	\$ 24.25	\$ 24.00	38.5%	0.0%
Maintenance	3	\$ 22.67	\$ 19.00	37.5%	8.3%
Administrative	28	\$ 21.55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

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%
<b>All categories</b>	<b>13</b>	<b>21.7%</b>	<b>12.6%</b>

APPENDIX D

**Information for Franchise Review Equity Options Stakeholders**

**Tonnage for residential multifamily, and commercial programs**—Below is the best information that we have and is a combination of hauler reports and for the multifamily, an estimate based on a recent regional study that resulted in a per unit average generation for garbage and recycling. Please note that the data below reflects only the material collected by permitted haulers. When we include material collected by other entities such as independent recyclers or self-hauled to transfer stations or composting facilities, for example, the percentage attributed to commercial generators is 80% and the percentage attributed to residential generators is 20%.

Table 1						
Material Source	Garbage	Recycling	Yard Debris / Food Scraps	Concrete, Rock, Dirt and Rubble	All Material Streams	Percent of Total Tonnage
<b>Commercial material (from businesses and other organizations)</b> as calculated from total reported by permittees minus the excess multifamily material estimated by regional per unit averages above and beyond that multifamily material reported by permittees	187,600	70,300	23,700	9,400	291,000	41%
<b>C&amp;D / Drop-off material</b> as reported by permittees	87,700	11,600	700	24,200	124,200	17%
<b>Multifamily material</b> (5 units or more per taxlot) using regional per unit averages for garbage and recycling and hauler reports for yard debris /food scraps	84,400	21,100	1,900	-	107,400	15%
<b>TOTAL COMMERCIAL</b>	<b>359,800</b>	<b>103,000</b>	<b>26,300</b>	<b>33,500</b>	<b>522,600</b>	<b>73%</b>
<b>Residential</b> (up to four units per taxlot) as reported by franchisees	64,800	49,400	80,600	-	194,800	27%
<b>GRAND TOTAL</b>	<b>424,600</b>	<b>152,400</b>	<b>106,900</b>	<b>33,500</b>	<b>717,400</b>	<b>100%</b>

**City of Portland Facilities**—The City of Portland bids out garbage, recycling, yard debris and food scrap collection for 129 City facilities across the city. The current contract paid \$640,000 in FY 16-17 to the contractor, Trashco (recently purchased by Republic). The current contract runs through February and an RFP has just been posted for this work (available online at <https://procure.portlandoregon.gov/bs0/external/publicBids.sdo> if you register as a vendor). I have attached the spreadsheet showing service level by location. You'll note that the information is by container volume and collection frequency and does not include tons. The City uses estimates of tonnage based on weight to volume ratios. The current ratios are on page 30 of the RFP. For FY 16-17 the tonnage estimates based on service level and the weight to volume ratios are as follows:

Table 2	
Estimate of tons of material from 129 City facilities collected by current contractor in FY 16-17	
Garbage	3,700
Mixed Recycling	900
Wood	200
Food Scraps	200
TOTAL	5,000

Please note that City Bureaus report an additional 4,100 tons of recycling, wood, and yard debris and 7,200 tons of leaves that are collected by Bureaus themselves or other entities outside of the City Facility Collection contract.

**Public Trash Can Program**—BPS contracts for collection of garbage from approximately 700 public trash cans located downtown and in nine other business districts (also 165 recycling containers on the downtown transit mall). BPS is expanding this program throughout the city to an additional 24 business districts over the next several years. Collection is provided by commercial haulers selected through a competitive process. The current annual collection cost is approximately \$600,000.

**Commercial tonnage by permittee**—We checked with the City Attorney’s office and they provided us with the attached 2004 order from the District Attorney stating that commercial tonnage by permittee is exempt from disclosure per ORS 192.501(5). In order for the City Attorney to formally consider your request, you would need to file a public records request through [www.portlandoregon.gov/prr](http://www.portlandoregon.gov/prr).

We appreciate the stakeholder interest in understanding the existing landscape as we discuss options for increasing equity in the collection system. In order to try to provide a sense of the landscape we are happy to help “slice and dice” the data into different categories. For example, here is FY 16-17 data for tonnage collected by companies based in Oregon and Washington compared to those based outside of Oregon and Washington. Please note that the totals for Commercial (businesses) and Multifamily do not match the totals in Table 1 where the reported Multifamily tons were replaced with the expected tonnage based on a recent regional study.

Table 3										
	Commercial (businesses and other organizations)		C&D / Drop-off		Multifamily (material reported by permittees is about half of expected tonnage based on regional study)		Residential		All Material	
<b>Companies based outside of OR / WA</b>	272,979	79%	62,233	50%	34,959	66%	94,796	49%	<b>465,000</b>	65%
<b>Companies based in OR / WA</b>	72,609	21%	62,013	50%	17,848	34%	100,013	51%	<b>252,500</b>	35%
<b>Total</b>	<b>345,589</b>		<b>124,247</b>		<b>52,806</b>		<b>194,809</b>		<b>717,500</b>	

Companies based outside of Oregon and Washington include Arrow, Recology, Republic, and Waste Management. Tonnage reported by Eckert (purchased by Waste Management) and Trashco (purchased by Republic) was included in this category.

Here is a current list of all commercial permittees and the services they provide: <https://www.portlandoregon.gov/bps/article/110895>.