

Dry Cleaning Advisory Committee

Meeting Minutes

Tuesday, May 19, 2015

Headquarters
811 SW 6th Avenue
Portland, OR 97204



State of Oregon
Department of
Environmental
Quality

List of Attendees

Committee members:

Jim Kincaid, Chair, Cable Huston Benedict & Haagensen
Allan Wright, Oregon Dry Cleaners Association
Brad Berggren, PNG Environmental
Earl Eckstrom, Fabricare Equipment, Inc.
Gary Campbell, Oregon Dry Cleaners Association
James Gengler, City of Salem
Kathey Butters, Oregon Dry Cleaners Association
Steve Young, Oregon Dry Cleaners Association

DEQ Staff:

Bruce Gilles, Manager, Cleanup and Emergency Response
Joe Westersund, Dry Cleaner Program Coordinator
Ed Patnode, Dry Cleaner Program Staff
Sarah Wheeler, Office of Compliance and Enforcement
Sandra James, Office of Policy & Analysis

1:30pm Start of meeting

PROGRAM STATUS UPDATE

Joe Westersund made a presentation in response to questions and comments the Oregon Dry Cleaner Association (ODCA) members of the committee made in an April 21, 2015 letter.

Insurance Settlement Funds

In previous meetings Joe showed graphs of the DCP's fee revenue over time:

Dry Cleaner Program

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DEQ is a leader in restoring, maintaining and enhancing the quality of Oregon's air, land and water.

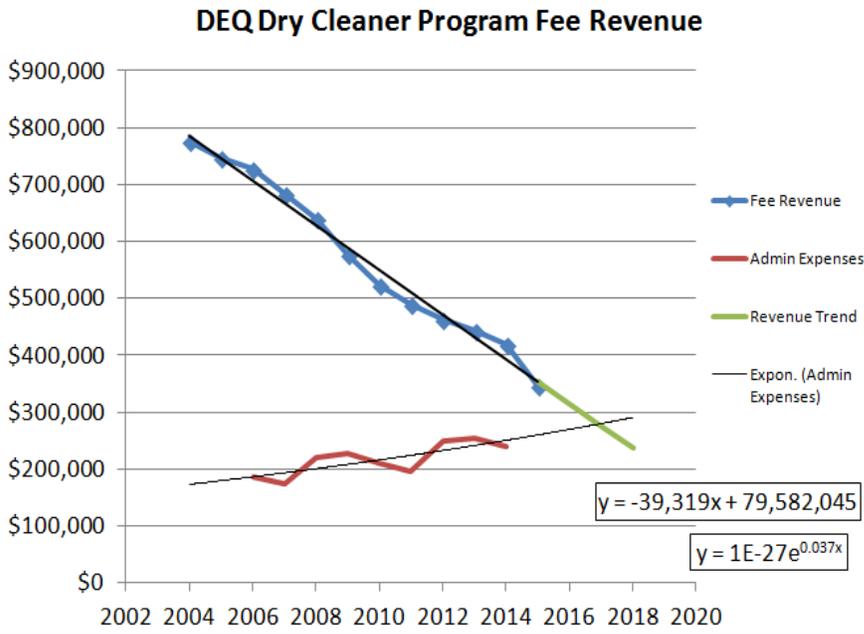


Figure 1: Dry Cleaner Program fee revenue and the cost of administering the program.

The ODCA members requested a graph that showed the insurance cost recovery settlement funds DCP has received along with the annual fee revenue. That graph is included as Figure 2, below.

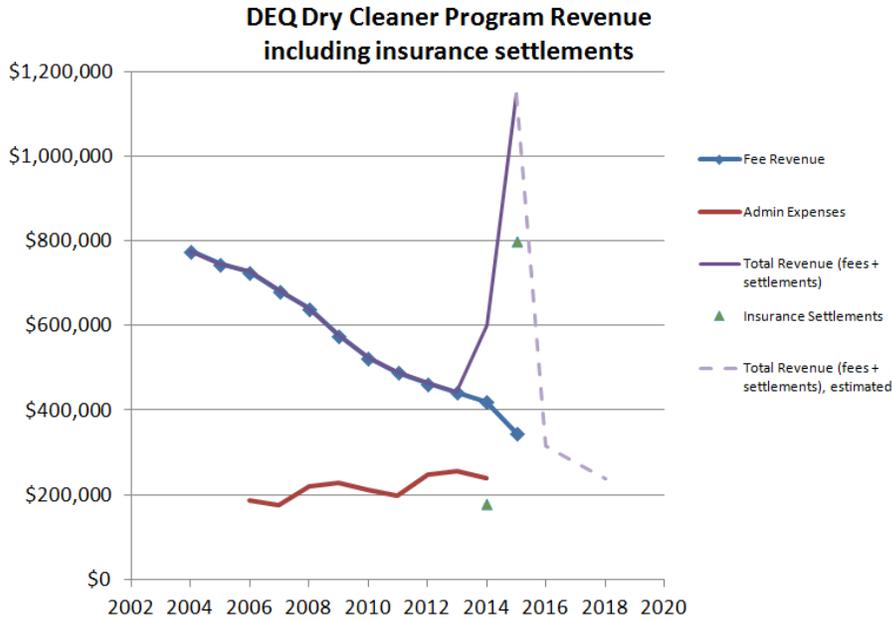


Figure 2: Dry Cleaner Program revenues, including the two insurance cost recovery settlements.

The DCP received \$180,000 in a 2014 insurance settlement for the McAyeal's Cleaners site in Eugene and \$800,000 for the Springville Cleaners site in Springfield in 2015. These settlements are a significant success and the result of years of negotiations, but

unfortunately there are no more settlements in negotiation currently. Insurance settlements do not appear to be a long-term fix to the DCP's decreasing revenue, because they are somewhat unpredictable, and they are not "new money" because they represent an insurance company reimbursing the DCP for a portion of the money the DCP has spent at a site.

Some committee members felt that the DCP should draw a trendline into the future that includes the insurance settlements, in effect assuming that there are more settlements coming in the near future. However, DEQ does not have additional settlements "in the pipeline" at this time.

Fee Audits

Sarah Wheeler of DEQ's Office of Compliance and Enforcement spoke about the DEQ's authority to audit the fee returns that dry cleaners and dry stores submit.

Joe presented data showing the total revenue and dry cleaning revenue that facilities reported, and presented a plan to do fee audits at 18 facilities that reported a very low percentage of their revenue came from dry cleaning.

Committee members appeared to be strongly in favor of the idea of fee audits, and believed that many facilities may be inaccurately reporting their dry cleaning revenue in order to reduce their annual fee payments.

The DCP's goal in doing fee audits will be to try to ensure a "level playing field" for dry cleaners, so that all facilities pay their fair share. However, based on calculations Joe presented, the potential increased revenue from fee audits will not be significant compared to the overall decline in program revenues.

Cost to Administer the Dry Cleaner Program

ODCA committee members have questioned the DCP's administrative expenses as shown on previous graphs. The number of facilities in the program has decreased over time, so why have costs been increasing?

Joe presented slides showing how administrative costs are calculated and invited Sandra James, a DEQ budget analyst, to explain details. The cost of administering the DCP includes these components:

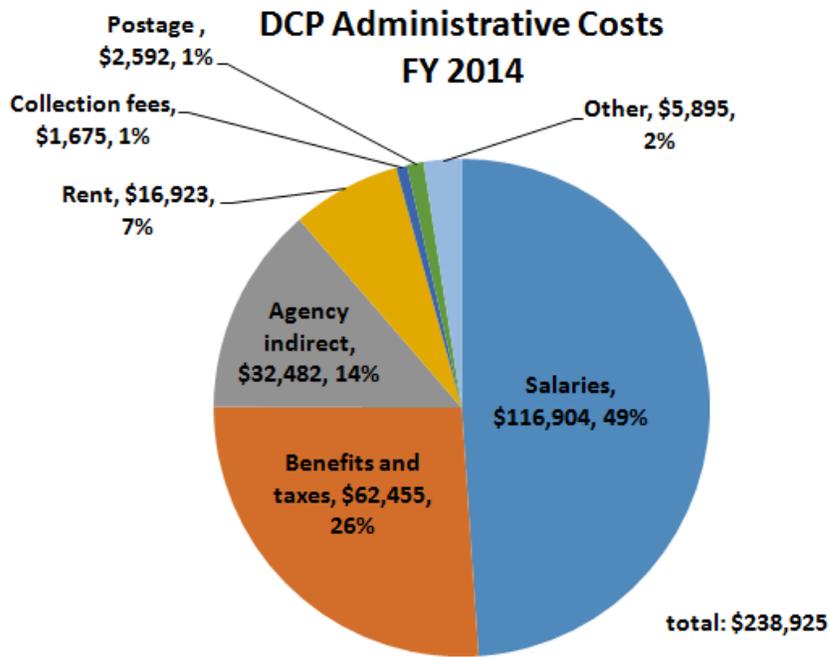


Figure 3: Components of the Dry Cleaner Program’s administrative costs.

DEQ staff members track their time using DEQ’s time accounting system, QTime. When doing DCP work, they charge their time to a DCP QTime number. Joe Westersund and Ed Patnode are the primary people doing DCP work, but they also do work for other parts of DEQ. When working on those projects their time is charged to other QTime numbers that are not funded out of DCP funds.

Some DEQ staff, like those in Information Technology and Human Resources, serve all of DEQ. Their time is allocated to the various programs via the agency indirect, which is a percentage added to the labor charges to each program.

Sandra was able to access data for DCP administrative expenses that goes back further into time:

DCP Administrative Costs

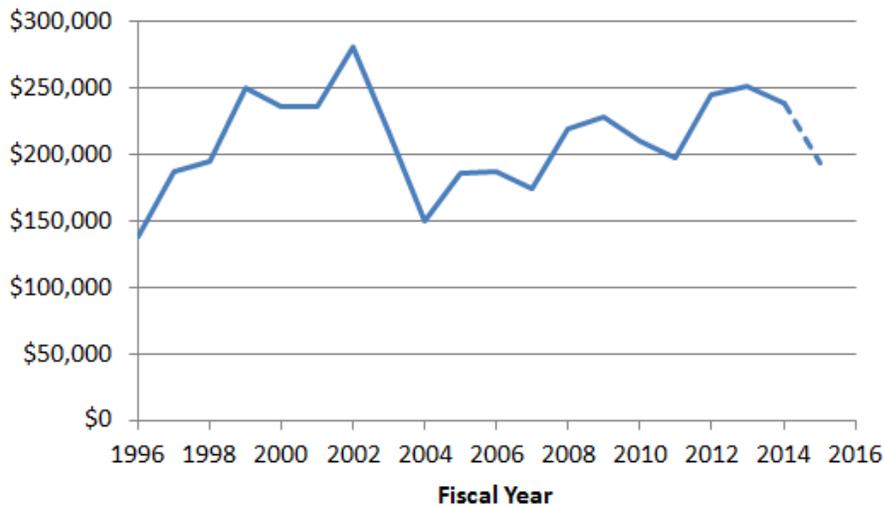


Figure 4: The Dry Cleaner Program's administrative costs over time. The 2015 number is estimated as fiscal year 2015 was not over yet at the time of the presentation.

The biggest variables affecting DCP administrative costs are 1) staff pay rates, and 2) the amount of time those staff bill to the DCP.

The DCP has limited ability to affect staff pay rates. Pay rates increase slowly over time with seniority-related step increases and cost-of-living adjustments. Staff pay rates decrease if there is turnover that brings in less-experienced staff that are at a lower step level.

The DCP does have some ability to affect the amount of time billed to the DCP. If the DCP workload can be reduced or performed more efficiently, DCP staff are available for projects in other parts of DEQ that reduce the hours charged to the DCP.

The DCP is facing increasing demands on staff time in some areas. The DCP has done few inspections in previous years, and is under pressure to get back to a 5-year inspection rotation. Fee audits essentially add a new workload approximately equal to that for inspections.

The minimum administrative cost over the history of the DCP is about \$150,000 per year, and it seems unlikely that the DCP would be able to get below that without cutting out a significant part of the work the DCP is responsible for.

3:30 End of meeting

Scheduling the next meeting: The committee requested that the next meeting be scheduled in August or September 2015.