

**COUNCIL POLICY NO. C-25**

**TITLE:** SOLID WASTE MANAGEMENT

**POLICY:** See attachment.

**REFERENCE:** **10/10/2024** Solid Waste Committee Meeting (Agenda Item No. 4.a.)

**TITLE:** SOLID WASTE MANAGEMENT

**POLICY:** INTRODUCTION

Salem operates within a regional, integrated solid waste system that spans two counties, franchises with six solid waste companies, and relies heavily on the infrastructure owned and operated by both commercial and governmental solid waste partners (e.g., transfer stations, resource recovery facilities, and disposal sites).

To date, Salem Revised Code Chapter 47 which outlines solid waste management and the historical precedent set by interpretation and application of that code over decades has guided the administration of solid waste management in Salem. This City Council Policy will provide direction to staff as Salem continues to consider how solid waste is managed.

GOVERNANCE

Solid Waste Management in the City of Salem is governed primarily by Oregon Revised Statutes 459 and 459A and Salem Revised Code Chapter 47 – Solid Waste Management. Also, the Salem Climate Action Plan provides recommended strategies for reducing greenhouse gas emissions from the purchase of goods, and the collection, transportation, and disposal of solid waste.

Relevant sections of ORS 459 and 459A include, but are not limited to:

- Cities have primary responsibility for solid waste management services – ORS 459.017(b)
- Cities may displace competition by issuing exclusive franchises if service areas are allocated – ORS 459A.085(3)
- Cities in Oregon with at least 4,000 people must provide the opportunity to recycle – ORS 459A.005
- Marion County flow control authority – ORS 459.125
- SB 582 – Plastic Pollution and Recycling Modernization Act (Effective January 1, 2022) – ORS 459A 860-975

Relevant sections of SRC Chapter 47 include, but are not limited to:

- Purpose: To protect the public health, safety, and welfare - SRC 47.015
- Rates and billing - SRC 47.099

Relevant section of the Salem Climate Action Plan:

- Appendix 8: Climate Action Plan Strategy List, Section 7: Materials & Waste

PURPOSE

This policy establishes practices which will guide the administration of solid waste management, and in particular, the establishment and adjustment of solid waste management rates within the City of Salem. To this end, this policy includes the following elements: the basis for calculating rates, allowable and unallowable expenses, forecast factors, allowable operating margin, and low-income discount.

POLICY STATEMENTS

*Cost-based rates:*

To ensure rates prohibit rate preferences and other discriminatory practices (SRC 47.015(d)), rates shall be established to the greatest extent practicable on a cost-of-service basis.

The cost-of-service basis shall be applied to lines of business (e.g., cart, container, and drop box), and levels of service (e.g., subscribed cart size, recycling, mixed organics, special items, etc.) within the lines of business.

To the extent practicable, the rate approved for each service will equal the cost of providing that service plus the allowable return.

*Allowable and Unallowable Expenses:*

“Allowable expenses” means those expenses incurred by the franchisee in the performance of this agreement that are allowed by the City as reimbursable by the ratepayer as enumerated below. Allowable expenses are allowable only to the extent that such expenses are known and measurable, calculated according to generally accepted accounting principles (GAAP) on an accrual basis and, when applicable, prorated or allocated to the franchisee’s operations within the City, do not exceed the fair market value of comparable goods or services, and are commercially reasonable and prudently incurred by the franchisee solely in the course of performing its obligations under the franchise. Allowable expenses shall include, but not be limited to, the following:

1. The costs of complying with all laws, regulations or orders applicable to the obligations of franchisees under federal, state or local law, including this City Council Policy, as now or hereafter amended;
2. Disposal costs;

3. Labor costs, including operational and supervisory labor, payroll taxes, workers' compensation, and benefits;
4. Vehicle and equipment expenses, including vehicle registration fees, motor fuel, oil, tires, rental charges and/or operating lease payments and repairs and maintenance;
5. Expenses of maintaining other capital assets, including rental charges and/or operating lease payments and repair and maintenance;
6. Performance bonds and insurance in at least the amounts and coverages required by the City;
7. Administrative expenses related to data processing, billing and supplies, finance and accounting, franchise administration, human resource and labor management, rate analysis, and regulatory compliance;
8. Low-income discount and other Council-adopted rate assistance programs;
9. Utilities;
10. Training and worker safety expenses;
11. Promotion and public education costs;
12. Depreciation and amortization of capital assets, including any necessary standby or backup equipment used on a regular and ongoing basis in the provision of services under this franchise over standardized economic useful lives of the various assets;
13. Interest expense, other than interest paid with respect to route or franchise acquisition, that is not in excess of market rates ordinarily charged for the various types of financing required for purchases or leases;
14. All surcharges, taxes, or fees, other than state or federal income taxes in connection with franchisee's provision of collection services under this franchise.

"Unallowable expenses" shall include the following:

1. All charitable and political contributions;
2. Fines and penalties, including without limitation judgments incurred by a franchisee for violation of applicable laws;
3. Payments for services provided by individuals related by blood or marriage or by affiliated companies to a franchisee to the extent that such payments exceed the reasonable cost that would be charged by an independent third party to provide the substantially equivalent service;
4. Related party wages that exceed market value.
5. Accruals for future unknown regulatory changes;
6. Costs associated with purchase of other companies including, but not limited to, employee stock ownership plan payments, goodwill, amortization of goodwill and premiums on key person life insurance policies;
7. Principal or interest payments on the acquisition of solid waste, recyclable materials and yard debris collection routes; the purchase of equipment and/or facilities to the extent that the price includes goodwill or a premium in excess of fair market value at the time of acquisition;
8. State and federal income taxes;
9. Fees paid to a franchisee's board of directors;
10. Advertising expenses beyond basic collection and recycling promotion and

education, and minimal telephone listings under “Garbage Collection” or “Recycling Collection.” Display advertisements and entertainment expenses are specifically excluded;

11. Attorney’s fees and related expenses resulting from:
  - a. Any judicial proceeding in which the City and a franchisee are adverse parties, unless the franchisee is the prevailing party,
  - b. Any judicial proceeding in which a franchisee is ruled to be liable due to willful misconduct or gross negligence or in violation of law or regulation;
12. Any other expenses defined as unallowable and approved by the Council.

*Forecast factors:*

For the process of determining “current and projected operating expenses” as provided in SRC 47.099(f)(2), certain costs are projected using established inflation factors. These factors include:

1. Fuel: West Coast No. 2 Diesel Ultra Low Sulfur (0-15 ppm) Retail Prices
2. Labor: Collective Bargaining Agreement(s)
3. Health Insurance: Oregon Refuse and Recycling Association (ORRA) Health Insurance Plan renewal rate(s)
4. Disposal Rates - Municipal Solid Waste, Mixed Organics, Commingled Recycling, Medical Waste: As adopted by Marion County Board of Commissioners. Forecast factors for disposal rates not under Marion County regulatory authority are determined by reviewing disposal fees/rates charged to franchised hauler(s).

For all other expenses, a general inflation factor is applied.

1. General Inflation: Consumer Price Index for All Urban Consumers (CPI-U), Series Id: CUURN400SA0

*Allowable operating margin:*

To ensure rates are adequate to provide necessary solid waste management, recycling, and resource recovery (SRC 47.015(d)) and that in establishing or adjusting rates that a reasonable operation margin be considered (SRC 47.099(f)(5)), rates shall be adequate to target a pre-tax operating margin equal to ten percent of franchise-wide gross revenues.

However, the City Council may decide not to adjust rates if the expected pre-tax operating margin falls between eight and twelve percent of gross revenues.

Pre-tax operating margin will be calculated as:

**(Total Revenue – Allowable Expenses) / Total Revenue**

The ten percent target return on gross revenues is considered sufficient to reflect the level of business risk assumed by the franchisee, to allow investment in equipment, and to ensure quality collection service.

### *Low-Income Discount:*

With the aim of ensuring rates are “just” (SRC 47.015(d)), the solid waste rate schedule will include a low-income discount with the same program qualifications as the City of Salem Wastewater Rate Assistance Program (e.g., income, age, and/or disability status). This discount will apply to residential customers only. The amount of the discount as a percentage of the subscribed residential service rate will be set or adjusted at the same time as all other solid waste rates.

### FUTURE POLICY CONSIDERATIONS

Some community members have expressed a desire to implement changes to garbage and recycling services to incentivize Salem residents and businesses to reduce waste and improve the recoverability of waste that is produced while also ensuring equity within customer rates. City staff are working to implement the Salem Climate Action Plan which includes strategies regarding materials and waste. Additionally, SB 582 known as the Plastic Pollution and Recycling Modernization Act (RMA) will have a direct impact on recycling and recovery practices across the State, including Salem. These topics present Salem with the opportunity to consider integrating new programs and ideas with existing guidance and best practices. As City Council deliberates these topics, additional elements may be added to this policy through future updates.

### *Salem Climate Action Plan:*

The Salem Climate Action Plan (CAP) includes strategies to reduce greenhouse gas emissions from the purchase of goods, and the collection, transportation, and disposal of solid waste. The vision for Materials & Waste strategies (Section 7) in the CAP is that “Salem will be a closed-loop community when it comes to waste, first reducing waste at the source, then repairing and reusing materials, and impacts from disposal will be minimal.” The guiding equity principle is to “ensure that waste disposal practices and requirements do not disproportionately affect low-income neighborhoods or historically marginalized communities.”

Objectives listed in Materials & Waste section of the CAP that may have a direct impact on solid waste management include:

1. Establish data tracking and reporting processes;
2. Reduce waste at the source and facilitate a closed loop, circular economy;
3. Set a goal to achieve zero waste (meaning at least 90% of waste is diverted from the landfill through waste reduction, reuse, recycling and composting) in municipal operations;
4. Reduce food waste to reduce GHG emissions;

5. Support sustainable material management through financial incentives;  
and
6. Reduce air pollution from waste.

*Plastic Pollution and Recycling Modernization Act:*

SB 582, known as the Plastic Pollution and Recycling Modernization Act (RMA), became effective January 1, 2022. With recycling program changes starting in July 2025, the RMA will update Oregon’s recycling system by building on local community programs and leveraging the resources of producers to create an innovative system that works for everyone.

This system-wide update will make recycling easier for the public, expand access to recycling services, upgrade the facilities that sort recyclables, and create environmental benefits while reducing social and environmental harms, such as plastic pollution. Producers and manufacturers of packaged items, paper products and food serviceware will pay for many of these necessary improvements and help ensure recycling is successful in Oregon.

Major elements of the RMA that will have a direct impact on solid waste management in Salem:

1. Uniform Statewide Collection List:
  - a. Local government acceptance list – List of items DEQ will require local governments to collect at recycling depots and/or through on-route collection.
  - b. Producer Responsibility Organizations (PROs) acceptance list – List of items DEQ will require PROs to collect, most likely through local recycling depots.
2. Expanded recycling depots for collection of covered items.
3. Financial support from PROs to expand recycling services and address contamination.
4. Required use of new educational resources provided by DEQ.
5. Newly purchased roll-carts, bins, and containers contain at least 10% post-consumer recycled content.
6. Ensure adequate recycling collection and access for multi-family housing.