

Solid Waste Policy Discussion

SOLID WASTE COMMITTEE

NOVEMBER 16, 2023

What We've Heard...

- Council Motion – “staff to begin work on policy for City Council review...”
- Waste Reduction – How do we produce less waste in our community?
- Environmental Impact – How do we reduce and/or mitigate the environmental impact of solid waste and solid waste management?
- Equitable Services and Rates – How do we ensure equity in the provision of solid waste services?
- Outreach and Education – How do we inform residents?
- Financially Sustainable – How do we fund our solid waste system?

Solid Waste Code – SRC Chapter 47

Sec. 47.015. – Purpose

To protect the public health, safety, and welfare, it is the policy of the City to regulate collection, disposal, recycling and resource recovery of solid waste, and to establish a process for the grant of solid waste management franchises in order to:

- (a) Provide for safe and sanitary collection, transportation, and disposal of solid waste, and provide for recycling and resource recovery.
- (b) Provide a coordinated citywide program for the control of solid wastes in cooperation with federal, state, and other local agencies.
- (c) Provide for, and encourage research, studies, surveys, and demonstration projects to promote the development of more sanitary, efficient, and economical solid waste management, recycling and resource recovery.
- (d) Ensure rates for solid waste management are just, fair, reasonable, and adequate to provide necessary solid waste management, recycling and resource recovery and prohibit rate preferences and other discriminatory practices.
- (e) Provide technologically and economically feasible recycling and resource recovery.
- (f) Fulfill the purposes set forth in ORS 459A.085(4).

Sec. 47.099. – Rates; billing

SRC 47.099(f) In establishing or adjusting rates, the following factors shall be considered:

- (1) Current and projected revenues;
- (2) Current and projected operating expenses;
- (3) Acquisition and replacement of equipment;
- (4) Professional and consultant services;
- (5) Reasonable operating margin;
- (6) Construction and maintenance costs;
- (7) Research, training, and development;
- (8) Special services;
- (9) Composting, recycling, reuse, and resource recovery services, if such services are required by the City or any other governmental agency with jurisdiction over the activity or service; and
- (10) Any other factor deemed relevant by the Council.

(g) Where no rate has been established for a particular kind of service, the Director may establish an interim rate, pursuant to the factors listed in subsection (f) of this section, until a final rate has been set by the Council.

Reasonable Operating Margin

The pre-tax return on revenue or “margin” is calculated by subtracting Allowable Expenses from Total Revenue to determine Franchise Income. Franchise Income is then divided by Total Revenue to determine the ROR.

$$\text{Total Revenue} - \text{Allowable Expenses} = \text{Franchise Income}$$

$$\text{Franchise Income} / \text{Total Revenue} = \text{Return on Revenue}$$

- Haulers pay approximately 3% in local, state, and federal taxes.
- Another 3% is allocated to reserves used to run the day-to-day activities of the business.
- The balance is passed back to the owners in the form of dividends and distributions, which are again taxed as income.

Operating Margin for Solid Waste in Oregon's 10 Largest Cities

| City | Rate Method | Target Margin | Market Type |
|-------------|---------------|---------------|-----------------------|
| Portland | Annual Review | 9.5% | Residential Franchise |
| Eugene | Annual Review | 11% | Open Mkt. w/ License |
| Salem | Annual Review | 10% | Franchised Areas |
| Gresham | Annual Review | 10% | Franchised Areas |
| Hollsboro | Annual Review | 8% | Franchised Areas |
| Beaverton | Annual Review | 9% | Franchised Areas |
| Bend | Annual Review | 10% | Franchised Areas |
| Medford | CPI / Request | 8 to 10% | Franchised Areas |
| Springfield | Rate Request | 8 to 11% | Franchised Areas |
| Corvallis | Annual Review | 8 to 10% | Franchised Areas |

Subsidization

- SRC 47.015 (d) Ensure rates for solid waste management are just, fair, reasonable, and adequate to provide necessary solid waste management, recycling and resource recovery and prohibit rate preferences and other discriminatory practices.
- Lines of business (cart, container, drop box)
- Levels of service (cart/container size)
- Haulers' customer mix