

Cost of Service Analysis 2023

SOLID WASTE COMMITTEE

JUNE 13, 2024

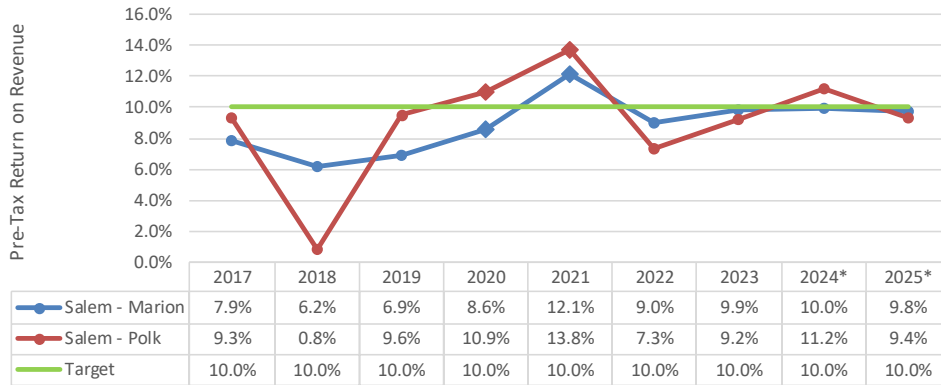
Summary of Approved Rate Increases

| Salem – Marion | Jan-2024 | Jan-2025 |
|-------------------------------------|-----------------|-----------------|
| • Cart Service – mostly residential | 5.35% | 3.35% |
| • Container Service – commercial | - | 2.85% |
| • Drop Boxes | - | 0.27% |
| Combined Total | 2.54% | 2.49% |

| Salem - Polk | Jan-2024 | Jan-2025 |
|-------------------------------------|-----------------|-----------------|
| • Cart Service – mostly residential | 5.61% | 3.79% |
| • Container Service – commercial | 8.19% | 4.33% |
| • Drop Boxes | 7.98% | 4.79% |
| Combined Total | 6.34% | 4.00% |

Reminder of approved rate increases.

Historical and Projected Returns with Approved Rates through 2025



* Projected 2024 and 2025 with approved rate increases.

Actual and Projected Returns by Line of Business

(*with approved 2024 and 2025 rate increases)

| Line of Business | 2023 | *2024 | *2025 |
|-----------------------------|-------------|--------------|-------------|
| -Cart (Residential) | 10.5% | 12.4% | 12.2% |
| -Container (Commercial) | 11.6% | 9.7% | 10.2% |
| -Drop Box | 6.5% | 5.0% | 3.7% |
| Salem – Marion Total | 9.9% | 10.0% | 9.8% |
| -Cart (Residential) | 9.6% | 11.3% | 9.6% |
| -Container (Commercial) | 8.9% | 11.6% | 9.9% |
| -Drop Box | 7.6% | 9.4% | 6.3% |
| Salem – Polk Total | 9.2% | 11.2% | 9.4% |

| Cost Factors | 2023 | 2024 | 2025 |
|-----------------------------------|--------|------------------------|----------------------|
| Fuel | -10.1% | 10.7% -5.7% | 0.0% 0.2% |
| Labor | 5.0% | 5.0% | 5.0% 4.4% |
| Medical Insurance | 15.8% | 6.5% 4.0% | 6.5% 4.0% |
| Disposal (expanded on next slide) | 5.9% | 0.7% 0.1% | 0.8% 2.4% |
| Vehicle Depreciation | 4.3% | 2.9% 4.0% | 2.5% 3.3% |
| General Inflation | 4.5% | 4.0% | 2.8% 3.3% |

Better/Worse

Fuel, General Inflation, and Vehicle Depreciation based on first four months (2024) of escalation factors.

| Disposal | 2023 | 2024 | 2025 |
|----------------------------|-------|-------------|------------|
| Combined Disposal Increase | 5.9% | 0.7% 0.1% | 0.8% 2.4% |
| Covanta-Marion (Garbage) | - | - | - |
| Coffin Butte (Garbage) | 3.9% | 7.6% 11.4% | 7.1% 20.5% |
| Yard Debris/Food Waste | 23.2% | 3.2% | 3.1% 8.3% |
| Commingle Recycling | 60.3% | 0.0% -14.9% | 0.0% 3.3% |

Better/Worse

- The disposal fee at Covanta-Marion, where much of the garbage in Marion County is taken, has no approved rate increase currently. (\$87.45)
 - In May, Marion County Commissioners had a Work Session to discuss contractual and inflationary costs supported by the disposal fee. My understanding is that one of the Commissioners asked about the possibility of a small annual (CPI) increase on the disposal fee to offset that margin erosion, but at this time no further action has been taken.
- Coffin Butte landfill: (2022 = \$38.00) - **As Coffin Butte approaches their tonnage cap, they are prioritizing waste streams.**
 - 2023 - \$1.50/ton (3.9%): \$39.50
 - 2024 - ~~\$3.00/ton (7.6%): \$42.50~~ **\$4.50/ton (11.4%): \$44.00**
 - 2025 - ~~\$3.00/ton (7.1%): \$45.50~~ **\$9.00/ton (20.5%): \$53.00**
- Mixed organics which include yard debris and food waste increased \$16/ton in 2023 and is expecting modest inflationary increases going forward. (\$2.75 annual increases)
 - 2023 - \$85.00
 - 2024 - \$87.75
 - 2025 - ~~\$90.50~~ **\$95.00 (\$7.25/ton)**
- Finally, commingle recycling, this is the recyclable material collected in the blue curbside cart, saw a major shift in the market during 2023. The average cost per ton increased from \$73.01 in 2022 to a current average of \$117.00 in 2023, resulting in over 60% increase this year.
 - 2023 - ~~\$117.00~~ **\$106.81**
 - 2024 - ~~\$117.00~~ **\$90.92 average YTD**
 - 2025 - ~~\$117.00~~ **\$93.88 estimate**

Forecast Risks



Marion County / Reworld Marion (formerly Covanta Marion) contract extension



Coffin Butte disposal rate



Volatile recycling market



Equipment costs

1. Currently contract expires 6/30/2024. 6/12/2024 Board meeting, Marion County extended Reworld's contract to the end of 2024 (6 months). Extension into 2025 uncertain.
 1. Increased current tipping fee paid to Reworld from \$38.63 to \$72.25 per ton. With monthly offsetting credit, effective tip fee of \$60 - \$21.37 per ton increase.
 2. No increase to MC disposal rate at this time.
 3. Cost to MC Environmental Services is approximately \$1.335M during the six-month extension. Not sustainable for Marion County long-term.
 4. Any increase over \$10/ton in 2025 will likely push hauler margin in Marion County below 8%. (\$87.45 ->\$97.45); \$20 increase = 6.4% margin
2. Disposal rate in contract between MRRF and Coffin Butte in dispute. Landfill reaching tonnage cap and will need to "prioritize waste streams." Additionally, \$19.71 environmental recovery fee per load no longer being waived for Valley, effective July 1, 2024.
3. Disposal rate in first four months of 2024 varied from \$65.64 to \$138.30 per ton (average of \$90.92). Previous estimate was \$117/ton
4. Diesel trucks becoming harder to obtain, while EV trucks are still unproven. Increased cost to maintain and/or purchase diesel trucks.

Solid Waste Policy Discussion

SOLID WASTE COMMITTEE

JUNE 13, 2024

Policy Discussion

| Policy Considerations | Discussion/Information | Salem Climate Action Plan | Oregon Recycling Modernization Act |
|--|---|---------------------------|--|
| Waste Reduction Statement Goals & Measuring Success (CAP, RMA, "Zero Waste") | Medical Waste | Multifamily – Organics | Multifamily – Recycling |
| Curbside Service Options | Covanta/Coffin Butte Emissions, Leachate, PFAs | Commercial – Organics | Recycling Contamination |
| City Franchise Fee (7%) Use of funds | EV Garbage Trucks (rates, policy, CAP) | | Local markets for recoverable material |
| CPI/Inflation Factors Rate Review | Current Promotion, Outreach, and Education (CAP, RMA) | | |

CPI/Inflation Factors

Fuel: Base x Escalation Factor = Forecast Expense

- **Base:** Actual total fuel expense for most recently completed calendar year
- **Escalation Source:** U.S. Energy Information Administration (EIA)
 - West Coast No 2 Diesel Ultra Low Sulfur (0-15 ppm) Retail Prices (Dollars per Gallon)
 - Annual Escalation Calculation: Year/Year % change of average of monthly price using monthly year-to-date actual price, with remaining months based on last known actual month.

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Annual Average | Y/Y % Change |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|----------------|--------------|
| 2022 | 4.454 | 4.666 | 5.733 | 5.807 | 6.076 | 6.465 | 6.193 | 5.648 | 5.633 | 5.838 | 5.736 | 5.249 | 5.625 | |
| 2023 | 5.085 | 5.006 | 4.865 | 4.702 | 4.605 | 4.435 | 4.529 | 5.110 | 5.577 | 5.528 | 5.116 | 4.755 | 4.943 | -12.1% |
| 2024 | 4.555 | 4.672 | 4.652 | 4.672 | 4.672 | 4.672 | 4.672 | 4.672 | 4.672 | 4.672 | 4.672 | 4.672 | 4.661 | -5.7% |
| 2025 | 4.672 | 4.672 | 4.672 | 4.672 | 4.672 | 4.672 | 4.672 | 4.672 | 4.672 | 4.672 | 4.672 | 4.672 | 4.672 | 0.2% |
| 2026 | 4.672 | 4.672 | 4.672 | 4.672 | 4.672 | 4.672 | 4.672 | 4.672 | 4.672 | 4.672 | 4.672 | 4.672 | 4.672 | 0.0% |

CPI/Inflation Factors

Labor: Base x Escalation Factor = Forecast Expense

- Base: Actual total labor expense for most recently completed calendar year
- Escalation Source: Collective Bargaining Agreement
 - Capital Recycling and Disposal, Inc and General Teamsters Local No. 324

Medical Insurance: Base x Escalation Factor = Forecast Expense

- Base: Actual total medical insurance expense for most recently completed calendar year
- Escalation Source: Oregon Refuse and Recycling Association (ORRA) group plan

CPI/Inflation Factors

Disposal: Base x Escalation Factor = Forecast Expense

- **Base:** Actual total disposal expense for most recently completed calendar year
- **Escalation Source:**
 - **Municipal Solid Waste (MSW)**
 - Salem-Marion – Approved by Marion County Board of Commissioners
 - Salem-Polk – Set by Coffin Butte Landfill (owned and operated by Republic Services)
 - **Mixed Organics (yard debris/food waste)**
 - Set by Marion Resource Recovery Facility (MRRF) based on:
 - Cost to reload and transport from MRRF to Pacific Regional Compost (PRC)
 - Disposal cost at PRC (owned and operated by Republic Services)
 - **Commingled Recycling**
 - Average year-to-date actual market rate paid by haulers

CPI/Inflation Factors

General Inflation: Base x Escalation Factor = Forecast Expense

- **Base:** Actual total expense (all other items) for most recently completed calendar year
- **Escalation Source:** Consumer Price Index for All Urban Consumers (CPI-U)
 - All Items in West – Size Class B/C, all urban consumers, not seasonally adjusted
 - Annual Escalation Calculation: Year/Year % change of average of monthly price using monthly year-to-date actual price, with remaining months normalizing towards long-term average annual CPI of 2.5%

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Annual |
|------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 2022 | 174.269 | 175.890 | 178.019 | 179.339 | 180.810 | 182.790 | 183.277 | 183.543 | 184.088 | 185.410 | 184.626 | 183.686 | 181.312 |
| 2023 | 184.717 | 185.968 | 187.301 | 188.008 | 188.833 | 189.295 | 189.737 | 190.368 | 191.238 | 191.321 | 190.409 | 190.095 | 188.941 |
| 2024 | 191.586 | 191.874 | 194.047 | 194.913 | 195.741 | 196.524 | 197.261 | 197.952 | 198.595 | 199.191 | 199.739 | 200.238 | 196.472 |
| 2025 | 200.655 | 201.073 | 201.492 | 201.912 | 202.332 | 202.754 | 203.176 | 203.600 | 204.024 | 204.449 | 204.875 | 205.302 | 202.970 |
| 2026 | 205.729 | 206.158 | 206.587 | 207.018 | 207.449 | 207.881 | 208.314 | 208.748 | 209.183 | 209.619 | 210.056 | 210.493 | 208.103 |

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Annual |
|------|------|------|------|------|------|------|------|------|------|------|------|------|--------|
| 2023 | 6.0% | 5.7% | 5.2% | 4.8% | 4.4% | 3.6% | 3.5% | 3.7% | 3.9% | 3.2% | 3.1% | 3.5% | 4.2% |
| 2024 | 3.7% | 3.2% | 3.6% | 3.7% | 3.7% | 3.8% | 4.0% | 4.0% | 3.8% | 4.1% | 4.9% | 5.3% | 4.0% |
| 2025 | 4.7% | 4.8% | 3.8% | 3.6% | 3.4% | 3.2% | 3.0% | 2.9% | 2.7% | 2.6% | 2.6% | 2.5% | 3.3% |
| 2026 | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |

General inflation includes Vehicle Depreciation.

Recycling Modernization Act Update

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Recycling Modernization Act - Update

~~Public comment period for Circular Action Alliance (CAA)
program plan extended to May 31~~

~~DEQ already plans to reject the plan, CAA will resubmit
revised plan this fall~~

**Discuss recycling service expansion requests, funding,
and existing recycling depots with CAA in the spring and
summer of 2024.**

Provide feedback on new recycling educational materials
and contamination reduction programming elements in
the summer and fall of 2024.

Determine funding authorization – service providers to
possibly receive PRO funding on City’s behalf – at the
beginning of 2025.

Oregon Recycling System Optimization Plan (ORSOP)

Building upon information collected by 2023 DEQ Local Government Needs Assessment

Identify system expansion needs for local governments and service providers

- On-Route Collections
- Depot Collections
- Reload Facilities
- PRO Acceptance List Collection Evaluation
- Transportation Reimbursement

Actively working with Haulers and Marion County to complete ORSOP questionnaire by 6/28/2024 due date