

A G E N D A



METRO

MEETING: **REGIONAL SOLID WASTE ADVISORY COMMITTEE (SWAC)**
DATE: Thursday, April 28, 2005
TIME: 10:00 a.m. – 12:00 p.m.
PLACE: Rooms 370A/B, Metro Regional Center, 600 NE Grand Avenue, Portland

- 10 mins. **I. Call to Order and Announcements** **Rod Park**
Introductions/Announcements
*Approval of Minutes**
- 10 mins. **II. Solid Waste & Recycling Director's Update**..... **Mike Hoglund**
- 60 mins. **III. Rate-related Policy Discussion*** **Doug Anderson**
Metro's Rate Review Committee examines costs associated with regional solid waste services and discusses how to allocate those costs through the rates to appropriate customer classes, according to usage or benefit. This year, four policy areas have been identified where a full cost of service rate philosophy leads to allocating costs across more than one rate. These four policy areas (regulatory costs, sustainability initiatives, public customers' access to service, and debt service payments) and the Rate Review recommendations on each will be explained. SWAC members will be asked to comment on full cost of service or any other preferred approaches in these policy areas.
- 25 mins. **IV. RSWMP Rate and Revenue Policies*** **Janet Matthews**
Keeping the "rates policy" theme, this agenda item will entail a review and discussion of proposed "Regional Rate and Revenue Policies" for the updated RSWMP.
- 10 mins. **V. Other Business and Adjourn*** **Rod Park**
Revised RSWMP vision statement and regional values.

**Material for this agenda item is attached.*

All times listed on this agenda are approximate. Items may not be considered in the exact order listed.

Chair: Councilor Rod Park (797-1547) Staff: Janet Matthews (797-1826) Committee Clerk: Susan Moore (797-1643)



METRO

600 NE Grand Ave.
Portland, OR 97232-2736

MEETING SUMMARY
Solid Waste Advisory Committee
Metro Regional Center, Council Annex
March 24, 2005

Members / Alternates Present:

Councilor Rod Park, Chair
Mike Hogleund
Rick Winterhalter
Jeff Murray
John Lucini
Dave White

Mark Altenhofen
Glenn Zimmerman
Wade Lange
Anita Largent
Mike Miller
Dean Kampfner

Matt Korot
Ray Phelps
Lori Stole
Eric Merrill
Mike Leichner
Paul Edwards

Guests and Metro staff:

Janet Matthews
Kathryn Schutte
Jim Watkins
Roy Brower
Meg Lynch
Jeff Gage
Jan Whitworth

Marta McGuire
Bryce Jacobson
Scott Klag
Jennifer Erickson
Melissa Finn
Judy Crockett

Robin Hawley
René Eyerly
Easton Cross
Les Joel
Steve Apotheker
Gina Cubbon

I. Call to Order and Announcements.....Rod Park

- Councilor Rod Park convened the meeting, and asked attendees to introduce themselves.
- A plaque illustrated with an Earth Day Billboard design was presented to Councilor Susan McLain for her work with the Solid Waste & Recycling Department and its committees over the past 10-15 years. The plaque is inscribed:

“To Susan McLain, with great appreciation for your service as Chair of Metro’s Solid Waste Advisory Committee and your overall leadership in regional solid waste policy.”

Additionally, the Councilor was presented with various recycling-themed products, such as a recycled ruler, hat, sloganed t-shirts, a Frisbee made from recycled plastic, and other items.

- Councilor Park asked for any revisions to the minutes of the previous meeting, or a motion to accept. The minutes were approved unanimously by those present.

II. Solid Waste & Recycling Director's Update..... Mike Hogleund

- Mr. Hogleund reported on a number of actions by the Regulatory Affairs Division.
 - Greenway Recycling (St. Helens Road, Portland) has been approved as a dry waste reload facility. The facility was previously a yard debris reload, wood waste grinding operation.

Greenway still needs City of Portland approval for landscaping and other site issues, as well as submitting an Operations Plan update to Metro prior to accepting dry waste.

- Allwood Recycling (a yard debris compost facility on Marine Drive, Portland) was issued a notice of non-compliance by Metro for the migration of leachate from their site into Sandy Creek. The flow of leachate was stemmed within weeks of the notice; Allwood is now developing a professionally-engineered stormwater management plan.
- On March 14, Metro published a public notice for Woodco, a yard debris reload in unincorporated Washington County. Woodco has been a wood fuel and chipping operation since 1953 and would like to become a yard debris and wood waste reload facility. Metro had ordered the operation to cease reload activities in 2003 until such time that they obtained proper land use approval. The County has now issued them such approval, so they are moving forward with their application.
- This year's Rate Review Committee is up and running, Mr. Hoglund said, noting that some members are also on SWAC. He gave a brief bio of the membership; the Committee is chaired by Councilor Park and will be meeting until at least mid-April. Their charge is to look at the allocation methods for Metro's rates (including the Regional System Fee) and how they impact the region. Their recommendation will be brought before SWAC and then the Council.
- Metro's Business Paper Recycling ad campaign for 2005 will be previewed at the April 7 SWAC meeting – that date was being held for a tentative meeting and is now confirmed.
- The new MetroPaint facility (4825 N. Basin, Portland) is ready to open – the April grand opening date will be announced soon; all SWAC members will be invited. He showed a picture of the new facility, which will house latex paint recycling operations as well selling paint and accessories.
- Mr. Hoglund asked Janet Matthews to give an update on state legislation related to solid waste:
 - A state-wide electronic waste (“e-waste”) recovery bill has been introduced. Several groups support the bill and will attend the first hearing for it on Tuesday, March 29. The Bill, SB740, includes an “advance recycling fee” – a charge at the time of purchase to cover recycling at the end of the product's life. It's the first proposal Ms. Matthews knows of in the US that would establish a third-party organization to manage the funds and operations of the program.
 - Ms. Matthews also mentioned a tire recycling bill “that's virtually identical” to the one Metro supported in the previous legislative session.
 - Another bill being introduced would require the Oregon DEQ to put together an advisory committee to examine waste reduction goals that are in statute. “Metro's position on the bill,” Ms. Matthews said, “is that we consider it reasonable to examine the goals – we're engaged in that right now as party of the RSWMP process... We're generally neutral on the bill [because] we're already doing the work that's envisioned for this region, but we'll certainly participate in a working group if the bill is passed.”

Discussion of this bill by SWAC members included Ray Phelps, who viewed Metro's neutrality as appearing to be negative. Ms. Matthews and Councilor Park disagreed, saying that such a review is something already ongoing at Metro so rather than spread staff time more thinly by actively supporting the bill, Metro would prefer to just commit to being part of the advisory committee if it is, indeed, formed. Washington County's Rick Winterhalter added, “To me, as I look at that bill, it makes no sense to me whatsoever. We're in a constant examination of those goals, we continually have a dialogue at the local

government level with the haulers and the businesses that are carrying out the business of recycling. It seems like an extra....I just don't understand the motivation at all."

Councilor Park said he understands it to be a way to make sure the goals are reasonable, and to get the issue back in front of the legislature. Not all jurisdictions around the state have met their goal, he said, "So it's not an attempt by Metro to shift responsibility away from us, it's just the question of re-examining. If we're at, say 59%, and we want to get to 62% - if it's going to cost some huge amount, is that exactly where we want to go?"

Councilor McLain added that Metro has no intention of being negative about the bill, "but as Rick [Winterhalter] said, we're already doing the job. There's no money attached to this bill. They're not giving us resources to do another type of report, so what we're trying to do is say 'we do this work already' and we want to see what the rest of the state says about this." While Metro would join in and be a good partner if it goes through, the Councilor said, "At this point it doesn't even have funding."

III. Annual Waste Reduction Program Plan.....Meg Lynch

Councilor Park introduced Meg Lynch, who presented the FY 2005-06 proposed budget and plan for Metro's Waste Reduction Program. The regional recovery rate for 2003 (the most recent complete data) was 57% - up a full three percentage points from the previous year, Ms. Lynch announced. The largest gains were made in metal and paper recycling, wood recovery, and yard debris recovery. "We believe," she said, "that the annual waste reduction plan is an integral part of helping achieve those impressive recovery goals. It's a huge part of the work we do in the Waste Reduction Division, it constitutes 85% of our budget request for next year."

In existence for nearly 16 years, the Plan was instituted in 1990 because of a compliance order from DEQ that instructed Metro to implement its waste reduction plan and to be the organizing agency for local recycling initiatives. (Note: A copy of the Year 14 performance measures assessment and the Year 16 draft plan were included in the agenda packet.) As part of the Plan, Metro began to provide funds to local governments to help them set up and maintain recycling programs. Money was given on a per-capita basis, roughly in proportion to what ratepayers were contributing to Metro's Solid Waste Fund (which funded the program). Local government expenditures towards waste reduction and recycling programs have steadily increased; in FY 2003-04, local governments invested an average of nearly ten times the funding that Metro provided to them.

In FY 1997-98, a portion of the per capita-based funding was set aside to develop targeted competitive grants to focus on innovative projects that weren't being addressed otherwise.

A performance analysis of the Plan was done in 2000, and showed that while curbside success exceeded expectations (95% participation), more work was needed in the areas of commercial, C&D (construction / demolition) and commercial organics. Consequently, Metro and local governments developed new regional initiatives. Additional performance measures were adopted in FY 2003-04.

Ms. Lynch reviewed the current program, which the proposed budget maintains, and then outlined proposed changes for FY 2005-06. These changes shift some resources to target program areas needing greater results.

- Per capita grant funding for those jurisdictions which receive \$100,000 or more will be given in two portions – the second portion will be contingent upon Metro receiving interim progress

reports from the local government. (Requested budget: \$636,803 – a slight increase over FY 2004-05.)

- Targeted competitive grants will focus on multi-family recycling (apartments, condos, duplexes, etc.) In addition, grant applications will be available to entities other than just local governments and non-profits, and funds will be allowed to carry-over to the next fiscal year “if proposals are not sufficiently rigorous.” (Requested budget: \$80,000 – half the amount that was allocated in FY 2004-05.)
- Technical assistance, education, and outreach to the commercial sector will increase in the waste reduction initiatives portion of the Plan. (Requested budget: \$1,027,000 – an increase from FY 200-05 because of the increased tech assistance for commercial sector.

At the end of the presentation, Committee discussion of the Plan began with a few questions about the report contained in the agenda packet. Waste Connections’ Eric Merrill asked how efficiency can be measured. “The Region needs to meet the goal, we have a limited number of dollars to spend on it, and yet we’re not looking at the most efficient ways to spend the dollars.” He maintained that just looking at accountability and effectiveness doesn’t address if it’s cost-effective.

Mr. Merrill referred to page 15 of the report, specifically vermicomposting at schools. He read that \$43,000 was requested for the project, which he calculated to a cost of \$13,000 / ton. Ms. Lynch pointed out that the table shows that amount was for five projects listed in the same cell. Still, Mr. Merrill said that “I don’t see any analysis of whether or not we’re spending the money efficiently.” Councilor Park responded that while his point was understood, it may have not been the best example. “Education is never efficient,” he said, and Mr. Merrill agreed. Ms. Lynch added that waste prevention, too, is hard to measure.

Joining in the fray, Mr. Winterhalter commented that including how many students were reached could be somewhat helpful, because those students hopefully repeat what they’ve learned at home. “To only look at it as dollars spent, tons recovered, is really missing those other intrinsic benefits that are public good and very hard to measure,” he asserted. Councilor McLain agreed, saying that what’s being taught is an environmental ethic.

ORRA’s Dave White referred to the very first page of the report, noting that while this discussion was about the Plan, his question was whatever happened to the contingency plans developed to help reach the 62% recovery goal. “At some point at SWAC, I’d like a report of the status,” he said. Mr. Hogle replied that “The reason they’re contingency programs is that they’re difficult to implement.” Discussions on how to do more dry waste recovery (“mandatory MRFing”) have begun; three options have been developed internally. “Hopefully we can roll those out in the next month or so to start getting more feedback on that,” he said. The commercial organics plan has begun, Mr. Hogle added; a more complete update will be presented at a future SWAC meeting.

Councilor Park wrapped up the agenda item, asking for a motion to approve recommendation of the proposed Plan for FY 2005-06. Judy Crockett, filling in for City of Portland representatives, moved to approve; the City of Gresham’s Matt Korot seconded.. After some further discussion and clarification, the motion was approved unanimously.

Councilor Park excused himself to attend a bill signing in Damascus, turning the meeting over to Mr. Hogle.

IV. System Sustainability Goals René Eyerly

Mr. Hogle introduced Ms. Eyerly, who did a follow-up to her presentation at last month’s meeting. A subcommittee has been put together to discuss sustainability goals to be included in the RSWMP update, she reported. The first meeting will be spent providing “concrete, tangible examples of sustainability goals that have been set by different businesses and jurisdictions,” as

well as introducing members to various frameworks they may wish to use. She previewed future meetings (as outlined in the agenda packet), and noted that “I really look at this as the first phase in setting sustainability goals. Goals tend to be broad, over-arching statements.” Next steps will include determination of what additional analysis is needed in setting specific targets. The subcommittee will report back to the SWAC and to the Council.

V. Regional Policies for the RSWMP Janet Matthews

Ms. Matthews began her presentation by reviewing last month’s SWAC discussion of regional policies for the RSWMP and followed-up on the items set aside at that meeting for further discussion.

“What we are doing today,” Ms. Matthews explained, “is just beginning down the road of some of the first of these policies and getting your feedback. What SWAC is really here for is to advise Metro on policy, and so this is perfectly in keeping with the purpose of this body as we’re putting these direction-setting chapters together for the updated RSWMP (Chapters 3, 4, and 5). Those chapters will have the framework of our vision, values, regional policies, and then goals and objectives for waste reduction, and for facilities and services.” Over the next several months, she continued, SWAC will be discussing these chapters in detail. “Policies,” Ms. Matthews reminded the group, are defined as “high-level statements to guide and determine present and future decisions and courses of action.” The Plan policies, therefore, are directed at the region’s policy-makers.

Moving forward, Ms. Matthews directed the group’s attention to the last page of the agenda packet, “Regional Sustainability Policies.” Three on this list had been set aside for further discussion. Descriptions of draft policies were handed out (attached) while she explained the format used.

Policy 4.0

Ms. Matthews explained the hand-out, referencing. She noted that nothing in the policy addresses the weight that would be accorded various criteria. “That might vary,” she said, “and decisions would certainly be made on a case-by-case basis. I don’t think we need to get into the fine detail in these policy statements.”

John Lucini asked, “When you evaluate the economic comparisons, how far downstream would you look for economic impacts?” For example, curbside recycling has increased recovery and reduced collection costs, “But further downstream, at the processing end, it may require the end-user of that raw material to invest either in more equipment to deal with more contamination, or to drive up disposal fees on that end. Do you envision looking at those impacts?” Mr. Hoglund said that the model will look at the system as a whole, across the spectrum of collection, hauling, generator costs, etc.

No further discussion or questions developed on this item.

Policy 4.1

This policy was not included in the handout. Ms. Matthews read the policy aloud, “Sustainability practices for the solid waste system may be implemented voluntarily or required by regulation.”

Ms. Matthews reflected on whether this statement is needed. “I think we just wanted to identify that sustainability practices can be implemented in either of those ways,” she said. She proposed that perhaps policy direction could be provided on when regulations might be suitable for sustainability programs.

Reminding the group that Metro has a policy of funding waste reduction programs, as long as they contribute towards the recovery rate, and they’re technologically and economically feasible, Ms. Matthews asked, “Is there guidance in this Plan for when governments in the Region might adopt a

regulatory approach to implement sustainability practices, or is that just a bunch of quicksand and we don't need to wade in there?"

Mr. Korot responded, "It's a big thing of quicksand." Several Committee members echoed his thought: "Yes, a big thing of quicksand." "I can't even see the other side." and all chuckled, understanding the conundrum.

Ms. Matthews acknowledged she thought it might not be a popular idea, but had felt it appropriate to at least broach it with the group. Mr. Hogle asked if the policy would just be dropped entirely; Ms. Matthews said, yes, but the sustainability work group may come out with not only goals, but perhaps a recommendation for policies.

"My point for the Committee," Mr. Hogle said, "is every once in awhile there's a regulation that everybody – or most everybody agrees – is necessary. They're few and far between. If that time ever happens, and the discussion says, 'Remember, we dropped the regulatory piece at that SWAC meeting back in 2005, so we can't look at a regulatory measure.' So I don't think this precludes us from it, but we just don't want to call it to attention [at this time]." The group largely nodded agreement.

There was further discussion on the matter; Mr. White pondered aloud if it should be left in as a placeholder, but also acknowledged that even if taken out, the goals and objectives under 4.0 would address it. Mr. Hogle added that a statement could be included in a definition section or the like, explaining how things are implemented in this system, and reference the various tools there.

Policy 4.1 will be removed.

Policy 5.0

Ms. Matthews explained that this is a new piece, "Provision of Integrated Public Services," which would apply to regional transfer stations. The provision, which includes household hazardous waste as well as source-separated recycling, is already part of Metro Code, but would expand to the Forest Grove franchise when it is up for renewal in 2007.

Mr. Murray asked who would pay for the services provided? Currently, Ms. Matthews replied, the cost is recovered through the Regional System Fee. It's an excellent question, she said. Mr. White said the provision seems to promote public self-hauling, which he feels doesn't fit under the heading of sustainability policies.

Which RSWMP policy category this would fit under is something to consider, Ms. Matthews said. "We had second thoughts about it being here as opposed to the System-Wide portion." Councilor McLain agreed the piece is a better fit under System-Wide, but then Mr. White had concerns about promoting cross-purposes (sustainability versus making disposal easier). "For the record," Mr. White stated, "maybe we don't want to make it as easy in the next ten years."

"We deal, at the Council level, with conflicting goals all the time," Councilor McLain held. "We have the public saying 'We want this service, we need this service, and you're not providing it any other way.' So we want to make sure it's part of the system. I agree with [Mr. White] that there are conflicting values, and I don't mind it being noted, but I think we have to decide if we're going to give the public the service they ask for."

Further comment included the City of Portland's Judy Crockett, who noted that self-haul does exist and as long as it does, "it's a positive thing to have the ability to do recycling and some of the other things that we want to keep out of the wastestream, away from moving towards the landfill as garbage." Mr. Merrill warned that there may be an unintended consequence: While understanding the reason for this being in Metro Code, he said that it locks the Metro transfer stations into providing these services for the duration of the Plan. "Whether that's good, bad, or indifferent, it's a consequence you need to take into account," Mr. Merrill concluded.

Ms. Matthews said that Mr. Merrill's point did come up during staff discussion, that perhaps the policy shouldn't be aimed at a particular type of facility. Perhaps it should simply state that integrated public services will be provided at some class(es) of facilities. Knowing that things change, especially over a ten-year time, an amendment could certainly be made later if the structure of the transfer stations is altered. Mr. Merrill added that he felt that the overall policy piece sounded more like a Code piece than policy.

"We've been asked to look at our household hazardous waste operations, and examine it against potential other models," Mr. Hoglund informed the Committee. The study will be done under an RFP or RFB (Request for Proposal, or Bids) and may be expanded to include household hazardous waste disposal and collection throughout the region. "It there's a different model out there than just our two transfer stations... it would technically be in violation of this policy," he said, so revising the language might be a good idea.

Mike Leichner of Pride Disposal and Recycling agreed, suggesting the verbiage, "will be provided within the Region's solid waste system." In that way, it can be handled through the franchise system.

Waste Management's Dean Kampfer commented that the policy belongs in the System-Wide portion rather than under Sustainability, and that the location of the Forest Grove station is important to more rural self-haulers. As for the hazardous waste portion, he, too is curious about how it would be paid. "If the facility pays, do they get part of the \$4/ton that's being contributed to hazardous waste? And I'd hate to see those facilities have to duplicate Metro's Latex Paint Program – I think you've got a great program that should be built on. Yes, the policy should be more general rather than identifying specific items."

"I guess I just heard you argue that somewhere out in the 'hinterlands' people should be provided all those services," Mr. Winterhalter intoned. Regional transfer stations are required to have DEQ permits, those with DEQ permits for solid waste facilities are required to provide public recycling, he continued. Household hazardous waste is more difficult to provide and requires further discussion. "Maybe that's what comes out of this policy: It forces us to discuss how we're going to do that. Otherwise, maybe it just lies there, fallow, and every time a new regional transfer station comes up, nothing happens." Whenever a new facility is planned, Mr. Winterhalter concluded, there should be discussion about how the public is being served by the system. "If they want to become regional, they step up."

Ms. Matthews summarized the comments, saying that it seems the Committee feels comfortable in making Policy 5.0 "less reflective of regional transfer stations, and more general, to ensure that these integrated public services are provided."

Waste Reduction Goals and Objectives

Drawing the Committee's attention to page three of the table within the handout entitled "Draft Chapter 3" (attached), Ms. Matthews began to review items that are in the current Plan but are proposed for deletion.

"The current Plan, Chapter 5, is titled Regional Policies, but is made up of Goals and Objectives," Ms. Matthews explained. Some of these were policy statements, some goals, some objectives. Staff has worked to separate those that were policy rather than goals or objectives; other things have been moved, and some are being considered for elimination.

Goal 9 – This item, though entitled "Sustainability" refers to economic sustainability. It states, "Secondary resource management is a self-sustaining operation." Because of the Regional System Fee Credit and other subsidizing programs, not only is the goal unrealized, if it were realized many people would be unhappy for various reasons. "It certainly seemed to be advocating guidance,"

Ms. Matthews said, “that is inconsistent with what is going on in the region.” She asked for any comments. There were none.

Goal 9 of this section will be deleted.

Objective 9.1 – “Include both direct and indirect costs in the price of goods and services such that true least-cost options are chosen by businesses, governments and citizens when making purchasing decisions.” Up for deletion because its intent was unclear, Ms. Matthews said. She asked the group if anyone who was present during the creation of this RSWMP remembered why this Objective had been added, and if there’s still a need for it.

Mr. Murray said he thought it was “trying to lead us down the road of looking at the holistic cost, all environmental and economic... It was the first blush of trying to get beyond the obvious costs.” Mr. Hoglund commented that the phrase used in the objective, “least-cost options” was originally coined within the utilities industry – primarily electric - in the late 1980s. It eventually became popular to try to apply the same idea to other areas. It ultimately failed, Mr. Hoglund said. “In electricity, you either have demand management or power supply. It’s easy to get the least cost.” In so other arenas, it doesn’t make as much sense because of all the externalities.

“I don’t think we’d want to drop the concept,” Lori Stole said. No, that wouldn’t be the case, Ms. Matthews assured her. “I think we’re covering [this objective] in other ways, other places, so we’re not going to lose that concept,” she said.

Objective 9.1 – delete.

Objective 9.2 – “Develop markets for secondary material that are stable and provide sufficient incentive for separation of recoverable material from other waste and/or the post-collection recovery of material.” Ms. Matthews said that when looking at market development today, it’s positive that, for instance, that Metro has created a market for recycled paint. “But I think of the Recycling Business Assistance Program that this agency developed; we never really got any bites on that. It wasn’t very successful.” There is a recommended policy under the new Sustainability section that addresses recycling markets. The reason it’s up for deletion, Ms. Matthews concluded, is that A) it’s not a policy, it’s phrased as a goal, and B) developing markets for secondary material feels out of reach.

Councilor McLain gave some background on the item, saying that it was an important piece for Council at the time it was written. “We did feel it was a policy,” she said, “that Metro would get involved – not just in supporting successful market development – but that we would actually try to help, and that if we weren’t the agency that knew how to produce a market, we would at least try to give funds, or try to give technical assistance, or try to give something that was real.” The paint success story is a good one, the Councilor said. “The whole idea was that we should at least – if we want to walk our talk – try to produce something that would be helpful to others in private industry, and others partnering with public and private to get going on that.” Everyone understands that markets go up and down and that this is very difficult to do, she continued, “but I think it is a goal. We made a conscious effort as a Council to make it a goal, and we put it in the RSWMP [because] we felt it was one of those last items that we have to learn to do, and do well, if we really want to ever do anything besides recycle.”

Wade Lange felt that the Fork It Over! campaign is another success story of market creation. Mr. Hoglund wondered if this is properly captured in the Sustainability chapter, “or is it pretty weak?” Councilor McLain said it was weak, “It says we’ll ‘support,’ it doesn’t say that we’re going to try to develop or give resources.”

“I think it says ‘foster,’” Mr. Hoglund offered. “Foster’s worse than ‘support,’” the Councilor rejoined.

Ms. Matthews spoke of the different connotations of “market.” She felt that by some definitions, Fork It Over! might be a reuse rather than a market, which fits under sustainability.

Mr. Merrill recalled that what the group had originally been aiming at was to create long-term markets that were stable and not simply government-driven. “A jump start,” Mr. Murray added.

“I don’t think the idea of market development will be lost whether we revise the two policies that currently refer to markets, or we have some other goal or objectives pertaining to markets is anybody’s guess. But I’m sure we’ll have an updated Plan that has items on market development in it,” Ms. Matthews maintained. Staff just felt it should come out. Councilor McLain still felt that what’s being put in this objective’s place isn’t strong enough. “I just think the words need to be stronger than ‘foster.’”

There will be something related to market development within the Toxicity and Waste Reduction chapter, Ms. Matthews said.

The Committee will be receiving a piece following along the lines of this review for each policy area, Ms. Matthews said. She indicated that some proposed policies are “caught up in discussions that Council’s having on the Disposal System and decisions they will be making in the near future on that subject. Therefore, some items may not be addressed at SWAC until later.”

VI. Other Business and Adjourn.....Rod Park

- Mr. White proposed that Policy 1 include, “as a pre-statement, consistent with State Statute: *After consideration of technical and economic feasibility, solid waste management practices will be guided by the following hierarchy.* So at least there’s some context for deciding if something can or cannot be done.” He and Ms. Matthews had discussed it, and planned to bring it up at this meeting, but time ran short. Mr. Hoglund said it can be discussed at the next meeting.
- To a question by Mark Altenhofen regarding the letter to Mr. White within the agenda packet, Mr. Hoglund said, “Right now, there are RSWMP collection issues in the Plan. Defacto, it will come up to this group and others – it will be addressed.

Mr. Hoglund thanked the group for their attendance, and adjourned the meeting at 12 noon.

**Next meeting:
Thursday, April 28, 2005
Room 370 A/B**

Documents to be kept with the record of the meeting (copies available upon request):

- Draft regional policies

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REVIEW OF
DRAFT REGIONAL POLICIES
FOR THE RSWMP UPDATE

SHORT TITLE: Evaluation criteria for waste reduction or other sustainability alternatives

PROPOSED POLICY: “Waste reduction or other sustainability alternatives identified for business practices or programs will be evaluated based on (a) technological feasibility; (b) economic comparison to current practice; and (c) net environmental benefits.”

BACKGROUND: The current RSWMP states: “The economic and environmental impacts of waste reduction and disposal alternatives are compared on a level playing field in order that waste reduction alternatives have an equal opportunity of being implemented.” This is meant to guide the evaluation of alternatives by stating that economic and environmental impacts between alternatives and disposal will be compared, though it’s not clear what is meant by a “on a level playing field.”

The current RSWMP also states: “After consideration of technical and economic feasibility, Metro will support a higher system cost for waste reduction practices to accomplish the regional waste reduction and recycling goals.” This clearly means that, under certain conditions, Metro is willing to pay more for waste reduction practices that will help achieve the regional waste reduction goal.

NEED: As the region seeks further progress in waste reduction and sustainability over the next decade, can more clearly-stated guidance be provided as to how alternatives should be evaluated? The proposed policy statement attempts to provide needed clarity without changing likely intent of statements in the current Plan, cited above.

POLICY IN PRACTICE: In evaluating diesel filters to reduce particulate emissions of long-haul garbage trucks, Metro would consider technical feasibility. If the filters were technically feasible, direct and indirect costs and benefits of installing filters versus retaining current practice would be evaluated. Weight accorded to each criteria might vary; decisions likely made on a case by case basis.

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REVIEW OF
DRAFT REGIONAL POLICIES
FOR THE RSWMP UPDATE

SHORT TITLE: Provision of integrated public services

PROPOSED POLICY: “Integrated public drop-off services, including source-separated recycling, disposal, and household hazardous wastes will be provided by regional transfer stations.”

BACKGROUND: Transfer stations in the Metro region are either regional or local. The primary distinctions between the two are tonnage authorizations and service requirements. Regional transfer stations are not limited in the amount of waste they are authorized to accept, unless there are local land use restrictions. Regional transfer stations are also required to provide a range of integrated services to the public.* These provisions are in Metro Code, but not noted in the current RSWMP.

NEED: It is in the public interest to ensure that certain facilities in the region deliver integrated services identified in the proposed policy. (As proposed, the policy regarding provision of integrated public services identifies regional transfer facilities as the provider because that is consistent with current Metro Code.)

POLICY IN PRACTICE: When the Forest Grove franchise is up for renewal in 2007, this policy, consistent with Metro Code, would require a broader range of services for public customers if the facility is to remain a regional transfer station.

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* Applies to any franchise issued after July 1, 2000. Therefore, currently applicable only to the two Metro facilities, not Forest Grove.

Regional Solid Waste Advisory Committee
April 28, 2005

**Background for:
Agenda Item III. Rate-Related Policy Discussion**

General Policies Affecting Cost Allocations

The Situation

For the past two years, the Rate Review Committee (“RRC”) has debated the merits of different approaches for establishing Metro’s solid waste rates. The debate arises from the fact that Metro has at least two roles in the regional solid waste system—provision of disposal services, and delivery of regional programs (e.g., hazardous waste)—and two different fees to fund these activities.* The *Regional System Fee* pays for regional programs, and is levied on all regional waste, regardless of where that waste is disposed. Metro’s *tip fee* (which has the Regional System Fee as a component) and *transaction fee* fund Metro’s disposal services and are charged only to users of Metro transfer stations.

The essence of RRC’s debate is: who should pay for which costs.

Costs and Policies

The policy debate differs depending on the nature of the cost:

Direct costs. Historically, the following policies have driven Metro’s allocation of direct costs. The direct costs of *programs* filling a regional mandate or having a broad regional benefit (e.g., hazardous waste, waste reduction, landfill closure, illegal dumpsite cleanup) should be recovered from all regional ratepayers. Thus, these direct costs have been allocated to the Regional System Fee. The direct cost of *disposal services* should be paid by users only. Thus, these direct costs have been allocated to the transaction fee or the Metro tip fee and paid by users of Metro transfer stations only.

There is little debate on these allocation policies. (The second part of this paper on specific cost allocations provides more discussion.)

The RRC’s debate has focussed on two other classes of costs:

Long-term fixed costs. Long-term fixed commitments undertaken by Metro on behalf of the region; for example, debt service and fixed payments within long-term contracts.

Indirect costs. Primarily, administration and overhead of the department.

* More information on Metro’s rates is provided in Appendix A. A breakdown of this year’s tip fee by component is shown in Appendix B.

The allocation policies for the last two types of costs are captured within two allocation models under discussion by the committee: the “Public Good” model, and a strict “Cost-of-Service” model. These are summarized below.

The Models

Public Goods Model. Under the “Public Goods” model, the department’s long-term fixed and indirect costs are allocated to the Regional System Fee. This policy was implemented in 1997, when the region was involved in a debate over “quasi-privatization” of the disposal market—that is, whether to allow private disposal firms to handle significant quantities of putrescible waste, a market that had been dominated (with major infrastructure investments) by the public sector. The Metro Council struggled to entertain the quasi-privatization option due to serious concerns about the fiscal health of the public investment if tonnage flowed away from the Metro transfer stations. To address this situation, in 1997 after lengthy discussions with SWAC, Metro re-positioned its transfer stations as explicitly public goods, accompanied by a variety of commitments—long hours to accommodate the public, full commitment to preventive maintenance and renewal & replacement to ensure the region had a disposal system of last resort, etc. In return, the costs associated with these public goods—the long-term fixed and indirect costs—were allocated to the Regional System Fee so they would be broadly shared. By taking this step, Metro was relatively insulated from the fiscal impact of tonnage diversion, and the Council was better able to debate the quasi-privatization option on its merits as public policy. The fairness of the allocation was based on the assumption that costs followed tonnage: since the Regional System Fee is paid by everyone in proportion to tonnage; and since Metro’s indirect costs tended to follow tonnage, SWAC and the RRC of the time deemed the allocation policy to be equitable for the ratepayer.

Cost-of-Service Model. In a strict cost-of-service model, the long-term fixed and indirect costs are shared among the various rates according to established principles and policies. There are two conceptual elements in a strict cost-of-service model: (1) A determination of the full cost of a program or service (including direct, indirect and capital costs, often termed “fully-loaded cost”); and (2) the principle that the user (or beneficiary) should pay the full cost of that service.

The RRC’s construction of a strict cost-of-service model was undertaken last year to test the assumption that debt service and indirect costs followed tonnage in the Public Goods model. By the time it completed its work, the committee recommended that Metro adopt rates based on the cost-of-service allocation philosophy. The Metro Council agreed with the recommendation, but decided to phase-in the transition over two years. Accordingly, for the current fiscal year, the solid waste rates are based on a model that is halfway between the public goods and strict cost-of-service models. As a matter of practicality, this means that a portion of the debt service and about half of the administration and overhead costs associated with the transfer stations has been re-allocated from the Regional System Fee to the transaction or tip fee.

The Issue Before SWAC

This year, the new chair of the RRC wanted to analyze the effects of Metro’s rate actions on the broader solid waste system, before implementing the second half of the phase-in. The reason this

subject is before SWAC today is to provide committee members with the opportunity to understand and comment on this analysis.

Policies Affecting Specific Cost Allocations

The RRC has also been debating the appropriate policies for allocating certain specific costs. These costs and policy options are described in this section.

Any “cost of service” depends on the *level* of service provided. In the provision of public goods, the level-of-service is determined in part by policy choices. For example, Metro has a policy to ensure that public customers have convenient access to disposal services. This means that Metro stays open longer hours than would be the case if profit or cost minimization were the primary determining factor.

In such cases, when more than one policy drives a cost, then the costs-of-service should be allocated¹ to the appropriate customer classes according to usage or benefit. Continuing the hours-of-operation example: certain hours are necessary to for the business operation. These costs should be allocated to the disposal charge so only the users pay. However, a case can be made that the extra hours provide a regional benefit; and therefore, the cost of these additional hours should be shared more broadly by allocating them to the system fee.

The following paragraphs identify four policy areas where costs may be allocated across more than one rate.

Policy 1. Incidence of Regulatory Costs

Last year, the Rate Review Committee agreed that Metro incurs certain costs solely as a result of private facilities, and that the recovery of these costs should fall on the regulated community.

However, some classes of facilities are regulated specifically to meet a widely-shared public interest, and the cost of regulating these facility classes may therefore be allocated to the system fee. Two examples are yard debris facilities² and out-of-district landfills.³ In both these cases, Metro’s regulatory effort has broad system benefits.

Question

Should private facilities alone bear the cost of licensing, inspections and audits, and regulatory enforcement, or should this cost be shared among the broader regional beneficiaries?

Policy 2. Sustainability Leadership

Metro’s new operating contract includes certain “sustainability measures” that cost more than their conventional counterparts by about \$115,000 per year.⁴ With these purchases, Metro helps to boost the economic development of sustainable alternatives to help make them more widely available—a regional benefit.

Question

Should Metro’s customers alone bear the additional costs of sustainable purchasing, or should these costs be borne by the broader set of regional beneficiaries?

Policy 3. Public Customer Access to Disposal Services

Metro has made a policy choice to stay open long hours at the transfer stations to ensure convenient access for the public.⁵ These long hours are a major driver of the scalehouse costs. The operations contract also includes consideration for the higher cost of handling public loads. Metro's "always open" choice was made explicitly to benefit the region.

Question

Should Metro's customers alone bear the additional cost of operations and the extra hours held open for the public, or should this cost be shared?

Policy 4. Rate Predictability: Managing the Impact of the Debt Service on Rates

Depending on where the \$2.345 million annual debt service payment is allocated, its impact on the Metro tip fee ranges from \$1.80 (all allocated to the system fee), to \$4.15 per ton (all allocated to the disposal charge). The last bond payment is July 1, 2009. Therefore, beginning FY 2009-10, the debt service disappears as a revenue requirement on the rates. Under the current rate model, this would equate to a drop of about \$2.85 in the tip fee, all else equal. Historically, the Rate Review Committee has advised that Metro manage predictable cost swings such as the end of debt service payments, in the interest of maintaining predictable rate paths over time.

Question

Given these considerations, should Metro begin to manage its debt service, in order to soften the effects of the rate change on July 1, 2009? Metro could begin phasing-in the use of solid waste reserves to pay the debt service, in lieu of using rate revenue. Approximately \$500,000 in reserves could be used toward debt service next year, with the allocation from reserves increasing by a like amount each year until the entire debt service is paid from reserves in 2009. All else equal, this reduces the tip fee by about 70c per year. As indicated above, in the alternative—do nothing—the tip fee would drop by \$2.85 on July 1, 2009.

Appendix A Metro's Solid Waste System Finance: Fees

(adapted from the Official Statement for Metro's Solid Waste Refunding Bonds, May 2003)

Oregon state law provides Metro with authority to assess and levy fees on solid waste to recover the cost of providing disposal services and also to finance Metro's activities related to solid waste planning, administration and overhead. In implementing this authority, Metro maintains a two-part fee system, the *Transaction and Tip fees** at Metro transfer stations, and the *Regional System Fee* which is assessed on all waste regardless of the disposal site..

Metro's *Transaction Fee and Tip Fee* are collected from users of the two Metro-owned transfer stations. These fees are set to fully recover Metro's contract costs for operation, transport and disposal of waste delivered to Metro's transfer stations. In addition, certain fixed costs of the stations are recovered, including contributions to capital sinking funds, a portion of the debt service, and costs of operating the gatehouses (where incoming waste is weighed and fees are collected). Other fees and taxes are added onto these base disposal charges, including the Regional System Fee and Metro excise tax. For details on Tip Fee components see Appendix B.

The *Regional System Fee* is levied on all waste that is generated within the Metro district and ultimately disposed, regardless of which facility or landfill handles the waste. The Regional System Fee is collected at all disposal facilities within the district—currently, the Metro transfer stations and Forest Grove Transfer Station. The Regional System Fee is also collected at facilities outside the district pursuant to Designated Facility Agreements with Metro. Persons that are licensed to deliver solid waste to non-system facilities—Non-System Licensees—remit the Regional System Fee directly to Metro.

The main function of the Regional System Fee is to recover Metro's costs for provision of services not directly related to disposal of solid waste—planning, administration and overhead of the system. Because the Regional System Fee is levied on all waste, regardless of its disposal destination, Metro's ability to generate revenue is not wholly dependent on delivery of solid waste to the transfer stations owned by Metro. Among the costs recovered by the Regional System Fee are household hazardous waste programs, waste reduction programs, St. Johns Landfill operating costs, and other similar function; and (from 1997 until this year) all of the annual debt service on Metro's solid waste revenue bonds.

The authority to assess and levy solid waste fees rests solely with the Metro Council. Fees are reviewed at least annually, and changed by ordinance when needed. Within the process of establishing and modifying solid waste rates, the Metro Council has established an independent advisory panel, the Rate Review Committee and holds all hearings and votes in open public session. Solid waste fees established by ordinance of the Council become effective 90 days after passage and do not require further review, acknowledgement or approval by another public body.

* There are two disposal charges at Metro transfer stations: a fixed charge (Transaction Fee) for each load of solid waste accepted, and a variable charge (the Tip Fee) which is levied on the amount of waste delivered in the load.

Appendix B
Fiscal Year 2004-05 Disposal Charges at Metro Transfer Stations
Effective September 1, 2004-June 30, 2005

The disposal charge for municipal solid waste at Metro transfer stations is comprised of two parts: a fixed charge (“transaction fee”) for each use of the transfer station, and a variable charge (“tip fee”) based on the amount of solid waste delivered for disposal. The components of these fees recover the cost of various programs and services.

Transaction Fee \$7.50

Recovers the cost of scalehouse operations and management/oversight.

Metro Tip Fee (by component)

Disposal Charges

Metro Facility Fee	\$1.12
<i>Recovers the cost of utilities, contributions to capital sinking funds, etc.</i>	
Transfer, Transport & Disposal	\$44.43
<i>Recovers the cost of transfer, transport & disposal (BFI/Allied, CSU & OWS contracts).</i>	
<i>Subtotal, Disposal Charges</i>	<i>\$45.55</i>

Fees & Taxes

Regional System Fee	\$15.09
<i>Recovers cost of Metro’s regional solid waste services & programs.*</i>	
Metro Excise Tax	\$8.58
<i>Contributes toward Metro general government costs, regional parks & tourism development.</i>	
DEQ Fees	\$1.24
<i>DEQ promotion fee, orphan site fund, etc. collected on behalf of DEQ.</i>	
Community Enhancement Fee	\$0.50
<i>Collected on behalf of communities that host the transfer stations.</i>	
<i>Subtotal, Fees & Taxes</i>	<i>\$25.41</i>

Total, Metro Tip Fee.....\$70.96

Notes The Metro transaction fee and tip fee are charged to users of Metro transfer stations only. Other facilities may charge different rates.

The Regional System Fee and Metro Excise Tax are charged on all solid waste that is generated in the region, regardless of the disposal site.

DEQ imposes its fees (totaling \$1.24) on waste delivered to all DEQ-permitted disposal sites. The host fee (community enhancement) is a local option.

Loads that weigh 260 pounds or less are charged a flat rate of \$17.

* Including waste reduction, hazardous waste, illegal dumpsite monitoring & cleanup, enforcement, latex paint recycling, Recycling Information Center hotline, etc. Excludes costs of MSW disposal operations.

Notes to the Text

¹ We use “allocation” here to mean the choice of rate from which to recover a cost, as distinct from the separate usage of “allocation” as a method of ascribing administrative overhead expenses to programs or cost centers.

² Metro establishes and enforces regulatory standards on yard debris facilities to ensure that stable and successful markets exist for curbside residential yard debris and commercially-generated organic material.

³ Metro allows out-of-district facilities to accept waste generated within the region without invoking flow control authority, to provide a broad range of disposal options for in-region generators. In return, these out-of-district facilities collect and remit Metro fees and taxes on in-district waste, providing a highly efficient and cost-effective fiscal mechanism. Metro inspects and audits these facilities to maintain the integrity of the system to the benefit of regional ratepayers.

⁴ Renewable energy, clean exhaust, environmentally-preferred cleaning products and paints, re-refined oils and hydraulic fluids, energy and water conservation, in-house recycling and reuse, additional material recovery initiatives, and recycling content procurement.

⁵ Metro South is open 7-7 and Metro Central is open 8-7 every day; a total of 161 hours per week. Both stations are open 363 days a year. Shorter weekday hours and Sunday closure are sufficient to accommodate commercial traffic (open 42 to 66 hours, representing 26 to 41 percent of the current hours). This means Metro is open 100 or more additional hours per week to accommodate the public. A number of capital investments were also incurred to accommodate the public: the public unloading building at South, and at least one bay at Central is dedicated to public customers.

RSWMP Chapter 3
DRAFT Regional Policies

Regional Rate and Revenue Policies

Policy 14.0 System Funding (*Modified Objective 16.2*)*

All generators in the region will pay a user charge sufficient to fund the costs of the solid waste system.

Policy 15.0 User Fees (*Modified Objective 16.1*)

Charges to users of disposal or other facilities will be reasonably related to services received.

Policy 16.0 Regional Fee Application (*New*)*

Regional fees and taxes will be applied to solid waste in a manner that will encourage material recovery.

Policy 17.0 Ratepayer Impact (*New*)*

Potential impacts on ratepayers will be evaluated when new programs or policies are being considered.

Policy 18.0 Community Enhancement Fee (*Modified Objective 6.4*)*

Any community hosting a solid waste “disposal site” as defined by ORS 459.280 is entitled to a Metro-collected fee for the purpose of community enhancement.

*Policies to be discussed at the SWAC meeting.

(DRAFT)

RSWMP Vision Statement

The Plan envisions a significant evolution from today's comprehensive solid waste management practices to a future where the generation of waste is viewed as an inefficient use of resources. Through cooperation and shared responsibility among producers, consumers and government, the region will reduce the amount and toxicity of waste generated, contributing to the sustainable use of natural resources, and enhancing our community, economy, and environment.

Regional Values

The following values, shared by regional stakeholders, will guide Plan direction:

1. Environmental sustainability
Protecting the environment and conserving resources to ensure the needs of future generations will be met.
2. Public health and safety
Ensuring sound waste management operations and eradicating illegal dumps to maintain quality of life for the region's residents.
3. Shared responsibility
Moving from end-of-pipe management to include manufacturers and users in costs associated with end-of-life product management.
4. Life-long learning
Raising awareness among all age groups of ways to conserve resources and reduce impacts on the environment.
5. Coordination and cooperation
Addressing regional issues and developing regional programs in partnership to attain shared direction.
6. Performance
Emphasizing efficiency and effectiveness in programs and services.
7. Access to services
Providing a range of collection and facility options to residential and commercial customers.