

MINUTES OF THE METRO COUNCIL WORK SESSION MEETING

Tuesday, June 20, 2006
Metro Council Chamber

Councilors Present: David Bragdon (Council President), Carl Hosticka, Rod Park, Brian Newman

Councilors Absent: Rex Burkholder (excused), Susan McLain (excused), Robert Liberty (excused)

Council President Bragdon convened the Metro Council Work Session Meeting at 2:04 p.m.

1. DISCUSSION OF AGENDA FOR COUNCIL REGULAR MEETING, JUNE 22, 2006/ADMINISTRATIVE/CHIEF OPERATING OFFICER AND CITIZEN COMMUNICATIONS

Council President Bragdon reviewed the June 22, 2006 Metro Council agenda.

Robin McArthur, Planning, gave an overview of the June 23 Regional Forum. She distributed the agenda, talking points for the press, a news advisory about the keynote speaker, a schematic of the room setup, and a list of registrants (a copy of each is included in the meeting record). Enrollment had exceeded expectations. The forum was planned as an implementation exercise, not a visioning exercise. A debriefing session has been scheduled for the Wednesday following. Council wanted to emphasize that the facilitators keep the focus on implementation.

Council President Bragdon reported on his attendance at the Urban Land Institute (ULI) conference. He thought there was some opportunity for Metro there, as a model. Andy Cotugno, Planning, said that ULI was clearly convened to tackle the big local questions. They emphasized wanting to help with the New Look. He then talked about the transportation mega projects, distributing a memo (a copy is included in the meeting record). Council President Bragdon stated that things were generally in the pipeline because we had put them there. Council and staff discussed the need for Council approval points along the way. Council wanted to make sure they had as much input as possible. A lot of the decisions would come under the Regional Transportation Plan (RTP).

Council received a citizen communication from Dan Lerch-Walters of the Sullivan's Gulch Association. His group was actively supporting the Sullivan's Gulch Trail, and Council should feel free to contact him for any assistance he could provide. He distributed a copy of some promotional material about the trail (a copy is included in the meeting record).

2. COUNCIL'S APPROVAL OF METRO'S APPLICATIONS TO METROPOLITAN TRANSPORTATION IMPROVEMENT PROGRAM

Mr. Cotugno distributed a memo on priorities for grants (a copy is included in the meeting record). He discussed some details of the various grant proposals, including scheduling of the projects and the funding stream. Grand total was around \$17 million. Councilor Hosticka wondered what our success rate had been in the past. Mr. Cotugno said we usually got most of what we applied for. He was asking for Councilor acceptance regarding the application purposes; the actual applications would be done early next year. Did Council give a head-nod for proceeding with the process? They heartily assented.

3. PUBLIC COMMENT ON INTERIM WASTE REDUCTION PLAN

Janet Matthews and Jan O'Dell, Solid Waste and Recycling, gave an update on the waste reduction plan. Ms. Matthews felt there was still room for improvement in the basically sound plan. Ms. O'Dell said they had just completed the third phase of the Regional Solid Waste Management Plan (RSWMP) update process. The official comment period ended June 5, with over 400 comments from individuals. She talked about the outreach and the work that had been done with the consultant. Their report would be finished soon. She distributed the executive summary (a copy is included in the meeting record) and discussed some of the survey results.

Ms. Matthews reviewed the executive summary. There was a high degree of support for most of the strategies. However, there was not an overwhelming amount of support saying that education strategies were sufficient. She felt this indicated a lack of awareness of education at the adult education level and would like to shore up this part of the program. Product stewardship was well supported. Ms. Matthews thought this was an opportunity for Metro to increase awareness of waste prevention. Another theme that developed was the need to recycle more types of plastics. There has also been an increased request for curbside pickup of hazardous waste. In summary, she felt the two areas that would be revised were in education and waste prevention. She commented on the issue of additional goals that had not been previously considered, such as a new waste reduction goal or a waste generation goal similar to the state's. She solicited Council comments on whether other goals with rates and dates attached would be of interest to them.

Councilor Newman asked about jurisdictions that had moved to the large rollcars and had experienced increases in waste recovery. Was this a model that others could follow? Ms. Matthews said that there were costs in making that switch, but the waste reduction plan did include a role for rollcars. Parts of Clackamas (Lake Oswego, West Linn), Beaverton, and Tigard have gone to the rollcars. July's Solid Waste Advisory Committee (SWAC) meeting would talk about rollcars, including reports from jurisdictions and haulers. Councilor Newman thought we might want to require the use of rollcars as a condition of contract. Ms. Matthews said one downside was that the hauler could not see contaminants in the rollcars as readily. Contaminant warnings would be part of the publicity campaign. Councilor Park asked about costs that had been included in the survey. Ms. Matthews talked about the various options that had been given. The preference was to including costs in the purchase price versus paying for disposal. Councilor Park thought we could use more information on what people would be willing to pay for.

4. BREAK

5. DISPOSAL SYSTEM PLANNING

Paul Ehinger, Solid Waste and Recycling, introduced the industry representatives who had been invited to give their perspective: Ray Phelps, Brian Engleson, Brian Heiberg, Adam Winston, Jack Deines, Eric Merrill, and Terrell Garrett. Mr. Ehinger distributed a list of upcoming milestones (a copy is included in the meeting record). The project had gotten to the point where Council needed to set the schedule. On July 11, the consultants would return to Council to ask for their preferred recommendation for future work and to answer questions after reviewing the full report. He described the next steps in the process, future review, recommendations, and decision points. Probably in October the Council would give their direction on ownership of the transfer facilities and solid waste system. He described the industry representatives as a mix of different interest groups—transfer station operators, dry waste facility operators, and independent haulers.

Dan Pitzler, CH2MHill, gave a PowerPoint presentation on the work session objectives, then went to the various components of the residential solid waste system—collection, transfer, long-haul transport, and landfill (a copy of the PowerPoint is included in the meeting record). He presented the key findings of the local industry and compared costs of the Metro system to private systems. Metro's higher costs were primarily due to the longer distance we traveled to dispose. Disposal had significant economies of scale. He listed the key features of the three system options—private, public, and hybrid—and explained the approach they had taken in their analysis. They had attempted to relate Council values to the list of objectives. He reviewed the economic analysis and described their approach to risk identification and assessment. Regarding competition, he felt the greatest opportunity was in collection.

He then talked about Metro's role, as perceived by the industry. It was quite varied. The value modeling resulted in a scored rating. The results were that a public system best met the values and objectives. He broke it down by the objectives. Mr. Pitzler felt that there was a factor that had not been included, and that was the challenge of implementing a public system. Once this was factored in, the hybrid system gained a very slight edge. None of the options would probably result in large cost changes. In the risk assessment, the private system probably had the largest number of high risk areas. In summary, the transfer system was fundamentally non-competitive, and the issue of competitor versus regulator depended on where you were in the industry.

JoAnn Herrigel, City of Milwaukie, joined the group. Council President Bragdon asked Mr. Pitzler to moderate the discussion. Council had numerous questions, to which staff and guests responded as appropriate.

- What would happen if the moratorium on new transfer stations were lifted?
- Could the single critical risk factor of political challenges in the public option turn fatal?
- What were drawbacks to the status quo today?
- Why are we even looking at a new system? Response was that, for one, there were disparities in access under the current system. We had a system with regulatory barriers to entry without barriers on price. We ought to try to quantify the true costs of disposal for the haulers who were paying a tip fee to their own affiliate.
- With a wholly public system, would we need more transfer stations? How much capacity was in the system? Could the existing transfer stations handle the need?
- Where did the information on costs come from? Response was that the costs were modeled; they were estimates, not from any particular company's books.
- If Metro had its own collection function, and hauled to our own stations, this could give local jurisdictions a transparency regarding costs. In evaluating the costs, how did we break these apart? Response was that there was an entire modeling exercise that could take place around that question. There was no simple answer.

The industry representatives then gave their comments. There was an overall feeling that greater fairness and equitability should be applied to across the board. Mr. Pitzler described the diversity of viewpoints gathered around the table—transfer station operators, independent haulers, independent dry waste facility owners, and local governments. They had been asked to talk about what was working well, what was broken, and which option they preferred.

He first addressed the issues and concerns of the transfer station operators:

- They preferred a private or hybrid system; strongly opposed a public system
- They would like wet waste caps increased

- 3 out of 4 felt Metro should not be both regulator and competitor; one felt the system generally worked pretty well
- Metro should not assess fees on waste that were then spent for other purposes (excise tax)

Mr. Phelps, speaking for Allied, thought the good things were, waste was disposed of in an environmentally sound manner, and that waste reduction was excellent. Minuses were, the system was not stable or evenly managed, and the private transfer stations were subsidizing the Metro stations. Also, there was too much interference (regulation) with the private business operations. As far as preferred alternative, the only one he outright rejected was the public system. He would accept either the private or the hybrid system, but only if all transfer stations operated under the same rules. He felt this could be solved via franchising the transfer stations.

Mr. Winston thought that the public seemed satisfied with the system overall. We had high recovery rates. Our residents valued sustainability. There was a strong self-haul system; and strong discouragement for illegal dumping. Rates were competitive. Overall, the system worked. On the other hand, what exactly were we trying to change? Rate regulation in the transfer stations might not be necessary. He supported either the private or hybrid model. If there were rate regulation, he would need more information before making a decision.

Mr. Merrill felt they had to serve a variety of stakeholders. There was no one answer that would fit all situations; the challenge was to find the best answer at any given time for a particular community. He felt he worked best when serving the needs of the community. The central issue for him was seeing Metro as both a competitor and a regulator. He would prefer the existing system; it was actually working pretty well. Inequities should be addressed at that level.

Mr. Pitzler then raised the issues and concerns of the independent haulers:

- The public system was preferred, the hybrid would be ok, did not want the private system
- Preferred to have Metro own all the transfer facilities
- Should have the same rates to all customers (level playing field)
- Metro should not allow vertical integration
- Metro staffing levels were too high
- Metro should build two new stations, east and west
- Metro's service and recovery and household hazardous waste (HWW) were good

Mr. Heiberg felt it was hard to compete against the vertically integrated firms. He listed some positives of the current system, such as 24-hour access to a Metro facility. The hazardous waste collection was good. The broken parts he listed as trucks taking their loads to farther stations, to go to their own station, and thus burning too much fuel. Also, Portland was a fishbowl; it was difficult to compete, especially in a totally private system. He thought the current hybrid was working, with some room for improvement. Public ownership would level the playing field. He would like to regulate through franchising.

Mr. Deines preferred the public system. He did not think it was important for Metro to own all the transfer facilities—just to have Metro staff on the gate. We should make all the stations public stations. He felt transparency was important, but this was missing from the private stations. He supported the same rates for all customers. He felt vertical integration was already here but should not be further encouraged. He agreed that Metro staffing levels were too high but not germane to the current discussion. He supported a franchise system. He thought the current system was okay but would like to see greater transparency and fair rates.

Mr. Pitzler reviewed the issues and concerns of local government:

- Metro should ensure the following: predictable rates; convenient transfer station access; continued focus on increased recycling/recovery and toxics minimization; and consistency in rates and services at stations
- Metro should exert more control over dry waste facilities to improve environmental controls and neighborhood mitigation
- Metro was doing a good job coordinating with local government partners on reduction/recycling and HHW programs

Ms. Herrigel shared her comments on public feedback. People wanted good service—i.e., regular pickup and reasonable rates. Citizens loved recycling. They preferred price to reflect costs; they didn't want commercial to subsidize residential or vice versa. Her jurisdiction usually had an 80%+ satisfaction rate. She felt perhaps we were trying to fix something that wasn't really broken. She listed some good things about the system. Access to rate setting was pretty transparent. The current system was not based on generating revenue, which a private system would be. The current system offered a lot of opportunity to impose operating standards on solid waste handling. The only negative she had heard was a lack of understanding about where the solid waste money was going. There was some concern that solid waste money went to parks and other things. Her preference would be to fine-tune the current system a little bit. She was not hearing any outcry for deregulation or privatization; people didn't think it would reduce rates.

Mr. Ehinger distributed a copy of a memo from the City of Gresham sharing their perspective (a copy is included in the meeting record).

Mr. Pitzler then introduced the independent dry waste issues and concerns:

- Metro should not sell its transfer stations
- Vertical integration was a major problem:
 - Landfill owners had an incentive to dispose, not recover
 - National companies would use economic power to increase rates
 - There would be an adverse effect on customer choice and creativity
- Metro needed funding sources other than solid waste

Mr. Engleson listed the positives of the current system. There was some competition in the marketplace; it provided essential public services and provided access to independent haulers. It had significantly reduced the vehicle miles traveled. What didn't work? There was inconsistent funding to Metro. The private transfer stations were not paying their fair share of the facilities. An increase in the recycling rate would actually harm Metro. Profits dictated that materials move quickly; this did not encourage recovery. He preferred something similar to the current, semi-hybrid system, with some modifications—encourage solid waste management plan; encourage recovery; he'd like to look at local and state laws that prevented recovery. He thought it was okay to have an entry fee into the system to offset reduced revenues in the face of increased recycling.

Mr. Garrett offered his comments. He said that franchising cost 1.5 times as much as the competitive market. It was difficult to work with Metro as both regulator and competitor. But he felt staff was moving in a direction that was positive and he felt things would get better over time. He did not agree about Metro needing funding sources other than solid waste; he felt this was a policy issue that he should not be concerned with. Mostly, he wanted to maintain choice. He wanted to move away from filling the landfills. He felt dry waste needed some more attention. There were greater opportunities to divert from the landfill there.

Councilor Hosticka asked what it meant for Metro to regulate itself. Did people think Metro was allowing itself to do things it wouldn't allow others to do? Mr. Merrill listed some examples: Metro accepted self-haul but didn't let other regulated transfer stations accept self-haul. Metro didn't impose the same recycling percentages on their own transfer stations as they did on the other regulated transfer stations. Metro took some of their fixed costs and applied it to the other transfer stations. Mr. Phelps said they had tonnage caps and could not offer their services. Metro had no cap and was able to achieve larger economies of scale. Mr. Deines said that new transfer stations would depend on who owned the hauling; they would naturally go to their closest facility.

Councilor Park asked the independent haulers if they would, all other things equal, haul to the closest location with the cheapest price. They agreed; they had no motivation other than proximity and price. Mr. Heiberg stated that wet waste and dry waste had distinct differences. Wet waste disposers were motivated to go to the closest place. Dry waste disposal had additional issues; a hauler might drive to a farther facility based on price. Mr. Phelps added that they had to also figure in the cost of operation. Councilor Park followed up with Metro's dual roles as both regulator and competitor. Mr. Phelps said the economic apex was around 200,000 tons. Councilor Park wondered how behavior would change, if Metro were to raise the caps. They debated the merits of franchising. Mr. Winston said that, if we went to franchising and regulating, all jurisdictions would have to franchise and regulate equally.

Council President Bragdon acknowledged that completing the bonds in 2009 was significant, but the transfer stations weren't the end of the line. The two Metro stations were well situated with regards to the freeway system, but other areas might be more accessible via other transportation modes. Mr. Ehinger said those options had not been considered in the current study but were part of the larger work that was taking place around that subject. Council discussed the regulatory environment, the role of local jurisdictions, and the impacts for long-term planning.

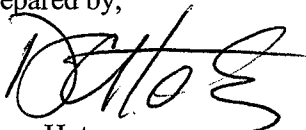
Council President Bragdon wondered what we were trying to fix. He felt that, just because there wasn't a public outcry to fix the system, that we couldn't do better. He did not want to settle on the hybrid system based on the fact it was the least risky. Mr. Pitzler agreed. He thought that was the starting point. All feedback should be used to come up with the best possible system. Councilor Newman asked when the final report would be ready; Mr. Ehinger said they could pick it up on their way home tonight (a copy is included in the meeting record). Councilor Park compared Metro's system to a Maserati—high performance but also high maintenance; at the other end would be a Ford Taurus—lower performance but also lower maintenance. Our goal was to get Maserati performance with Taurus maintenance.

6. COUNCIL BRIEFINGS/COMMUNICATIONS

There were none.

There being no further business to come before the Metro Council, Council President Bragdon adjourned the meeting at 4:52 p.m.

Prepared by,



Dove Hotz

Council Operations Assistant

**ATTACHMENTS TO THE PUBLIC RECORD FOR THE MEETING OF
JUNE 20, 2006**

Item	Topic	Doc. Date	Document Description	Doc. Number
1	Agenda	6/22/06	Agenda: Metro Council Regular Meeting, June 22, 2006	062006c-01
1	New Look Forum	undated	To: Metro Council From: Robin McArthur Re: New Look Regional Forum Agenda	062006c-02
1	New Look Forum	undated	To: Metro Council From: Robin McArthur Re: June 23 New Look Forum Talking Points	062006c-03
1	New Look Forum	undated	To: Metro Council From: Robin McArthur Re: News Advisory Draft	062006c-04
1	New Look Forum	undated	To: Metro Council From: Robin McArthur Re: Floor plan/seating arrangement	062006c-05
1	New Look Forum	undated	To: Metro Council From: Robin McArthur Re: New Look Regional Forum Registrations	062006c-06
1	Mega Projects	5/1/06	To: Metro Council From: Andrew C. Cotugno Re: Follow up on Council Worksession on Mega Projects	062006c-07
1	Sullivan's Gulch	May 2004	To: Metro Council From: Dan Lerch-Walters Re: Sullivan's Gulch Trail	062006c-08
2	MTIP funding	6/20/06	To: Metro Council From: Andy Cotugno Re: Metro Applications for Priorities 2008-11 Grants	062006c-09
3	Waste Reduction Plan	undated	To: Metro Council From: Janet Matthews Re: Executive Summary	062006c-10
3	Waste Reduction Plan	6/20/06	To: Metro Council From: Janet Matthews Re: DSP Major Upcoming Milestones	062006c-11
5	Disposal System Planning	6/20/06	To: Metro Council From: Daniel R. Pitzler Re: Metro Disposal System, Transfer Station Ownership Study	062006c-12
5	Disposal System Planning	6/20/06	To: Rod Park From: Matt Korot Re: DSP	062006c-13
5	Disposal System Planning	0621/06	To: Metro Council From: Paul Ehinger Re: Final Report—Metro Transfer Station Ownership Study	062006c-14