



**METRO**

## A G E N D A

**MEETING: REGIONAL SOLID WASTE ADVISORY COMMITTEE**

**DATE:** Wednesday, December 17, 1997

**TIME:** 10:00 a.m. until Noon

**PLACE:** Metro Regional Center, 600 NE Grand Avenue, Portland  
Conference Room 370

- |                |  |                      |
|----------------|--|----------------------|
| <b>5 min.</b>  | <b>I. Announcements</b>  | <b>Morissette/Al</b> |
| <b>5 min.</b>  | <b>*II. Approve Minutes for November 19</b>  | <b>Morissette</b>    |
| <b>20 min.</b> | <b>III. REM Director's Update</b>  | <b>Warner</b>        |
|                | <ul style="list-style-type: none"><li>• <i>Implementation schedule for Metro rates</i></li><li>• <i>Sale of Jack Gray Transport</i></li><li>• <i>Forest Grove Transfer Station</i></li><li>• <i>Christmas Tree recycling and other seasonal activities</i></li><li>• <i>Scalehouse automation</i></li><li>• <i>Other</i></li></ul> |                      |
| <b>85 min.</b> | <b>V. Work Session on Facility Rates</b>   | <b>Anderson</b>      |
|                | <ul style="list-style-type: none"><li>• <i>Design of the Incentive-Based Fees</i></li><li>• <i>Implementation</i></li></ul>  |                      |
| <b>5 min.</b>  | <b>VI. Other communications</b>  | <b>Morissette</b>    |

*\* Materials for these items are included with this agenda.*

All times listed on this agenda are approximate. Items may not be considered in the exact order listed.  
Chair: Councilor Don Morissette (797-1887) Staff: Doug Anderson (797-1728)  
Committee Clerk: Connie Kinney (797-1643)

SOLID WASTE ADVISORY COMMITTEE MEETING  
SUMMARY OF 11/26/97

**Members Present**

Bruce Broussard, Metropolitan Disposal Company  
Ralph Gilbert, East County Recycling  
Dean Kampfer, Metropolitan Disposal Company  
Dave White, ORRA/Tri-C  
Tom Miller, Washington County Haulers Assoc.  
Lynne Storz, Washington County  
Garry L. Penning, Waste Management of Oregon  
Merle Irvine, Willamette Recycling, Inc.  
Jeff Murray, Far West Fibers  
Rick Winterhalter, Clackamas County  
Doug DeVries, Jack Gray Transport  
Dan Schooler, BFI  
Susan Keil, City of Portland

**Metro and Guests**

Todd Irvine, Willamette Resources  
Mike Leichner, Pride Disposal  
Easton Cross, BFI  
John Houser  
Bruce Warner  
Doug Anderson

Jim Watkins  
Scott Klag  
Aaron Brondyke  
Ava Brooks  
Connie Kinney

**Announcements**

Mr. Anderson brought the meeting to order. He said the Rate Review Committee took action on a number of items. They made a recommendation that Metro institute a \$5/transaction fee and a \$62.50/ton tipping fee as well as a regional user fee of \$14/ton. This also includes a buy-down from the rates of about .50/ton on the user fee. The Rate Review Committee also recommended that the performance curve be implemented to ensure that recycling incentives remain but they refrained from recommending any specifics. The committee agreed in principal to the shape of the curve recommended by staff, although they agreed the curve need not be self-subsidizing. The Rate Review Committee recommended the discounts for the user fee be funded from the fund balance.

Ms. Keil asked what the rate translates to when the transaction fee is incorporated into it?

Mr. Anderson said that if we all only our transactions, it comes out to approximately \$64.50.

Mr. White said that for the record, the system charge was not actually discussed at the Rate Review Committee, rather it was implied in the conversation that if you raised the regional user fee to \$14/ton, that covered the costs of the Jack Gray transportation fee at the transfer station, and it was implied that

you wouldn't have a systems charge. Mr. Anderson replied that the system charge was actually discussed during the Budget Review Committee process and since there was not a strong recommendation to continue with that suggestion, it was dropped. He said that it might better be said that the system charge was not discussed and no action was taken, and the report from the rate review committee will reflect that.

Mr. Irvine asked if there was enough time to develop a curve and modify MRF franchise agreements if the new rate becomes effective May 1, 1998? Mr. Anderson said that was staff's goal.

Mr. Gilbert remarked that Agenda Item 3 is misplaced. He said that study should have been done and given to the Rate Review Committee to use in deciding the rate. Mr. Anderson replied that it was unlikely any additional information could have changed the conclusion that rates would come down. But staff and the Rate Review Committee had waste reduction goals in mind when we designed the rate, which is why we have a performance curve, for example. This study is intended to recommend what else we should consider given that the rates are going down.

As background, Mr. Anderson informed the group that at last week's SWAC subcommittee meeting Mr. Penning made a motion that a study be made to analyze the effect the new rate structure might have on post-collection recovery and material flows. He further requested the study be ready for the full Council at the time staff forwards the proposed rate.

Mr. White remarked that Mr. Gilbert was right, but that he would still be interested in seeing what the experts think the effects of the new rate might be. Mr. Anderson said he received a communication from Carol Devenir-Moore encouraging staff to conduct a study on potential tonnage flow across the river in view of the lower tip fee.

Mr. Gilbert preferred that the rate be referred to the Council on the basis that it is a "recommendation but subject to the outcome of the recycling study." Mr. Anderson asked if Mr. Gilbert was asking to table the Rate Review Committee's recommendation. Mr. Gilbert said only to "put a hold on the recommendation until they review the study." He commented that if the rate got as far as the Council we may be putting a burden on the Council to reverse the recommendation the committee referred to them. Mr. Penning commented that the Rate Review Committee is constantly reminded that they are reviewing the rates for one year only; that the Rate Review Committee did review this subject and concluded that it was in the best interests of the region's rate payers to proceed with a rate decrease for the coming fiscal year and regroup if the climate dictated.

#### SWAC SUBCOMMITTEE TO DISCONTINUE MEETINGS

The group decided they would no longer meet on a weekly basis. It was decided the subcommittee would meet again only if the group felt it was necessary.

#### LONG HAUL TRANSPORT STANDARDS

Mr. Watkins referred to a letter from Jack Gray and the handout previously provided to the group. He said Metro has set 10 conditional requirements for direct haul to the Arlington Landfill that Metro. In addition to these, Jack Gray is meeting the additional requirements as set forth in their letter to Metro. Mr. Watkins asked the group to go through the additional requirements and discuss their importance.

On the first issue, Ms. Keil didn't feel it was fair to ask that all haulers base their truck maintenance operations in Gilliam County. Mr. Broussard asked if Jack Gray currently abides by all of the criteria set forth in the two documents. Mr. DeVries replied that Jack Gray Trucking currently abides by all of the criteria and has since the beginning of the contract.

Mr. DeVries commented that he believed it was important for all haulers to abide by the same rules that Jack Gray is currently contracted under and also felt that since Metro's name was associated with the garbage being hauled they would be held responsible for anything unfavorable that might happen.

Mr. White said we are talking about garbage that is being hauled and therefore it falls under Interstate Commerce, so it may in fact be exempted. But the question is can Metro impose rules that impede transportation on public roads? He said of course if Metro includes these items as conditions in a franchise, of course this is a different question.

Mr. Winterhalter commented that the goal in this endeavor was to be a good neighbor and in discussing these items that should be what determines what should or should not be done.

There was considerable discussion on each of the criteria. The final vote was:

As to Metro's original 10, yes

As to the Jack Gray Additional Items:

No on numbers 2, 3, 7, 8, 10

Yes on 6

As needed on numbers 5, and 9

Talk to Metro's legal counsel on number 4

As to number 1, it was also agreed that Metro place requirement in agreement to establish the hours of hauling as 7:00 a.m. to 7:00 p.m. if that is agreeable to the City of Arlington.

Mr. Miller moved to accept the above agreed upon conditions. Mr. Penning seconded the motion. The group voted unanimously to accept the agreed upon conditions.

#### MANAGEMENT OF UNACCEPTABLE WASTE

Mr. Anderson said that Arlington can only accept certain types of waste which were set forth in a previous handout. He said that under the franchise with Metro, a facility operator would take reasonable measures to ensure that unacceptable waste would not be delivered to the landfill because of the fact that it is coming in under the Metro contract. The operator would be responsible for costs of managing rejected waste. He said that staff has researched and that out of approximately 700,000 tons delivered to Arlington each year by Metro, there has only been an occasional tire or lead-acid battery in the loads. The consequences of delivering unacceptable waste is that the hauling company would bear the management costs and/or the management costs of any reject itself.

Mr. Miller made a motion to accept this as part of the franchise agreement. Mr. Gilbert seconded the motion. The group unanimously agreed.

#### UNIFORM RATES

Mr. Anderson said that consistent with standing policy and code at Metro, the concern when facilities are vertically integrated that non-affiliated facilities be treated the same as non-affiliated facilities from

a pricing point of view -- that there be uniform rates for the same type of waste. Staff recommends that this policy be continued. This would be implemented by having a facility that accepts waste from non-affiliated haulers have their rates posted. Once the rates are posted, complaints, may be referred to Metro.

Mr. White commented that he had several haulers voice their concern: 1) to make sure there are facilities available; and 2) there be uniform rates. He is therefore in support of staff's recommendation.

Mr. Murray said he really didn't see the need for it. Mr. Gilbert felt it was a moot point. Ms. Keil said that from the perspective of a regulator, she does not want to put things in place that are not enforceable. She also doesn't want to put anything in place that might cause inaccurate reporting. So under those circumstances, she doesn't see a need for it. Mr. Irvine said it didn't matter to him. Mr. Miller said it didn't matter to him either, and he wasn't sure it was enforceable either.

**Ms. Keil moved that because of the inability to monitor and enforce it, that we should not require a uniform rate, but that we should review the issues relating to this in a year. Mr. Leichner seconded the motion. Mr. White voted no. The remainder of the subcommittee voted yes.**

#### PERFORMANCE BASED CURVES

Mr. Anderson said he has had some very extensive conversations with many of the persons around the table over the past few days. Mr. Anderson distributed three different pieces of paper (white, pink and brown) depicting performance based curves. Mr. Anderson said that to review what staff originally intended with the establishment of the "performance curve" was to lift some of the burden the new lower rate setting placed on the MRF in order to allow them to continue recovery of materials from the region's waste. It was also staff's intention to do that in a way that made an incentive for them to do more recycling and recovery or at least to allow them to choose where they wanted to operate and to remove the penalty and required rate approach.

Mr. Anderson continued to explain the performance curve as proposed. He said some of the comments he has received is that the proposed curves are a good approach, but just doesn't give enough back. He has also heard that the facilities are not made whole, but there remains a question as to whether Metro can or should make them whole. Most of the comments are that the rate is putting too much of a squeeze on their revenues and not enough relief on the expense side. He said further comments are that there is no relief for reloads. However, it is staff's feeling that reloads perform a function that is an extension of the collection system which is where they find the economic incentive.

Mr. Anderson said the "white" sheet was simply to show where the subcommittee at the last meeting was with regard to the incentive curve. The pink sheet is the scenario that Mr. Irvine presented, and the brown sheet is the newest attempt.

Mr. Anderson said that at the "make whole" line (the dotted line), is where the Regional User Fee would have to be to give facilities the same gross margin. If the tip fee is \$70/ton (the price facility is shadowing for revenue), expenses are at \$15/ton (assuming waste goes to dry landfill), assume no recovery, you therefore have \$55.00 to do whatever you will with that waste. Mr. Anderson then drew an illustration on the chalkboard to show as assumption that Mr. Irvine presented to him using the new

tip fee of \$64.50. In the case he presented, the user fee was dropped to \$9.50 which would make a facility whole (assuming no recovery).

Mr. Miller said that as a point of reminder, a lot of the facilities were designed when the rate was \$75/ton, so there is another \$5.00 in there that most of us have already swallowed.

Mr. Anderson said one of the main points of opposing arguments is at what percentage of recovery a MRF should be rewarded and the other point is that the incentive curve does nothing for reloads. For a reload, the new rates of \$64.50 and \$14.00 take away about \$55,800 to \$74,000 per year assuming a 20% recovery rate, 1,500 to 2,000 tons per month.

Mr. Murray said his operation is in recovery and recycling and that is what he would like to see encouraged. He also said he doesn't see much recovery at the 50% level, and if a facility is doing that, they are letting a lot of garbage go somewhere else. He likes the concept that those who recover more are better rewarded, but perhaps the curve should start over the left sooner.

Mr. Miller commented said the function of recovery in and of itself is not what funds the system, but neither does the consolidation of the loads and the reduced travel time, especially if you can't pass that along in terms of collecting the rate that covers those costs. It's a combination of both. He said the number that is missing is zero recovery or zero to 20%, what are those revenue losses? Mr. Anderson answered it starts going up pretty dramatically.

Ms. Keil said what she is hearing is that facility profit margins are not holding up because the expense has not decreased as much as the revenue. Mr. Miller said that was correct but the expenses are extreme at this point. Mr. Irvine added that at the scale that has been discussed, at 2,500 tons at 45%, with the rate changes proposed, his total annual loss is \$21,450/yr.

Mr. Watkins asked if Metro dropped the curve back to 35%, wasn't it true that he (Mr. Irvine) could pick up additional throughput at 35% and that would increase his revenue? Mr. Murray responded that Mr. Irvine's fixed costs might be spread out more, but he would have more labor costs. Mr. Watkins said he is wanting to know is should staff be looking at adding some additional revenue for throughput, because we aren't reflecting that now. Mr. Miller commented that at the point that it costs more to process a ton than you take in for it, it doesn't matter how many tons you have. When one exceeds the other, you are out of business. Mr. Watkins said the economics are different when you have 100 tons or 1,000 tons. Mr. Miller said that may be true, but when you lose on each ton, volume only makes things worse.

Mr. Miller said that when the point that facilities can no longer support operations from the rate structure, and they have to get it from somewhere else, one of two things have to happen: to look at ways to reduce expense (which is difficult), and the other is to increase revenue. And that might be appropriate but very difficult to monitor and administer. He said we can reduce the expense side by providing to Metro a less costly delivery of materials; the stuff that comes from these types of facilities will have been picked through and it can go straight into the compactor; less consolidated trips, and there should be an incentive to the operator for benefiting the system.

Mr. Anderson said that staff feel that reloading is essentially a collection function, but Mike Leichner and Tom Miller are saying, this was set up in a regime where we had a \$75/tipping fee with \$17.50/user fee to respond to and this is killing them.

Mr. Miller responded saying that if we had these (current price reduction) numbers five years ago, you wouldn't see a reload facility being considered anywhere in the region. The economics just aren't there anymore.

Mr. Anderson asked the group, that as a matter of public policy, regardless of how we come down on whether reloads are collection or a disposal function, perhaps for certain facilities that responded to those prices, that made some investments, should Metro step up to the plate for those particular facilities and make some economic considerations?

Mr. Warner added, and on another note, should we offer that same consideration to someone building a MRF or reload tomorrow?

Mr. Cross (from the audience) voiced his opinion that he didn't believe Metro should make good a private investment. Metro is in the zoo bus and the convention center bus and the exhibit bus, but not the investment people make in those kinds of facilities. He said that is not even a concept that Metro should look at.

Mr. Miller commented that facility operators are trying to face the rationale on the recycling ethic and people are not buying into that anymore. People are saying we don't do enough. He said that when you are working with a wet wastestream, there isn't a whole lot to do. Facility operators are asking to give them the benefit of what they do and provide an incentive to continue to do that and not just turn it into a conveyor system that doesn't address any of it.

Mr. Warner asked the group that since agreement has been made on all of the issues with the exception of the performance curve, would it now be prudent to meet as the whole committee on a once a month basis so that staff can actually work on some of these issues with a little more detail?

Mr. Warner said:

- it was clear the group was not in agreement on the design of performance curve;
- staff should be cognizant of what is going on with the reloads and make sure that we are not hurting them;
- to have some discussions with local governments;
- to look at ways to make this curve or another curve work for reloads;
- if we are going to look towards recovery as being an overall goal, we should make the break come earlier;
- if there is a MRF and reload under one roof, how does it work?

Staff will continue trying to get some closure on this so that we can present this to the Council in January.

The group was in agreement to suspend the weekly subcommittee meetings, and to continue as Mr. Warner set forth above.

Mr. Warner thanked everyone for their efforts over the past few months and wished them a happy holiday.

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**Regional Solid Waste Advisory Committee**  
**Work Session on Facility Rates**  
December 17, 1997

**1. Performance-Based Regional User Fee**

- Revised
  - Starts earlier
  - Drops faster
- Results:

**Loss of Gross Margin for a 20,000 Ton/Year MRF**

Recovery Rate	Without Curve	With Curve
10%	\$92,000	\$41,600
20%	\$94,000	\$10,800
30%	\$96,000	\$ 1,500
40%	\$98,000	\$ 200

- Question: do we need the “waste swap” to implement this curve for mixed-activity facilities (MRF + reload under one roof)? See attached example.

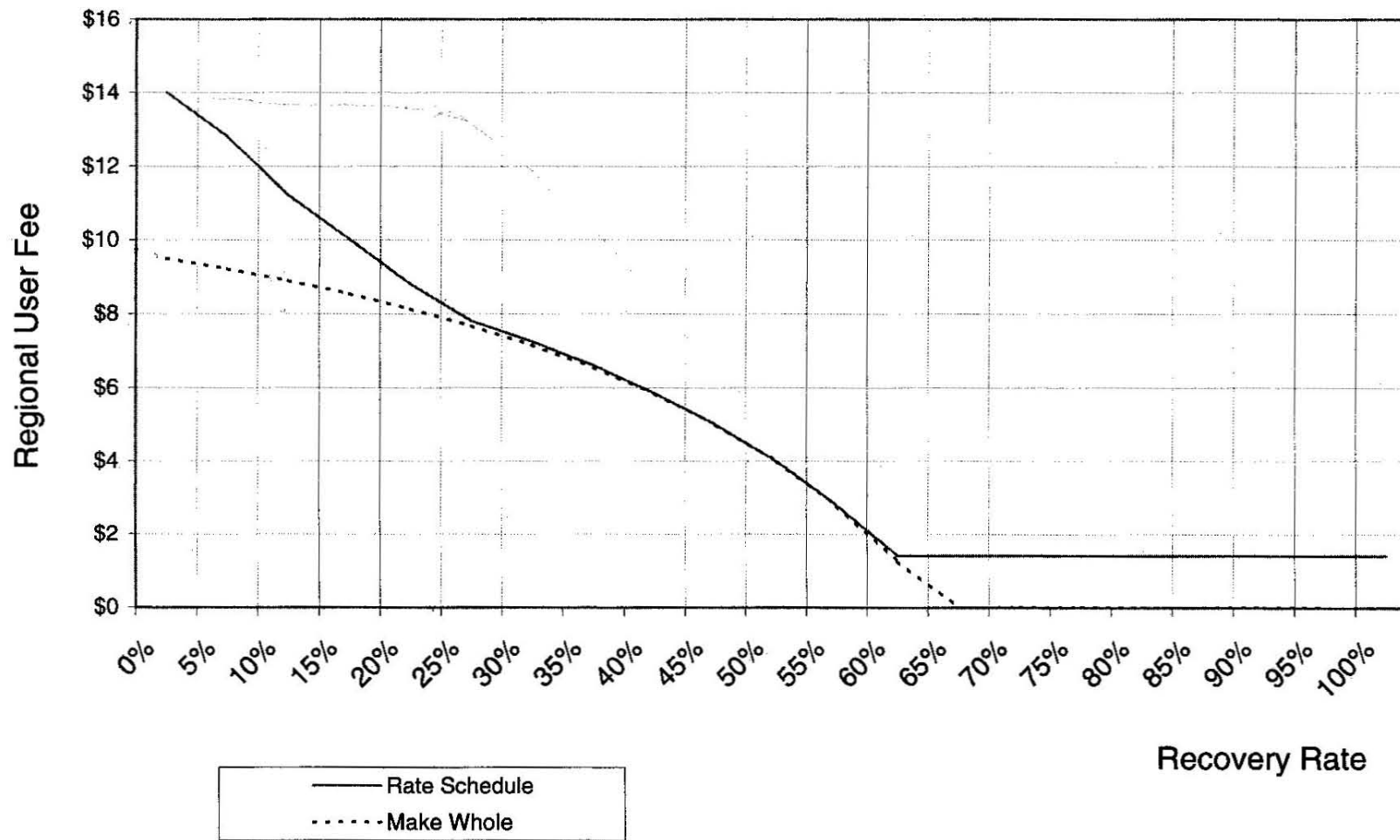
**2. Performance-Based Metro Tip Fee**

- See attached graph
- Works similar to performance-based Regional User Fee: facilities receive incentive-based reduction in disposal cost based on recovery performance.
- Comprised of: Performance-Based User Fee + Performance-Based Disposal Charge
- Available on dry residuals that is “new” waste to Metro.
- Intended to help support recycling and recovery facilities, and encourage recycling.
- Regional ratepayers also benefit as the additional tonnage will help drive down Metro’s average cost per ton for disposal at Columbia Ridge under Change Order #7.

**3. Implementation**

- SWAC recommended RSWMP amendment last Spring
- Fold the subsequent work on facilities into that recommendation and send to Metro Council (January 1998).
- Based on today’s result, fold rate work into rate ordinance (Metro Code Chapter 5.02)
  - Very desirable to “package” this with the tip fee reduction
  - Need SWAC’s nod today in order to meet the May 1998 implementation date for new rates.
- The rest of work on facilities will be implemented by folding into the ongoing work to re-write Metro’s regulatory code. Discussion drafts available late January or February 1998.

## Regional User Fee vs. Recovery Rate



**Effect of Proposed Rate Schedules on the Gross Margin of MRFs**  
REM Option 12/17

Recovery Rate	Current Rates				Regional User Fee	Proposed Rates				Difference in Gross Margins		
	Revenue	Costs		Gross Margin		Revenue	Costs		Gross Margin	Per Ton	20,000 Ton Facility	35,000 Ton Facility
0%	\$70.00	\$15.00	\$26.00	\$29.00	\$14.00	\$64.50	\$14.00	\$26.00	\$24.50	-\$4.50	-\$90,000	-\$157,500
5%	\$70.00	\$14.25	\$24.70	\$31.05	\$12.80	\$64.50	\$12.16	\$24.70	\$27.64	-\$3.41	-\$68,200	-\$119,350
10%	\$70.00	\$13.50	\$23.40	\$33.10	\$11.20	\$64.50	\$10.08	\$23.40	\$31.02	-\$2.08	-\$41,600	-\$72,800
15%	\$70.00	\$12.75	\$22.10	\$35.15	\$10.00	\$64.50	\$8.50	\$22.10	\$33.90	-\$1.25	-\$25,000	-\$43,750
20%	\$70.00	\$12.00	\$20.80	\$37.20	\$8.80	\$64.50	\$7.04	\$20.80	\$36.66	-\$0.54	-\$10,800	-\$18,900
25%	\$70.00	\$11.25	\$19.50	\$39.25	\$7.80	\$64.50	\$5.85	\$19.50	\$39.15	-\$0.10	-\$2,000	-\$3,500
30%	\$70.00	\$10.50	\$18.20	\$41.30	\$7.25	\$64.50	\$5.08	\$18.20	\$41.23	-\$0.08	-\$1,500	-\$2,625
35%	\$70.00	\$9.75	\$16.90	\$43.35	\$6.60	\$64.50	\$4.29	\$16.90	\$43.31	-\$0.04	-\$800	-\$1,400
40%	\$70.00	\$9.00	\$15.60	\$45.40	\$5.85	\$64.50	\$3.51	\$15.60	\$45.39	-\$0.01	-\$200	-\$350
45%	\$70.00	\$8.25	\$14.30	\$47.45	\$5.00	\$64.50	\$2.75	\$14.30	\$47.45	\$0.00	\$0	\$0
50%	\$70.00	\$7.50	\$13.00	\$49.50	\$4.00	\$64.50	\$2.00	\$13.00	\$49.50	\$0.00	\$0	\$0

This table is intended to show effects of proposed changes in the Metro Tip Fee, when coupled with the Performance-Based Regional User Fee, on the gross operating margin of MRFs.

**Notes and Explanations**

1. Revenues per ton are based on the Metro tip fee
2. Metro cost: the Regional User Fee on the residual that is landfilled
3. Disposal cost: the tipping fees **net of the Regional User Fee** for disposing of the residual. Assumptions:  
 0% of the residual is disposed of at Metro transfer stations  
 100% of the residual is disposed of at limited purpose landfills  
 Tip fees **net of the Regional User Fee**:

	Metro*	Landfills	
Current	\$ 55.00	\$ 26.00	per ton
Proposed	\$ 50.50	\$ 26.00	per ton

\* \$50.50 is the effective rate (net of the Regional User Fee) with a \$5 transaction fee and assuming 2.5 tons per load.

4. Gross Margin: the revenue remaining after disposal costs and the Regional User Fee. Transport, operating costs, capital costs, etc. would be paid out of the gross margin.

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**Example of "Waste Swap"**  
**Option Presented in Nov. 19 Staff Report**  
**for**  
**Combined-Activity (MRF + Reload) Facilities**

**Facility Assumptions**

	Wet	Dry	Facility
Tons in	1,000	1,000	2,000
Recovered	100	350	450
Residual	900	650	1,550
Recovery Rate	10%	35%	22.5%

**1. Metro Disposal Fees without "Swap"**

Type	Tons	Rate/ton	Amount
Wet	900	\$63.00	\$56,700
Dry	650	\$8.80	\$5,720
Total	1,550		\$62,420

Regional User Fee on dry residual based on recovery rate of 22.5%

**2. Metro Disposal Fees with "Swap"**

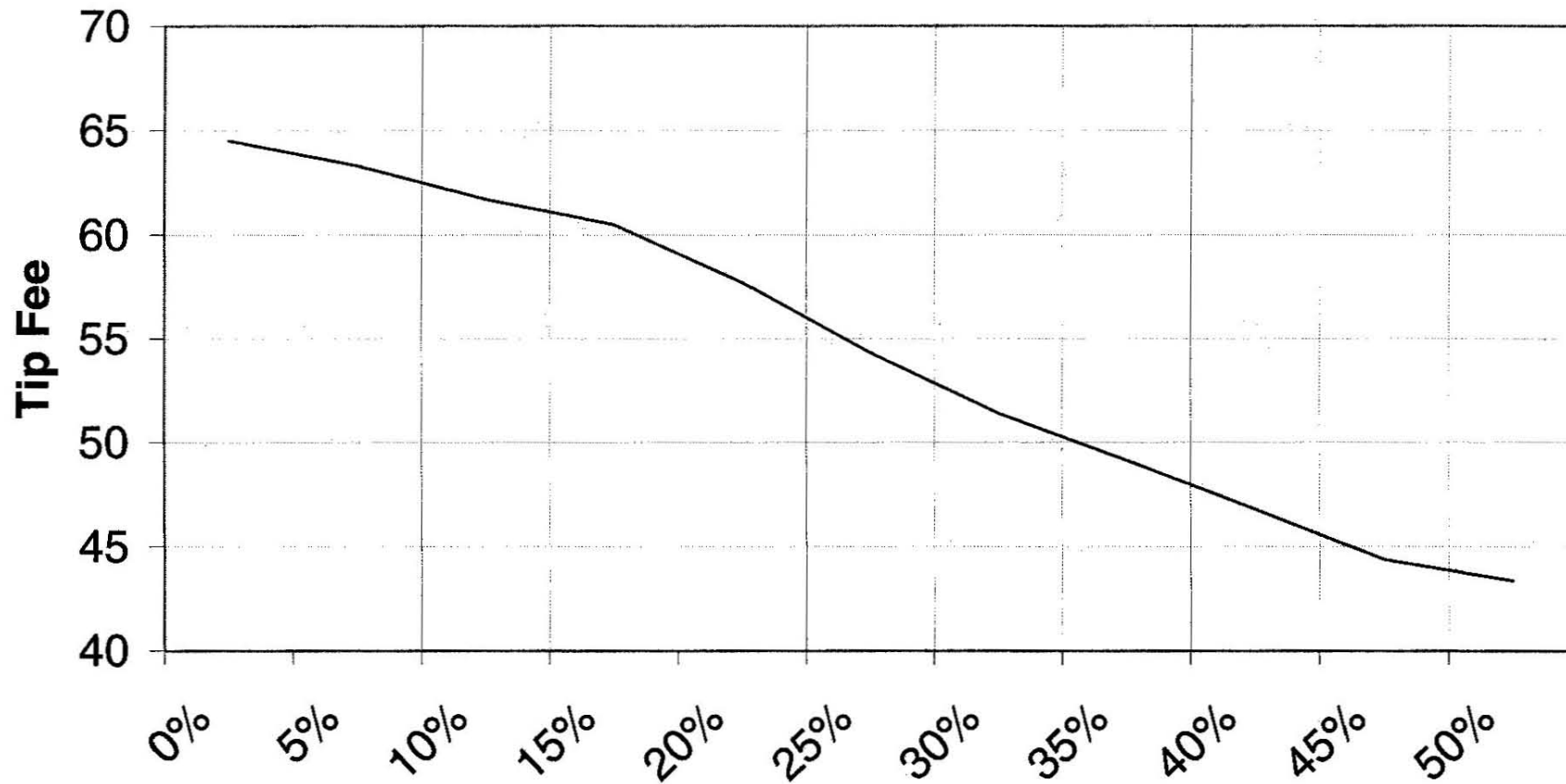
Recovery rate:  $1 - \frac{(650 \text{ tons dry residual} - 100 \text{ tons recovered from wet})}{1,000 \text{ tons dry waste received}}$

Equals: 45%

Type	Tons	Rate/ton	Amount
Wet	900	\$63.00	\$56,700
Dry	650	\$5.00	\$3,250
Total	1,550		\$59,950
		Difference:	\$2,470

Regional User Fee on dry residual based on recovery rate of 45%

## Performance-Based Metro Tip Fee



The total tip fee is the sum of the performance-based user fee and a performance-based tip fee. The effective tip fee starts at \$64.50 per ton, assuming a \$5 transaction fee and 2.5 ton load size.