



METRO

A G E N D A

MEETING: REGIONAL SOLID WASTE ADVISORY COMMITTEE

DATE: Wednesday, February 18, 1998

TIME: 10:00 a.m. – 11:45 a.m.

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

- 5 min. I. Call to Order & Announcements** **Morissette**
- 5 min. *II. Approval of December & January Minutes** **Morissette**
Minutes for the December SWAC were distributed at the January meeting, but no action was taken. January minutes are included in this agenda packet.
- 10 min. III. REM Director's Update** **Warner**
- 50 min. *IV. Performance-Based Regional System Fees** **Warner/Ehinger/Anderson**
Design of the performance-based curve. Consideration of SWAC's January 28 recommendation, subsequent staff work, and discussion & testimony at the Metro Council REM Committee on February 3. Also included: an overview of implementation.
- 30 min. V. Revision of Metro Code Related to Facility Regulation** **Anderson**
Overview, status report, description of process, and schedule for the revision of Metro Code Chapter 5.01 related to regulation of facilities. This work has been on hold for approximately a year, and is gearing up again to accommodate SWAC's work during the past 8 months—including implementation of the performance-based fee structure.
- 5 min. VI. Other Business and Adjourn** **Morissette**

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

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 (797-1788)

Subcommittee Clerk: Connie Kinney (797-1643)

\\METRO1\REM\SHARE\ANDE\SUBCOM0128Sub.AGA

**SOLID WASTE ADVISORY COMMITTEE MEETING
SUMMARY OF 1/21/98**

Members Present

Ralph Gilbert, ECR
Tom Wyatt, BFI
Jeanne Roy, Citizen
Steve Schwab, CCRRA
Susan Keil, City of Portland
Carol Devenir-Moore, Clark Co.
JoAnn Herrigel, City of Milwaukie
Jeff Murray, Far West Fiber
Garry Penning, Waste Management of OR
Frank Deaver, Citizen
Mile Leichner, Wash. Co. Haulers Assoc.
Rick Winterhalter, Clackamas Co.
Lynne Storz, Washington Co.
Merle Irvine, Willamette Resources
David White, ORRA/Tri-C
Doug DeVries, Jack Gray Transport
Tam Driscoll, City of Gresham

Guests Present

Dean Large, Columbia Resource Co.
Todd Irvine, Willamette Resources
Rob Guttridge, KB Recycling
Estle Harlan, Harlin Business Consultants
Sally Fender, United Disposal Serv
Dean Kampf, MDC
Doug Drennen, DCS

Susan Robinson, BFI
Diana Godwin, Regional Disposal Co.
Richard Jones, Citizen

Easton Cross BFI
Loretta Pickerell, Citizen
Steve Engel, Waste Matters

Metro

Bruce Warner
Doug Anderson
Steve Kraten
Jim Watkins
Leo Kenyon

Paul Ehinger
Dennis Strachota
Scott Klag
Roosevelt Carter
Connie Kinney

ANNOUNCEMENTS

Acting Chairman, Bruce Warner asked Mr. Irvine if he had an announcement. Mr. Irvine introduced Sally Fender, Manager of United Disposal and announced she would be Mr. Steve Schwab's alternate.

Minutes from the December 17, 1997 SWAC meeting were distributed. It was decided a vote on acceptance of the minutes would be put over to the next full SWAC meeting.

DIRECTOR'S UPDATES

Status of Jack Gray Trucking was given. Mr. Warner said Metro was now in the position to either approve or deny the assignment of assets which was discussed at the REM Committee January 20th. There will be a special item on the REM Committee agenda this evening so they can make a recommendation to the full Council for a scheduled decision by the Council on January 22, 1998.

Mr. Warner said that within the agenda packet is the latest version of the Year 9 Waste Reduction Plans. This material was sent out to let SWAC know staff has incorporated results of public comments and input to-date. The deadline for public comments is January 23, 1998. It is the third and final draft will be brought to SWAC by the next meeting and is expected to go to Council in February, 1998. If there are any questions contact either Jennifer Erickson or Bryce Jacobsen.

Jeanne Roy commented that she has not yet seen a State of the Plan Report showing how the region has proceeded throughout the previous year. Ms. Erickson replied that a first draft has been made and a subsequent draft is scheduled to accompany the Year 9 Plan when it goes to Council.

Mr. Warner introduced Meg Lynch, a new employee in the REM department, who recently accepted the position of Waste Reduction Supervisor.

Evaluation of the Effects of Metro's New Disposal Rates on Recycling, Material Recovery, and Waste Flows

Mr. Warner introduced the consultants who had prepared the report on the impact of changes in the Metro tip fee. Mr. Donovan of Donovan Enterprises was the lead consultant in cooperation with Rich McConaghy of Willow Creek Associates and Delyn Kies of Harding Lawson. Important issues that were researched included the likely impacts of the system such as the proposed tip fee of \$62.50, and the performance based regional user fee. At the same time, it was made clear that Metro's Solid Waste Recycling goals, waste prevention and our emphasis on source-separation were all givens. What we don't know is whether some of the recommended practices and the track we are following to reach some our objectives, still have the same validity in this new rate environment that they might have had under a higher disposal scenario of a couple years ago. Staff asked the consultants to specifically look at residential, commercial and construction and demolition source-separation practices. They also examined the impacts on efforts to recycle new materials such as organics, roofing, and other materials, which the Plan relies on to help the region reach its goals. An additional concern is whether there is an issue with importing or exporting waste across regional lines, i.e., Clark County, Washington. Their tipping fee will remain \$74.50/ton and the question is whether there is a policy response we should make to that.

Mr. Donovan distributed a one-page handout to accompany their report. The consultants interviewed a wide range of sources and heard a variety of opinions and conclusions. The

consultants reported they do not know with any certainty, what impact the rate change will have on the behavior and motivation to recycling. Mr. Donovan said they do have some educated opinions on the outcome and how things might change. Mr. Donovan said it was important to recognize all of the other things happening within the region at this time, for example: co-mingling issues and the curbside programs and the impact that has on processing facilities.

Mr. Donovan said their discussion would focus on four main points: Source-separation, post-collection recovery, non-traditional materials (the marginally economic items), and interjurisdictional wasteflows.

Project Purpose and Methodology: Mr. Donovan directed the committee to the conclusion section in the executive summary. In two paragraphs they have summarized their conclusions. (page 3 at the bottom) The bottom line: Find ways to reduce costs in the region's recycling infrastructure; improve markets for recyclables; develop programs and policies to provide incentives to recycle rather than dispose.

Mr. Rich McConaghy from Willow Creek Associates next discussed Table 1, pg. 15 of the report. Mr. McConaghy said this table really focused the issues as far as where the dollars are. 752,000 tons were recovered in the Metro region last year. Three things account for this recovery effort: recovery through source-separation programs (89%), MRF or post-collection sorting (11%). The amount of MRF recovered material has been steadily increasing. Mr. McConaghy continued to review the table with the group.

Mr. McConaghy said most at risk are the non-traditional materials within the commercial sector during source-separation (currently at 4%), and commercial principle recyclables from post-collection recovery (at 6%).

Mr. Kies commented that although they had limited time and resources, she did manage to contact many but not everyone they wanted to. She said the meetings were conducted in order to get a sense from key people in the industry the dynamics of source-separation, post-collection, waste flow in and out of the region, and to test different hypotheses on these subjects.

Mr. Donovan said their information showed that commercial source-separation programs are diverse and market driven. The recycling behavior and motivation of these generators is based on how big they are and their wastestream composition. The avoided cost potential of dry waste generators is not relative to Metro facilities, it is to limited purpose landfills (Hillsboro, Lakeside). It is not clear to them that anything Metro does other than the regional user fee will impact their behavior as far as how they set their prices.

Ms. Kies said that generally in the commercial source-separation area, it will be on a company by company basis as far as what the impact will be. It is their belief that for the system as a whole, the drop in price will not have a dramatic impact on recovery. However, a specific generator may experience big impacts, and there is a potential for impacts in City of Portland's non-franchised, unregulated areas where competitive pricing is in place.

Ms. Roy said she wanted to mention what she considered a flaw in the report, although she found a lot of valuable material in it. The report looks at impact in terms of the risk of back-sliding instead of looking at the impact in terms of hindering the region from reaching its recycling goal. Ms. Roy drew a graph on the board to illustrate her point the areas decrease in recovery over the past couple of years.

Ms. Keil commented that two-thirds of the waste presently delivered to the landfill comes from the small businesses, which would indicate that is where the room for improvement lies. She also believes that the "dip" in 1996 is the result of some disputed numbers related to flood and waste that would be in a special waste category that were perhaps not properly accounted for.

Mr. Murray said he didn't see an impact to residential recycling at all. He does see the potential for a "garbage war" and in fact feels it has already started, and he believes it has a very strong effect on the limited purpose landfills.

Mr. Gilbert said that at the commercial level, you get into a high wage rate, higher than a lot of other places in the system and as the rates come down, people will not pay the money for the high wages it will take for the source-separation. He believes it will depend on the MRFs and the marginal operators to reach the levels in the region that the legislature has set. He agrees with Sue (Keil) whether it is worth the expense to get that last marginal piece.

Mr. Engel (from the gallery) said he believes the new rate will not have much effect on the generator that it is driven by the service providers and the effect on the different construction service providers could be profound. He also believes that MRFs and post-collection recovery is largely unproven in terms of economics and effectiveness. He believes Metro needs to provide containers to small and medium generators and to make a new and continuing efforts promoting education with regard to reduce, reuse and recycle. He also believes the message to order smaller containers from their haulers should be promoted.

Mr. Gilbert believes that glass was left out of the materials that were looked at and that a large percentage of it is going to the landfill. He believes as much as 10% could be recovered.

Garry Penning: Transportation and location of facility will have big part in whether it goes to limited purpose or general purpose. It just doesn't make sense to drive 40 or 50 minutes one way to a landfill when you don't have to. He said the location of facilities really haven't been addressed in the report which he believes will impact what goes to the landfill. He said that as far as the price war, that's been going on for a long time and it is his opinion that the price drop will not worsen it.

Mr. Donovan said a considerable amount of work had been done by SWAC and that a performance based tip fee is a clever solution. One point to keep in mind is that 11% of total recovery comes from post-collection. This will, in the future, become extremely important and if we are going to meet the goals in the Plan we will have to tackle the organics issue. He said that from a land use standpoint, this will be more than difficult, but that our goal is to get this type of recovery. He said that if you go to any neighborhood meeting, planning commission, or city council meeting and if they find out you are going to process wet garbage, you will find that

everyone is an environmentalist until and unless someone proposes a facility 5 miles from their neighborhood.

He said the performance based regional user fee is a great solution and innovation to the static 45% that is seen in the franchises today. Ms. Kies said feedback have been very positive. But they heard that a lot of other things going on in the region will affect and impact and cause changes in the recovery and disposal system besides the rate reduction. And the fear that Jeanne (Roy) spoke of earlier, are we getting away from the focus of our number one objective of recycling versus disposal. Therefore Metro might relook at a minimum level of recovery for the performance based reductions to begin. She said that MRFs are an integral part of the solid waste system within the region. Most of the MRFS were built during the time when the tip fee was \$75/ton so their business plans are predicated on that and not \$62.50.

Mr. Gilbert said he thought the curve should hit at 30% which he believes is easy to attain. Then he believes it should fall to 65% or 60% but not fall dramatically.

Mr. Irvine said the curve was developed to offset the loss of revenues that the MRFs were going to incur when Metro drops the rate, and the curve from 20% to 60% is really a "make whole" curve, not an incentive.

Mr. White said the committee has worked very hard to make one curve fit all, and he doesn't want to have to go back and reinvent the wheel, neither does he want to discourage any recovery that might be encouraged from a reload because that can help the region meet its goal.

Ms. Keil said a reload works because it is in the right place, it consolidates loads to get to an appropriate facility, and it's straight economics. She said that if incremental recovery occurs, that's wonderful. She said, however, that is not what a MRF is designed to do in her estimation. She said the point of a MRF is to make it easy for a customer to send their source-separated (which can be all recyclables mixed together set out for recycling), and we are not talking about garbage that we are picking through. - we are talking about dry waste (with some residual). Ms. Keil is not interested in having a MRF being able to send it to a landfill with 5% or 6% recovery removed. She said she doesn't know where it (reloads) fits or plays into this equation, but we are not looking for a conduit to a landfill.

Mr. Donovan said there was a potential for in-migration of waste from Clark County, Vancouver to Metro Central and he recommends that there be a dialogue between Clark County and Metro to monitor this issue.

Ms. Devenir-Moore said they do issue exclusive franchises in some areas in Clark County. She also said this is a potential problem for Columbia Resource Company which is the contractor operating Clark County's two transfer stations, the landfill, as well as the transport, and disposal of garbage on a 20-year contract which started in 1990.

Mr. Donovan said one of his concerns after reading Change Order 7, was the more materials Metro facilities received, the better the unit price per ton. He said this was an issue that inter-governmental cooperation was needed on.

Mr. Warner said the phrase *prohibiting waste from outside the region* is, through the Rate Ordinance, now being eliminated from Metro Code.

Mr. McConaghy said there is uncertainty as to what the effects of the rate decrease of last July was because the data is not yet available. He said the lag in getting data has created a problem with their research on what impact a further reduction will be on the region.

Mr. Donovan then went through the recommendations section report point by point. As to source-separation on residential, he said continued education and the programs currently being practiced is their recommendation. He believes the same is true for the *commercial programs*. He believes it is not the price signal, it is the message. They recommend that additional emphasis be placed on source-separation, education and keeping the message alive, as well as continuing curb-side programs.

Ms. Roy had a comment on the recommendations. She said that in general, the message is to continue education and be watchful, but she believes they need to look at the impact in terms of how does the decreased rate hinder the region's ability to reach their recovery goal and she doesn't believe the recommendations are adequate. She believes Metro should form a task force to see how our current waste reduction plan can be beefed up in light of decreasing disposal rates so that the region can still meet recycling goals.

Mr. Warner thanked the consultants for their presentation.

Mr. Anderson referred to a handout outlining nine points for clarification of the rate ordinance. He said that most of the discussion that SWAC has been having over the past 9 months is reflected in the rate ordinance.

The committee directed their comments to proposed changes in the code to "recoverable load charges." Mr. Anderson said the new language replaces the old avoided disposal approach. Mr. Penning and Mr. Schwab commented that the Budget Review Committee and the Rate Review Committee discussed this subject and they agreed Metro would charge the "true cost" of the material based on a formula that Mr. Petersen presented and they specifically discussed yard debris and wood. Mr. Anderson said the program has not yet been developed and it is clear to him there needs to be more feedback to the group on this program. Ms. Roy suggested that at this time the language should be limited to yard debris and wood. Ms. Keil seconded that suggestion, and Mr. Penning said that was the intention of the Rate Review Committee.

Mr. Warner said staff would further discuss this portion of the proposed rate ordinance.

Mr. Anderson continued with point number 9, the proposed rate ordinance does not implement a performance based Metro tip fee. This issue may be discussed at a later time.

Mr. Anderson said staff was aiming for a rate ordinance implementation date of June 1, 1998. Staff is also targeting getting all of the franchise facility regulatory work on that same track in order that facilities can take advantage of the performance curve when it becomes available on

June 1, 1998. Mr. Anderson said the tasks to get us to that point is 1) Present RSWMP amendment language to Council for approval (which SWAC passed unanimously last spring); 2) Present amendments to Metro Code on facility regulation to accommodate changes (i.e., performance based user fee, direct-haul conditions) to Council; 3) Franchise agreement changes (based on work accomplished by SWAC).

Mr. Irvine said that with respect to the rate ordinance, page 2, (under definitions) (f) direct-haul disposal charge, "... direct haul charges levied on solid waste generated or ..." he said that the way it was written would preclude WRI or any other reload facility from contracting with Jack Gray Transport. Mr. Anderson said that was not Metro's intent. He said they would amend that language.

It was a consensus of the group to meet as a subcommittee the following Wednesday, January 28th at 8:30 a.m.

The meeting was adjourned.

S:\SHARE\KINN\SWAC\SWAC0121.sum

**METRO**

AGENDA ITEM #IV

DATE: February 12, 1998

TO: Members of the Regional Solid Waste Advisory Committee
Other interested parties

FROM: Bruce Warner, REM Director
Douglas Anderson, Waste Reduction, Planning & Outreach Manager
Jim Watkins, Engineering & Analysis Manager
Paul Ehinger, Senior Engineer

RE: Revised Performance-Based Fees

On January 28, the SWAC Subcommittee on Facilities recommended a version of the Performance-Based Regional System Fee to replace the draft version in the FY 1998-99 Rate Ordinance.

REM staff has analyzed this work in light of the objectives that the subcommittee indicated it wanted to achieve. REM staff believes that the curve recommended on January 28 will not achieve certain key objectives. This analysis is presented below.

In this memorandum, REM staff has proposed an alternative performance-based curve that appears to better meet the objectives of the subcommittee. REM has recommended that this curve be implemented in the FY 1998-99 Rate Ordinance.

Schedule

Tuesday, February 17. The Council REM Committee will act on the FY 1998-99 Rate Ordinance, as revised. A public hearing will be held at this meeting. (11:00 AM, Metro Council Chamber)

Wednesday, February 18. Discussion of the revised Rate Ordinance at the Regional Solid Waste Advisory Committee. (10:00 AM, Room 370, Metro Center)

Thursday, February 26. Metro Council is scheduled to act on the rate ordinance. A public hearing will be held at this meeting. (7:00 PM, Metro Council Chamber)

June 1. Implementation date for new rates.

Summary

REM's revised performance-based rate schedule is:

REM Recommendation

Recovery Rate	Regional System Fee
0 to 20%	\$14.00
25%	13.00
30%	11.00
35%	7.54
40%	6.00
45%	4.18
50% & over	2.00

Implementation and Application

- These rates apply only to mixed dry waste.
- The recovery rate formula for determining the fee excludes: source-separated recyclables (whether source-sorted or commingled), and any special or industrial wastes that are simply consolidated and reloaded at the MRF.
- For facilities having both MSW reloading and MRFing under the same roof, implementation will grant an allowance for gleaning recyclables from the wet waste.
- These rates are not available to a facility whose recovery rate over all waste is below 10%, exclusive of source-separated recyclables.
- Fees will be interpolated for recovery rates that fall between the indicated categories.
- The FY 1998-99 Rate Ordinance *does not change* Metro's current policy to waive fees on solid waste delivered to facilities that accomplish material recovery as a primary operation. Readers who are analyzing this rate schedule for specific facilities should note that this waiver policy has more economic value than the credits granted under the performance curve.

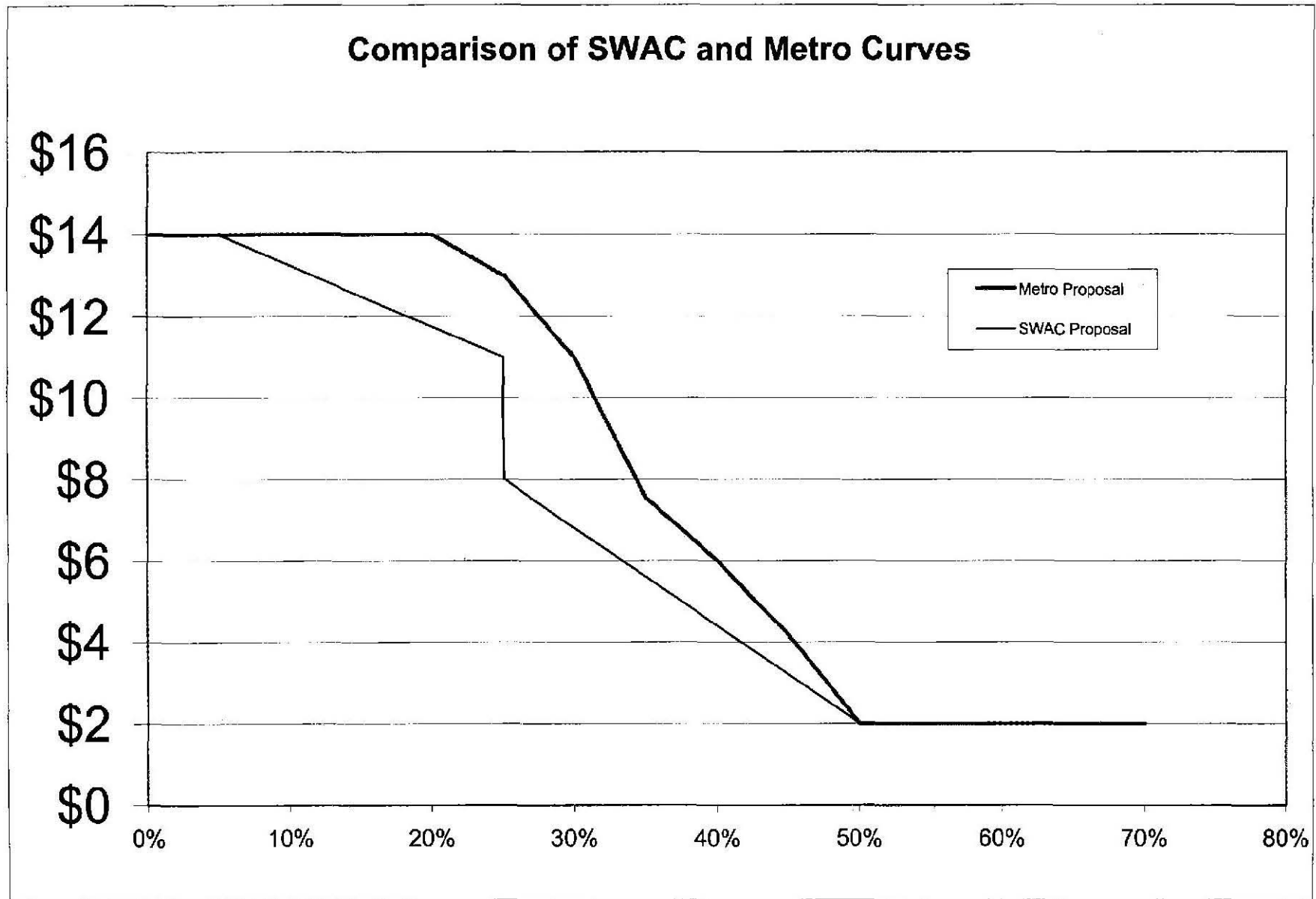
The Subcommittee's Recommendation of January 28

The performance based rate schedule developed by the SWAC subcommittee is:

SWAC Jan.28 Recommendation

Recovery Rate	Regional System Fee
0 to 5%	\$14.00
10%	13.25
15%	12.50
20%	11.75
25%	\$11 / \$8
30%	7.00
35%	6.00
40%	5.00
45%	4.00
50%	3.00
55% & over	2.00

FIGURE 1



The subcommittee's design of the curve was based on the objectives listed below, as expressed during the January 28 meeting. This list includes REM staff's interpretation and analysis (*in italics*) of how these objectives were met.

1. Fee discounts should be matched to the level-of-effort.
Even though the slope of the subcommittee's curve is steeper at higher recovery levels, this rate schedule grants 60 percent of the fee credits to facilities that achieve only 30% recovery. Thus, the curve does not appear to meet this objective.
2. Recognize recovery, even at low levels.
Discounts from the Regional System Fee begin at 5%. The subcommittee's recovery rate and curve applies to all waste (wet and dry) that is handled through the facility.
3. One curve, applied to all facilities.
4. Provide a big incentive for high recovery.
The subcommittee's curve drops below the "make whole" curve at 25%, making facilities better off (with respect to the Metro fees) than they are today at a low level of recovery. The curve does not appear to fully meet the objective because there is less incentive to recover more when so many credits have been granted for relatively low-level recovery.
5. "Bright line" between MRFs & reloads, defined by 25% recovery. MRFs should accomplish recycling and recovery—not be a pipeline to a landfill.
The \$3 vertical drop at 25% is intended as a disincentive for "backsliding." See the discussion, below.
6. Impose penalties on MRFs that drop below a minimum recovery rate (25%).
Potential consequences for MRFs that drop below 25%, mentioned by subcommittee members: (a) no longer a "MRF" but a "reload"; (b) in violation of franchise; (c) implement a penalty for going below 25% similar to the current penalty for going below 45%; (d) cancel franchise, require reapplication and go through process to become a reload. The subcommittee took no action on these options. More on this below.

Further discussion of points 5 and 6 above. The \$3 vertical drop at 25% recovery was intended by the subcommittee to provide an economic disincentive for MRFs to fall below 25% recovery. On analyzing this aspect of the curve, REM staff has three principal concerns:

- The sharp discontinuity sends both a signal and a strong economic incentive to recover only at 25%.
- It sends a message that it is all right to recover at only 25%.
- The credit that is effectively paid per recovered ton is a maximum at 25% recovery, and falls thereafter. This is not an acceptable public policy on recycling.

Explanation of REM's Recommendation

1. Fee discounts should be matched to the level-of-effort.
REM's rate schedule grants only 25 percent of the fee credits to facilities that achieve only 30% recovery, but grants over 80 percent of the credits at 45% recovery.
2. Recognize recovery, even at low levels.
Although the curve does not grant fee credits until a 20% recovery rate has been achieved, a facility can effectively receive credits at lower recovery rates by taking advantage of the allowance for gleaming recyclables from wet waste.
3. One curve, applied to all facilities.
4. Provide a big incentive for high recovery.
REM's curve drops below the "make whole" curve between 35 and 40% recovery—giving incentives only to facilities that recover at a rate higher than the regional average. The credit that is effectively

paid per recovered ton is a maximum between 35% and 50% recovery (unlike the subcommittee's recommendation, which hits a maximum at 25%.)

5. "Bright line" between MRFs & reloads. MRFs should accomplish recycling and recovery—not be a pipeline to a landfill.

The REM option draws the line in two ways: (a) fee credits are available only on dry waste; (b) the facility is ineligible for fee credits on any of its waste streams if the overall recovery rate falls below 10%.

6. Impose penalties on MRFs that drop below a minimum recovery rate.

The application of penalties is a franchise issue, not a rate issue—and penalties remain an option. However, REM staff is reluctant to impose surcharges on facilities that drop below a certain rate, for the following reason: one of the objectives of the performance-based fee structure is to help preserve post-collection recovery capacity. If a MRF can operate below a minimum rate only with a penalty—but a reload can operate at that level without a penalty—then we would likely see MRFs simply become reloads, and help create the situation we are trying to avoid.