



METRO

A G E N D A

MEETING: **REGIONAL SOLID WASTE ADVISORY COMMITTEE**

DATE: Wednesday, September 22, 1999

TIME: 8:30 a.m.—10:15 a.m.

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

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| | I. Call to Order and Announcements | Ed Washington |
| 5 min. | *II. Approval of August Minutes | Ed Washington |
| 10 min. | III. Introduction of New Hauler Members & Alternates | Ed Washington |
| | <i>Seating of representatives from the hauling industry to replace retiring hauler members, vacancies and alternates for all three counties and the region at large. Terms for these members will begin October 1999 and run through September 2003.</i> | |
| 10 min. | IV. REM Director's Update | Terry Petersen |
| 30 min. | V. What to Do about "The 10 Percent"? | Paul Ehinger |
| | <i>Metro's disposal contract allows Metro to dispose of up to 10% of regional waste at landfills not owned by Waste Management. This agenda item will include a discussion of (1) the pros and cons of allowing waste to flow to non-WMI landfills, and (2) some options for determining who should get some or all of the 10%.</i> | |
| 45 min. | VI. Solid Waste Rate and Excise Tax Structure | Ed Washington |
| | <i>Councilor Washington will brief the Committee on the status of the "use of the savings" discussion at Metro Council, and lead an open discussion on the objectives and options for Metro's excise tax on solid waste activities.</i> | |
| 5 min. | VII. Other Business and Adjourn | Ed Washington |
| | * 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 Ed Washington (797-1546); Alternate Chair: Councilor Rod Park (797-1547)

Staff: Meg Lynch (797-1671) or Doug Anderson (797-1788); Committee Clerk: Connie Kinney (797-1643)

**Metro Solid Waste Advisory Committee (SWAC)
Meeting Minutes
August 18, 1999**

ATTENDEES

Voting Members

Rod Park, Acting Chair, Metro Councilor District 1
Merle Irvine, Willamette Resources
Scott Bradley, Waste Management
Mike Leichner, Washington County Haulers (alternate), Pride Disposal
Dean Kampfer, Multnomah County haulers (alternate), Waste Management
Tom Wyatt, Browning-Ferris Industries
David White, Tri-County Haulers/ORRA
Susan Keil, City of Portland
Lynne Storz, Washington County
Jeff Murray, Recycling Industry, Far West Fibers
JoAnn Herrigel, City of Milwaukie
Sarah Jo Chaplen, City of Hillsboro (Washington County cities)
Jeanne Roy, Citizen, City of Portland
Ralph Gilbert, East County Recycling
Rick Winterhalter, Clackamas County
Mike Borg, Clackamas County Haulers (alternate), Oak Grove Disposal

Non-Voting Members

Terry Petersen, Acting REM Director
Rob Guttridge, Clark County (alternate)
Marti Roberts-Pillon, DEQ (alternate)
Doug DeVries (Specialty Transportation Systems)

GUESTS

Eric Merrill, Waste Connections
Henry Mackenroth, City of Oregon City
Easton Cross, Easton Cross Consultants
Vince Gilbert, East County Recycling
Todd Irvine, Willamette Resources
Dick Jones, Citizen
Jerry Rust, Citizen
Greg Nokes, *The Oregonian*

METRO

Maria Roberts, REM	Meg Lynch, REM
Tom Imdieke, ASD	Steve Kraten, REM
Penny Erickson, REM	Jim Quinn, REM
Jim Watkins, REM	Scott Klag, REM
Aaron Brondyke, REM, Acting Clerk to the Committee	

Call to Order and Approval of the July Minutes

Councilor Rod Park explained that as Vice-Chair of the REM Committee, he would be filling in for Ed Washington today as SWAC Chair, since Councilor Washington is on vacation. The Minutes of the SWAC Meeting of July 21 were moved and seconded. Rick Winterhalter made a correction to the minutes on behalf of Susan Ziolk. On page 8, in the paragraph that begins, "Ms. Ziolk commented . . .", the statement in the last sentence is inaccurate, and should be deleted from the record. With that change, the July Minutes were approved unanimously.

Director's Update

Mr. Petersen announced the commencement of operations at Metro's new latex paint processing facility at the Metro South Transfer Station. Metro anticipates that once fully operational, the facility will process an average of 115,000 gallons of paint per year. Seventy-five to 80% of that paint will be recycled for sale, mostly to non-profits and governments. Metro intends to sell the recycled paint for \$2.50 per gallon, and to fund the paint portion of the Hazardous Waste Program through the sale of this paint, rather than through the tip fee. Metro hopes to organize a grand opening event for September. All SWAC members will be invited.

Mr. Petersen provided an update on the recent work of the Metro Rate Review Committee, which advises the Metro Council on solid waste rates. Dean Kampfer and Steve Schwab are members, representing SWAC. The Committee met on August 4, and recommended that the solid waste transportation and disposal contract savings be passed back to the ratepayers through a lower solid waste portion of the tip fee. This reduction, if adopted, would reduce the solid waste portion of the tip fee from \$57.74 per ton to \$51.21 per ton, not including the excise tax. The Rate Review Committee will meet again on September 15 to discuss potential excise tax changes.

Metro's Solid Waste Enforcement Unit recently helped to uncover a serious violation of hazardous waste regulations. The vice president of a Portland chemical manufacturer brought hazardous waste to one of Metro's Household Hazardous Waste facilities, and misrepresented this waste as having been generated in a household. A suspicious hazardous waste technician reported the incident to the Metro Solid Waste Enforcement Unit, which, in turn, contacted the Oregon Department of Environmental Quality. A joint Metro/DEQ investigation revealed that the waste had actually been generated at the Chemithon Surface Finishing facility located on NE Marx St. in Portland and that the source of the waste had been deliberately misrepresented to Metro. DEQ assessed fines of \$5,400 in civil penalties.

Improper disposal of pool chlorine has been the cause of several incidents at Metro transfer stations. On August 12, Metro staff met with East Coast representatives of chemical manufacturers that produce and market pool chlorine, staff from DEQ, Oregon Health Department (which regulates pool operations) and representatives from two local associations – pool and spa retailers; and hotel and motel operators. The purpose of

the meeting was to discuss how to educate users of pool chlorine products about proper disposal. The meeting was very productive – covering identification of targets for education efforts, development of appropriate education materials, and establishment of distribution channels. The industry representatives were very interested in starting a local program that could serve as a model for other areas of the nation. This first step represents an excellent example of government and industry working together on outreach and education.

Metro has run into problems verifying that there is no residual from facilities that claim to be accepting only source-separated recyclables, particularly construction & demolition debris. Facilities that generate no residual have been made exempt from Metro regulation. However, Metro would like authority to go on-site to investigate those facilities to verify that they are not accepting mixed solid waste and that they are generating no significant amounts of residual. Mr. Petersen believes that Metro must amend its Code to ensure Metro access to those facilities. Staff will develop a Code Change and present it to the Metro Council for approval sometime in September. Metro Solid Waste Enforcement Officer Steve Kraten will be working with the industry on this topic. Mr. Petersen concluded his Director's Update.

Mr. Irvine asked whether the new latex paint recycling operation would be self-sustaining in terms of operating cost alone, or including capital as well. Mr. Petersen explained that it would include capital as well.

Chair Park asked whether Metro Code currently gives Metro blanket authority to inspect solid waste facilities. Mr. Petersen responded that Metro would like to have access to facilities that claim to take source-separated recyclables exclusively, and claim that they generate no residual. Chair Park asked whether we should specifically mention MRFs and private transfer stations. He asked why the Code is not written in such a way to give us blanket authority. Mr. Murray explained that there has been a long-standing debate about regulation of "clean" facilities. He asserted that companies such as Far West Fibers, Weyerhaeuser and Smurfit deal only with source-separated material, and no mixed materials whatsoever, and therefore, they should remain exempt from regulation. He stated that Far West, for example, already has a voluntary program that allows Metro access to the facility at any time. Mr. Murray suggested that Far West would be comfortable if its exemption were maintained while ensuring that there is still government access for inspection without a search warrant. Ms. Keil said that there are certain types of facilities that Metro may have a particular interest in, either by virtue of a rate structure that is dependent upon the activity or some of the standards that Metro has put in place, and Metro has built those standards into the regulatory agreements. The oversight capability is also built into those agreements. However, there is sort of a "new animal" currently operating in the region. Ms. Keil added that the rate relief structure requires that we know what is going on. However, it should not be as significant for Metro to step up and inspect when it does not have a fiduciary responsibility.

Mr. White asked whether Metro's lack of authority to inspect clean MRFs is a result of Metro's lack of regulatory authority to authorize them to operate. Mr. Petersen said that the Code must be amended in a number of areas to address changes that have occurred. He added that he does not know what approach Metro should take, but he believes that there should be some regulatory oversight over facilities accepting construction & demolition (C&D) debris.

Introduction to Recommendations for Hazardous Waste Planning

Scott Klag from REM's Waste Reduction & Planning section introduced himself. He recapped what he discussed at the last SWAC Meeting, present draft recommendations, and talk about the next steps in the Hazardous Waste Planning process. (Mr. Klag presented a Microsoft PowerPoint presentation, a copy of which is attached to these minutes.)

After the presentation, Ms. Keil pointed out that this process provides a good opportunity for coordination and dialogue with volunteers in environmentally focused groups, such as the Master Gardeners and the Master Recyclers. She added that Metro might consider accessing such groups and others to help spread the word about hazardous waste, since many of them are interested in water quality issues, and offer practical recommendations that homeowners and small businesses can do to make a difference.

Jeanne Roy commented about the type of language used in Mr. Klag's presentation. She pointed out that it is not just the *improper* use, but the *actual* use of these products in general that is dangerous. Therefore, she advised him to encourage folks to seek alternatives to toxic products. She also pointed out that several times, Mr. Klag spoke of reducing the use of toxic products, and she encouraged him to be sure to include "alternatives" and "elimination" as options in addition to "use reduction." Finally, she also cautioned Mr. Klag about working with the chemical industries, since that can restrict the message, because the industries will not want to encourage the use of alternatives. Mr. Klag responded that actually, retailers often offer both the toxic product, and the less toxic alternative.

Chair Park asked whether we have statistical information to substantiate our belief that there is a problem associated with the stockpiling of these materials. Mr. Klag responded that Metro still receives 75 pounds, on average, from customers at collection events, and while Metro doesn't keep track of how old materials are, anecdotally our staff sees a lot of stockpiles. He added that our surveys also indicate that there are populations of customers in the region who are not using our services. In addition, Realtors often report to Metro that when occupants change residences, customers do not deliver toxic materials to Metro's stations. We simply want to identify where these materials are, and get people to bring them in for safe disposal.

Chair Park asked Mr. Klag to substantiate the connection between the presence of stockpiles and the presence of actual hazard. Mr. Klag stated that indoor air pollution

and child poisonings seem to be correlated with stockpiles of toxic chemicals. However, when REM looked into tracking these indicators locally, we discovered that these incidents are not well documented. Nevertheless, we'd like to determine how to monitor this information over time. He stated that Fire Bureau officials view stockpiling as a hazard. He added that large amounts of toxic materials have appeared in local floodwaters during recent high rainfall events. Therefore, stockpiles of toxic materials near watercourses pose a special problem from an ecological perspective. Chair Park cautioned Mr. Klag against making the leap between cause and effect without an actual nexus.

Mr. Petersen pointed out that shifting from big to small events would be a major change for our program and a change from what we've trained the public to expect. Therefore, REM really wants SWAC input. He added that increased toxics education would have an associated increased cost, which we would like SWAC input on as well, before we present recommendations to the Council. Mr. Klag agreed to return to the SWAC after the Hazardous Waste Planning Team gets some more input from local governments.

10% Issue and Non-System Licenses

Mr. Petersen said that the SWAC is probably aware that Metro's Disposal Contract has language requiring that 90% of what Metro delivers to a general-purpose landfill must go to Waste Management, Inc. (WMI)-owned landfills. That provision leaves 10% of what Metro delivers that could possibly go to non-Waste Management landfill(s). Metro is currently trying to determine the best way to manage that 10%. REM has debated several options:

- Do nothing. This option would effectively commit the full 100% to Waste Management landfills with the disposal price that we have now.
- Change the contract with Allied/BFI, allowing them to deliver the waste to its Roosevelt Landfill.
- Grant the 10% through a Non-System License or Designated Facility Agreement. This option would use our regulatory tools to authorize the 10% to go to another non-WMI landfill.
- Use a competitive process. This option would require that Metro request formal proposals that the Council would consider for approval.

Mr. Petersen stated that REM has recommended the last option to Metro's Executive Officer, Mike Burton and the Council (to issue a Request for Proposals [RFP] for the 10%), to allow all companies to give Metro proposals, since that option is the most fair. Metro would issue an RFP, hopefully sometime this fall. The Council would decide whether to authorize the release of that RFP, and would help to establish the criteria for evaluation of the proposals. The resulting contract would then go to the Council for approval. Jim Watkins is the REM manager in charge of that process. He will be working to develop a draft RFP. REM wants to work with all potential bidders to develop the draft RFP, before staff takes it to the Council. To do so, contact Mr. Watkins.

JoAnn Herrigel asked whether there was an option that all bidders would be rejected, leaving the region with the status quo. Mr. Petersen said yes.

Mr. Irvine asked whether the RFP would be for both disposal and transportation, or just for disposal. Mr. Petersen responded that it could cover "both" or "either."

Ms. Keil asked whether the RFP would come back to the SWAC for comment. Mr. Petersen said yes.

Ms. Keil asked whether Waste Management would be a bidder. Mr. Petersen said that he did not know, and that perhaps staff should see where the Council is on that issue, since there is a legal issue therein, involving Metro's ability to exclude bidders from a competitive process.

Mr. Gilbert asked about Metro's declining block rate under its Disposal Contract with WMI. Mr. Petersen explained that the first 550,000 tons are tipped at \$23.00 per ton, and then that rate declines to as low as \$7.75 per ton as tonnage increases. Therefore, Metro would want to look at that price schedule when evaluating proposals. Mr. Gilbert said that Metro must evaluate the impacts on the declining block rate, since any percentage of tonnage removed from the Metro system could result in a detrimental effect on Metro. Chair Park said that the Council would look at the full range of options regarding how proposals would affect the viability of the system as a whole, not only including price, but also recycling.

Ms. Keil asked about expected timeline for concluding this process. Mr. Petersen stated that he hoped to have a draft RFP to the Council this fall. Given that timeline, REM could possibly award the contract by January 2000. However, he added that this schedule would be very aggressive.

Non-System Licenses

Mr. Petersen reported that REM has received three applications for Non-system Licenses (NSLs). The applicants are Willamette Resources, Inc. (WRI), Pride Disposal and Waste Connections. REM recommended that Metro's Executive Officer, Mike Burton approve WRI's NSL, and he signed it. This license will allow WRI to haul up to 5,500 tons of waste per year to the Marion County Burner. It basically transfers an existing NSL from United Disposal to WRI. This license allows United trucks to reload waste at WRI and haul it to the waste-to-energy plant in Marion County. Because this hauling results in energy recovery, this tonnage does not apply to Metro's 90% commitment to Waste Management under Metro's Disposal Contract. Mr. Irvine clarified that the amount of waste delivered depends upon the needs of the burner and the County's need to fulfill their commitment to Ogden Martin (the operator of the burner).

Pride Disposal submitted an application for an NSL that would authorize it to transfer 50,000 tons of waste per year to Waste Management's Riverbend Landfill in Yamhill

County. Metro evaluated the system cost and whether the anticipated transportation savings of going to Yamhill County would offset any other cost increases. It appears that the proposed NSL would result in significant savings to the system. Metro has also checked to see whether other waste haulers in Washington County would like to deliver to Riverbend, and found that others would like to haul there as well. Therefore, we could be looking at upward of 100,000 tons of waste per year that could potentially be transferred from Washington County to Riverbend. Finally, Mr. Petersen checked with the County and the cities in Yamhill County, and they have traffic concerns about the increased use of Highway 99 by garbage trucks during the day. However, their biggest concern was over the capacity of the landfill and associated future costs that the County might have to pay if that landfill closed earlier than expected because of Metro waste going there. The County is concerned that it might be stuck with the additional transport costs associated with transporting its waste to an out-of-county landfill if the Riverbend Landfill closed early. Metro believes that Waste Management and the County must settle these issues before Metro would agree to approve Pride's application.

Easton Cross asked, "Wouldn't the rest of the ratepayers of the region have to share those savings anyway, as Metro did with AC Trucking?" Mr. Petersen explained that Mr. Cross was referring to the differential fee, which was \$4.76 per ton, to reflect the lower landfill cost under the old contract that Metro had. However, this issue is different. It is about cost impacts to Yamhill County, not to the Metro region. If that issue gets settled, there would be no cost impact to the Metro Contract, because Riverbend is a Waste Management landfill, and therefore, the tons would count under Metro's declining block rate. He agreed, however, that Metro would need to examine any offset between Metro's proportionally increased costs at the transfer stations and the anticipated savings that would result from Pride's increased transportation efficiencies under the NSL. Metro will look at the net impact of savings on the citizens of the region, not just Metro's costs.

Next, Mr. Petersen explained that Waste Connections has requested authority to haul as much as 75,000 tons of waste per year through its transfer stations in Vancouver, WA to the Finley Buttes Landfill. Waste Connections currently controls about 35,000 tons per year in the Metro region, but it anticipates that it will acquire additional collection companies in the future (hence, the requested 40,000 additional tons per year). Metro has looked at the system costs and anticipated savings associated with the hauling and transport associated with this proposal. It looks like there would be a cost increase of approximately \$710,000 to the system. The company proposes to remove 75,000 tons from Metro's disposal contract, which would result in an additional cost to the system of 91 cents per ton, resulting from changes in Metro's declining block rate. There would be no significant savings in hauling, since the distance is about the same between Waste Connections' Portland hauling routes and Vancouver as it is from its hauling routes to the Metro Central Transfer Station.

REM has discussed its Waste Connections Non-system License Application analysis with Mr. Burton. On August 17, Mr. Burton asked REM to delay a no or yes response to Waste Connections until REM has worked with the company to address questions

about the analysis. By the end of this week, REM will send the company a letter, stating that it must resolve those issues before Metro can provide a yes or no response.

Ms. Keil asked how Metro would provide a no or a yes response if it intends to make the 10% available through a competitive process. Mr. Petersen responded that Metro would keep both the Non-System License and competitive processes going on parallel tracks.

Mr. Irvine asked whether the 75,000 tons would be included in the 10%. Mr. Petersen responded that yes, the 75,000 tons would essentially be the 10%.

Mr. White asked whether Mr. Petersen or Metro's counsel could define the term "Metro delivers." Metro Counsel Marv Fjordbeck stated that the referenced portion of the Disposal Contract language did not change with Change Order 8. Mr. Petersen recommended that Mr. White read the contract language, which REM will provide to him.

Excise Tax on Solid Waste

Mr. Petersen explained that Mr. Imdieke would discuss potential changes to the excise tax on solid waste. Mr. Petersen distributed an information packet (attached), illustrating what must happen in order for the Council to capture any of the contract savings for non-solid waste uses. A chart within this packet shows the components of the solid waste tip fee charged at the Metro transfer stations. The transport and disposal costs shown are Metro's contract costs with STS and Waste Management.

Through the contract savings that Metro negotiated with those two companies, the price for those two contracts combined has dropped from \$35.59 per ton to \$29.24 per ton. That change is the contract savings. The excise tax is shown on the chart on a per-ton basis. It is currently approximately \$4.76 per ton. The total of those components add up to a tip fee of \$62.50 per ton. When Metro goes to an amount of \$29.24 for transport and disposal, that change will free up a portion of the \$62.50 that could be used for an increase in the excise tax. The excise tax could range between \$5.02 per ton and \$11.29 per ton, while keeping the new tip fee between \$56.23 per ton and \$62.50 per ton.

In other words, if the Council chose not to increase the excise tax and to pass back all of the savings through a lower tip fee, then the rate at the Metro transfer stations would be \$56.23 per ton. However, if the Council chose to capture all of the contract savings for non-solid waste uses and to increase the excise tax, and if the rate were \$62.50 per ton, then the per-ton excise tax rate would be \$11.29. In addition, Metro would continue to charge the established transaction fee of \$5.00 per transaction.

Mr. Irvine asked what the "Metro solid waste fee" is. Terry explained that the fee in question covers renewal & replacement as well as some of Metro's transfer station management costs that are unique to the transfer stations.

Ms. Keil asked whether there is a cap on the amount of excise tax that Metro can charge. Mr. Imdieke explained that under the Metro Charter, there is a cap on the amount of non-voter-approved revenues that Metro can collect. That dollar amount is now just over \$15 million. Total excise tax currently collected is about \$8 million. Ms. Keil clarified that it is actually more a cap on total dollar amount than it is a percentage of revenue. Mr. Imdieke agreed.

Mr. Petersen explained that Metro is planning to use about \$1 million per year of Metro's undesignated fund balance (which is currently at approximately \$2.5 million) to buy down the tip fee. Without that buy-down, the tip fees would be greater by approximately \$1 per ton.

Mr. Petersen added that Metro is debating the merits of an excise tax based upon a flat amount per ton, instead of a percentage of gross revenues. Metro would like to hear the SWAC's thoughts on the mechanism by which Metro collects excise tax on solid waste. Metro will be examining how it collects the tax at different types of facilities in order to ensure a level playing field.

Mr. Imdieke provided some background on the existing excise tax rate structure and how the excise tax is used through programs in the general fund. The excise tax is actually only about 4% of current revenues for Metro overall. Metro's enterprise revenues form 44% of the agency's budget. Those enterprise revenues are dedicated to use within the program that generated that revenue. From the 4% of Metro's revenues that are generated by excise tax, 74% of the excise tax revenues come from the excise tax on solid waste activities. Other sources of excise tax revenues are the Zoo, Metro Parks, the Oregon Convention Center and the Expo Center. The total excise tax for this fiscal year is \$7.8 million.

Mr. Imdieke explained that the two primary users of the excise tax are Metro's Growth Management Department for planning purposes, and Metro's Parks & Greenspaces Department for operation and development of the regional parks. Some of the funds also go toward Transportation as well as for overall general governance of Metro activities.

Mr. Imdieke used an overhead slide (copies of slides attached) to illustrate the split between Metro and Non-Metro generation of excise tax. Among Metro facilities, the primary source of excise tax is the tip fee. Mr. Imdieke explained the components of the tip fee. In addition to the tip fee, there are also miscellaneous other revenues within the solid waste system. In terms of non-Metro-collected excise tax, the tax is applied at the landfills and one private transfer station. Mr. Petersen explained that \$4.4 million per year comes from the Metro-owned transfer stations, and \$1.4 million per year is generated by the Metro-franchised and Metro-licensed facilities. Later, Mr. Imdieke will translate the 8.5% on a per-ton basis.

Mr. Imdieke noted that the current excise tax rate is 8.5% on solid waste revenues, and 7.5% on revenues from facilities such as the Oregon Zoo, Convention Center and Expo Center. He added that MRFs are exempt from excise tax, and that the excise tax on MRFed waste is levied only at the landfills at which the MRFs dispose of their waste.

Ms. Herrigel asked why there is a difference between the solid waste facility excise tax rate and the non-solid waste facility excise tax rate. Mr. Petersen said that a previous Metro Council is responsible for that nuance. Ms. Keil stated that she believes that at the time, solid waste revenue simply looked like it could tolerate some extra expense, while some of the other facilities could not tolerate the extra expense at that time. Mr. Fjordbeck added that the concept involved is essentially that of "greater ability to pay," not unlike the federal income tax.

Mr. Imdieke explained that the last overhead converts existing excise tax to a per-ton basis, in order to show the variance between the different facilities. The unshaded portions of the bar chart represent the \$1.10 per ton that is currently included in the Regional System Fee, and the shaded portions include all of the other rate components. Mr. Petersen noted that of the \$14-per-ton Regional System Fee paid on all Metro region waste disposed, \$1.10 of that per ton fee is the excise tax, which is uniform across all facilities (except MRFs). The variation shown on the chart results from the variation in the price charged at the gate of the landfill.

Mr. Petersen added that this last chart reflects the current excise tax rates. He noted that if the Council chooses to increase the excise tax, then the rates at some or all of these facilities would have to go up. He asked the SWAC where the excise tax should be increased, and whether the SWAC saw any inequities or problems with the variation shown between the different kinds of facilities and the per-ton excise tax rates that they pay.

Ms. Keil asked about the difference between the different fees charged. She asked, "Are the facility prices all regulated, or is it a market issue?" She also asked, "Since at MRFs the charge is only on residual tons, is the difference accounted for by a higher recycling rate?" Mr. Petersen responded that we have both rate-regulated and unregulated facilities in our system. For example, the rate at Coffin Buttes Landfill is regulated by the County, while others are not. That causes some of the variation. However, the recycling rate at the facilities is not relevant to this issue. The different excise tax amounts shown are only a function of the price charged on that MRF residual at the landfill. If a MRF delivers its residual to a landfill that has a higher price, then that MRF will pay more excise tax than they would at a cheaper landfill.

Mr. Kampfer asked whether the fee listed reflected a per-ton charge on residual only or on incoming waste at MRFs. Mr. Petersen said "on residual only," explaining that MRFs are exempt from excise tax at the front door. Therefore, the excise tax is collected at the landfill at which they dispose of their residual. Mr. Irvine added that MRFs still pay the excise tax, but they pay it at the landfill, as an incentive to do more recovery. Mr. Irvine explained that at Coffin Buttes Landfill, the tip fee is \$18 per ton. Therefore, it

is a cost issue. Rick Winterhalter asked Mr. Petersen whether these figures add up to the total dollars collected now. Mr. Petersen explained that these are current numbers, given the \$5.9 million per year in excise tax that is currently being collected.

Ms. Keil commented that she would advise MRF #3 (noted on the handout) to change landfills. Eric Merrill pointed out that there are probably other economic decisions that would cause MRF #3 to pick the landfill that they did. Perhaps there is a cheaper transportation component that makes the decision balance out. However, he wondered about potential unintended consequences of those decisions, adding that it is difficult for the SWAC to make a decision here, without seeing those other components.

Mr. Irvine agreed that he can not recommend a flat per-ton excise tax rate over a percentage without knowing how the Regional System Fee Credit Program, tip fee and any other changes will turn out, and thus, how they impact his MRF and the system. He added that the SWAC must look at the whole package of fees, in order to determine how to balance things out, and hopefully, make the changes revenue-neutral to the solid waste industry.

Mr. Kampfer asked about the per-ton excise tax rate of \$4.76. He wondered whether this information essentially said that if there were a flat fee of \$4.76 per ton on Metro facility tons, then the system would be revenue-neutral. Mr. Petersen responded that this would not quite be true, since reloads direct-hauling to Columbia Ridge Landfill would also see some of the contract savings. The Regional System Fee also included the fixed component of the STS contract, which has now gone away. Therefore, all regional tons will benefit from Metro's contract savings. That component of the Transportation Contract has been pre-paid by Metro. However, he pointed out that Mr. Kampfer is correct in his point that most of the savings will be derived from the two Metro transfer stations.

Jerry Rust asked what percentage of the region's waste is MRF residual. Maria Roberts responded that about 10% is MRF residual (about 130,000 tons).

Ms. Keil asked whether the differences in excise tax shown have to do with vertical integration and companies charging different prices to themselves than what they charge to others. Mr. Petersen said yes, adding that the region now has private facilities transferring the waste from their MRFs to their landfill. They set their landfill price for their company's waste, and Metro charges its excise tax as a percentage of that price. Mr. Petersen stated that Metro is charging \$62.50 per ton at Metro transfer stations.

Mr. White noted that one option that has not been discussed today is the flat fee option. He reminded Mr. Petersen that the SWAC met before and told Metro that the Committee needed more information. He noted that he does not have that information yet. Mr. Petersen said that Metro just wants to ensure that the SWAC is aware that Metro is considering this issue. Mr. White thinks that the SWAC must look at this issue further, but with more information.

Mr. Murray asked, "At the Metro Transfer Stations, is the excise tax collected at the front door?" Mr. Petersen said yes.

Mr. Irvine noted that his operation (WRI) is vertically integrated with transport and disposal. WRI delivers its residual to its own landfill, but Benton County sets that landfill's rate. Therefore, WRI pays \$18 per ton, just as anyone else would, coming into that site. Therefore, vertical integration is not always bad. Mr. Petersen thanked Mr. Irvine for clarifying that the issue is not one of vertically integrated vs. non-vertically integrated, but rather, one of rate-regulated vs. non-rate-regulated.

Chair Park asked the SWAC whether different types of facilities should be paying different excise tax amounts on their tonnage. Philosophically speaking, he asked, "Is that fair, and is that what should continue?"

Mr. Rust clarified that the reason that he had asked the previous question about the percentage of the region's waste generated through the MRFs was to determine how much cost the MRFs avoid by essentially taking their garbage out of the area where 90% of the business is being done. He wondered how much revenue is lost through that means of getting around the system. Chair Park responded that wherever they choose to dispose of that residual, they pay 8.5% of the fee in excise tax. He added that the ratepayers support recovery, which this policy encourages. Since MRFs still pay excise tax on their residual, Chair Park does not see their exemption as avoiding the tax. Mr. Irvine reminded the group that as of January 1, Metro's blended rate will be \$17.37 per ton, while WRI will still be paying 8.5% on their tip fee at Coffin Buttes Landfill, which charges \$18 per ton.

Scott Bradley asked whether this issue has come to the surface because there is an inequity between facilities and the way that they pay excise tax or because Metro has decided that an inequity or contract changes have left Metro with a shortfall of excise tax. Mr. Petersen responded that a shortfall is not the driver of this discussion. He explained that Metro has started looking at the possibility of the Council increasing the excise tax if it chooses to do so, and that today's meeting was the first time that he had personally looked at these numbers on a per-ton basis. Metro is not trying to state that there is a problem involved with the way that excise tax is currently levied, but is merely trying to make the SWAC aware of the variation while the SWAC and the Council are considering whether this is the best way to assess the tax or not. Mr. Murray noted that if the excise tax percentage is increased, then that increase could amplify the differences between facilities. Mr. Petersen agreed. Ms. Keil reminded the group that impacts might not be significant, given tonnage amounts in terms of percentage of the total regional tonnage. She suggested that if the tonnage was not very significant, then the issue would not be important. She also suggested that the SWAC reconvene and examine impacts on the system, given various scenarios.

Chair Park asked SWAC members how they felt philosophically about a differentiated system in terms of excise tax (as we have now). Ms. Keil responded that,

philosophically, she might not be comfortable about that system if a large body of tons is charged a lower rate for some reason. She added that it might not even get into the excise tax decision, since if a landfill is rate-regulated, then the issue might become academic. Chair Park stated, "Say for example, it's only 10,000 tons. Philosophically, would there be any reason to charge it a different excise tax fee?" Ms. Keil responded that she would have to look at the level of hassle. She clarified that if it was a big body of tonnage, then it would be worth the hassle to get to something that establishes better internal equity.

Mr. White noted that if Metro changed the excise tax to a flat amount of \$11.29 per ton, then the tax on solid waste coming through Metro's facilities would be up to over 20% of the tip fee. He added that if the solid waste industry ended up paying much more excise tax than the Zoo, for example, then the public and solid waste service customers would have to be informed of that fact.

Chair Park asked about potential effects of altered rates on additional transfer stations. Mr. Petersen responded that Metro must look at potential changes down the road. Although there may be only a relatively small amount of tonnage being affected right now, the trend is toward more waste going through private facilities. Metro is looking for additional transfer capacity for the region. Ms. Keil agreed, adding that C&D waste should be pulled out.

Mr. Merrill stated that if more wet waste went through private facilities, then the excise tax would be roughly comparable to that received from waste now going through the Metro facilities (\$4.84 per ton). Mr. Petersen commented that Mr. Merrill's statement is true, *i.e.*, that it is largely a function of the dry waste, but that it also depends upon how Metro manages the 10%. Mr. Petersen assumes that the Council would want to be made whole on that 10% if it did go outside the regional solid waste system.

Mr. Petersen commented that the Council would look at this issue in September or October. He noted that REM has scheduled another meeting with solid waste facility operators to discuss excise tax on September 7. *With that, the meeting was adjourned.*

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