METRO

A G E N D A

MEETING: **REGIONAL SOLID WASTE ADVISORY COMMITTEE**
DATE: Wednesday, July 21, 1999
TIME: 8:30 a.m.—10:30 a.m.
PLACE: Room 370, Metro Regional Center, 600 NE Grand Avenue, Portland

	I.	**Call to Order and Announcements**	***Ed Washington***
5 min.	***II.**	**Approval of June Minutes**	***Ed Washington***
10 min.	**III.**	**REM Director's Update**	***Terry Petersen***
30 min.	**IV.**	**Update on "Contract Savings and Solid Waste Rates"**	***Terry Petersen***
25 min.	**V.**	**Transfer Station Service Plan** *Report from SWAC Subcommittee that met July 15.*	***SWAC Subcommittee***
15 min.	**VI.**	**Hazardous Waste Planning Process** *A status report on the current planning process, which is examining the directions the program can take to achieve its goals of protecting public health and the environment through collection services and education and prevention programs.*	**Scott Klag**
30 min.	***VII.**	**Regional System Fee Credit Program Evaluation** *The Metro Council has requested an evaluation to consider whether to continue the program, and, if so, whether any changes should be made.*	***Leann Linson***
5 min.	**VIII.**	**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); Staff: Doug Anderson (797-1788) or Meg Lynch (797-1671); Committee Clerk: Connie Kinney (797-1643)

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Metro Solid Waste Advisory Committee (SWAC)
Full Meeting Minutes
June 23, 1999

ATTENDEES

Voting Members

Ed Washington, Chair, Metro Councilor
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-C/ORRA
Susan Keil, City of Portland
Mike Misovetz, Citizen, Clackamas County
Lynne Storz, Washington County
John Drew, Recycling Industry, Far West Fibers
JoAnn Herrigel, City of Milwaukie
Sarah Jo Chaplen, City of Hillsboro (Washington County cities)
Frank Deaver, Citizen, Washington County
Jeanne Roy, Citizen, City of Portland
Matt Korot, City of Gresham (East County Cities)
Ralph Gilbert, East County Recycling

Non-Voting Members

Terry Petersen, Acting REM Director
Rob Guttridge, Clark County (alternate)
Marti Roberts-Pillon, DEQ (alternate)

GUESTS

Eric Merrill, Waste Connections
Henry Mackenroth, City of Oregon City
Easton Cross, Easton Cross Consultants
Diana Godwin, Regional Disposal Co.
Scott Hobson, Hilton, Farnkopf, and Hobson
Mike Houck, Audubon Society of Portland

METRO

Rod Monroe, Council Presiding Officer
Rod Park, Metro Councilor
John Houser, Council Office
Doug Anderson, REM
Jim Watkins, REM
Bill Metzler, REM
Meg Lynch, REM
Dennis Strachota, REM
Aaron Brondyke, Acting Clerk to the Committee

Call to Order and Approval of the Minutes
Councilor Washington called the meeting to order and welcomed all SWAC members and alternates. He called for approval of the April Minutes. The Minutes were moved for approval by JoAnn Herrigel, and seconded by Mike Misovetz. The minutes were unanimously approved as written.

Director's Update
Mr. Petersen brought the group up to speed on Metro's efforts to "beef up" enforcement of Metro's covered load policy at the Metro South Transfer Station. He explained that as part of Metro's Conditional Use Permit for the facility, the Oregon City Planning Commission inserted a requirement that Metro address the littering and tarping problems near the station. Metro's Solid Waste Enforcement Unit has been handing out warnings for several months, and is now moving toward actual citations. Metro Enforcement has been issuing around 30 warnings for uncovered loads on a typical day, using Multnomah County Sheriff's Deputies. Mr. Petersen asked the private facility operators in the group to help Metro to send a consistent message by reminding customers of the need to cover loads, especially at facilities that accept the public.

Mr. Petersen announced that Browning-Ferris Industries (BFI) has requested Metro's consent to the proposed merger between Allied and BFI. Metro employees will begin discussions with BFI officials on that topic today.

Mr. Petersen reported that Metro has received three Non-system License (NSL) applications in the past few weeks. Each applicant seeks approval from Metro for hauling waste to a facility that is not part of the Metro solid waste system, such as the North Wasco County Landfill. Waste Connections has applied for an NSL to haul 75,000 tons from its franchises within the City of Portland to the transfer stations in Clark County, Washington for delivery to the Finley Buttes Landfill by barge. Mike Leichner's Pride Disposal has applied for an NSL to haul 50,000 tons of waste from the Pride recovery facility to Riverbend Landfill. The third application is from Merle Irvine's Willamette Resources facility to haul 15,000 tons of waste to the Marion County Burner. REM will be evaluating these applications over the next few months.

Metro's Recycling Information Center received its millionth phone call during May. Councilor Washington attended a recognition event for the millionth caller, and handed out some nice prizes. The millionth caller was from Southeast Portland, and was looking for a place to take some yard debris for recycling. This popular service has operated for the past 18 years.

SWAC Membership
Doug Anderson introduced the next agenda topic, regarding the SWAC membership. He called attention to the material in the agenda packet consisting of two tables marked "Agenda Item IV."

The first table was a review of the status of SWAC membership, which is called for by the bylaws. As indicated during the last two SWAC meetings, there are a number of expired terms and inactive SWAC members, which are identified on this table. Metro proposes actions based on that status.

The second page contained a plan for recruiting both the expired memberships and the proposed new members, as promised at the last meeting. Mr. Anderson requested questions or comments from the group. He said that if there were no comments, Metro would proceed with the draft recruitment plan, which is contained on the second page. He added that SWAC members identified on the Membership Status table as "term expired" should note that there is no limit on the number of terms, and that one may be re-nominated. Doug pointed out that Metro intends to begin a recruitment process, as described on the second page. For example, Metro has recruited nominations from hauler organizations in the past; and will do so again. He also reminded the group that the bylaws allow anyone to nominate himself or herself. Those nominations will be forwarded to Executive Officer who will make a determination.

Dave White asked what the time frame is for completing this process. Doug responded that Metro can be somewhat flexible on that issue. He mentioned that today, the SWAC will form a subcommittee to address an upcoming SWAC agenda item on the Regional Transfer Station Service Planning Project. Therefore, Metro seeks to be flexible on that issue, to avoid potentially removing someone from the Committee immediately after being put on the Subcommittee.

Susan Keil commented that the proposal looks like a nice blend of the various constituencies, and a move in the right direction.

Mr. Anderson committed to get the SWAC a time frame for the recruitment process by the next meeting. Interested individuals should talk to Mr. Anderson or Meg Lynch about the membership proposal.

Transfer Station Ownership Study
Dennis Strachota introduced consultant Scott Hobson of Hilton, Farnkopf, and Hobson. Dennis announced that SWAC members should have received a copy of the study, which was sent to SWAC members only. REM is happy to provide additional copies to anyone upon request. Dennis presented a brief background on the origin of the study, and then turned it over to Scott Hobson to present the findings and conclusions of the study. Hilton, Farnkopf, & Hobson (HFH), a consulting firm out of California, has done work exclusively for government agencies, especially in the solid waste arena.

REM issued an RFP to look at whether or not Metro could continue to influence transfer and disposal rates through the ownership of its transfer stations and continued management of its large contracts; or alternatively, whether it made more sense to sell those transfer stations and regulate the rates of the facilities owned by private entities. The main reason to do the study was that there has been a lot of consolidation within the industry recently. In addition, Metro has rewritten its Regulatory Code Chapter, which now allows the addition of new direct-haul facilities; as a result, some waste away was taken away from the Metro stations. Finally, there was a merger between USA Waste and Waste Management. Those factors changed the environment in which Metro had been operating.

As a preface, when HFH started this study, Metro had not begun negotiations with WMI, and there was a possibility of Disposal Contract termination and re-bid. This kind of analysis would have been useful in determining whether or not Metro could continue to be a market player within this region and influence rates. Dennis clarified that the purpose of this study was not to look at whether or not to sell the transfer stations, but rather, to determine how Metro could best influence rates.

Scott Hobson restated the objective of the study: to address whether Metro could best continue to influence transfer and disposal rates by retaining ownership of its transfer stations, or by selling those transfer stations and by regulating private transfer stations. To accomplish that objective, HFH considered four scenarios, as follows:

1. Base case: current system as it exists today.
2. Two direct-haul facilities receive Metro authorization to serve as regional transfer stations.
3. Scenario #2, with the addition that a major solid waste management company with available landfill capacity acquires one or more regional transfer stations and begins to direct its tonnage to its own landfill.
4. "Worst-case scenario," assumes that Metro has no authority to regulate direct-haul waste or waste traveling to facilities outside of the service area, and furthermore, that a remote landfill owner acquires transfer capacity within the service area, and begins to transport waste outside.

For each of the four scenarios, HFH looked at three sub-scenarios, as follows:

a. Metro continuing to own its transfer stations.
b. The sale of Metro's transfer stations to multiple service providers.
c. The assumed sale of these facilities either to one dominant player or to one local service provider who became a dominant player following the sale (through other acquisitions, etc.).

HFH's assumptions regarding what happens to the current system tons and the tons under these various scenarios were key to its analysis. Therefore, to determine how changes in tonnage assumptions would impact the analysis, HFH did three tonnage sensitivities, as follows:

i. What would happen if Metro Central fell to the contractual put-or-pay level, with Metro South remaining at its current tonnage level?
ii. What if both Metro transfer stations' tonnages were reduced by 50%?
iii. What if system-wide tonnage decreased by 10%?

For each of these scenarios and sub-scenarios, HFH considered the impacts on the retention or sale of Metro's transfer stations on six factors, which follow:

1) The flow of available tonnage to the facilities.

2) Metro's net solid waste revenues.
3) Rates for transfer, transport and disposal.
4) Metro's existing contracts for transfer, transport and disposal.
5) Metro staffing requirements and administration of the system.
6) Other players within the region, particularly Metro Region jurisdictions and neighboring jurisdictions that regulate collection.

Tables 7 and EX1 in the report summarize HFH's findings on the scenarios and sub-scenario on each of the six factors. With respect to tonnage assumptions and tonnage flows within the system, for all of the scenarios and the sensitivities involving Metro-retained ownership (with the exception of the sensitivity involving the loss of 50% of the tons), Metro still controlled the majority of the waste stream. And even under the scenario involving the loss of 50% of the current tonnage from the Metro transfer stations, Metro still controlled 44% of the waste stream—a major portion, even though less than a majority. Looking at net revenues, for each of the scenarios analyzed, the impact on Metro's net operating costs, absent a rate adjustment, was 8% or less on the fully-loaded rate—not as significant as HFH anticipated going into this study.

HFH looked at the following three aspects of rates:
1) The actual level of the rate.
2) Metro's ability to control the rates.
3) The adjustment of rates over time.

Under the scenarios in which Metro retains ownership of its transfer stations, HFH projected that the rates would increase from current level of $62.50 per ton to as high as $66.60 per ton, depending upon the amount of waste diverted. However, Hobson noted that $66.60 per ton is only 7% higher than the current rate, and $8 per ton less than the Metro rate a few years ago.

HFH believes that Metro's ability to control the rates over time is good. The current contracts for transfer, transport, and disposal represent two-thirds of the existing rate. However, a loss of flow control authority (the "worst case" scenario) would probably lead to a time of regulatory uncertainty. Metro's Code, franchise agreements, and licenses would have to be rewritten, and new regulatory procedures would have to be established.

In terms of rate adjustment over time, HFH believes that if ownership is maintained, rates should remain stable for the term of the current transfer, transport and disposal contracts.

There did not appear to be contractual issues with the Contracts themselves, except for those cases where tonnage is directed away from Columbia Ridge Landfill under Metro's Disposal Contract. He added that when HFH did this analysis, the Disposal Contract negotiations were not yet completed. HFH found that if tonnage delivered to CRL fell below 90% of the total tons of acceptable waste that Metro delivers to a general-purpose landfill, there could be a contract compliance issue at that point.

In all scenarios, with the exception of the worst case scenario, staffing levels and staffing costs were not expected to change. However, HFH projected that if Metro sold these facilities, REM could reduce its full-time equivalent staff positions by 25%, because it would be relieved of all direct staffing requirements.

Finally, HFH looked at the impact on the regional system, including other parties and jurisdictions within the system. HFH concluded that there would be no negative impact on collection costs as a result of a sale of the Metro transfer stations, as compared to the existing system. However, he clarified that under certain scenarios, HFH predicted a Metro rate impact of up to 8%, which would certainly have some rate impact on local collection systems. Nevertheless, HFH did not feel that this impact would be significant when factored into the cost of collection.

HFH concluded that although it projected net cost increases for each of the scenarios with Metro's continued ownership (i.e., that as tons were assumed to go away from Metro's system in every case, there would be some increase in net cost), the cost increases appeared to be manageable (about 7% of the disposal fee in the worst case). HFH projected that potential savings in Metro's Regional System Fee of $2.70/ton could offset those cost increases. Therefore, based on the net impact, the sale of Metro's transfer station facilities is not clearly warranted.

This conclusion was particularly true when one considers factors beyond the scope of the HFH review. For example, there are a number of significant costs that would be associated with the sale of the facilities that would need to be addressed if a sale were considered. Some of these costs include the cost of revising Metro's Code, franchise agreements, licenses and the Regional Solid Waste Management Plan; and potential rate regulation and consulting costs associated with Metro's shift from "Market Player" to "Regulator." These potential additional costs further suggest that a sale is not warranted.

During the last rate review of the Forest Grove Transfer Station, Metro staff had difficulty in determining the reasonableness of the rates, using the former rate regulation methodology. At the time, there were concerns about Metro's ability as a rate regulator as opposed to a market player. Metro's current Code and regulatory agreements preclude the regulation of rates. Therefore, significant changes involving third-party negotiations would be required to revise Metro's regulatory ability. HFH believes that Metro could continue to influence transfer and disposal rates through retention of its existing system.

Metro's negotiations with Waste Management were concluded after the presentation of HFH's draft report. However, with staff's assistance, HFH wrote an epilogue to its report, which incorporated the impact of those negotiations into its findings. As an update to its cost analysis, Hobson stated that under the new transport and disposal contracts, transfer, transport and disposal costs would decline by as much as 16.5%. If these savings resulted in lower Metro tip fees, Metro would lessen both the likelihood and the fiscal impact of waste leaving its transfer stations. These contract changes further support Metro's continued ownership of the transfer stations on economic grounds. With that, Mr. Hobson opened the discussion to questions.

Susan Keil asked whether HFH had looked at potential increases in collection efficiency that could result from proper placement of alternative transfer stations. Mr. Hobson said no. HFH looked at current tonnage flows, and determined that there were likely some transportation inefficiencies, but they did not try to quantify those inefficiencies.

Lynne Storz asked whether there was any discussion in the report of the impact of the various scenarios on material recovery. Hobson said no.

John Drew asked a question about the "worst case" scenario—losing flow control authority. He wondered whether that scenario could be eliminated entirely, due to its low probability. Mr. Hobson responded that HFH did not try to quantify the probability of any of the scenarios, adding that he is not knowledgeable about the Woodfeathers Case. HFH considered the loss of flow control authority, since it was considered the worst thing that might reasonably happen, and they thought that there was some probability that it could happen.

Dave White used this opportunity to comment about the Woodfeathers case. He stressed that it was not a flow control case. It was about regulating and franchising the businesses that could collect waste in the first place, not where the waste goes. The two situations are completely different.

Susan Keil agreed that we have not had a test of flow control in the region, and recommended that we get some excellent legal advice. Chair Washington asked whether those were directions. Ms. Keil said that it was just a suggestion. She noted that HFH has not gone into the legal questions, and there are plenty of those, not the least of which is the provision guaranteeing that 90% of the waste that Metro delivers goes to Columbia Ridge Landfill. She wondered how a modification of that situation might change the dynamic at play. As to the question about recovery, she pointed out that Metro clearly has regulatory authority to impose recovery standards on Metro-approved facilities. Therefore, Metro has substantial ability to influence recovery in the system.

There were no further questions, so Mr. Hobson concluded his presentation.

Service Plan
Chair Washington announced that the next item on the agenda would be the Transfer Station Service Planning Process. He introduced Bill Metzler, who explained that he would go through a summary of the major project elements that the Service Planning Team is currently working on. Mr. Metzler said that at the end of this presentation, he hoped to form a Subcommittee of SWAC members to help the Service Planning Team through the next phase of reviewing the "needs assessment" material that is pouring in, and formulating some findings and conclusions for circulation. Mr. Metzler went through a PowerPoint presentation and provided narration (presentation transcript is attached).

After the slide show, Dave White reminded the group of an earlier presentation to the SWAC on a survey that was conducted at the transfer stations. Bill Metzler responded that the survey referenced is two years old. The Service Plan Team is looking at those results as well, but the Service Planning study is different, in that the Team hopes to get a better cross section from some of the other facilities to determine why people self-haul and what their needs and concerns are.

Chair Washington then asked who would like to serve on the Service Planning Subcommittee. He recommended that the subcommittee contain about eight different members, representing the diverse interests of the solid waste community. Michael Misovetz, Merle Irvine, Lynne Storz, John Drew, Dean Kampfer, Sue Keil, Tom Wyatt and Dave White volunteered to be on the subcommittee. Ed Washington stated that he would sit in to listen on an ad hoc basis, since he thinks that this project is very important. Diana Godwin with Allied Waste requested permission to sit in. Chair Washington agreed that she could sit in on the meetings, but would not be permitted to participate, since she is not a SWAC member.

Contract Savings and Solid Waste Rates
Chair Washington said that there were a few guests in the audience who might want to provide comments on this topic. He requested permission from the Committee to give each person a minute and a half to voice their concerns to the Committee. He added that individuals would not be given three minutes, since this was not a public hearing.

Mike Houck of the Audubon Society of Portland reminded the Committee that the Coalition for a Livable Future testified on June 9 at the REM Committee Meeting. Mr. Houck handed out written material encouraging use of the money for regional planning and greenspaces (attached). He recommended that Metro use these funds to support regional planning efforts at Metro and implementation of Region 2040 elements at the local government level. He commented that the Coalition has an interest in this issue, and thinks that some issues of regional concern need funding, such as stormwater management, watershed planning and other aspects of the 2040 Plan.

Henry Mackenroth of the City of Oregon City reminded the SWAC that Metro should reduce the tip fee and increase the tipping rebate to the cities (enhancement funds). He said that Metro should not give it all away; rather, it should keep a portion of it. But he said that (enhancement fees) are one good way to buy some goodwill from the public.

Chair Washington requested that the Committee go around the table providing comments, starting with Ralph Gilbert of East County Recycling.

Mr. Gilbert stated that in general, he agrees with Mike Houck. He believes that Metro should look at funding some projects, such as Greenspaces or projects like it. Such projects reflect his own priorities, having donated substantial amounts of his time and money to it. He said that this is the appropriate time to do so without upsetting the whole schedule.

extraordinarily helpful, because they are huge money items. She recommended a split of the savings.

Marti Roberts-Pillon of the Oregon Department of Environmental Quality (DEQ) stated that DEQ has no intentions of telling Metro how to spend its money. She reminded the group that DEQ oversees and works with Metro and other jurisdictions to help Metro to reach its 50% goal. DEQ looks to the Metro Region to set the pace for the rural communities, which really have to struggle to encourage recycling. She believes that the new activities and pilots in the Metro Region benefit the entire state. DEQ would like to remind Metro of the goal of reaching a 50% recovery rate, and how important that is to the Metro Region and the State.

Dean Kampfer of Waste Management said that the money not passed back to the ratepayers should stay within REM and be used to promote waste reduction.

John Drew of Far West Fibers said that there are many good things to do with these dollars, but cautioned Metro against viewing it as a windfall. He believes that the ratepayer should get his or her money's worth for the rates that ratepayers have paid. The dollars should be used for solid waste purposes only, including recycling. Metro has a responsibility to the public and industry to provide education, promotion, new programs, Recycling Information Center, etc. However, before Metro starts giving things away, the agency should consider the potential revenue shortfall that could occur as tons are redirected away from Metro transfer stations. He said that he wanted to se an aggressive recycling program and wanted to hit those City and regional goals. The Oregon Lottery should generate the money for non-solid waste planning needs.

Rob Guttridge of Clark County Solid Waste said that he would strongly echo John Drew's comments. They reflect his own feelings from his experience in the recycling industry, and since Mr. Drew expressed them so well, he would not need to make two comments, but could speak simply from the perspective of Clark County. Metro should put any savings back into providing services and stabilizing the solid waste system. Tip fees in Clark County are a little higher than Metro. Declining Metro tip fees would injure Clark County. Mr. Guttridge said that Clark County does not want to get into a battle to see who has the cheapest rate to get the most trash. Instead, Clark County would rather have a good relationship with Metro as neighbors, where neither is trying to undercut the other. He added that if there are savings (which are purely speculative), Metro should put them into the specific things in the solid waste program that build the recovery rate toward reaching and exceeding the goal of 50%, as outlined in the recently updated State-of-the-Plan Report.

Matt Korot of the City of Gresham said that he would defer his comments for now, because the Gresham City Council has asked its Citizens Advisory Committee to form recommendations, and then come to Metro in the next few weeks.

JoAnn Herrigel of the City of Milwaukie clarified that the following comments were her own, and not on behalf of City of Milwaukie. There are several programs that could use

Dave White of the Tri-County Haulers' Council said that his organization feels that if the money is not passed along through tipping fee reductions, and if it is kept by Metro, then that money should be used only for solid waste-related purposes. In fact, the Tri-County Council would go a step further, and suggest that if Metro could take this money, which is really paid by the customer for disposal, and use it for non-solid waste purposes, perhaps Metro actually increase the tipping fee from $62.50 to $65.00/ton or so, to generate more revenue, and then use that money for other purposes. He added that Metro's Transfer Station Service Plan may reveal need for additional facilities, which would require money. Therefore, that study or that program and the use of this money should be linked.

Jeanne Roy, a Portland citizen, stressed that the tip fee should remain the same because lowering the tip fee hurts recycling and makes it very difficult to reach regional recycling goals. She would like to hear proposals from Metro staff to wisely invest this money in new recycling programs. She reminded the group that Metro's State-of-the-Plan Report shows that we are not making adequate progress toward meeting our goals, and we will not do so without new initiatives.

Tom Wyatt of Browning-Ferris Industries suggested that the major portion of the money should go toward solid waste. As an example, he cited increasing recycling and organics recovery in the existing transfer stations.

Scott Bradley of Waste Management said that he is simply glad to have provided the opportunity to give all of this money away. He is happy that his company's activities provided the forum for the discussion. He suggested returning the money to the ratepayers, since that is what this is all about. He wondered, however, whether doing so would affect recycling. Maybe so, maybe not, he said; but he cautioned that if the rates stay the same or go up, Metro will get a flow control challenge. He acknowledged that it is a fine line to walk, and a tough one.

Susan Keil of the City of Portland's Bureau of Environmental Services recommended that a portion of the funds be passed through via tipping fee reductions. However, she suggested that contrary to Jeanne Roy's statements, recycling would not be hurt by such a reduction. She stated that recently compiled numbers in Portland show a reduction in generation (that is, the combined total of that which is disposed, recycled and otherwise diverted in both the residential and commercial sectors). The City of Portland is now at 53% (itsr goal for 2000 is 54%), and the City thinks that it is well on its way to meeting their goals. Ms. Keil said that the City's ratepayers consistently ask the City for low rates. She acknowledged that Metro has been major helper in that regard. Garbage customers have continued to divert material from the waste stream through the City's curbside programs. Ms. Keil added that there are also some regional initiatives on the environmental scene that must be dealt with, and that the cities need help with finding funding to address those problems. Therefore, she stated that if Metro could pass funding along to local jurisdictions to help them to address needs relating to the Endangered Species Act, planning, stormwater management, and other issues, that would be the funding that could be generated by these contract savings. The City hears from people daily that they don't want to deliver to the Metro hazardous waste facilities, because a fee is charged. Ms. Herrigel said that there are things that we could subsidize to bring people down to the facilities. She added that it will be incredibly expensive to decrease the amount of organics in our current waste stream. As a region, we haven't begun to discuss the cost of doing so with our ratepayers. In addition, she reminded the group that market development is always very important for recycling. Current markets for recyclables are not very good. Governments continue to pour huge tonnages from their residential and commercial programs into the markets that exist, and we're continually hearing bad reports on trying to soak up all of the tonnage that we're pouring in there. Finally, local governments are always seeking new sources of revenue for new recovery programs on the local level. The State-of-the-Plan Report says that the Region is not meeting its 1995 goals, much less its current goals. She recommended that Metro consider that fact before funding non-solid waste programs.

Lynne Storz of Washington County said that the money should stay in solid waste. She reminded the group that the State-of-the-Plan Report shows us where we need to focus our energies, especially on construction & demolition materials that could be recovered, but currently are not. She also agrees that we should give market development more than just lip service.

Sarah Jo Chaplen of the City of Hillsboro said that the Washington County Cities think that the focus should be on solid waste purposes, such as recycling or any other solid waste programs that benefit the ratepayer.

Frank Deaver, a Washington County citizen, said that as one of those ratepayers, he thinks that it would be nice to see the money come back someday. He commented that it is also nice to know that Metro is one of those shining examples of government bureaucracy—getting cheaper instead of more expensive. He said that's kind of nice too; but in lieu of all that, if it doesn't go that way, he'd really like to see it stay within the solid waste program, rather than being spread around to fifty other programs.

Mike Leichner of Pride Disposal Company said that he agrees that the ratepayer has paid an enormous amount of money over the years for solid waste and recycling programs. Mr. Leichner said that a surplus has built up in the Metro fund now; and any money that we could pass back to the ratepayers to increase programs or reduce costs on disposal fee side, then that needs to be the number one issue. He commented that haulers and local jurisdictions are the messengers regarding rate changes, and they tend to get either patted on the back or shot, depending on the message. The haulers are tired of that. The local governments and Metro often get hit by the public for increases in costs of government services. No change or a reduced cost would be nice. Reaching the next level of recycling (organics) will be even more spendy than current programs.

Mike Misovetz, a Clackamas County citizen, said that he agrees with most of the comments, and as one of the ratemakers involved with setting the County's rate, we had a rate increase last month. If we can take the largest percentage and go back to the ratepayers, it would be perceived as some efficiencies, then the remaining amount go to local governments for solid waste.

Merle Irvine of Willamette Resources, Inc. said that he doesn't really disagree with anyone's comments, but that he has mixed emotions. Since he is an operator of a material recovery facility, Metro and its rates impact his company, since he competes with the transfer stations. From a selfish standpoint, he does not want to see the rates go down. However, he pointed out that there has been a lot of publicity about the $50 million out there, and the ratepayer understands that it is out there, and that something must be done with it. Therefore, Mr. Irvine thinks that Metro must reduce its rates; but before reducing them drastically, Metro must understand what the region needs in terms of dollars for new programs such as increasing recycling of organics or building a new facility. Mr. Irvine thinks that some sort of downward trend is needed in those disposal rates.

After each member had stated his or her opinion, Chair Washington opened the meeting to a general discussion, which follows.

Susan Keil pointed out that there is already money in Metro's budget for these types of activities. She doesn't think that local governments can do market development well, nor organics processing. We see organics processing, on the commercial side, as a means of attaining a 60% diversion rate in Portland by 2005. However, this Contract savings is not the only funding source available. She pointed out that Metro has been giving out grants for recycling, waste reduction and commercial activity for some time. She has not heard that these grant programs are going away. Therefore, she cautioned the group against looking at this Contract savings as the only source of funding.

Jeanne Roy responded to Merle Irvine's earlier comments regarding the publicity around this issue and the resulting obligation to give money back to the ratepayers. She pointed out that the City of Portland has kept its rates essentially the same for a number of years. Surveys indicate that people are happy with their solid waste services and the costs of those services. Therefore, she doesn't think that they expect to get that money back. Also DEQ surveys indicate that the public (individuals and businesses) want to have more recycling, and that they want to reach the 50% recycling goal. Ms. Roy thinks that the public would be happy to see more money wisely invested in recycling.

Presiding Officer Monroe said that this decision would be an important one for Metro to make, perhaps the most important decision for years. Therefore, it is critical to the future of the whole organization that we manage this properly. He thanked the SWAC for its time and advice. He stressed that the Metro Council has no preconceived notions on what the use of the savings should be. However, he has concerns. One of the goals that he set for himself as Presiding Officer was attaining the 50% recycling goal by the end of the year 2000. He is very concerned about that. Secondly, he knows that flow control is a problem, and that flow volume has been decreasing in terms of projection, and that this has a negative impact on our revenues and reserves, which have been declining rapidly lately. He understands the relationship between the tip fee and recycling. Nevertheless, we have some unfunded needs, such as open spaces. We have no money for maintaining and developing those properties. While that is not directly related to solid waste, it is unfunded. He stated that Metro's number one responsibility is planning. We at Metro set certain criteria and rules, and local governments are expected to fill in the details, and many of them are short of funds. Sufficient grants for planning are certainly an unfunded need. He also pointed out that the amount of money in question is not actually $60 million. We are actually looking at $2.5 million during FY 99-00. While it tends to increase over time, the $60 million is just an estimate, and we must be very cautious. He said that he looks forward to hearing the recommendations from the SWAC and from REMCom.

JoAnn Herrigel emphasized that garbage haulers often get the bad side of the argument from the general public. The public thinks that they pay for a service and that the garbage haulers are always the beneficiaries. Now, we are seeing decreasing rates and no payback to the ratepayer. She said that although she knows that Metro is providing a public process, the ratepayers in general always wonder where their garbage payment goes. The public must be apprised of where their money goes, so that when they are asked for increased funding for non-solid waste programs through ballot measures in November, they know what they are already paying for through their garbage fees. She stressed that it is only fair to let them know where their money goes when they pay for garbage service.

Susan Keil said that she has comments from the Portland City Council, for whom she speaks. She said that she is struck by the number of people around this table who are ardent in passing this on to only solid waste programs, either through Metro or ratepayer reductions. Ms. Keil watches the City Council deal with huge regulatory items, often handed down from the Federal Government through unfunded mandates. She pointed out that as Mayor Ogden said at the REM Committee Meeting Public Hearing, planning and environmental needs may not be reasonably related to solid waste, but are reasonably related to a source of funding that Metro has available to it now. Metro could use it to deal with issues that must be dealt with by municipalities. She acknowledged that even though she has consistently said, "Pass it along to the ratepayers," Metro has rights to this money through its excise tax authority, and these non-solid waste needs are important.

Rob Guttridge recalled that in 1992 or 1993, there was a Metro Solid Waste proposal to spread the funding base to source-separated recyclables. At that time, Metro made a very convincing argument that the increase in tipping fees over time had provided a great impetus to keeping materials out of the landfills and to starting wood recovery and composting businesses. The direct cost to the generator of disposing material as trash is still a strong encouragement to the generator to consider reuse, recycling and other waste-reduction practices. The cost of throwing resources away has contributed to the strong increase in regional recovery over the last dozen years. Continuing to reduce that cost could stall progress toward meeting the Region's adopted goals.

Terry Petersen said that the REM Department and the Executive Officer are in the same position that the Presiding Officer and Chair Washington are in. REM will wait until all input has been received before making a recommendation.

Dave White asked how today's comments would reach the rest of the Council—through the minutes? He also asked whether SWAC members should testify again this afternoon at the REM Committee Meeting. He asked what the process is for getting this information to the Council.

Chair Washington offered his thoughts: "You can never say things to an elected body too many times. Obviously, if you repeat things over and over and over, we will say, well, we've already heard that. But I would urge you to come before the REMCom and make your wishes known." He stressed that all of this information is given to the Councilors. However, he has not had a single conversation with the other Councilors about this issue yet, and he doesn't want to do so until all of the testimony is in. He has some ideas about where the other Councilors stand, but he doesn't really know for sure where they stand. He has asked them to allow the public process to take place first, and then take all of that information and make the final decision. He stressed that regardless of the decision that the Council makes, it will be done based on everyone's input and thoughts. The Councilors will provide all stakeholders with adequate reasons for how they vote. He commented that in this business of holding a public process in government, it is a fine line about how much you talk about an issue, either too much or too little. Chair Washington is trying to find a middle road. Obviously, there is a tremendous need to hear from everyone. He recommended that everyone either testify publicly, or send letters or notes, or get their comments on the public record. He stressed that the Councilors read these things, and consider them when they vote.

Jeanne Roy asked how much money is actually available. Terry Petersen clarified that the $60 million number comes from the Disposal Contract. It was the first number that REM released, and it is the number that people have latched onto. However, REM also renegotiated Metro's Transportation Contract, which added another $9 million over the remaining term of that contract through 2009. Therefore, the number that everyone really should be talking about is $69 million through 2009. The Disposal Contract rates don't go into effect until January 1, 2000. Therefore, we only have half a fiscal year with those rate savings during FY 99-00. Then, we are projecting that by FY 00-01, the savings will be just slightly more than $6 million, and that they will grow during years after that.

Susan Keil asked about the net impact in cost per ton. Terry Petersen responded that if you want to translate the total savings into a per-ton basis, a good rule of thumb is roughly one dollar per ton for every million.

Chair Washington clarified that he was not asking the Committee to commit to a vote, but that he would like to get some head nods. He asked folks to raise their hands to answer the following question. How many of you feel that this money should stay within solid waste? About 2/3 of SWAC members raised their hands. Next, he asked how many

SWAC members feel that the tip fee should not be reduced. About 1/3 indicated that Metro should not reduce the tipping fee.

Chair Washington stressed that the Metro Council will be as fair as possible. He encouraged everyone to call every councilor and leave them a voice mail. He suggested that individuals could also write the Council a letter or send an e-mail just to give a sense of what is on their minds. He added that if individuals felt that the money should stay within solid waste, but if something else happened, then individuals should give the Councilors some alternatives. He added that he has never gotten so many calls or e-mails or voice mails about any issue during his history at Metro, as he has about this money. He said that in another week or two, he would start talking with the other Councilors and the Executive Officer to get their ideas. He commented that he appreciates the Committee's straightforwardness and willingness to let this process be as open as possible. He knows that Metro will do what is best for the region, the solid waste industry and the people. There were no further comments, so Chair Washington adjourned the meeting.

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Service Plan

Solid Waste
Advisory Committee

June 23, 1999

Service Plan - Purpose

Over the next 10 years, will the Metro region need additional transfer station services ?

If so....what is the best means of meeting this need ?

- What services should be provided?
- How should services be provided?
- Where should they be located?

Service Plan - Process Overview

- **Part I- Needs Assessment** (June / July)
  - Surveys & technical analysis
  - Findings & Statement of Need (with SWAC subcommittee)
  - Stakeholder Input
- Part II- Generate Solution Options & Evaluate (July /Aug.)
- Part III- Present Recommendations (Sept. / Oct.)

Needs Assessment

Key Parts

1. Commercial Hauler Survey
2. Self-Hauler Survey
3. Projections of Tonnage Flows to Year 2010
4. Establish Service Objectives
5. Develop Findings and Conclusions

Commercial Hauler Survey

Overview

- Solicit opinion of commercial haulers on adequacy of existing transfer station services
- Survey mailed to 110 haulers
- Survey response rate of 53%

Major Areas Covered in Survey

- Current Situation: Access and Efficiencies
  - Travel Time to solid waste facilities
  - In and Out Time at facilities
  - Time of Day the facilities are used
- Future Needs
  - Barriers to using any existing facilities
  - Rank service needs by location (county)

Survey Results

Analysis of Survey Results Due in 2 Weeks

Sample of results include:

- Majority prefer to travel less than 20 minutes to a transfer station
- About half report travel times greater than 20 minutes

Next Steps...Self-Haul Survey (July)

- Opinions and information about current system and future needs of public self-haul customers
  - Where are they coming from?
  - Why are they self-hauling?
  - When and how often are facilities used?
  - Knowledge and use of curbside collection?
  - Are other services needed?

Next Steps... System Modeling

Projection of Tonnage Flows to Year 2010

- To evaluate impacts on solid waste system under different scenarios

Scenarios developed as tools to:

- Help assess need (e.g. travel times, capacity, recovery rates)
- Understand range of potential service objectives
- Develop criteria for evaluating solution options (what makes a good regional solution?)

Scenario Examples...

- Scenario 1 - Reference Scenario/Status Quo
- Scenario 2 - Lift "Tonnage Caps" (Direct Haul MRFs)
- Scenario 3 - More MRFs (all dry waste processed)
- Others scenario examples: more transfer stations, organic waste processing facilities

Next Steps

- Part 1: Complete Needs Assessment (July)
  - Convene SWAC Subcommittee
  - Review Needs Assessment Parts
  - Develop Findings and Conclusions
  - Solicit Feedback from Stakeholders
- Part 2: Develop Solution Options (July-August)
  - Generate & Evaluate Options
  - Select and Refine Options

Solid Waste
Advisory Committee

Form a Subcommittee for the
Service Provision Plan Team?

Attachment 2

AUDUBON SOCIETY OF PORTLAND

Inspiring people to love and protect nature.

June 23, 1999

To: Metro Solid Waste Advisory Committee
From: Mike Houck

Given that SWAC is a standing Metro committee, the Coalition For A Livable Future wanted to advise you regarding our testimony concerning solid waste funds which may become available through renegotiated contracts with Waste Management and Specialty Transportation Services.

Our understanding is that, based on changes to disposal and long-haul transportation contracts Metro might realize about $60 million over the next 10 years. As I pointed out in my testimony to the REM committee, there will be intense pressure to rebate these funds to local jurisdictions, and presumably to their ratepayers. However, we feel strongly that there are numerous programs, both within Metro and at the local level that are woefully underfunded that should be funded from this regional source of revenue. There will undoubtedly be arguments that solid waste money should not be spent on non-solid waste issues. We feel strongly that the issues regarding solid waste, Region 2040, Greenspaces, and local implementation are all of regional significance and cut across subject areas. We feel, therefore, that it is appropriate to consider using all or a part of these funds for the purposes we outline as our priorities: Regional land use and transportation planning, regional natural resource planning, affordable housing and economic revitalization, and Greenspaces.

Sincerely,

Mike Houck

Mike Houck, Urban Naturalist, Audubon Society of Portland and
Chair, Natural Resources Working Group, Coalition For A Livable Future

5151 NW Cornell Road, Portland, Oregon 97210 (503) 292-6855 FAX (503) 292-1021

AUDUBON SOCIETY OF PORTLAND
Inspiring people to love and protect nature.

June 8, 1999

Ed Washington, Chair
Rod Park, Vice-chair
Susan McLain
Metro Regional Environmental Management Committee
Metro
600 NE Grand
Portland, OR 97232

Dear Chair Washington and Councilors,

My name is Mike Houck and I am here representing the 8,000 members of the Audubon Society of Portland and Natural Resources Working Group of the Coalition For A Livable Future. We are keenly interested in how you will allocate the "savings" realized from contract negotiations in your solid waste program. We understand there may be as much as $60 million available for redistribution over the next ten years.

While there will be intense pressure to rebate these funds to ratepayers, we feel strongly that there are numerous programs, both within Metro and at the local level that are woefully underfunded that need these funds far more than the modest refunds that would be realized for the individual ratepayer and we urge you to seriously consider allocating most, if not all, of these funds to the needs we and others within the Coalition will identify. We are not prepared to specify amounts for each program, but would like to have input on that discussion as you move forward with your deliberations.

Priorities For Natural Resource Working Group:

Regional Growth Management Services:

1. Goal 5: Only $ 50,000 has been budgeted for this crucial work for the next fiscal year. $ 50,000 is not adequate for this task and is woefully inadequate to perform all of the ESEE analyses that will be required. Additional funds are needed for upland habitat assessments, which to date

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have received little attention, given the expedited work on riparian habitats. We know through our own work that virtually no jurisdiction has protected these upland resources, as contrasted with wetland and riparian resources. Therefore, it is unreasonable to assume the upland work can be done without substantially more resources.

2. Regional Stormwater and Watershed Planning: There are currently no funds allocated to this work, which is required in the Regional Framework Plan. Metro, and the region, cannot possibly hope to make good on its promise to address recent listings under the Endangered Species Act without performing region-wide watershed assessments. Metro will definitely need outside consultant services to analyze these issues and to work with staff to develop proposals for the Council. Metro should also make funds available to Portland's Bureau of Environmental Services, Unified Sewerage Agency and Clackamas County's Water Environment Services to pay for their staff work in bringing their individual watershed planning efforts into this process. A lot of work has already been done and Metro could shorten the timeline for high quality watershed planning if local efforts which have already been undertaken are integrated into Metro's work. That will take money, money that is currently not available.

We cannot over emphasize the importance of this work. As Councilor McLain can attest, the public raises these issues every time she and your staff are engaged in discussions at WRPAC, Goal 5 TAC and in public for a. It is absurd for Metro to rely on grants to fund this effort. This work is too important to implementation of Region 2040 natural resource elements and the work needs to be done right.

3. Urban Reserve Planning: Federal funding has been awarded for planning in Urban Reserves in the Johnson Creek and Clackamas River watersheds. There is, however, no funding allocated for planning in the remaining Urban Reserves. Money is needed for all aspects of UR planning, but we want to particularly draw you attention to the fact that significant natural resource protection, stormwater management and integration of Title 3/Goal 5 protection into UR planning is crucial if Metro is to make good on its promise to "do it right" next time. Metro should set up demonstration projects, develop educational materials to inform developers and the public about what is needed and develop a comprehensive strategy regarding how to develop differently in the Urban Reserve areas to implement 2040 in advance, not as an afterthought as it is being done now inside the UGB.

4. Grants to Local Jurisdictions: In addition to the funds for BES, USA and Clackamas County I mention in #2 above, if local jurisdictions are going to implement Title 3 and other 2040 related changes in their local codes and

plans the unfortunate reality is they will need additional funding. While they should be providing these funds themselves, we know they will do so on their own priorities. Our experience demonstrates that the natural resource elements of their work will receive lower priority. In those instances where locals do not have the resources to fully implement Title 3, Goal 5 and other natural resource code rewrites we would like to see a grant program at Metro that can assist in getting this important work done at the local level. I am sure my colleagues in housing, transportation and other subject areas have similar concerns.

5. Measure 56 Notification: While the impact of Measure 56 is not fully known, we feel it would be prudent to have sufficient funds set aside to ensure public notice can be given on important natural resource issues.

6. Regional Water Supply: This issue will get more, not less, public attention in the coming year or so. Our understanding is that Council has elected not to support the Willamette Conservation Coalition during the coming fiscal year. The $ 10,000 annual cost to support water conservation education and outreach is an important issue, as the current Wilsonville debate demonstrates. Metro should be at the table in this process.

7. ESA Response: I cannot imagine that Metro will not need additional resources to coordinate your ESA response with local jurisdictions, the City of Portland in particular. I have had the occasion to interact with your current staff on what is clearly one of this region's most pressing environmental issues and it is clear to me that additional resources are needed to make good on Executive Burton and Council's pledge to respond proactively to present and future ESA listings. Any additional funds for this work should be directly specifically at coordination and breaking down "fire walls" between: Growth Management Services, Regional Parks and Greenspaces, and Data Resource Center. The latter is critical and I am not sure there is adequate recognition regarding the importance of your GIS capabilities to address natural resource planning issues. You have a fabulous resource in the DRC and within Growth Management Services. We are not privy to any information regarding GIS support to Growth Management Services, Regional Parks and Greenspaces or your ESA work, but every dollar allocated to this resource will be well spent.

8. Monitoring/Performance Measures: Metro still has not plan in place to monitor and require compliance with Title 3, upcoming Goal 5 and other natural resource elements of 2040. Every time we bring this issue up we are told, "we don't have the resources." This REM money affords you the opportunity to begin now putting in place monitoring capabilities. This is a huge gap in your 2040 planning effort.

Regional Parks and Greenspaces:
One of the biggest issues associated with the Greenspaces acquisition campaign has always been a lack of maintenance and management money. We are extremely concerned that once the present acquisition program has run out of funds if Metro cannot show they can manage and provided public access to your newly acquired Greenspaces we will have a tough time selling another bond measure. To date, Metro's Regional Parks and Greenspaces has performed spectacularly well, given that you've already acquired more than 50% of the 6,000 targeted acres with significantly less than 50% of the funds. That will be important, but not sufficient, to build public support for the next bond measure. We know this to be true, based on our experience in the 1992 campaign and the fact that it was a major hurdle again in 1995.

A significant portion of the solid waste funds should go to:

1. Taking care of what you have. Metro must demonstrate that it is a good steward of the Greenspaces you have acquired, including securing land in "land bank" status and performing needed restoration. You have initiated excellent restoration efforts on Cooper Mountain and elsewhere. You need to expand on that work and that will require additional funds for Metro staff time and, we presume, contact assistance from experts in upland and aquatic ecosystem restoration.

2. Adoption of a Functional Plan for parks and Greenspaces: A huge outstanding obligation
that has not begun yet is the creation of a Functional Plan to implement the Greenspaces Master Plan. This is one of the most crucial elements to the 2040 Growth Concept and one which Metro cannot afford to put on the back burner if it hopes to continue bringing the public along with 2040 implementation.

3. Providing access to those Greenspaces: Where appropriate, Metro should be providing public access to its regional Greenspace holdings. Where you have an IGA with local park providers, Metro should be working with them to provide appropriate access. For example, we know you have new sites along the Tualatin River. River access is extremely limited on the Tualatin. Providing access points for wildlife viewing and canoeing will be an important strategy to building additional public support for Metro's Greenspace efforts.

Again, we do not have specific amounts in mind for each of these program elements but would be happy to work with staff as allocation of the solid waste funds moves forward.

Respectfully,

Mike Houck, Urban Naturalist
Audubon Society of Portland and
Chair, Natural Resources Working Group
Coalition For A Livable Future

PROGRAM EVALUATION: REGIONAL SYSTEM FEE CREDIT PROGRAM

EXECUTIVE SUMMARY

As of June 1999, there were seven private solid waste facilities in the Metro region undertaking material recovery activities from mixed solid waste—receiving solid waste, pulling out recoverable materials for recycling or other use, and sending the remaining waste—or "residual"—to a transfer facility or disposal site. Six of these facilities have participated in the Regional System Fee (RSF) Credit program since its initiation in June 1998: East County Recycling (ECR), Energy Reclamation Inc. (ERI), Pride Recycling, Recycle America (RA), Wastech and Willamette Resources Inc. (WRI). Tualatin Valley Waste Recovery (TVWR), formerly Citistics, began participating in the program in January 1999.

Prior to the June 1998 rate reduction, a penalty system was in place for most of these facilities. The penalty provision required, through each facility's individual franchise agreements with Metro, a certain level of recovery (between 35 and 45% depending on the facility). On June 1, 1998, the RSF Credit program replaced the penalty system with an incentive program. The program was designed to support and encourage the region's existing post-collection recovery system by providing material recovery facilities (MRFs) with a means for preserving the margin between revenue and cost that would otherwise be decreased when the Metro disposal rate was lowered[1]. The program encourages increased recovery efforts by providing greater monetary incentive—credits—at higher levels of recovery.

The credit program was initiated as a one-year pilot project, with a June 30, 1999 sunset date. The requested REM FY 1999-2000 budget proposed extension of the RSF Credit program until June 30, 2000 in order to allow time for an evaluation of the program, and analysis and implementation of recommendations resulting from the evaluation.

What follows are the key findings and conclusions from the Regional System Fee Credit Program Program Evaluation:

<u>KEY FINDINGS</u>

I. The Changing Solid Waste System

1. Three major changes in the region's solid waste system have overshadowed the economic impact of the RSF Credit program. These events were:
   a. Authorization of wet waste reloading at some MRFs
   b. Authorization of direct haul of wet waste from some MRFs to Columbia Ridge Landfill
   c. Imposition of a tonnage cap (50,000 tons) on MRFs receiving wet waste

II. Recovery Tonnage

1. Data from the last three months of the analysis period indicate a downward trend in both MRF recovery rates and the absolute number of tons of material recovered from mixed waste at MRFs, as a group.

[1] For more detail on the background, objectives and design of the credit program see Section I Background, of the RSFC Program, Program Evaluation, page 1-2.

2. Only two MRFs have consistently achieved recovery levels equal to or greater than those required by the penalty system in place prior to June 1998.

3. The credit program appears to have provided incentive sufficient to cause two MRFs to maintain recovery rates at or above 40%.

4. Although other factors may be of equal or greater significance, it appears that the RSF Credits are most likely to maintain historic recovery rates or encourage increased recovery at facilities with the following characteristics:

   a. Primarily dry-waste operations

   b. Independently owned and operated (not vertically integrated), or

   c. If vertically integrated, with collection and/or disposal operations that are regulated in a manner that balances the economies of recycling and disposal.

III. Regional Recovery Goals

1. 72% of the approximately 88,000 tons recovered from mixed waste at MRFs from June 1998 to April 1999 will count toward Metro's RSWMP goals and the region's recovery rate.

2. Preliminary analysis indicates that the material recovered from mixed waste at MRFs in 1998 made up approximately 8% of total tons of material recovered in the region in 1998[2]. This is up from 6.9% of the total in 1997.

3. Preliminary analysis indicates that recovery at MRFs accounts for at least 3 points of the 1998 regional recovery rate.

4. However, if recovery trends at MRFs since January 1999 continue, then material recovered from mixed waste at MRFs will make up a smaller proportion of the region's total recovery in 1999.

IV. Program Design

1. The program functions as designed by providing sufficient credits to preserve the margin between revenue and cost when MRFs achieve recovery rates at or above 40%.

2. Although ownership may not be the most significant factor, the program appears to have maintained historic recovery levels or encouraged additional material recovery at MRFs that are not owned by Waste Management Inc. (WMI).

3. Low disposal costs can offset the impact of Metro's rates as well as any credits, incentives or penalties—e.g.: if disposal is more profitable than recycling the significance of the differential between Metro's tip fee and RSF is minimized.

V. Effect of Future Rate Reductions

1. Assuming a future rate reduction where, for example, the Metro tip fee is $60 per ton with a $14 per ton Regional System Fee, the margin between revenue and cost would be reduced 16%, compared to the margin attainable prior to the 1998 rate reduction.

2. Under a $60/$14 rate scenario:

[2] The DEQ has yet to release the official 1998 total regional recovery figure. This analysis assumes total recovered tons will remain stable at 1997 levels.

a. The total credit amount necessary to enable all participating MRFs to "*make whole*" (assuming the same throughput, and that all participating MRFs achieve recovery rates of 40% or greater), is approximately twice the amount disbursed in FY 1998-99, which was $757,000.

b. The amount required to "*make whole*" only those MRFs that achieved recovery rates averaging over 40% from June 1998 to March 1999 is 118% of the amount disbursed in FY 1998-99.

VI. Program Cost

1. As of April 1999, $736,151 had been paid in credits, approximately $8.33 per ton of material recovered at the participating MRFs.
2. FY 1998-99 Credit disbursements[3] will total approximately $757,000.
3. Under the current schedule of credits and assuming facilities maintain recovery and throughput (disposal tonnage) at the level averaged from January through April 1999, credit disbursements for FY 1999-2000 will be approximately 85% of the FY 1998-99 total.
4. The first year of the program required approximately 60% of an FTE to administer, including additional staff time necessary in the start-up phase. This should slip to slightly less than half an FTE for following years.

CONCLUSIONS

1. The monetary incentive provided by the credit program does not appear to be sufficient to preserve MRF capacity in the current economic environment, which has changed significantly since the program was designed.

   When the program was initiated in June 1998, six facilities (ECR, ERI, RA, Pride, Wastech and WRI) were doing material recovery from mixed waste. The majority of these facilities were consistently achieving recovery rates at or above 35%. Since January 1999, ERI has closed, and RA and Wastech have slowed recovery to rates below 20%; Pride continues to process primarily wet loads, achieving overall recovery rates near 25%[4]. Only two of the facilities in place at the onset of the RSF Credit program continue to achieve recovery rates at or above 35%.

2. The incentive program appears to have had only a marginal impact on total tons recovered from mixed waste at MRFs.

   Although tons recovered from mixed waste at the MRFs increased in 1998, data from January through April 1999 indicate a potential reversal of this trend in 1999. One explanation for the 1998 increase is the increase in the number of MRFs—RA came online in late 1997. It does appear that the program motivated increased recovery of heavy materials that may not otherwise be recovered at current levels, like brick, concrete and gypsum wallboard.

3. The region's MRFs appear to be converting to non-recoverable wastestreams.

   The upward trend in MRF recovery tonnage from approximately 58,000 tons in 1997 to 77,500 in 1998 does not appear to be continuing into 1999. If facilities continue to perform at current levels (projections based on January – April 1999 averages), total tons of material recovered from mixed waste at MRFs in 1999 could be as much as 30% less than in 1998.

4. A modified or alternative program(s) needs to be developed in order to more effectively encourage waste recovery at solid waste facilities in the region.

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[3] The FY 1998-99 credits total is based on July 1998 – May 1999 actuals.

[4] The lower rate at Pride is due to the fact that more wet waste is processed at this facility than dry. The lower rate at this facility should not be interpreted as an indicator of a lower level of recovery effort.

PROGRAM EVALUATION: REGIONAL SYSTEM FEE CREDIT PROGRAM

I. BACKGROUND

Policies

Metro, the Portland-area regional government, imposes a fee, the Regional System Fee (RSF), on all waste that is generated in the Metro area and disposed of for a fee. Revenues from the RSF support solid waste management programs not directly related to disposal operations—e.g., hazardous waste and waste reduction. However, as an exemption to this rule, Metro does not impose this fee on waste received at Material Recovery Facilities (MRFs), but rather on the residual that is landfilled after material recovery takes place. This exemption supports Metro's waste reduction policies by providing a financial incentive for investment and activity in materials recovery.

Practices

In practice, MRFs have closely tracked Metro's tip fee on waste delivered to their facilities. That is, Metro's tip fee tends to determine the *revenues* that MRFs receive. However, unlike the tip fee, the RSF is a *cost* to the MRFs. For example, the investment decisions for most MRFs in the region were made when the Metro tip fee was $75 and the RSF was $17.50 per ton. If a MRF charged $75 per ton on waste delivered to the facility, and recovered 50% of that waste, the MRF would have $66.25 per ton[1] from which to recover all costs—recovery activities, transport, disposal, overhead and profit.

Recent Events

On June 1, 1998, the Metro tip fee and RSF were reduced for the second consecutive year; from $75 and $17.50 in 1996 to $70 and $15 in 1997, and then to $62.50 and $14 per ton (plus $5 per transaction) in 1998. The 1997 and 1998 reductions in the solid waste disposal rate reduced the margin between revenue and cost for MRFs. Assuming 50% recovery, a MRF would have $57.50 per ton[2] from which to recover all costs, approximately 15% less than in 1996. MRF operators testified to Metro that this margin was insufficient to continue recovery operations at their historical levels. Pending MRF operators indicated they would delay or cancel their plans to add capacity.

Recent contract negotiations with Metro's disposal contractor will likely result in another disposal rate reduction effective January 2000.

The Response

In a continuing effort to encourage recycling and recovery in the Metro region, the RSF Credit program, a recovery-based incentive program, was implemented in conjunction with the 1998 disposal rate reduction. The RSF Credit program was introduced to help restore the margin between MRF revenue and cost.

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1 $75 - $8.75 = $66.25, where $8.75 is ½ of $17.50, representing the 50% recovery rate.

2 $62.50 + $2 (a per ton allocation of the $5 transaction fee: since the average commercial transaction at MRFs is approximately 2.5 tons, on a per ton basis the tip fee is increased by approximately $2) - $7 = $57.50, where $7 is ½ of $14

The RSF Credits vary as a function of each facility's recovery rate to further encourage recovery. The higher a facility's recovery rate, the higher the Regional System Fee Credit[3]. The credit schedule was designed to neutralize the effect on the margin between MRF revenue and cost at recovery levels historically accomplished by MRFs, and to provide greater incentive, by making MRFs "more than whole," at higher recovery levels, thus providing incentive to increase recovery[4]. The incentive program replaced a punitive program that charged an enforcement fee to MRFs not meeting a prescribed recovery rate.

The RSF Credit program was initiated as a one-year pilot project, with a June 30, 1999 sunset date. Continuation of the program is, in part, contingent on evaluation of the program and its funding source. For Fiscal Year 1998-99, the RSF Credit program is budgeted to use $900,000 of the Undesignated Fund Balance of Metro's Solid Waste Fund. The requested REM FY 1999-2000 budget proposes extension of the RSF Credit program until June 30, 2000 in order to allow time for an evaluation of the program, and analysis and implementation of recommendations resulting from the evaluation.

II. CURRENT SYSTEM

Seven solid waste facilities in the Metro region have participated in the RSF Credit program. Six of the seven facilities have participated in the credit program since its initiation in June 1998. Tualatin Valley Waste Recovery (formerly Citistics) began participating in the program in January 1999. The seven facilities are:

East County Recycling (ECR)

Ownership:	Independently owned and operated
Vertical Integration:	NA
Location:	Eastern Multnomah County
Operations:	Processing dry source-separated and dry mixed waste from the public.
Issues/Notes:	A road-base product is produced at ECR using brick, concrete, glass, sand, gravel and other inerts delivered to the facility; materials used to produce this product are not included in the Oregon Department of Environmental Quality's computation of the regional and state annual recovery rates, but have counted toward the facility's recovery rate for the purpose of calculating Regional System Fee Credits.

Energy Reclamation Inc. (ERI)

Ownership:	WMI
Vertical Integration:	WMI owns and operates the recovery facility, the hauling company that delivers the waste to and from the recovery facility, and the landfill that receives the waste.
Location:	NE Columbia Boulevard in the City of Portland
Operations:	Processing dry source-separated loads and dry mixed waste
Issues/Notes:	ERI closed on June 26, 1999.

[3] In order to promote maximum recovery, the credit increases incrementally for recovery rates between twenty and fifty percent. As waste that is "richer" than 50% recoverable is a prime candidate for source-separation, which Metro encourages over post-collection recovery, recovery over fifty percent is rewarded at a flat rate.

[4] See **Attachment D** "RSF Credit Program Credit Schedule."

Pride Recycling

Ownership: Independently owned and operated

Vertical Integration: Pride Recycling is vertically integrated with Pride Disposal, a hauling and drop box company.

Location: Sherwood, Oregon

Operations: Reloading wet mixed waste, processing source-separated loads and dry waste

Issues/Notes: None

Recycle America Recovery Facility (RA)

Ownership: WMI

Vertical Integration: WMI owns and operates the recovery facility, the hauling company that delivers the waste to and from the recovery facility, and the landfill that receives the waste

Location: Troutdale, Oregon

Operations: Processing source-separated loads and dry mixed waste
Since January 1999: Reloading and Direct-Hauling (to Columbia Ridge Landfill) mixed waste

Issues/Notes: None

Tualatin Valley Waste Recovery Facility (TVWR)

Ownership: WMI

Vertical Integration: WMI owns and operates the recovery facility as well as the hauling company that delivers the waste to and from the recovery facility

Location: Beaverton, Oregon

Operations: Processing dry source-separated and dry mixed waste, reloading wet mixed waste to Metro Transfer Stations

Issues/Notes: Citistics (now TVWR) began participating in the RSF Credit program in January 1999. In May 1999, WMI bought Citistics, and changed the facility's name to Tualatin Valley Waste Recovery Facility (TVWR).

Wastech

Ownership: WMI

Vertical Integration: WMI owns and operates the recovery facility as well as the hauling company that delivers the waste to and from the recovery facility

Location: NE Columbia Boulevard in the City of Portland

Operations: Processing source-separated loads and dry mixed waste, buyback center for source-separated materials

Issues/Notes: None.

Willamette Resources, Inc. (WRI)

Ownership: Waste Control Services (WCS)

Vertical Integration: WCS owns the recovery facility as well as the primary hauling company that delivers waste to and from the facility, and a general purpose landfill that receives some of the facility's waste.

Location: Wilsonville, OR

Operations: Processing source-separated loads and dry mixed waste

	Since January 1999: Reloading and Direct-Hauling (to Columbia Ridge Landfill) mixed waste
Issues/Notes:	None.

In the year since the RSF Credit program began, the existing system of MRFs has undergone a number of significant changes that have redefined the economic environment in which the facilities operate. These changes include:

- Two MRFs (RA and WRI) began accepting wet waste for reloading.
- Three MRFs (Pride, RA and WRI) began hauling wet waste directly to Columbia Ridge Landfill (owned by WMI) under Metro's disposal contract.
- A cap of 50,000 tons of disposed waste (mixed wet waste and MRF residual) was placed on those MRFs that were granted direct haul authority.

Table 1, below, shows average recovery rates, recovered tons and monthly credits for each of the seven participating facilities using data from the months of January through April 1999.

Facility	AVERAGE (January – April 1999)			Notes
	Recovery Rate	**Net Recovered Tons**	**Monthly Credit**	
ECR	59.5%	5,340	$34,809	From Jan-April 1999, 55% of materials recovered from mixed waste (counting toward facility's recovery rate) were BCG.
ERI	82.5%	1,113	$4,027	Facility closed June 26, 1999.
Pride Recycling	24.4%	373	$1,172	Processes a relatively small quantity of dry waste, which minimizes $$ impact of RSFC program.
RA	23.4%	440	$591	From Feb 99, recycling rate has steadily decreased to below RSFC program eligible rate (19% in April 99).
TVWR/Citistics	47.0%	124	$1,636	Processes a relatively small quantity of dry waste, which minimizes $$ impact of RSFC program.
Wastech	9.0%	356	$2,396	Recycling rate steadily decreasing; dropped below 10% in April 99; did not qualify for credits in May.
WRI	41.8%	1,279	$15,316	Recycling rate has remained stable throughout program period, and has not dropped significantly since facility began direct haul reloading in January 1999.

Table 1: Current Trends By Facility (January – April 1999 Averages)

III. RECOVERY TONNAGE

Has MRF recovery remained level or increased?

Key Findings

⇒ Data from January – April 1999 indicate a downward trend in both MRF recovery rates and the absolute number of tons of material recovered from mixed waste at MRFs, as a group.

⇒ Three MRFs (ECR, ERI & WRI) have maintained recovery levels equal to or greater than those required by the penalty system in place prior to June 1998.

⇒ Although the increase appears to be due to an increase in the number of MRFs, total tons of material recovered from mixed waste at MRFs has increased since initiation of the RSF Credit program.

⇒ Although other factors may be of equal or greater significance, it appears that the RSF Credits are most likely to maintain historic recovery rates or encourage increased recovery at facilities with the following characteristics:

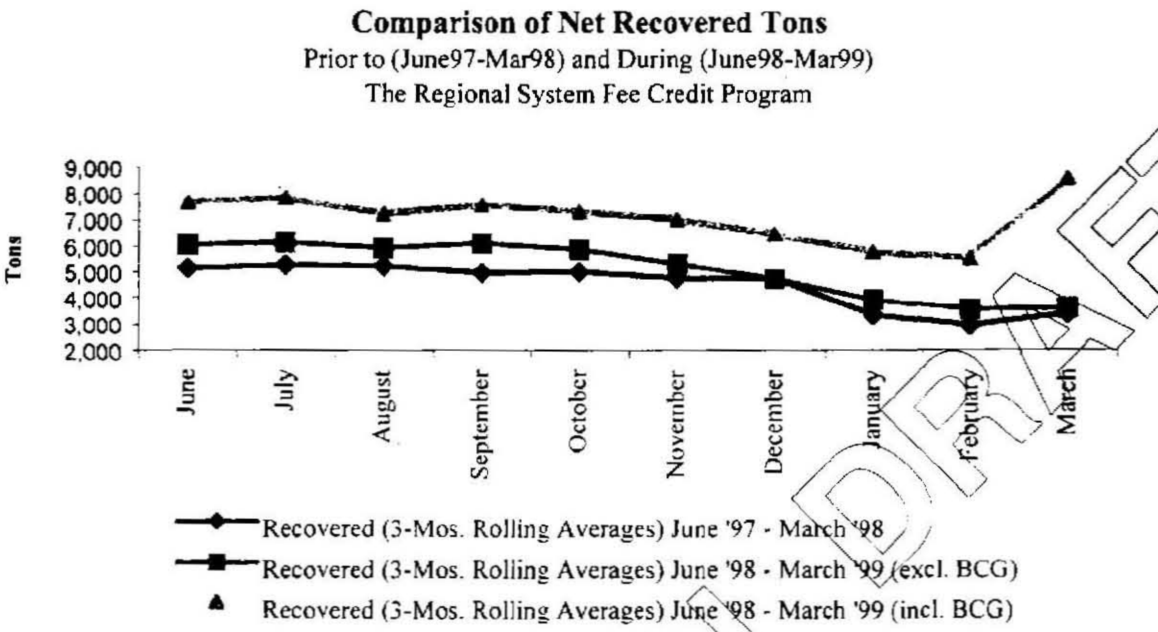
- ❖ Primarily dry-waste operations
- ❖ Independently owned and operated (not vertically integrated), or
- ❖ If vertically integrated, with collection and, or disposal operations that are rate-regulated.

⇒ Of the three MRFs owned by WMI:

- ❖ Recovery rates at Recycle America and Wastech have decreased to levels commensurate with a transfer station (<10%).
- ❖ ERI closed as of June 26, 1999.

Graph 1, below, compares pre- and post- RSF Credit program recovery levels. The graph includes data from four of the seven material recovery facilities presently participating in the RSF Credit program because only these four facilities were submitting comparable data for a period sufficient to compare pre- and post- RSF Credit program recovery levels[5]. The graph diminishes the significance of any seasonal variations by plotting the RSF Credit program period (June 1998 to March 1999) on top of the prior period (June 1997 to March 1998). See **Attachment A** for facility by facility recovery and disposal tonnage.

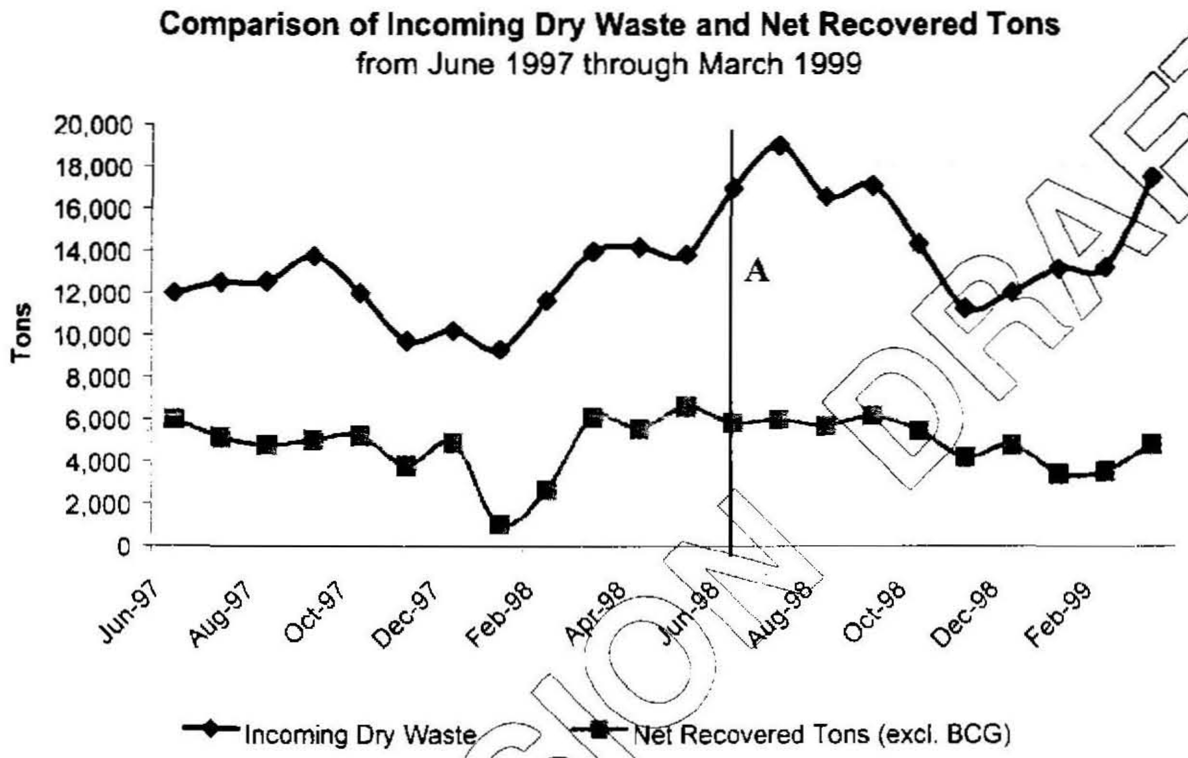
[5] Only four facilities (ECR, ERI, Wastech and WRI) were operating as MRFs and submitting comparable tonnage data to Metro for the period of June 1997 to March 1998. RA is not included in **Graph 1** because the facility only began accepting waste in July 1997; July through September 1997 data reflects f the facility's a start-up period.



Graph 1: Comparison of Net Recovered Tons for ECR, ERI, Wastech and WRI

Graph 1, above, compares net recovered tons (recovered tons net of incoming source-separated) from June 1998 to March 1999 including recovered Brick, Concrete and Glass (BCG) (the top line on the chart) with material recovery during the same period, but excluding BCG (the middle line), and with material recovery the previous year (the bottom line). **The gap between the top line and the bottom line indicates the increase in recovery tonnage in the year of the RSF Credit program compared to the same period the year before the program.**

Graph 2, below, illustrates the same point as graph 1, but is a time-series graph showing net recovered tons and incoming dry waste trends from June 1997 through March 1999, where **point A** indicates the start of the RSF Credit program. In Graph 2, the top line is incoming dry waste, and the bottom line is tons recovered from dry waste. The space between the two lines indicates disposal tonnage. Graph 2 displays aggregated data for the same four facilities as Graph 1.



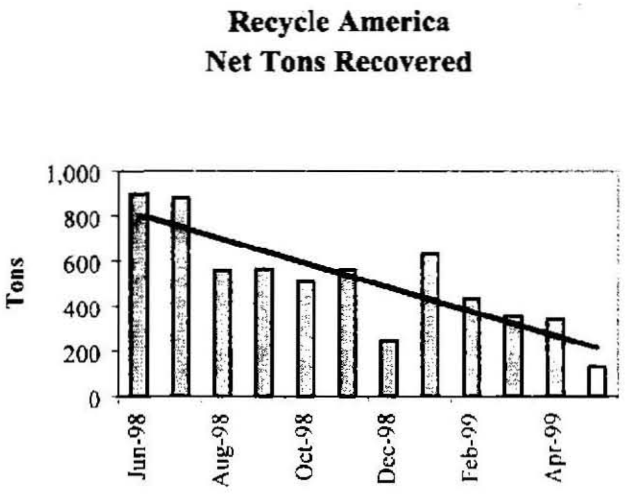
Graph 2: Comparison of Incoming Dry Waste and Net Recovered Tons for ECR, ERI[6], Wastech and WRI

The total number of tons of materials recovered from mixed waste, excluding BCG, at the four facilities depicted in Graphs 1 and 2 during the RSF Credit program period is 12% greater than for the same period one year prior to the program (June 1997 to March 1998). This analysis does not reflect the downward trend especially evident in Wastech's April and May 1999 data.

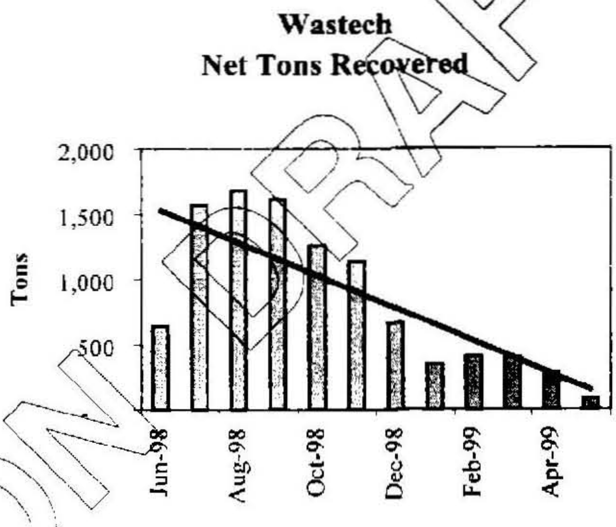
[6] The significant dip in recovery tonnage in early 1998 is primarily due to data submitted to Metro by ERI. ERI's data during this period indicates a negative recovery rate for the facility. This is most probably due to a facility reporting error.

The following graphs (**Graphs 3-5**) show by-facility recovery at WMI facilities to illustrate the significant downward trend in recovery at these facilities. Although ownership may not be a causal factor, the same trend is not evident at non-WMI facilities (see **Attachment B**).

As **Graphs 3 and 4** illustrate, net recovered tons at RA and Wastech have decreased dramatically in 1999[7]. Whereas recovery from mixed waste at RA averaged 26% in the first seven months of the program (June through December 1998), it has averaged only 20% from January through May 1999, with a low of 9% in May[8]. Recovery rates at Wastech averaged 27% from June through December 1998 and 8% from January through May 1999, with a low of 2% in May.



Graph 3: Net Recovered Tons at Recycle America



Graph 4: Net Recovered Tons at Wastech

WMI representatives have notified Metro that the recent trends at RA and Wastech are not indicative of a long-term change in operating procedures. Metro's franchise administrator has been notified that, as RA nears the 50,000 disposal ton limit, loads are being redirected to optimize both the RA and Wastech facilities, by diverting "dirty" loads[9] from RA to Wastech, which has no cap. The WMI representative characterizes this redirection of loads as being partially responsible for the dramatic downward trend in recovery at the Wastech facility. Redirection of loads doesn't, however, account for the steep drop in recovery at both facilities.

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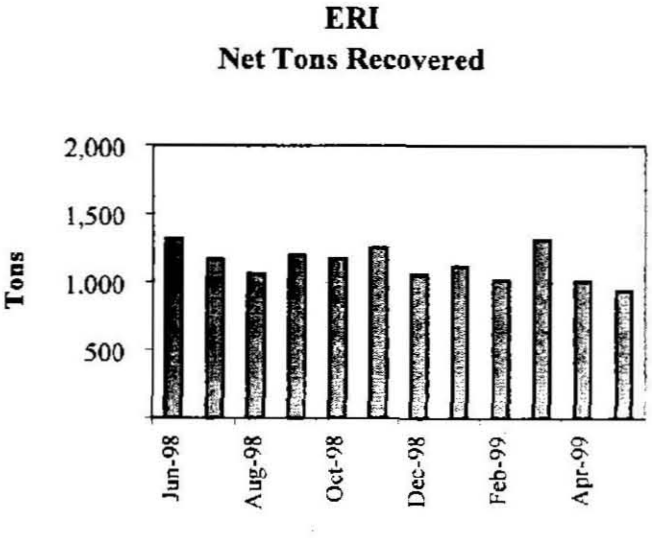
[7] In order to better interpret the recent downward trend in recovery at RA and Wastech, supplemental data for the months of April and May 1999 has been included in this section of the analysis.

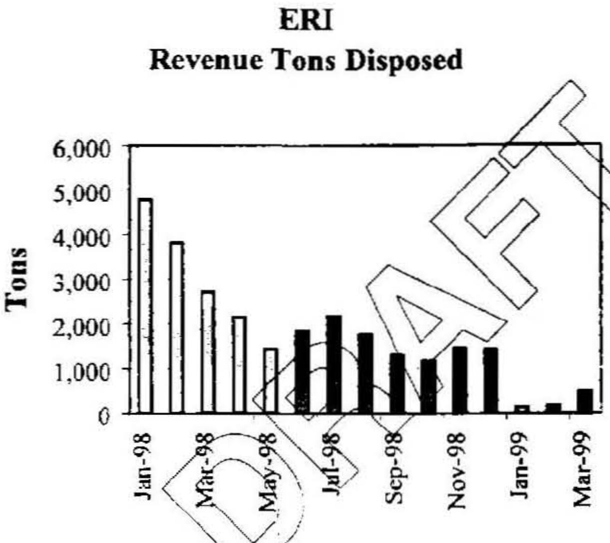
[8] See **Attachment E** for the recovery rate calculation. Note that recovery rates calculated per the RSF Credit program calculation do not include wet waste.

[9] "Dirty" loads are incoming loads with a low proportion of recoverable material, and a high proportion of residue, or material that will eventually be landfilled.

Graph 5, below, shows material recovery at ERI throughout the program period. Although there has not been a decline in material recovery at this facility, the facility's throughput of tonnage (represented in **Graph 6** by disposal tonnage) has steadily decreased over the last year. The facility closed at the end of June, 1999.



Graph 5: Net Recovered Tons at ERI



Graph 6: Revenue Tons Disposed from ERI

IV. ACHIEVING RSWMP GOALS

Has the program encouraged recovery of materials that count toward the Regional Solid Waste Management Plan recovery goals?

⇒ From June 1998 to April 1999, the seven MRFs participating in the RSF Credit program recovered approximately 88,000 tons from mixed waste.

⇒ Preliminary analysis indicate that approximately 72%, or 63,000 tons, of the 88,000 tons recovered from mixed waste from June 1998 to April 1999 will count toward Metro's RSWMP goals and the region's recovery rate as calculated by DEQ.

⇒ Although the DEQ has not yet released the region's 1998 recovery data[10], preliminary analysis indicates that the material recovered from mixed waste at MRFs in 1998 made up approximately 8% of total tons of material recovered in the region in 1998. This is up from 6.9% of the total in 1997.

⇒ Preliminary analysis indicates materials recovered from mixed waste at MRFs in 1998 account for approximately 3.5 points of Metro's regional recovery rate[11]. This is up from 2.8 points of the 41.6% 1997 regional recovery rate.

⇒ Recovery trends at MRFs since January 1999 indicate that material recovered from mixed waste at MRFs will make up a smaller proportion of the region's total recovery in 1999.

[10] The DEQ is anticipated to release its 1998 data, including Total Metro Recovery, in August 1999.

[11] This analysis assumes the recovery rate and total recovered tons in 1998 are the same as 1997.

From June 1998 to April 1999, the seven MRFs participating in the RSF Credit program recovered approximately 88,000 tons from mixed waste. However, inerts like concrete, and materials used to create road-base do not count toward RSWMP recovery goals and the DEQ recovery rate. These materials account for approximately 28% of the 88,000 tons of materials recovered from mixed waste at MRFs from June 1998 through April 1999.

Although not counting toward the regional recovery rate, diverting inerts from landfills to create products like road-base preserves quarry capacity, which is limited, by decreasing the demand for virgin material. However, Metro has an obligation to meet state mandated recovery goals. An explicit policy decision is needed on whether or not to use public money—in the form of credits—to encourage recovery of materials that do not count toward the RSWMP and DEQ goals.

Although it is not known whether MRFs would continue to recover at current levels without the RSF Credit program, MRFs will likely account for at least 3 points of the region's 1998 recovery rate. A representative of one of the two MRFs that averaged recovery rates of 40% or greater, reported to Metro that the credit provides the economic incentive to maintain the facility's sorting line. One implication of this statement is that discontinuation of the credit program would significantly curb—possibly negate—the facility's recovery efforts. Recovery at this facility accounts for approximately 1 percentage point of Metro's regional recovery rate.

Material recovery trends at mixed waste processing facilities:

⇒ Wood, old corrugated cardboard, scrap metal and rubble (inerts) are the major materials recovered from mixed waste processing facilities. Mixed paper and film plastics are also popular.

⇒ Material recovery from roofing waste was discontinued by WRI prior to implementation of the RSF Credit program, and by RA in July 1998.

⇒ Gypsum wallboard recovery was discontinued by RA in September 1998, but is ongoing at WRI, with average recovery of 50 tons per month. However, WRI indicates future recovery of this material is at risk because of potential tip fee reductions and continuing instability of the local processor.

V. "MAKE WHOLE" ANALYSIS[12]

Have MRFs achieved sufficient recovery levels to "make whole?"

Key Findings

⇒ The program works as designed:

- ❖ For MRFs with recovery rates averaging 40% or greater, RSF Credits restored the margin between revenue and cost, which would have been decreased by the 1998 rate reduction.
- ❖ For MRFs with recovery rates averaging below 30%, RSF Credits have not restored the margin between revenue and cost.

⇒ ECR, ERI and WRI achieved recovery rates averaging over 40% during the period of the RSF Credit program.

⇒ RA, Pride and Wastech averaged recovery rates between 20 and 30%.

⇒ Although other factors may be of equal or greater significance, it appears that the RSF Credits are most likely to maintain historic recovery rates or encourage increased recovery at facilities with the following characteristics:

- ❖ Primarily dry-waste operations
- ❖ Independently owned and operated, or
- ❖ Vertically integrated with collection and, or disposal operations that are rate-regulated.

⇒ Low disposal costs appear to offset the impact of Metro's rates as well as any credits, incentives or penalties—e.g.: if disposal is more profitable than recycling the significance of the differential between Metro's tip fee and Regional System Fee is minimized.

As described in Section 1 of this report (pages 1 & 2), the RSF Credit program schedule of credits (see **Attachment** E) was designed to enable facilities to restore—or "*make whole*"—the margin that prevailed prior to the 1998 rate reduction. The credit schedule was specifically designed to sustain recovery levels comparable to those required by the penalty program in place before the credit program by providing credits sufficient to "*make whole*" only at those levels. The credit program encourages further recovery by providing credits in excess of the "*make whole*" amount for recovery rates greater than those historically achieved by MRFs.

It is important to note two things:

1. Even if the margin as defined in this evaluation decreases, a facility may not in fact have a loss of revenue or profits. For example, if a facility's disposal costs are especially low, increasing throughput of waste as opposed to recovery efforts may maximize profits.
2. This "*make whole*" analysis assumes a worst-case scenario for MRFs; in reality, MRFs do not always charge a rate equal to Metro's tip fee.

[12] The "*make whole*" analysis is applied to data from six of the seven MRFs participating in the RSF Credit program TVWR is not included in the "*make whole*" analysis section of this program evaluation because at the time this evaluation was undertaken Metro only had three months of data from that facility.

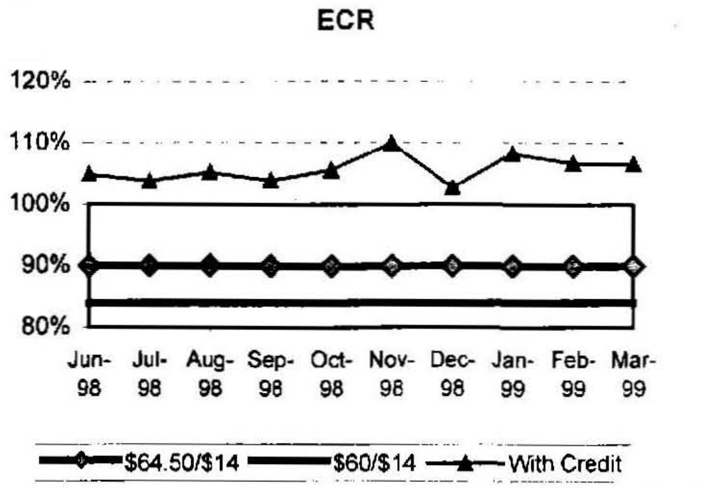
Graphs 7 – 12 (page 13) illustrate the "*make whole*" principle. In order to calculate whether each facility was able to "*make whole*," it was assumed that facilities charge their customers a rate matching Metro's tip fee on incoming dry waste[13]. The margin between revenue and cost is then calculated by subtracting the system fee (system fee times dry tons disposed) from the assumed revenue (the Metro rate times incoming dry tons). <u>The remainder is the margin from which the facility must recover all costs—recovery activities, transport, disposal, overhead, other expenses and profit.</u>

Graphs 7 – 12 indicate the degree to which the RSF Credits have made up the difference between the margin when the Metro rate was \$70/\$15 and the current rate of \$62.50/\$14[14]. In graphs 7 – 12, 100% is the margin at the \$70/\$15 rate; the margin at the current rate without any credits is 90% of the original margin (at \$70/\$15); and, the margin assuming a future rate reduction scenario rate of \$60/\$14 is 84% of the original margin (at \$70/\$15). Whether a facility was able to "*make whole*" (if the facility's line is at or above 100%) depended primarily on the facility's recovery rate, and secondarily on the facility's disposal tonnage[15]

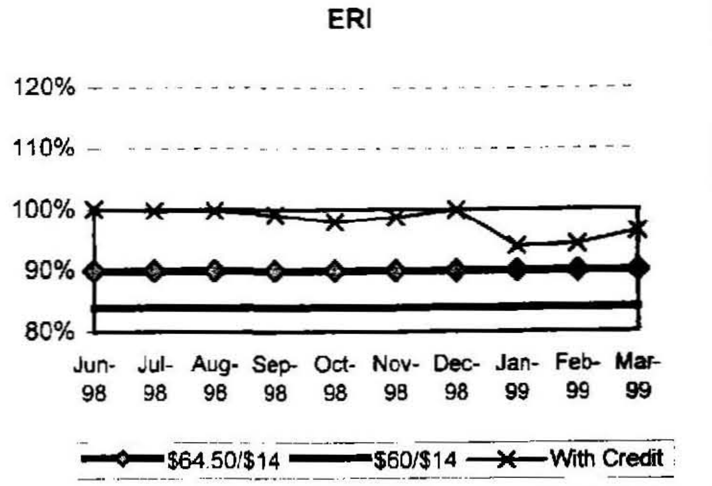
Note that facilities that did not* "make whole" *the margin between the Metro rate charged on incoming waste and the Regional System Fee charged on disposal tonnage, did not necessarily suffer a real loss of revenue or profits. The* "make whole" *analysis looks at the margin between those two points over which Metro has control. Facilities have other sources of revenue and other costs.

[13] In calculating the incoming revenue, incoming BCG at ECR is not counted as incoming dry waste since it has been reported to Metro that this material is accepted for free or at a reduced rate.
[14] Metro's tip fee is \$62.50 plus a \$5 transaction charge with a \$14 Regional System Fee. Since the average commercial transaction at MRFs is approximately 2.5 tons, on a per ton basis the tip fee is increased by approximately \$2. For this reason, the margin under the current Metro rate is calculated assuming MRFs charge <u>\$64.50</u> on incoming waste.
[15] See **Attachment E** for the facility recovery rate calculation.

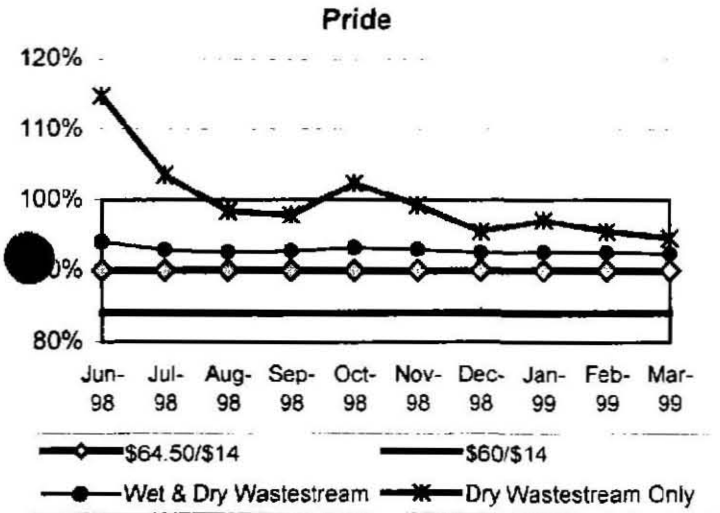
Graphs 7 - 12: "*Make Whole*" Analysis where 100% Equals Margin Before 1998 Metro Rate Reduction



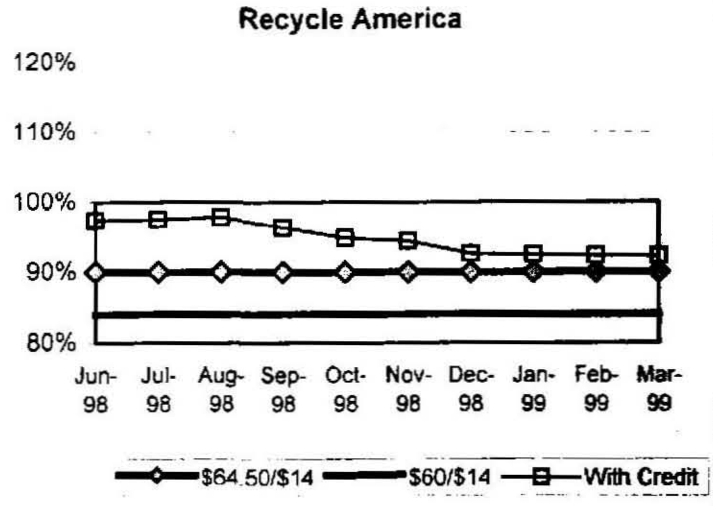
Graph 7: "*Make Whole*" Analysis for ECR



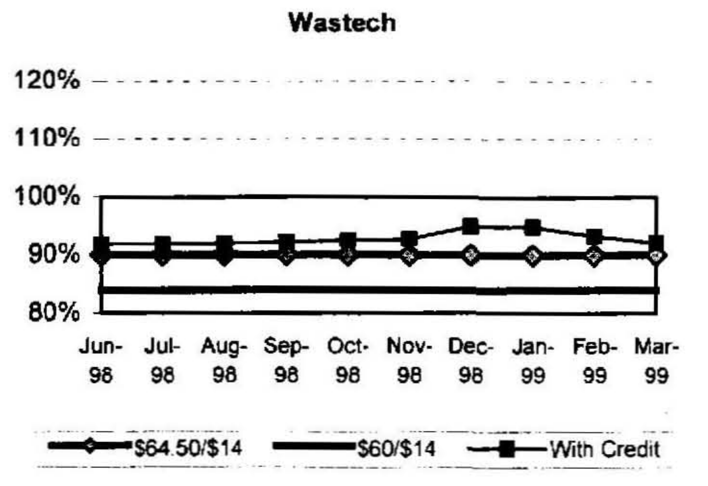
Graph 8: "*Make Whole*" Analysis for ERI



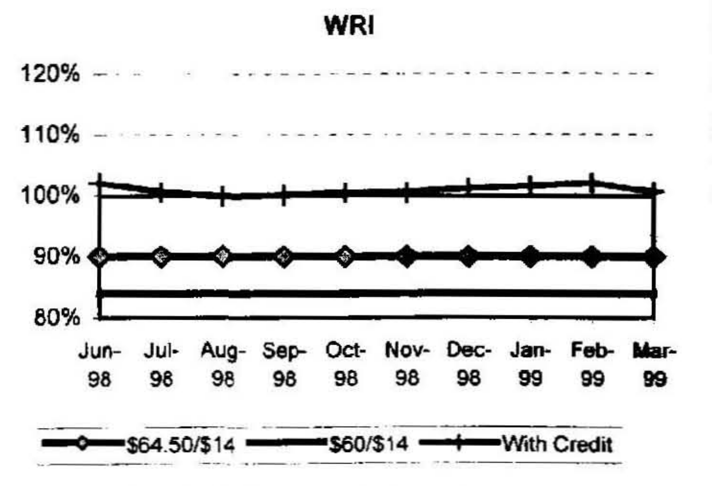
Graph 9: "*Make Whole*" Analysis for Pride



Graph 10: "*Make Whole*" Analysis for RA



Graph 11: "*Make Whole*" Analysis for Wastech



Graph 12: "*Make Whole*" Analysis for WRI

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ECR and WRI averaged recovery credits sufficient to "*make whole*," while ERI, RA and Wastech did not. However, whether Pride's recovery credits were sufficient to make the facility whole depends in part on whether the margin is computed solely on dry waste incoming and disposed, or on all (wet and dry) waste. Unlike the other participating MRFs, Pride's operations have included recovery from dry waste as well as reloading of wet waste since before the 1998 rate reduction[16]. Because the facility's throughput of dry waste is minor in comparison to wet waste throughput, the effect of the credit on the facility's dry wastestream margin appears substantially more significant than it is when considered as part of the facility's entire wastestream. As is apparent from the dry wastestream margin analysis (**Graph 9**, top line), the facility's recovery rate was unusually high in June 1998, the first month of the credit program. This was due in part to a revision in the reporting methodology after the first month of the program.

As recovery credits are a reimbursement of Regional System Fees, which are paid on disposal tonnage, ERI's sharply decreasing disposal tonnage has resulted in that facility not receiving credits sufficient to "*make whole*" regardless of recovery rates above 50%. ERI closed in late June 1999.

Of the four facilities owned by WMI, one has closed its doors, another is excluded from this portion of the analysis because it only began participating in the program in January 1999, and two have virtually halted recovery efforts. WMI's apparent disinterest in recovery activities may be due to a difference in the economic viability of material recovery at facilities that are vertically integrated with hauling and landfill operations. This may indicate that the economic incentive provided by the RSF Credit program is not sufficient to preserve or increase recovery at vertically-integrated MRFs. However, recovery levels throughout the program period at WRI were consistently at or above historic levels, and although not a WMI facility, WRI is also vertically integrated with drop box, hauling and landfill operations. One significant variable may be rate regulation. Whereas Columbia Ridge Landfill, WMI's disposal site, is not rate-regulated, Valley Landfill, the disposal site that is affiliated with WRI, is rate-regulated. The potential significance of this variable—regulation of vertically integrated disposal rates—should be noted. Low disposal costs offset the impact of Metro's rates as well as any credits, incentives or penalties—e.g.: if disposal is more profitable than recycling the significance of the differential between Metro's tip fee and Regional System Fee is minimized.

[16] RA and WRI received authorization from Metro and added reloading wet waste to their MRF operations as of January 1999. Except for the supplemental analysis of WMI facilities, which includes April 1999 data, this program evaluation is based on data through March 1999. Since January through March 1999 were start-up periods for RA and WRI's reloading operations, wet waste data for these facilities is excluded from the "*make whole*" analyses.

VI. RATE REDUCTION SCENARIO

What is the effect of a rate reduction on the region's post-collection recovery capacity and material recovery?

Key Findings

⇒ Reduction of the Metro tip fee to $60 per ton with a $14 per ton Regional System Fee would result in a 16% decrease in the margin[17] between revenue and cost, compared to the margin attainable prior to the 1998 rate reduction.

⇒ Under a $60/$14 rate scenario:

- ❖ The total credit amount necessary to enable all participating MRFs to "*make whole*" (assuming all participating MRFs achieve recovery rates of 40% or greater), is approximately twice the amount disbursed in FY 1998-99.
- ❖ The amount required to "*make whole*" only those MRFs that achieved recovery rates averaging over 40% from June 1998 to March 1999 is 118% of the amount disbursed in FY 1998-99.

Further reduction of the Metro tip fee to $60 per ton, including a $14 per ton RSF, would result in a 16% decrease in the margin between revenue and cost, compared to the margin attainable prior to the 1998 rate reduction. See the graphs on page 13 for a visual depiction of the impact on the margin (the $60/$14 rate is represented on the graphs by the line at 84%).

Under a rate reduction scenario with a $60 per ton Metro tip fee and a $14 per ton Regional System Fee, assuming (1) that all facilities (except ERI and TVWR, which are not included in this analysis) maintain the same recovery and throughput (disposal tonnage) levels as achieved from June 1998 through March 1999, and (2) that the credit schedule is revised to enable MRFs with recovery rates between 40 and 45% to "*make whole*" under the $60/$14 rate, the total annual credit amount would be approximately 118% of the FY 1998-99 amount.

VII. COST ANALYSIS

What is the cost per recovered ton?

Key Findings

⇒ As of April 1999, $736,151 had been paid in credits, approximately $8.33 per ton of material recovered at the participating MRFs.

⇒ FY 1998-99 Credit disbursements[18] will total approximately $757,000.

⇒ Under the current schedule of credits and assuming facilities maintain recovery and throughput (disposal tonnage) at the level averaged from January through April 1999, credit disbursements for FY 1999-2000 will be approximately 85% of the FY 1998-99 total.

⇒ The first year of the program (June 1998 – May 1999) required approximately 60% of an FTE to administer. This should slip to slightly less than half an FTE for following years.

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[17] For an explanation of the calculation of the margin, see Section 5 (Make Whole Analysis).

[18] FY 1998-99 credits total are based on July 1998 – May 1999 actuals.

Facility	Credit Granted	Net Tons Recovered	Net Tons Disposed	Recovery Rate	Share of RSFC	Credit per Recovered Ton
ECR	$ 373,221	42,490	31,192	55%	51%	$ 8.78
ERI	$ 109,282	12,669	12,502	57%	15%	$ 8.63
Pride	$ 19,067	3,423	11,992	27%	3%	$ 5.57
RA	$ 41,697	5,989	21,007	25%	6%	$ 6.96
Wastech	$ 17,476	9,983	42,546	21%	2%	$ 1.75
WRI	$ 168,863	13,324	19,627	41%	23%	$ 12.67
TVWR (Citistics)	$ 7,087	534	621	45%	1%	$ 13.27
TOTAL	**$ 736,693**	**88,411**	**139,487**	**40.2%**	**100.0%**	**$ 8.33**

Table 2: Credits Summary by Facility for June 1998 through April 1999

Each of the following projections assumes a different outcome to recent trends at the MRFs participating in the program. (Note: the following FY1999-2000 program cost projections assume the current schedule of credits.)

1. Assuming all facilities maintain the same recovery and throughput (disposal tonnage) levels as those averaged from January through April 1999, credit disbursements for FY 1999-2000 will be approximately 85% of the FY 1998-99 total, with MRFs recovering approximately 95,000 tons.
2. Assuming that all non-WMI facilities and TVWR maintain the same recovery and throughput levels as those averaged from January through April 1999, and that ERI, RA and Wastech no longer qualify for credits, credit disbursements for FY 1999-2000 will be approximately 79% of the FY 1998-99 total, with MRFs recovering approximately 85,000 tons.
3. Assuming that all non-WMI facilities and TVWR maintain the same recovery and throughput levels as those averaged from January through April 1999; that ERI and Wastech no longer qualify for credits; and, that recovery levels at RA come back to those averaged from June to December 1998[19], credit disbursements for FY 1999-2000 will be approximately 88% of the FY 1998-99 total, with MRFs recovering approximately 93,000 tons.

Communications with WMI representatives indicate that scenario number 3, above, is the most likely scenario. However, May data show no change in the recent downward trend in RA and Wastech recovery rates, indicating that scenario number 2, above, may be the most likely scenario.

The first year[20] of the program will require 58.8% of an FTE (1,227 staff hours) to administer, not including the staff hours necessary to undertake the program evaluation. Projections based on the last six months of administration indicate that another year of the program will require 45% of an FTE to administer.

[19] Although data from RA and Wastech indicate that these facilities are getting out of the recovery business, a representative of WMI recently told a Metro representative that recovery rates at RA will be coming back up soon. The WMI representative stated that recovery has been lower at the facility in the last three months due in part to an operating decision based on a miscalculation. Other factors like major changes (e.g., installation of large equipment) at a facility could cause a temporary decline in recovery. WMI representatives have also contacted Metro regarding the company's desire for the RA facility to be a regional transfer station.

[20] Actual data through May 1999; projection for June 1999.

VIII. CONCLUSIONS

1. The monetary incentive provided by the credit program does not appear to be sufficient to preserve MRF capacity in the current economic environment, which has changed significantly since the program was designed.

   When the program was initiated in June 1998, six facilities (ECR, ERI, RA, Pride, Wastech and WRI) were doing material recovery from mixed waste. The majority of these facilities were consistently achieving recovery rates at or above 35%. Since January 1999, ERI has closed, and RA and Wastech have slowed recovery to rates below 20%; Pride continues to process primarily wet loads, achieving overall recovery rates near 25%[21]. Only two of the facilities in place at the onset of the RSF Credit program continue to achieve recovery rates at or above 35%.

2. The incentive program appears to have had only a marginal impact on total tons recovered from mixed waste at MRFs.

   Although tons recovered from mixed waste at the MRFs increased in 1998, data from January through April 1999 indicate a potential reversal of this trend in 1999. One explanation for the 1998 increase is the increase in the number of MRFs--RA came online in late 1997. It does appear that the program motivated increased recovery of heavy materials that may not otherwise be recovered at current levels, like brick, concrete and gypsum wallboard.

3. The region's MRFs appear to be converting to non-recoverable wastestreams.

   The upward trend in MRF recovery tonnage from approximately 58,000 tons in 1997 to 77,500 in 1998 does not appear to be continuing into 1999. If facilities continue to perform at current levels (projections based on January – April 1999 averages), total tons of material recovered from mixed waste at MRFs in 1999 could be as much as 30% less than in 1998.

4. A modified or alternative program(s) needs to be developed in order to more effectively encourage waste recovery at solid waste facilities in the region.

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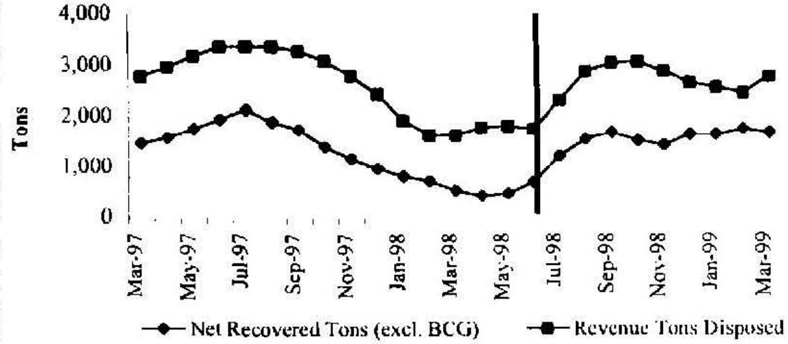
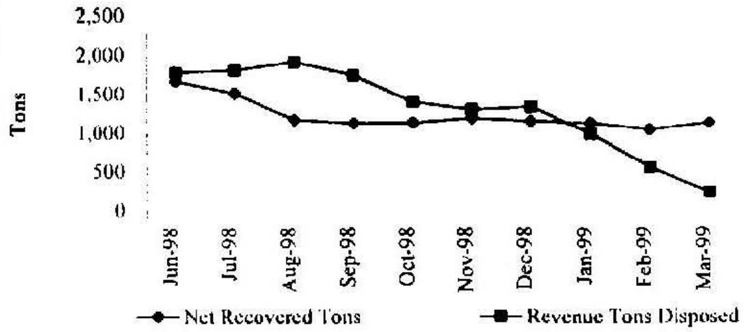
[21] The lower rate at Pride is due to the fact that more wet waste is processed at this facility than dry. The lower rate at this facility should not be interpreted as an indicator of a lower level of recovery effort.

Net Recovered Tons to Revenue Tons Disposed

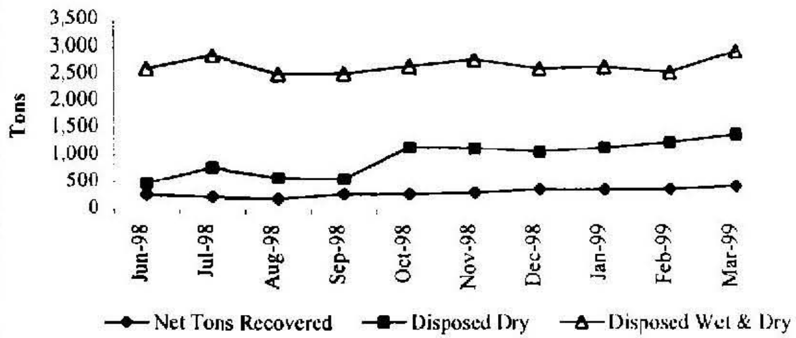
ECR
Net Recovered Tons to Revenue Tons Disposed



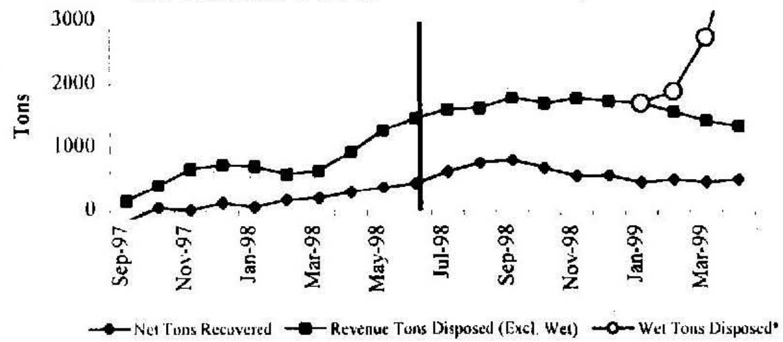
ERI
Net Recovered Tons to Revenue Tons Disposed



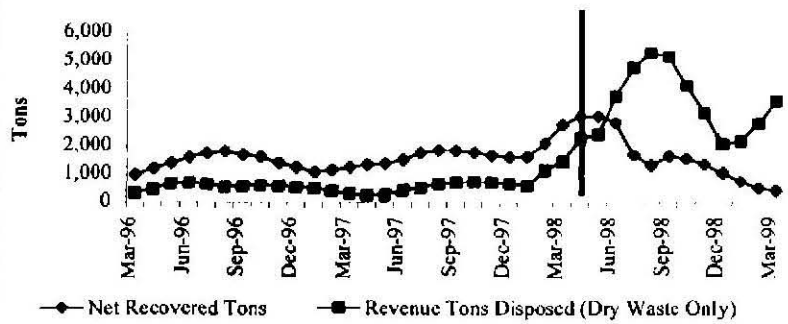
Pride
Net Recovered Tons to Revenue Tons Disposed



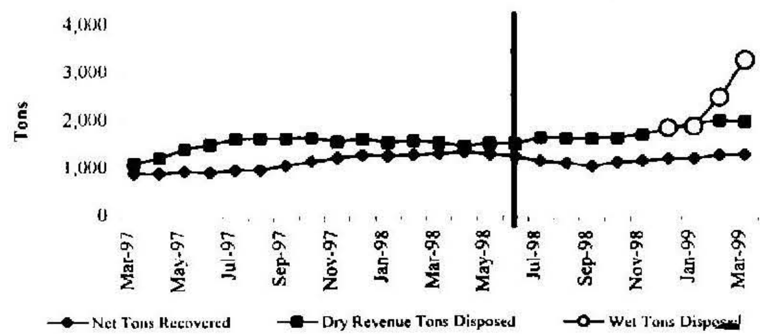
RA
Net Tons Recovered to Revenue Tons Disposed



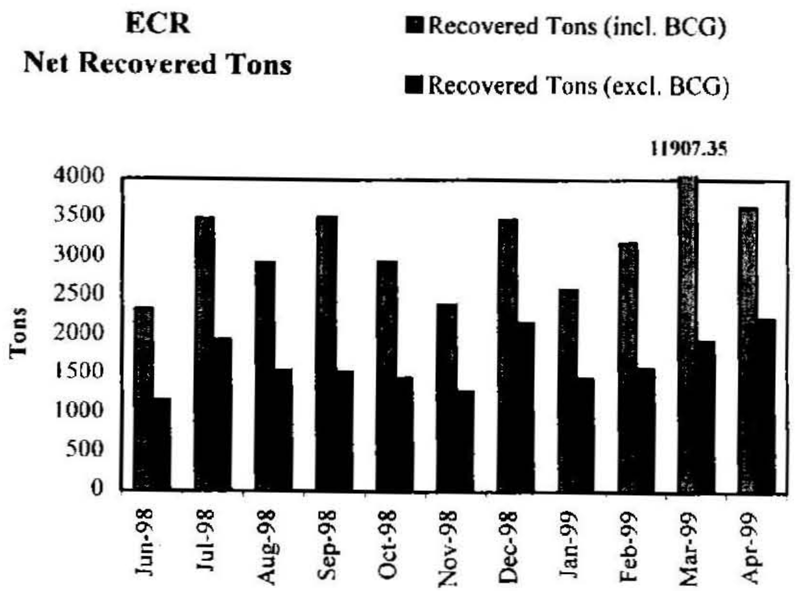
Wastech
Net Recovered Tons to Revenue Tons Disposed

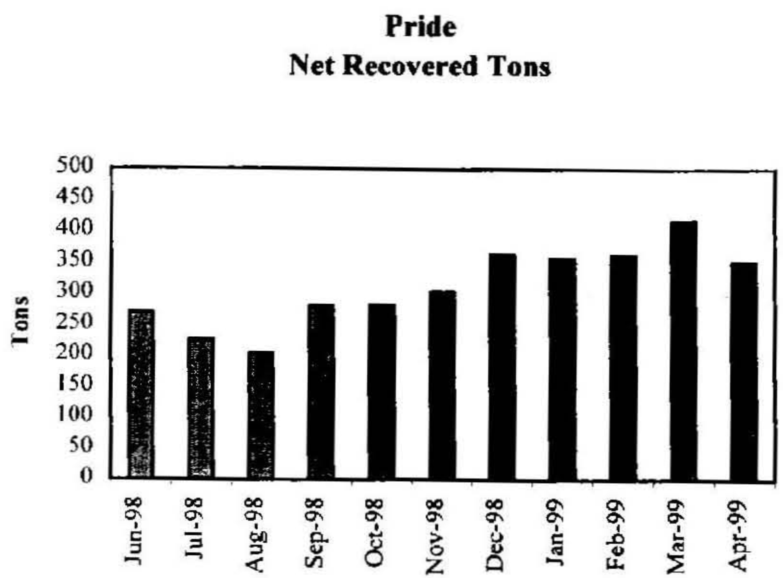


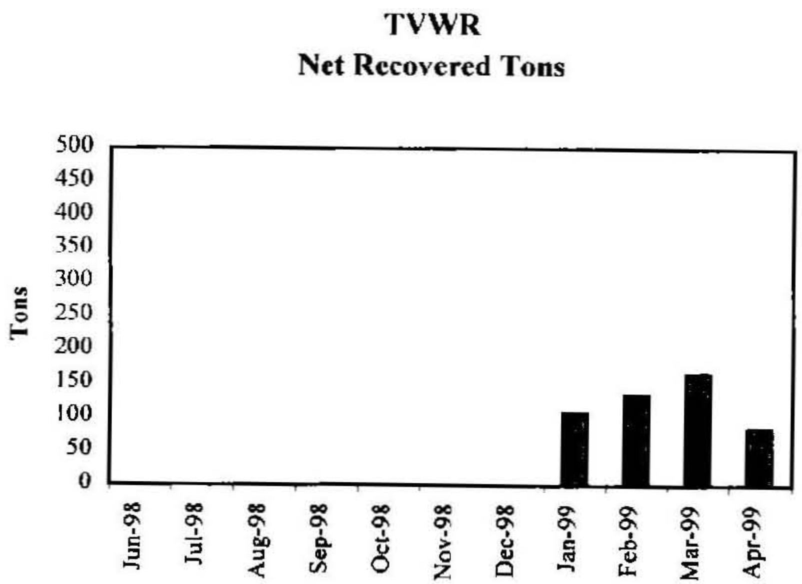
WRI
Net Tons Recovered to Revenue Tons Disposed

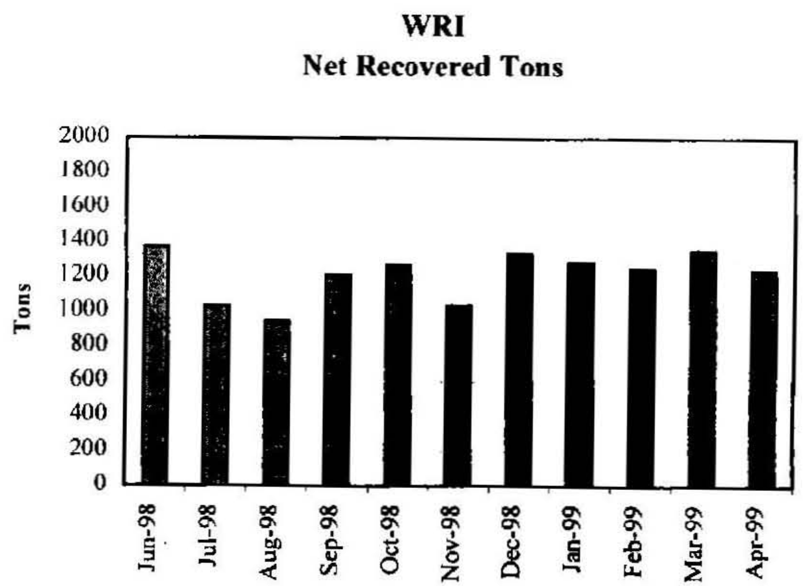


Net Recovered Tons



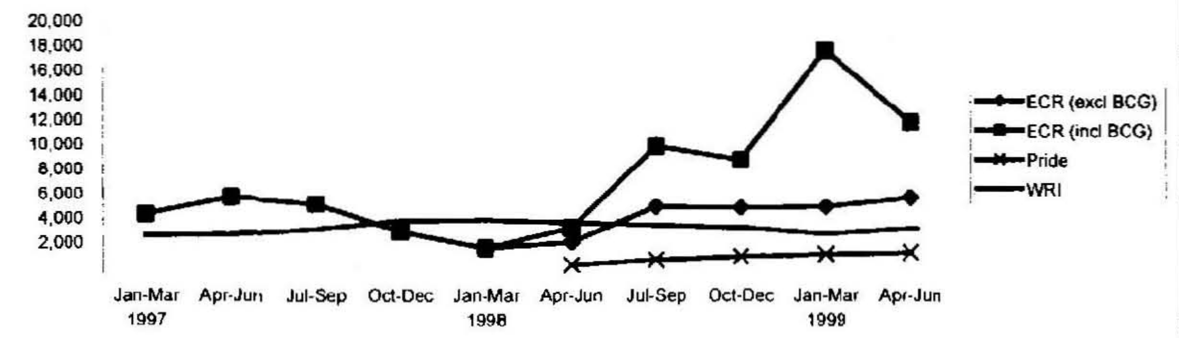


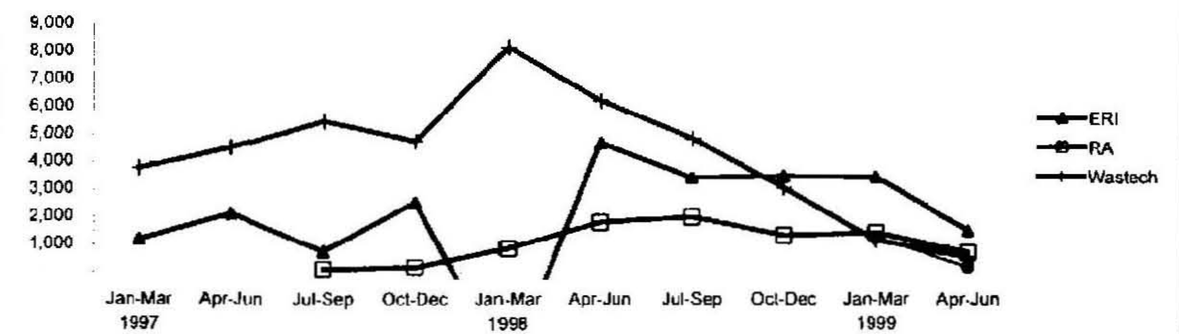




Historic Recovery Levels by Facility

	1997				1998				1999	
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
ECR (excl BC	4,455	5,819	5,249	2,953	1,634	2,136	5,049	4,929	5,009	5,736
ECR (incl BC	4,455	5,819	5,249	2,953	1,634	3,303	9,943	8,846	17,707	11,868
ERI	1,192	2,124	741	2,530	(3,638)	4,693	3,421	3,477	3,442	1,517
Pride						271	711	950	1,138	1,237
RA			97	170	856	1,804	2,005	1,322	1,419	712
TVWR									1,246	192
Wastech	3,774	4,526	5,483	4,761	8,164	6,220	4,856	3,057	1,148	543
WRI	2,720	2,756	3,196	3,848	3,935	3,684	3,519	3,320	2,818	3,222
	1997 Total (excl BCG)			56,394	1998 Total (excl BCG)			66,374		





** The significant dip in recovery tonnage in early 1998 is primarily due to data submitted to Metro by ERI. ERI's data during this period indicates a negative recovery rate for the facility. This is most probably due to a facility reporting error.

Regional System Fee Credit Program
Schedule of Credits

CREDIT SCHEDULE

Recovery Rate			Recovery Rate			Recovery Rate			Recovery Rate		
From Above	Up to & Including	Per Ton Credit of no more than	From Above	Up to & Including	Per Ton Credit of no more than	From Above	Up to & Including	Per Ton Credit of no more than	From Above	Up to & Including	Per Ton Credit of no more than
0%	20.0%	$0.00	27.5%	28.0%	$2.20	35.5%	36.0%	$6.77	43.5%	44.0%	$9.46
20.0%	20.5%	$0.10	28.0%	28.5%	$2.40	36.0%	36.5%	$6.92	44.0%	44.5%	$9.64
20.5%	21.0%	$0.20	28.5%	29.0%	$2.60	36.5%	37.0%	$7.08	44.5%	45.0%	$9.82
21.0%	21.5%	$0.30	29.0%	29.5%	$2.80	37.0%	37.5%	$7.23	45.0%	45.5%	$10.04
21.5%	22.0%	$0.40	29.5%	30.0%	$3.00	37.5%	38.0%	$7.38	45.5%	46.0%	$10.26
22.0%	22.5%	$0.50	30.0%	30.5%	$3.35	38.0%	38.5%	$7.54	46.0%	46.5%	$10.47
22.5%	23.0%	$0.60	30.5%	31.0%	$3.69	38.5%	39.0%	$7.69	46.5%	47.0%	$10.69
23.0%	23.5%	$0.70	31.0%	31.5%	$4.04	39.0%	39.5%	$7.85	47.0%	47.5%	$10.91
23.5%	24.0%	$0.80	31.5%	32.0%	$4.38	39.5%	40.0%	$8.00	47.5%	48.0%	$11.13
24.0%	24.5%	$0.90	32.0%	32.5%	$4.73	40.0%	40.5%	$8.18	48.0%	48.5%	$11.35
24.5%	25.0%	$1.00	32.5%	33.0%	$5.08	40.5%	41.0%	$8.36	48.5%	49.0%	$11.56
25.0%	25.5%	$1.20	33.0%	33.5%	$5.42	41.0%	41.5%	$8.55	49.0%	49.5%	$11.78
25.5%	26.0%	$1.40	33.5%	34.0%	$5.77	41.5%	42.0%	$8.73	49.5%	50.0%	$12.00
26.0%	26.5%	$1.60	34.0%	34.5%	$6.11	42.0%	42.5%	$8.91	50.0%	100.0%	$12.00
26.5%	27.0%	$1.80	34.5%	35.0%	$6.46	42.5%	43.0%	$9.09			
27.0%	27.5%	$2.00	35.0%	35.5%	$6.61	43.0%	43.5%	$9.27			

Regional System Fee Credits Calculation

The recovery rate is calculated by dividing the sum of Recovered Materials at a solid waste facility excluding 95% Source Separated Materials, by the sum of the Recovered Materials at that facility, excluding 100% Source Separated Materials, plus the Outgoing Dry Waste at the facility.

$$\text{Recovery Rate} = \frac{(\text{Recovered Materials}) - (95\%\ \text{Source Separated})}{(\text{Recovered Materials}) - (100\%\ \text{Source Separated}) + (\text{Outgoing Dry Waste})}$$

To be eligible for Regional System Fee Credits, the recovery rate must meet or exceed **20%**.