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A G E N D A

MEETING: REGIONAL SOLID WASTE ADVISORY COMMITTEE

DATE: Wednesday, November 15, 2000

NOTE CHANGE OF MEETING DATE

TIME: 8:30 a.m.—10:30 a.m.

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

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|----------------|--|--|
| | I. Call to Order and Announcements | Ed Washington |
| 5 min. | *II. Approval of September 20 and October 13 minutes | Ed Washington |
| 10 min. | III. REM Director's Update | Terry Petersen |
| 15 min. | IV. SWAC Schedule
<i>Looking ahead to the first 6 months of 2001, the regional solid waste agenda is relatively light. Based on this, should SWAC meet less frequently during the first half of 2001?</i> | Terry Petersen
<i>Action requested: decision on schedule</i> |
| 40 min. | *V. Recovery Rates
<i>Continuation of this topic. Presentation of REM's proposal based on SWAC's discussion from September and October.</i> | Bill Metzler
<i>Discussion and comments.</i> |
| 45 min. | *VI. Out-of-District Recycling Credits
<i>REM has been asked to consider extending Regional System Fee credits and excise tax credits to out-of-district recovery facilities that recover materials from waste generated in the tri-county area. Presentation of REM's DRAFT policy white paper on this issue.</i> | Terry Petersen
<i>Discussion and comments.</i> |
| 5 min. | VII. Other Business and Adjourn | Ed Washington |

* Materials for 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: Meg Lynch (797-1671) or Doug Anderson (797-1762)

Alternate Chair: Councilor Susan McLain (797-1553)
Committee Clerk: Connie Kinney (797-1643)

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Metro Solid Waste Advisory Committee (SWAC)
Meeting Minutes
September 20, 2000

Members / *Alternates

Councilor Ed Washington, Chair
*Dean Kampfer, Waste Management (disposal sites)
Merle Irvine, Willamette Resources, Inc. (disposal sites)
Ralph Gilbert, East County Recycling (disposal sites)
Lee Barrett, City of Portland
John Lucini, SP Newsprint (recycling end users)
Dave Hamilton, Norris & Stevens (business ratepayers)
Sarah Jo Chaplen, City of Hillsboro (Washington County cities)
Mike Leichner, Pride Disposal (Washington County haulers)
Steve Schwab, Sunset Garbage Collection (Clackamas County haulers)
Glenn Zimmerman, Wood Waste Reclamation (composters)
Rick Winterhalter, Clackamas County
Lynne Storz, Washington County
David White, Oregon Refuse & Recycling Association (at-large haulers)
Jeff Murray, Far West Fibers (recycling facilities)
JoAnn Herrigel, City of Milwaukie (Clackamas County cities)
Mike Borg, Oak Grove Disposal (Clackamas County haulers)
Mike Miller, Gresham Sanitary Service (Multnomah County haulers)
*Matt Korot, City of Gresham (East Multnomah County and cities)
Mike Misovetz (Clackamas County citizen)
Tanya Schaefer (Multnomah County citizen)

Non-voting Members Present

Terry Petersen, REM
Kathy Kiwala, Clark County

Metro and Guests

Councilor David Bragdon	Tim Raphael, Celilo Group
Councilor Rod Park	Cherie Yasami, ASD
Doug Anderson, REM	Tom Wyatt, BFI
Meg Lynch, REM	Dan Schooler, CRC
Tom Chaimov, REM	Jim Watkins, REM
John Houser, Metro Council	Roy Brower, REM
Easton Cross, Easton Cross Consulting	Leann Linson, REM
Greg Nokes, The Oregonian	Connie Kinney, REM
Doug Drennen, DCS	Estelle Mazurkiewicz, ASD
Steve Kraten, REM	Kent Inman, CRC
Jan O'Dell, REM	Pete Daly, RB Recycling, Inc.
Jennifer Erickson, REM	Eric Merrill, Waste Connections
Tom Imdieke, City of Tigard	Bill Metzler, REM
Maria Roberts, REM	

Call to Order and Announcements

Mr. Petersen announced that Dean Kampfer has replaced Scott Bradley as a hauler member on SWAC. He also introduced Janet Matthews, REM's new Program and Policy Administrator.

Approval of Minutes

Chair Washington asked for a motion to approve the minutes from the June meeting. Kathy Kiwala moved to accept the minutes, the motion was seconded and the motion passed unanimously.

REM Director's Updates

Mr. Petersen stated the decision on the litigation between Waste Connection and Metro has been received. He reminded the committee that Waste Connection has alleged Metro's ordinance on its regulatory system was a violation of interstate commerce. The judge ruled there was no indication that Waste Connection has been harmed by any of Metro's action and therefore that the issue was "not ripe for coming before the Court." Mr. Petersen also informed attendees that the time has passed for any appeal of this decision.

He said staff has been working very hard on developing administrative procedures for implementation of the Transfer Station Service Plan. He said that any company interested in an application for consideration of regional transfer station status will be processed as quickly as possible.

Mr. Petersen distributed a copy of the Summary of the Year 12 Waste Reduction Plan. He said this will be discussed in later meetings after everyone has had a chance to read the document. He indicated that any questions could be directed to Jennifer Erickson, at 503-797-1647.

Mr. Petersen reviewed the new legislation currently before Council with regard to advisory committees at Metro. He said this legislation would create a new chapter in the Metro Code regulating advisory committees. This will hopefully streamline and standardize the administration of those committees, and will also standardize all term limits of members, creating a two-year term with one opportunity for renewal. SWAC bylaws currently stipulate four-year terms with no limit on renewals. He said these proposed changes would apply only to those members appointed after the code has been enacted.

Mr. Petersen announced that the new member orientation will be held after appointment of the one remaining vacancy on SWAC, the business ratepayer position.

Mr. Petersen stated that with regard to transfer station administrative procedures, applicants will be asked to justify, in a presentation to Council, why the facility is needed in the region. He said this was in addition to the presentation that staff would make.

SWAC Work Plan

Mr. Petersen asked the committee members to inform staff of any issues they would like SWAC to look at over the rest of the year 2000 or even over into 2001. Staff's suggested topics are in today's agenda packet.

Mr. Anderson asked the members to turn to Attachment #4 to follow his presentation. He said today we would like to have suggestions about items you would like to bring to this forum. A number of people have suggested we look at the issue of how waste is measured, and how recycling is measured. Some of the issues that have been requested to be explored include:

- Statewide issues that affect the Metro region, i.e., changes in statewide recovery goals or changes in dates and how that would affect us and our recovery plan.
- Recent court decisions with regard to flow control and other collection issues.
- Extended producer responsibility and electronics recovery.
- Regular status reports on residential curbside commingling with respect to residual levels and usability of materials.
- Regular updates on the status of the closure of St. Johns Landfill – environmental issues, the gas project and the economics of the gas project.

Mr. Anderson reminded the committee of the ongoing recruitment process for the market development staff person. A status report will be given to the committee in October. Also scheduled for October is an explanation of a planned examination of the Regional Solid Waste Management Plan. Discussions are currently underway with DEQ on what to do about the region's inability to reach stipulated recycling goals. The process will examine some of the revisions that have been made to the original RSWMP to see if they are consistent with the plan's original vision and objectives. In addition, the examination will include a look at the waste reduction initiatives on commercial organics; commercial, and construction and demolition debris waste prevention and recovery that Council approved and funded last year.

Also coming up on the SWAC agenda will be the Year 12 Framework Plan, the annual plan that guides the work of both Metro and local governments consistent with waste reduction efforts for the year consistent with RSWMP. It is also the vehicle with which Metro grants money to help regional governments implement their programs.

Also planned for October review are some administrative detail changes of the regulatory code. Other related review topics might include Metro's relationship with out-of-district facilities due to a significant increase in out-of-district licenses. There is some concern about whether Metro's plan policies are being followed with our granting of those licenses. Mr. Anderson said it is hoped that by November we will have ready an ordinance that will incorporate the regulatory changes as described above. (In addition, we have been requested to explore the possibility of out-of-district facility credits for waste received from inside the district, whether or not they should be eligible for credits.)

Included in the packet is an informational item on the business media campaign, which will include the commercial waste reduction initiatives and some new media approaches we would like to share with the committee for comments and information.

Chair Washington asked for comments from the committee.

Mr. Ralph Gilbert asked if there was any desire to change the code to enable Metro to inspect solid waste facilities such as clean materials recovery facilities (MRFs), which are not now regulated.

Mr. Anderson replied that Metro does have the right, with the consent of the property owner, to inspect the property to ensure the exemption is properly received.

Mr. Petersen commented that we might also want to look at what we are calling a clean MRF because of how diverse the programs have become.

Mr. Irvine said he would like a discussion on the 10% request for proposals, including the organics portion.

Mr. Petersen responded that the RFP has not yet been released and it is still on the horizon. He said that if something radically changes in the makeup of the RFP, the advisory committee will be kept up to date.

Mr. White said he was invited to set up a booth at the PCC Wellness Fair, and he was amazed at the number of people who wanted to talk about household hazardous waste, not collection, although they did talk a little about commingled collection and the impact of that. He said it would seem we need to do a better job of getting information on where hazardous waste disposal sites are and how to properly dispose of haz waste items. He would like to work with local government reps and haulers to help get the information on when the collection events will be held on a more regular basis.

There were no further comments. Mr. Anderson reiterated that if someone had a topic he or she wished to have addressed, the invitation remained open to please contact himself or Terry Petersen.

Organics Tip Fee

Mr. Anderson said some legislation had been drafted and presented to REM's Rate Review Committee last summer regarding a tip fee for compostable organic waste showing up at the regional transfer stations. He said this has grown out of the organics initiative. He asked Ms. Erickson to explain about some of the activities and projects in this program.

Ms. Erickson said they have developed a four-pronged approach to removing organics from the waste stream:

- Prevention
- Donation
- Animal feed
- Collection and processing.

This approach reflects the waste reduction hierarchy and was chosen because prevention and donation are the highest and best uses and tend to require the least amount of infrastructure and capital. The most important task to understand the organics waste stream, and the waste composition study currently being conducted by DEQ will provide valuable information and data to that end. Metro has provided DEQ with funding to do specific waste sorts of food generated by targeted businesses. We will receive detailed information not only on how much food, but what types of food, are in businesses' waste streams. Additional information is being collected by two REM interns who are interviewing 200 businesses that generate food waste, observing where food waste is generated, what type of food waste it is and what quantity it is. That information will help us assess whether we need a donation or prevention activity with a particular type of business or if we need to divert organics to a lower-end use like animal feed or processing. The interns have completed the study and are writing the report.

Ms Erickson stated that we cannot do anything with organics, of course, without generator cooperation. Currently, the City of Portland is conducting a pilot project that deals with generator intervention, to learn what works best for collection and what size generator should be included in any type of program. Another approach to obtain generator cooperation is education and outreach. REM employed a third intern who examined communication channels within food-generating businesses, what they pay attention to, what industry groups they belong to and what the best way is to get a message to them about waste prevention, donation or education in general.

The last area of focus is price signals. For most people in the business sector, the bottom line is it, and if they are asked to participate in a program that costs them more, they will be less likely to participate. Food donation programs, for example, might be able to attract more participating businesses if a tax write-off were available, in addition to savings from avoided disposal costs.

We have a great food bank system currently. The problem is that perishable foods are a whole different management problem than nonperishable foods – you need refrigeration, refrigerated trucks and quick turn-around times to get food from one place to another. An additional barrier is that most people don't understand that any liability issues associated with food donation are covered by both state and federal law. The organics team is working with food associations to change that understanding. They are also building partnerships and are meeting with the Oregon Council of Food Industry Presidents next month to talk with them about some of their issues and discuss ways we can work together bringing different agencies to avoid landfilling of all organics.

The animal feed operations are something new to the organics team, and a very competitive business. We are trying to understand the market – how many animal feed operations are there, what types of food waste they currently take, and whether they have the capacity to take more.

Our strategies in processing are looking into infrastructure, that is, providing funding to help others develop an infrastructure; providing opportunities such as opening up our transfer stations for reloading and other uses; and conducting pilot programs using our facilities.

We have just completed the second year of developing the food donation infrastructure through a grant program, where we provide grant funds to nonprofits in the form of refrigeration, freezers, trucks and staff resources.

There is still a lot of work ahead with the generators to figure out if source separation will work. The DEQ waste composition study will give us data on how much material is out there and what it looks like, which will provide valuable information to help us plan how we collect it. Will the generators place organics in containers, will they commingle materials in a way we can pull the good stuff out and leave the bad stuff in? There are still a lot of unanswered questions in collection. In addition, the processing facilities are still a big unknown, in large part because we really don't have them right now. This is the biggest infrastructure gap in the region. We have a few that can take source-separated pre-consumer vegetative waste only, in small quantities, but nothing that will take the 52,000 tons we need to get out of the system annually to reach our goal.

The tip fee is one piece of this kind of sub-set of the collection and processing fees. The tip fee helps us send price signals to generators. Education and outreach is also a key for generators. The pilots and tip fee are supporting activities.

Ms. Erickson credited the seven other organics team members from within the region with putting together this plan: Matt Korot, City of Gresham; Judy Crockett, City of Portland; Wendy Fisher, Washington County; Marti Roberts-Pillon, DEQ; Rick Winterhalter, Clackamas County; and John Foseid, REM.

Chair Washington asked Ms. Erickson what the anticipated impact might be to the hauling industry if we can implement an organics collection system within the region.

Ms. Erickson said the team is relying on the existing hauling industry to collect what they have always been collecting, but in a different way. Because this could be an expensive proposition, the team is working with haulers to figure out what to collect and how to do it.

Mr. Irvine asked how many tons the team anticipated removing from the waste stream.

Ms. Erickson said it is estimating 52,000 tons annually. She said we currently dispose 190,000 tons right now of food waste. If we include nonrecyclable paper, we get around 217,000 tons disposed, which is about 20% of our disposed waste stream. Through donations alone, right now, with the new programs through St. Vincent de Paul and Harvest Share, about 5,000 tons a year are being removed.

Mr. Barrett said the City of Portland is currently working with DEQ on the waste composition study to take a look at some of those participants in the food waste pilot program, as well as other businesses (restaurants and hospitals, cafeterias, hotels, etc). The goal of pilot project is to see what percent of the material is truly food-contaminated paper and could have been recovered. He said they have some very preliminary results back from the first sampling. One of the pilot project participants sets out organics containers with zero contamination, but whose garbage still

has materials, such as food-contaminated paper, that could go into the organics container for recovery.

He said for the restaurants, somewhere 68% and 90% of what is in their waste stream is either food or food-contaminated paper. Knowing that there are 100,000 tons (or whatever) that are going to the landfill has really nothing to do with how much of that material is really going to be practical to recover.

Mr. Kampfer asked if the pilot project would address the issue of price signals to businesses, i.e., what motivates to do it or not to do it.

Mr. Barrett said the pilot really wouldn't answer that. The agreement with the private contractor, which is based in Houston, said it will not change its current rate to the participants. It is the contractor's opinion that this will not ultimately result in a savings to them unless we can come up with a real neat way to collect the material. So there is no price signal. He commented that what it may ultimately impact is the generators that are now putting heavy organic material down the sewer system, after the industrial strength surcharge is enacted. When the surcharge kicks in, the equivalent per-ton cost that a restaurant or a grocery store that has the industrial food disposals will be about \$800-\$900 per ton. Clearly, that will be a price signal for those generators using that disposal method to "get out of the sink" and into some sort of container; hopefully, that will be an organics container, not a solid waste container.

He said the pilot program tried an alternative co-collection program where the generators were disposing of food and food-contaminated paper, where generators were provided a perforated bag, so that it wouldn't burst when it was being compacted, for all materials that weren't compostable. All other items in the container were food or food-contaminated paper that could be collected with one truck. When it got to the transfer station, the organics could conceivably be pulled and the conceivably 70% to 90% remainder could be recoverable material, but the program did not work at all. The co-collection pilot even received carpet.

Mr. Zimmerman commented that to further answer Chair Washington's question concerning the impacts to the industry, the other part affected is the composting industry, which is continuing to try and explore new markets. He urged the committee members to attend the Soils for Salmon conference to be held at the Zoo October 20, which will discuss compost and compost usage tied in to using it to remediate soils in the urban environment.

Mr. Borg asked Mr. Barrett how the regional organics recovery goal will be affected if extra-strength fees force organics out of the sewer system and into the solid waste system, and if those extra tons have been accounted for in the existing organics recovery initiatives. Mr. Barrett confirmed that those numbers have not been calculated.

Chair Washington commented that probably the real key was most likely the restaurants, the people that generate most of the organics. And if it takes restaurants more people and time to accomplish, it may impact their business and cash flow. He asked how they were planning to deal with those types of issues.

Mr. Barrett said there were two things with regard to restaurants: How effective the education is, which is why the waste composition work is being conducted; and how large an establishment needs to be to participate in an organics recovery program. Out of 1,600 restaurants in Portland, 1,100 or 1,200 of them have 10 or fewer employees. One of the things we will determine is whether it is worth the time and effort to even bother with those small restaurants.

Mr. White asked to what degree the team is working with state trade associations. He said right now the Oregon Restaurant Association is meeting in Bend, and ORRA just had its conference last week, with break-out sessions where some of the cutting-edge issues are discussed. He thought having a booth at the Oregon Restaurant Association's convention or at the Grocer's Association Convention, or even making a presentation would be helpful.

Ms. Erickson confirmed that they have a long list of industry organizations that they will be meeting with. She said they are now beginning to figure out what the message should be to best reach the affected groups and we are taking the time to understand industry communication channels.

Chair Washington thanked Ms. Erickson for her very good presentation.

Mr. Anderson continued that what brought this subject to the committee is that there is a piece of legislation moving through Metro Council that deals only with the tip fee portion of this subject. When material comes to Metro transfer stations, because we do not have rate specifically for compostable organic waste, we have to charge the full \$62.50 tip fee, which contains the regional system fee, excise taxes, host fee, DEQ disposal fees, the whole bundle of four surcharges which Metro typically as a policy does not impose on materials destined for recovery. The proposed organics tip fee is a cost-driven rate, either a contractual rate that we get from our transfer station operator or without a contractual rate, our cost components for getting it managed and to a composting facility, excluding the excise tax, the system fee, etc.

He said there is an additional component to this legislation that allows us to provide a temporary (up to three-year) subsidy of the tip fee. The thinking is that there are no local processors, transport costs are high, and we are concerned that we will not get the infrastructure headed in the right path. Subsidy is an option – it is not required – and it would be based on a study that we would have to perform and present to the Council to justify a special tip fee. The Rate Review Committee concurred with REM staff that in the short run, any cost-driven organics tip fee is likely to be high, perhaps even higher than the rate for garbage. But they were also concerned about instituting any type of a long-term subsidy.

Mr. Gilbert asked what the proposed rate is.

Mr. Anderson replied that this legislation does not stipulate a fee, it only sets up the structure for setting the rate. We would be adopting a formula that says we have to get a contract or bid prices. It would entail components of the transfer, transport and processing fee to do that.

Ms. Erickson said that, for example, if we looked at what it costs us to move it to our transfer station, that is around \$10 a ton, and if you look at what we pay to transport material, about \$14 a

ton. The closest processing facility that can accept the material that includes meats and oils is in Puyallup, Washington, which is about 150 miles away; its tip fee at the door is \$47.50/ton. When you add these figures together, you get about a \$75 per-ton rate, which is expensive. The proposed organics tip fee is just a formula; it says the rate will consist of the cost to actually deal with organics at the transfer station, the cost to transport it and the cost to get it in to a facility that can compost it. It would allow us to set a subsidy for up to three years if we think it is a reasonable thing to do to boost the organics recovery market until it stabilizes and the prices settle down.

Mr. Easton Cross from the gallery asked if this was not just a little premature, because we don't know what is going to happen when the City of Portland imposes its surcharge for disposal down the drain.

Mr. Anderson said that our legal counsel has advised us that our hands are tied for handling that any other way other than through the garbage tip fee. And we are not setting the rate in the code, only the formula that we must follow based on objective information. And since that takes a 90-day waiting period, even though we may not need it today, we may need it six months down the road.

Mr. Kampfer said that the Rate Review Committee felt it was important to note although, we can waive the system user fee and the excise tax, if we meet our goal of recovering 50,000 tons of organics, the impact on Metro is a shortfall of over a million dollars. That shortfall will need to be covered by increasing those fees on the existing tons.

Mr. Anderson replied that the budget impact states there is no budget impact for two reasons: In the short run we have budgeted monies to cover any shortfall, and in the long run there is no budget impact because the rates rise to recoup the costs. So, Mr. Kampfer's point is that if, in fact, we get up to 50,000-ton level, that could well have an impact on the system fee and on the excise tax, and that is a correct statement. That is why we will continue to monitor it.

Ms. Erickson commented that the recovery goal is 52,000 tons, but the goal is not to send 52,000 tons to processing. The goal is to pull 52,000 tons out of the waste stream, hopefully, a large percentage of it to upstream measures like waste prevention, donation and animal feed, or higher-end uses. We want people to think of organics as a whole system and not just as collection and processing.

Facility Recovery Rates

Mr. Anderson said this item comes up because of a number of questions and changes that have been asked recently about a facility recovery rate. Metro calculates a facility recovery rate for each facility monthly and we use that to establish the amount of credit that facility gets for its regional system fee. There are a number of emerging new uses of this recovery rate that will have a regulatory and, perhaps, financial impacts. Mr. Anderson used overheads to illustrate his points (see Attachment A).

The fee that Metro calculates is for regional system fee credits. Mr. Anderson said he would describe how the facility recovery rate is calculated currently and solicit SWAC member comments on whether the way it's appropriately calculated.

Beginning next month, under our new regulatory code, solid waste facilities in the Metro region are required to meet a minimum of 25% recovery from mixed dry loads and from self-haul loads. How the rate is calculated can make a difference whether that facility is in compliance or not with this new requirement. In December, Metro excise tax is converted from a percentage of value to a per-ton tax. Certain types of facilities will be eligible for credits on that per-ton excise tax rate, based on the facility recovery rate, similar to system fee credits.

The facility rate is the basis for some local government hauler charges. Currently, the City of Portland charges a per-ton rate on disposed waste. For solid waste that is delivered to a dirty MRF, the Portland rate is based on the residual, not on what is actually delivered.

Mr. Barrett commented that to clarify, the residual is for the whole facility, not for a particular hauler, nor for a particular load.

Mr. Anderson said it would be an impossible job to track the recovery level load by load or even hauler by hauler, because they're coming from all different sites and sources; thus, Portland implements this by applying the average recovery rate for the facility to all haulers reports (commercial tonnage fee, not the franchise fee).

Mr. Anderson said what we are attempting to calculate is the recovery rate from mixed waste divided by the amount of the incoming waste stream, plus the residual that's left over from processing the incoming mixed waste. Mr. Anderson said it is becoming more difficult to track recovery, because more and more facilities do multiple tasks.

Mr. Gilbert asked what if you don't receive any source-separated material.

Mr. Anderson said that if you don't get any source-separated material, you have an ideal concept, because this is just recovery from mixed waste.

Mr. Barrett said that only 5% of what comes in as source-separated material goes to the landfill.

Mr. Gilbert asked whether source-separated doesn't count as part of a facility's recovery.

Mr. Anderson said source-separated material does not count towards a facility's recovery rate, because the idea is to reward for effort on mixed waste. He said that source-separated materials are already 100% forgiven from regional system fees, so that is why those materials are excluded from the calculation.

Mr. Anderson said that some things that are counted in incoming mixed waste currently include construction demolition loads and loads without any significant putrescible content. Things that are not counted in incoming mixed waste are putrescible loads, loads such as mixed rubble or loads with 100% inerts (i.e., materials that would otherwise go to an inert fill). He said that in

terms of recovery, things that are not counted as recovered are source-separated recyclables, materials that are recovered and then used for beneficial purposes at a landfill, or if they are delivered to a landfill.

Mr. Anderson posed the question of whether a facility took industrial waste (we are talking about pre-consumer materials), would that count? The question comes about because the facility recovery rate is the basis for our Regional System Fee Credit. Various advisors have recommended that Metro budget money to areas where recovery counts for purposes of the state recovery goal, and the state does not count pre-consumer or industrial waste in that goal. The question has been asked if industrial waste is being recovered, why do we care if the state counts it or not? Currently, if mixed industrial waste or even highly homogeneous loads that otherwise would have been disposed of, were to come into a facility, we can count them for the Regional System Fee Credits. What we don't count is industrial scrap, like metal trimmings, simply being run through a solid waste facility before it went to its ultimate end or reuse. Industrial scrap, no, but industrial wastes, if run through a facility, are counted. We have been asked to discuss with SWAC to see whether that is appropriate.

Mr. Gilbert asked Mr. Anderson to give the committee an example of what industrial waste might be.

Mr. Anderson, using Mr. Gilbert's facility as an example, said that his facility is accepting kiln brick, for example, from metal processing facilities. This brick had been going to Hillsboro Landfill, and Mr. Gilbert is testing for hazardous materials, etc. If it is good stuff, it is coming into his facility, it is pre-consumer, it is not just being handled and made available for markets, it is actually being blended into his roadbase.

Mr. Gilbert replied yes, it is crushed and processed.

Mr. Anderson continued, therefore, it is no longer scrap, that would be going to a landfill, it is now industrial waste.

Mr. Irvine asked what about a load coming from a mobile home manufacturer with wood and sheetrock in it and other miscellaneous materials.

Mr. Anderson replied that was mixed waste that would otherwise have to be sent to a landfill. It is either mixed-waste or industrial waste, and in either case it would count.

Mr. Irvine said he was still confused as to when does it leave the mixed waste category and go to the industrial category.

Mr. Anderson answered that was a topic they wanted to discuss at today's meeting. He said the two basic policy questions raised with staff are: 1) Should we be directing our resources to those materials that count in the state's eyes? and 2) if in fact, other jurisdictions will be using this, what's the characterization of the loads that is in the general hauling community?

Ms. Herrigel commented that it wasn't the source of the materials that is in question, it is the makeup of the load.

Mr. Gilbert said that, in his case, the load has wood and metal, actually three items. They have to remove the wood, remove the metal, and then take the brick itself and run it through a densifier, and is then made into another product. They also have to test it to make sure it isn't hazardous.

Mr. Kampfer said he felt the real issue here is whether it is mixed waste load or whether it is a recycled load, and then you get into what is recycled, and whether commingled recoverables count as recycled or not recycling. A 30-cubic-yard drop box of wood, metal, cardboard and recycled plastics contains all recoverable materials, but they are commingled in one box. How is that any different than the residential customer who puts out a 14-gallon bin with mixed glass and cardboard in it? You call that source-separated, but now that they put it into a 30-yard drop box, you say it is mixed-waste?

Mr. Anderson asked if the 30-cubic-yard box was a construction site load, or just a big comingled commercial load?

Mr. Kampfer replied that he sees it as commingled.

Mr. Anderson said that Metro has been struggling with all of these questions – how exactly to define things. He said he is not making a proposal, but that we are faced with these multiple uses and we are looking for SWAC's input. This meeting will not be the end of this, but this is important to discuss.

Mr. Barrett commented that like it or not, local jurisdictions are driven by what the state counts and does not count as solid waste and recoverable material. And, under the current regulations, we do not count materials recovered from industrial sources, nor do we count materials disposed from industrial sources as far as our recovery rate is concerned. If Metro were to allow that it would make things more difficult for us to do our calculations and figure out what is going on with our recovery rate. If you can get the state to change how it does things, then that's fine.

Ms. Herrigel commented that, from the recycling perspective, she believes that the original intent of the system fee credit is a virtuous one, and we want to promote that. We want to continue to stay as high as possible. Both sides (industrial and post-consumer) need to have an incentive.

Mr. Anderson said that if he hears correctly, Ms. Herrigel is suggesting that we define the historical traditional recovery rate as specific to solid waste, and perhaps have a separate recovery rate for industrial or pre-consumer. It's good that this recovery is happening, but let's treat it separately instead of trying to handle it in the same equation.

Ms. Herrigel said, yes, and there is also a problem with the definitions.

Mr. Gilbert said he believes that what separates the two is that if you must process it, you can count it, it changes the structure of the material, and so forth from what you bring in.

Mr. Irvine said he thought this was being made too simple. If you take in a load from a drop-box, and it's a mixed load, it doesn't really matter if it came from a residential remodeling job or Meier & Frank or some industrial customer over here. It's a mixed load, and you have to process it. If it's a mixed load, it would have to be diverted to the landfill, and since you have to process it, it should be recognized regardless of where it came from, industrial or otherwise. Our goal is to keep stuff out of the landfill. He said he gets real concerned here when he hears you say we aren't going to allow industrial. There are a lot of industrial generators out there that don't just generate the bricks and things of this nature.

Mr. White observed that it doesn't make any sense that if you build a house on a site, then that is C&D and that counts, but if you build a facility on an industrial site, that doesn't count. The real issue here is at what point you differentiate the load, because you have to process a commingled load; even if it was 100% recoverable, you still have to process it. He suggested that we really need to get away from these definitions of industrial, and all that, and just talk about the load itself and what's in it.

Mr. Leichner said he fully agrees with Mr. White and Mr. Kampfer.

Mr. Gilbert said he believes we are getting our words confused. We are now defining processing as separating. He believes processing is where you actually change the use of the materials, you alter the material you are handling. Processing now means you separate. That is not processing. It is when you do something with it to change what it is used for. Separation is different.

Ms. Herrigel asked how yard debris facilities are currently treated.

Mr. Anderson replied that Metro regulates them but mostly for health emissions, and they are currently exempt. There are no residuals, so there is nothing to credit against.

Mr. Anderson said, in summary, said he hears discussion on both sides, but ultimately, it comes down to doing the right thing. Let's keep things out of the landfill; if it counts for the state, then great; if it doesn't, but it's the right thing to do and if it would otherwise be landfilled, let's continue to consider it, at least maybe in some of the Metro system fee credit programs where we are trying to increase recovery. Additionally, he heard that defining terms is crucial to what we're talking about: What is a load, whether it is source-separated, whether its mixed waste, commingled. Also, local governments need the number to be close to what it currently is for its own purposes. Furthermore, the traditional measure is best for traditional mixed solid waste, but other "industrial" waste is perhaps better handled in a separate rate.

Mr. Gilbert said he agreed, but this is the second largest political body in the state; and an important part of this agency is handling solid waste and recycling. So, perhaps this body should actually go down to the state and state that these definitions are twenty years old and need changing.

Mr. Barrett stated that he was particularly disappointed that DEQ did not have a representative at this meeting. The should be here listening to the discussion.

Mr. Anderson indicated that Mr. Taylor, the DEQ representative to SWAC, had called him earlier and told him that neither he nor his alternate could attend the SWAC, because they were in a very large statewide meeting.

Mr. Barrett said that it would be fine with him to count the industrial material, but it will create a bureaucratic problem if he has to do one set of books for what he reports to the state and another set for what he tells Metro. He agreed with Mr. Gilbert that the state should be approach to change the definition.

Washington noted that there is no action to be taken on this, but he would ask Mr. Petersen to continue this discussion at the next SWAC meeting. In addition, he requested that REM staff follow up with some of the committee members before the next meeting. If more legislation is needed, we should look into that, and if there is something we can do, let us know so that we can take appropriate action. He recognized that action is desired before December, but allowed as how that might be difficult.

Mr. Petersen said that the new excise tax credits might go into effect as early as December, and it would be great to get this figured out within the next month or so.

Mr. Washington asked if there was any other business. There was none, and the meeting was adjourned.

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Metro Solid Waste Advisory Committee (SWAC)

Meeting Minutes

October 18, 2000

Members / *Alternates

Councilor Ed Washington, Chair

*Dean Kampfer, Waste Management (disposal sites)

Merle Irvine, Willamette Resources, Inc. (disposal sites)

Ralph Gilbert, East County Recycling (disposal sites)

L:ee Barrett, City of Portland

Mike Misovetz, Clackamas County citizens

Tanya Schaefer, Multnomah County citizens

John Lucini, SP Newsprint (recycling end users)

Dave Hamilton, Norris & Stevens (business ratepayers)

Tom Brewer, Tanasacres (business ratepayers)

*Tam Driscoll, City of Gresham (East Multnomah County and cities)

Sarah Jo Chaplen, City of Hillsboro (Washington County cities)

JoAnn Herrigel, City of Milwaukie (Clackamas County cities)

*Adam Winston, Waste Management (disposal sites)

Steve Schwab, Sunset Garbage Collection (Clackamas County haulers)

Glenn Zimmerman, Wood Waste Reclamation (composters)

Rick Winterhalter, Clackamas County

Lynne Storz, Washington County

David White, Oregon Refuse & Recycling Association (at-large haulers)

*Brian Heiberg, Oregon Refuse & Recycling Association (at-large haulers)

Jeff Murray, Far West Fibers (recycling facilities)

Non-voting Members Present

Doug DeVries, Specialty Transportation Services

Dave Kunz, DEQ

Metro and Guests

Tim Raphael, Celilo Group

Cherie Yasami, ASD

Doug Anderson, REM

Meg Lynch, REM

Tom Chaimov, REM

John Houser, Metro Council

Easton Cross, Easton Cross Consulting

Connie Kinney, REM

Doug Drennen, DCS

Steve Kraten, REM

Jan O'Dell, REM

Janet Matthews, REM

Julie Cash, REM

Maria Roberts, REM

Ray Phelps, Ray Phelps Consultants

Kent Inman, CRC

Mary Sue Gilliland, DEQ

Tom Wyatt, BFI

Dan Schooler, CRC

Jim Watkins, REM

Roy Brower, REM

Leann Linson, REM

Eric Merrill, Waste Connections

Estelle Mazurkiewicz, ASD

Vince Gilbert, ECR

Wendy Fisher, Washington County

Scott Klag, REM

Bill Metzler, REM

Bob Hillier, REM

Call to Order and Announcements

Chair Washington brought the meeting to order.

REM Director's Updates

Ms. Janet Matthews, in Director Petersen's absence, provided the following updates.

Mr. Petersen had announced at last month's SWAC meeting that REM staff had held a pre-application meeting with Willamette Resources, Inc. (Wilsonville) and Recycle America (Troutdale), with regard to their regional transfer station applications. The WRI application has been received and a staff recommendation will be made to the Metro Council by year's end. Waste Management in Troutdale. The WRI application has been received, and is currently being reviewed and evaluated by REM staff. It should come before the Council with a recommendation by year's end.

In addition, Eastside Recycling has participated in a facility pre-application meeting with REM staff.

STS filed for approval of a change of ownership with Metro in June of this year. Metro has now received an extension to respond to that request; the date is December 15, 2000. Metro is in the process of evaluating the change-of-ownership request.

A household hazardous waste collection event will be held in Gresham this Saturday on the lot of the Gresham K-Mart, 440 NW Burnside, from 9:00 a.m. to 3:00 p.m. This will be the last of the major regional collection events that Metro will hold. From this point forward, the future events will become more frequent and smaller. The schedule will be announced later.

The Soils for Salmon conference will be held on Friday of this week at the Oregon Zoo. This conference is being sponsored by Metro and state and local organizations and businesses. The conference emphasizes the relationship between urban soils, hydrology and salmon habitat; the keynote speaker is Secretary of State Bill Bradbury, former Oregon state senator and former executive director of For the Sake of Salmon.

Ms. Matthews announced that Ms. Lin Bernhardt is the newest of REM's employees. Lin is the planning supervisor in the Waste Reduction, Planning and Outreach Division. Among other responsibilities, she will be involved in the strategic planning process to be discussed later in the meeting.

Recycling Business Assistance Program

Ms. Meg Lynch announced that the recruitment has closed for the position of recycling market development program coordinator, who will run this program. We have received 36 resumes, which are being screened by Human Resources. Ms. Lynch offered to answer any questions and told attendees that her phone number is on the bottom of the agenda page of the packet.

Chair Washington asked for questions. There being none, the meeting continued.

REM Planning Projects

Ms. Janet Matthews and Mr. Scott Klag joined to discuss the review of the solid waste management plan.

Mr. Klag said the Regional Solid Waste Management Plan (RSWMP) provides a framework for coordinating solid waste programs within the region and establishes our regional recycling goals. It fulfills the state requirement that Metro have a waste reduction plan. The goal of the RSWMP review process is to ensure that the Plan reflects Metro policies and changes in the system;

fulfillment of the review requirements within the plan; and to affirm Metro's commitment to waste reduction. (Mr. Klag's PowerPoint presentation is appended as Attachment A.)

With regard to Goal 1, Metro is aware there have been many changes in the solid waste system over the previous five years (e.g., we've revised the transfer station service plan and the household hazardous waste plan), but we need to look at whether we need additional changes.

The RSWMP requires a comprehensive review every five years, involving the general public and other stakeholders, and 2001 puts us within that window.

With regard to affirming Metro's commitment to waste reduction, we know that 2001 is the review year (of our progress through 2000) with DEQ and we need to talk about how we did or did not reach those goals. We also want to ensure that the recent waste reduction initiatives conceived last year are fully integrated into the Plan. Those are the initiatives focusing on organics, commercial wastestream and construction and demolition.

The tasks include assessing if there is a need for major revisions, developing sets of recommendations, reviewing the findings and recommendations, and finally adopting any revisions to the Plan that are necessary. We are talking about beginning right now, and we would like any amendments adopted to be included in the formal budget process in the spring of 2001.

Some of the subjects to be examined during the revision include the overall goals and objectives in the Plan, and a focus on the waste reduction programs, as well as facilities and services. We also want to discuss the barriers toward reaching the goals in the Plan. We want to examine what the region has been doing that works, as well as what has not worked. We want to examine if our efforts to reach our recycling goals have proven to be inadequate and whether there should be something in the plan that includes a sequence of consequences. For example, should we examine the possibility of mandatory recycling or perhaps disposal bans.

Ms. Matthews gave a quick overview of what the process will entail throughout the coming year. Ms. Matthews explained what strategic planning is trying to accomplish: 1) Where are we now?; 2) Where do we want to be?; 3) How do we get there?; and, 4) How do we measure our progress? There are certain compelling reasons why we need to make a strategic plan. We need to have a framework to focus our decisionmaking. We would like to have a defined direction for the department and, we need want to promote efficiencies across divisions.

We will establish REM's role for the short-term (three to five years) and the longer range vision of five to ten years. Second, we will outline strategies for achieving short- and long-term objectives that we identify. Finally, we will provide a framework that identifies goals, principles (to guide us in potential projects and activities), and resources.

The end result will be a plan that contains an internal/external assessment (strengths and weaknesses, opportunities and threats), defines our mission, looks at principles and core values; declares our image of our desired future, and identifies key strategic issues facing the department. It will state goals, desired end results after three or more years, and list objectives that are measurable targets to achieve those goals. Finally, it will contain an action plan that will be a description of strategies we will use to implement each objective.

Strategic issues include fundamental policy questions or critical challenges, mandates, mission, values, our service level and mix, users or payers in our system, costs, financing, organization and management.

As examples of issues the committee members might want to pursue, Ms. Matthews suggested how to achieve greater levels of commercial recovery in the region, how can we beneficially use St. Johns Landfill, and how we can we reduce the cost associated with our household hazardous waste program. Ms. Matthews invited members of the committee to suggest another strategic issues.

Speaking from a local government perspective, Ms. Herrigel suggested that the strategic planning group look at ways that local government and Metro can avoid redundancy where it is not necessary, although she agrees it sometimes is necessary.

Mr. Barrett said that, in the short term, he is interested in how this timeline coincides with DEQ's Waste Policy Leadership Group's effort, and how we can incorporate some of their decisions. In addition, he asked what Metro and REM's role is in larger statewide issues.

Ms. Matthews said eleven core staff persons from various divisions will participate, and she will facilitate the process; Lin Berhardt and Bob Hillier will assist her as the resource team. The process is starting off with informing and getting feedback from Metro elected officials. By mid-November, meetings will be held with local governments, the private sector and other members of SWAC. Ms. Matthews asked for input from any interested persons on what he or she would like to explore with regard to the strategic planning process. Ms. Matthews said she will be issuing monthly reports on the progress of the planning process and she is always open to telephone calls or conversations with interested persons.

Ms. Driscoll asked for the timeframe involved with this process. Ms. Matthews said the entire process begins right now and carries through to the middle of September 2001. Ms. Matthews distributed a flowchart and a timeframe schedule for the implementation of the process. (A copy of Ms. Matthews' handouts is appended as Attachment B.)

Recovery rates

Mr. Metzler led a continuation of the discussion from the September SWAC meeting. First, he reviewed the actual recovery rates of the region and then led a discussion of what counts and doesn't count according to the definitions. He sought a recommendation from the SWAC. (A copy of Mr. Metzler's presentation is appended as Attachment C.)

Mr. Metzler proceeded to describe the "post-recovery collection rate," which is designed to measure recovery from mixed dry waste. It does measure a very specific activity. It is consistent with the 25% requirement and the hauler license charge. Conceptually, the formula for the post-collection rate will be recovery from mixed dry waste divided by the incoming mixed dry waste. We will be able to use this for the facility recovery rate requirement and local government rate setting.

Mr. Metzler said the numerator equals the recovery from mixed dry waste, and we will discuss what counts and doesn't count there, and then discuss the denominator, incoming mixed dry waste. What counts is any material recovered from mixed dry waste and delivered to markets for reuse, recycling, composting or fuel. What doesn't count is beneficial use materials; by that, we typically mean materials that are accepted at the landfill at no charge and used for beneficial purposes, like alternative daily cover. Also, recyclable materials delivered as source-separated recyclables don't count, nor do they currently. Inerts delivered in inert loads such as rubble, concrete, soil, etc. also won't count. This is consistent with previous formulas we have used;

incoming mixed dry waste counts and non-putrescible waste counts. A new element here is that it must have a “tip fee” to count, that means at least a regional system fee and Metro excise tax (about \$17.53).

Mr. Barrett asked what types of scrap metals would not count; he thought it was scrap metal from manufacturers. Mr. Metzler referred to the definitions page in the agenda packet: “Material-specific loads of scrap or other byproducts of commercial or industrial processes that do not routinely enter the solid waste collection system, such as trimmings from a metal fabricator that are typically sold or given to a primary metal processor, or prep-kitchen scraps from a food processor that are typically utilized for direct land application, as animal feed, or as a compost feedstock.”

Mr. Metzler said that keep in mind that for purposes of a recovery rate, what we are trying to calculate here is recovery from mixed dry waste.

Mr. Murray said that the transfer station service plan meetings described specific loads like the loads that WRI received from Nike and they were not recoverable.

Discussion continued energetically with multiple people speaking at one time.

Mr. Metzler commented that as you go through the list, in some cases, a material may fit in; in other cases, not. You need to determine whether or not a tip fee has been charged, does the material routinely enter the waste stream. Then you are able to weed things out a bit.

Mr. Ralph Gilbert said he thought the “minimum” tip fee could stand some discussion, because a tip fee his facility charges for a particular material is less than that, but it still counts, because the material previously has been delivered to a Subtitle D landfill.

Mr. Metzler invited any further discussion on this subject. Mr. Metzler stated that staff discussion has determined that if it doesn’t have the elements of the basic components, then what is it about the material that would cause it to not have a tip fee.

Mr. Ralph Gilbert said that he thought there should be a caveat on that that certain materials from certain individuals should be recognized on a case-by-case basis.

Mr. Schwab asked if Mr. Gilbert’s materials could go to an inert landfill?

Mr. Ralph Gilbert said no. He said that once they process it, yes, it becomes a product that can be marketed, but prior to that, no.

Mr. Watkins asked that if it could not go to an inert fill, why wouldn’t you charge more than a minimum “tip fee,” what’s the competition?

Mr. Ralph Gilbert replied that the company has found places to get rid of it and how and why they do it, but he doesn’t know.

Mr. Drennen (from the gallery), representing Grabhorn Landfill, said that setting a minimum tip fee may be detrimental to some facilities because they would not be able to accept and process certain materials with a set price, rather than a market-driven price. He said he doesn’t have a problem with having to bear a tip fee, but setting a tip fee at that level may hurt the acceptance of certain materials.

Mr. Metzler commented that, in condensing what he is hearing, the concept of a tip fee may be okay, but how you set it is up for discussion.

Mr. Vince Gilbert commented that there may be mixed loads you receive because the assets you receive are realized only after you process them. You may receive the mixed load for no fee whatsoever in order to get it, but you may not be able take it with a tip fee such as has been discussed here.

Mr. Murray replied that was his point, you could take a load at a small volume, but bearing something your facility would be able to process for a value.

Mr. Metzler said that to recap, that you receive a load of mixed waste, and there may be something in the load of value to you, and you wouldn't have a tip fee on it so you would be able to expend the monies to process it. But if a fee were involved, it would not be worth the money and effort to extrapolate that material, and you would therefore have to send it to the landfill.

A question was asked as to what Metro's goal is in attaching some cash value to the goal, rather than the goal being to recycle? He didn't understand the goal of \$17.50.

Mr. Metzler replied that originally, we looked at all four of the uses for recovery rates. The minimum came up through the discussion of the regional system fee credits where it becomes important.

Mr. Watkins responded that originally when the program was developed, it was developed, in essence, to subsidize the fact that the regional tipping fee had dropped. If the credits are still being given and you paid zero for it, you still get the credits. And Metro is saying, if you are asking for credits and you can afford to take the material for free, you do not need credits for processing.

Mr. Winterhalter responded that it doesn't equal the fees, then you don't get credit.

Mr. Watkins replied that the purpose is that you receive 25% and then the other calculation is what are your credits. So the purpose of that is that if you want to take it in for free you can, but don't use it for the credits, take it in as source-separated.

Mr. Vince Gilbert asked what the motivation was then for not just sending it on to the landfill? He said the system fee credit helps in attracting the types of loads that would otherwise not be attractive. He said the loads should be recovered, but on an economic level; unless there is some sort of motivation, it will just go to a landfill.

Mr. Watkins asked what the motivation was for taking it in for free?

Chair Washington asked the committee to come to order. There was too much confusion with everyone talking at the same time and the recorder was unable to record the comments involved with the discussion.

Mr. Barrett said the person that is really being motivated as to where this material goes is not the facility operator, it is the franchised hauler who has the material; they have to weigh the list of charges and the list of facilities and how far away they are and what the cost is – that is what drives them. He doesn't really believe the haulers care if the facility is getting tax credits or

whatever; they are driven by the tip fee. The other part is that if you want to have the material count, it is the facility's option to charge this minimum fee, and everyone is competing at the same level, in this instance, of \$17.53. Everyone gets to count it because it meets Metro's test; the hauler still looks at the rate charges.

Mr. Vince Gilbert replied that they have a lot more people coming into ECR (and other facilities do also) than haulers. They have people bringing in mixed loads who are not your "typical" haulers and who will bring in waste that we, as a region or Metro, never even know about. They would go directly to the next place such as Roosevelt Landfill, or wherever they can get rid of their load, based on economics. And then, our goal of recycling is compromised.

Mr. Murray said that his point is that you're right, they are still going to go after that load because it has potential value. Overall, it has the effect of operating the facility, so if you allow them this rebate, it helps absorb some of the costs to take in the harder-to-recover materials. You have to look at the overall facility, not just the higher end loads. Those higher end loads allow you the economic flexibility to take in the lower end loads. Those of us who are dedicated to recycling are willing to take those economic risks for the sake of the regional goals. That is why I believe the tip fee should not be so relevant. Whether it is source-separated or not, that could be relevant.

Mr. Watkins replied that he does not understand. It makes no sense, if the limited purpose landfills are up over \$40.00, why you can take a load in that you can't compete with unless you charge zero, but you can get our tax credits that were meant to subsidize the rate drop?

Mr. Murray replied that it makes it more economical for the facility.

Mr. Heiberg commented that when we take in loads, we take them where it is economically viable to take it. The fact that the processor is getting a credit puts haulers at a disadvantage,, because we are trying to take loads into a facility that charges the same or almost the same as the landfill. There is no incentive for a hauler to go there. On top of that, the facility is getting a tax credit for these types of materials. That creates another disadvantage for me, as other haulers are getting a special rate or something to bring it in there, they are also sharing in the City of Portland, another credit because that facility gets to count those materials as diverted materials and they are going to get a kickback from that as well. So, I'm interested in an even, level playing field, and by taking these steps, that is moving in the right direction.

Mr. Winterhalter said he was still confused as to why you have various materials that are accepted at no charge or they are accepted at \$17.53. Which is it going to be?

Mr. Metzler replied that he thinks that is probably redundant. The materials accepted at no charge for purchase is analogous to a buy-back center and what he is missing here is an example of a load of mixed waste that you wouldn't charge a tip fee, that isn't source-separated or inert. So he understands the point, but he can't provide an example.

Mr. Vince Gilbert asked, what if you have a load that has wood and metal, cardboard, no residual waste?

Mr. Metzler replied, then you would have source-separated recyclables.

Mr. Vince Gilbert said you could have a mixed load, but I'm saying what Jeff is saying – those are the kind of loads that offset the other loads, and they take a lot of money to process.

Mr. Lucini commented that according to the handout in the agenda packet, it says source-separated material, whether it is commingled or sorted into categories – so if you had a load that was scrap metal, clean wood and paper, it seems like it would fit under source-separated and not that other category.

Mr. Vince Gilbert replied that it was true if you had X-ray vision. But, often, in a load such as that, it needs an extensive amount of processing.

Mr. Ralph Gilbert said that quite often, on that source-separated load, you have some processing that you have to do to it. In other words, if there is wire rope in there, you have a lot of processing to do to, otherwise that just goes out. I don't think anyone else ever looks at it, but we do, we take the time. It gets back to a dirty materials recovery facility; what do you want? Do you want the recycling rate? The cheapest thing for us to do is transfer it right through, and we could make a lot more money if we did that. We'd get rid of our 65 of our 75 employees.

Mr. Lucini replied that he thinks, as a consumer, we want to see more recovery, but he wants to make sure you don't count material that would have a market for it anyway. So it could be a mixed load, the composite of that mixed load (with your wire rope). I'm assuming that the value of what you sort of it is going to drive what you can afford to even charge or not charge for at any given point in time. So, what I see as an objective is what is going to the landfill. And whether this definition is going to drive that.

Mr. Ralph Gilbert replied that the loads we are talking about have been going to the landfill until he started processing them; that is exactly where they went.

Mr. Lucini said, then he was not sure that the tip fee drives what goes into that category. Maybe that fee should be \$5.00.

Mr. Ralph Gilbert replied that was his point. It should be a minimum fee, not \$17.52.

Mr. Lucini said, perhaps that \$17.53 could change along with commodity prices.

Mr. Watkins commented that he still didn't understand why you have to take that load for "free."

Mr. Ralph Gilbert said his facility doesn't, but it does take it for less than \$17.52.

Mr. Watkins asked what they were competing against? Given that the closest landfill, the closest prices he could compete with would be well over \$40.00, why would you have to take it for less than \$17.50, that makes no sense?

Mr. Ralph Gilbert replied that it might not make any sense, but that's the only way we can get it. Otherwise, we don't get it.

Chair Washington commented that there had been quite a bit of discussion around the table about this item. He cannot state it, but he is asking Mr. Metzler, if he would state what he believes he has heard with regard to this particular issue, and play it back so that we've got it correct, in order that when we deal with it, we know exactly what the concerns are.

Mr. Metzler replied that what he is hearing is that people seem comfortable with the approach to the concept staff is taking, they are comfortable with (when we get down to the details) what

counts and what doesn't count, how we are managing this related to the 25% dry recovery rate, all these categories. What is not agreed upon is the tip fee question, in particular, the amount.

Chair Washington asked Mr. Metzler to pause there. He asked for a head nod to that. He received ones to the affirmative.

Mr. Metzler continued, saying that staff can take that item, look at it more closely, and perhaps SWAC has a recommendation without the tip fee item, and perhaps polish that item up. We can work with this, and if the committee wants to, we can move forward and work with the tip fee item separately. We can get back to you by phone or some other method, to let you know what else we are proposing. Unless you want to vote on it now either up or down, or maybe.

Mr. Ralph Gilbert suggested working with it in the subcommittee.

Mr. Metzler suggested a showing of hands on how the committee felt on this subject. He didn't feel he was getting a clear picture. He is under the impression that some of the committee feel it is appropriate to have a tip fee, and others feel it is not necessary for this calculation.

A comment from a committee member was that, as a facility operator, I think if Ralph wants to charge whatever it is for a specific load, I think that is up to him. That doesn't mean I have to do it, it's up to the facility operator, what the market will bear and so forth. What I want to see, specifically is what Jim's [Mr. Watkins] argument was, maybe a little more depth from Metro on how this affects the rebate issue. Maybe it is two separate issues that Metro is concerned with. I don't understand 100%, I'd like to see a bit of what your reasoning is on why it should or not should not count. On terms of pricing, again, it is, as an operator, what the market will bear.

Mr. Winston stated that he appreciates what staff is trying to do, but he believes it needs a bit more evaluation. It may be that this is the correct idea, but s not the correct amount, or it could be nothing, or whatever the market bears, but he believes we need to evaluate more, because he believes that would be premature.

Mr. Schwab stated that he agreed with Mr. Winston, but he has to go with not charging the tip fee. On the other hand, he agrees with Mr. Watkins that the credit is meant to offset the taxes you are paying, and if you are not paying taxes, then why would you get a rebate on a tax you are not paying? He said he would like to know that when you go to a facility, how much of this material you are talking about, is it 10 tons a month, is it 1,000 a month? Other questions include what would it do to the recovery rate and how much money is it costing us to include this (because obviously it is being included right now). He said it sounds like they are counting it, and if this is not a change, nobody would care. Right now, it's being counted and they are getting money for it. So, what does it cost Metro, what is the effect? We don't know the effect. It may be a lot for some people and zero for someone else.

Mr. Hamilton said that he thinks the goal here is to pull all the recyclables out of the stream, and what I'm hearing is that they are being creative business people by lowering their tip fee, or not charging a tip fee, by taking loads and dealing with some that others won't. They are being creative by pulling things out of the waste stream, so I think they need to have the flexibility to be creative and to be able to do that. And if, in the net process, they get that credit, I think we are achieving the overall goal that we are looking at. So I think this needs to be looked at in a way that allows a business to create things to happen and to make the system work.

Mr. Heiberg said that, as a hauler, he has loads right now he could take to facilities that would qualify for the recycling credit, but the rates set at some of these facilities are such that there is no incentive for him to go there. The rates are set based on the rate at the landfill. It's driven by economics and market conditions, as opposed to what it is costing me to process this material. I take loads in that are not acceptable, and other loads from other haulers bring in that is just like mine, and they are acceptable. So, I'm dealing in a competitive marketplace here, trying to recycle items that I currently can't. Because I'm taking them to the transfer station, I can't take the time to go to a facility that is charging the same and is getting a kickback, that is offering cheaper prices to my competition. We are talking about some products, a small end of the waste stream, when we've got a larger stream out there that is going to the transfer station now, because of pricing. Maybe we need to get more of the refunds going to the people who control that trash, and getting it to a facility. It is very frustrating for me not to get these items recycled because it doesn't make economic sense for me. So, it is frustrating taking a load to the landfill, because I may get rejected at one of the processors out there and even if I do take it there, I may pay the same as when I take it to the landfill.

Mr. Metzler said he would like to go away from this meeting with a recommendation. He asked, if we take the tip fee question out of this, and revisit it, and go away with a recommendation without it, does that work? He said he thought it would work without the tip fee in here, but acknowledged that he could be missing a piece.

Mr. Schwab stated he thought you were showing us what Metro does now, and obviously things have changed, so how do you do it now, and what are you changing, or not changing, how are you counting now, what is new? He said he thought you were explaining what you are doing now, and obviously I'm wrong, this isn't the way you do it now. He said he wasn't here last month and obviously missed something important.

Mr. Metzler said that what has changed is that we are being a little bit more specific about what counts and what doesn't count. We really need to pay more attention to what is coming in as source-separated, or commingled. Of course, inerts have never been counted, and we just want to be sure that is very clear. Obviously putrescibles don't count and that is not new.

Mr. Metzler asked if people could agree that we could go away and just take this one element out and promise to look at it.

Mr. Winston asked what was Mr. Metzler's definition of a source-separated recyclable load? He offered a hypothetical situation: Say you do have a demolition job, and you have scrap metal, drywall, cardboard, wood and it might be a 95% recoverable load. But you do have to process it, there is no question about it, because if you have a processing facility, you have to process those items. By that definition, is that a commingled load? He stated that, in his opinion, he doesn't think it is. It is a mixed-waste load, because you have to process it in order to get it to those markets. It could be labor-intensive, but it is still a highly recoverable load.

Mr. Metzler said what is supposed to count here is mixed dry waste. If you recover from mixed dry waste, whether it is C&D or whatever, if you are pulling out recoverables from them, it should count. What we are trying to get to is mixed dry waste. We want to measure recovery from mixed dry waste and that is what we are talking about.

Mr. Barrett said he didn't think things were confusing enough so he is going to confuse things a bit more. First, he would say his answer to Mr. Kampfer is that obviously any materials that the generator has separated out from waste can be commingled together, and we are asking our

residents to do that at the household level, and that is source-separated material, whether it has to be processed or not. He said he's starting to see a potential problem for City of Portland. Portland does require construction sites to recover specific materials at that job-site. We've had lots of contractors talk to us and say there isn't enough room, especially on the small job-sites, for a bunch of different boxes for materials. And the amount of putrescible materials on a job-site is very small, so we are inclined to say if you take this drop-box full of mixed construction waste to a facility where the material is disaggregated and recovered, you are recovering on the job-site. And if we do come up with this rule, I'm trying to figure out how this will work with what we are talking today, i.e., what counts and what doesn't count.

Mr. Vince Gilbert, said he wants to get the 5% out of that tennis shoe load too. We need those loads as well as we need the Jeff Murray loads. They all balance out.

Ms. Mary Sue Gilliland from DEQ introduced herself as the staff coordinator for the DEQ Waste Policy Leadership Group. Something you should know about before you cast in stone the lists of the inert materials not counting is that one of the suggestions of the Waste Policy Leadership Group is that inert materials that are being recovered in the waste stream should count toward the recovery rate. The full definition hasn't been totally drawn up yet, but that will be coming out between now and January when we hope to wind up our process. So, just a caution of to not count everything as being done.

Mr. Metzler thanked Ms. Gilliland and said staff is aware of that. Currently, our policy is that if you bring in a load of mixed C&D, and you pull out concrete from that, that certainly counts. He said he didn't think we want a recovery rate biased by directing these heavy loads of inerts to a recovery facility. That is not the purpose of what we are trying to measure. But if an operator gets in a load of mixed C&D and it also contains concrete and he pulls it out, that definitely should count and it does count, at least at Metro.

Mr. Metzler followed up with what Mr. Barrett was saying by commenting that the need to accommodate fewer boxes on the job-site is clear, and he suspects that will impact what does or doesn't count. He expressed the opinion that other local governments will do the same thing. He asked if that element be rolled into the tip fee question, inasmuch as it may or may not be commingled or source-separated. He stated that he believed that it can be separated so that we can go forward.

Mr. Zimmerman stated that he understands that everyone agrees that if you get a box load of newspaper, cardboard, magazines, etc., then that is commingled and it goes to a processor. But, he said, he doesn't understand why when a box comes into a facility and it has wood, metal, all recyclables and they are commingled in that box from a construction site, why that's not commingled, it's mixed dry waste. That appears to be a hangup for everybody. I see that as a major problem, especially as we move further into trying to remove the C&D out of the waste stream.

Mr. Heiberg, saying he wanted clarification, asked a hypothetical question about the new proposal: If I have a customer with a 10-cubic-yard drop box of concrete, and he throws in some 2 x 4s, and a few other items from the construction site, that concrete is countable, whereas if they take the energy to keep it all clean, they can't? He asked if that what he was hearing and how he should distinguish between them and if he should trust the processor. He stated that, in his opinion, it should either count or not count.

Mr. Barrett replied that you have to trust someone, either the processor or the government; take your pick.

Mr. Metzler said that if you bring in recycled materials, and they are delivered pretty much as source-separated, it is a lot different from a drop box coming in that has a couple chunks of concrete and a bunch of other stuff from the construction site. It happens now, and we count it, and it hasn't been a problem.

Mr. Heiberg reiterated that he believes it either all counts or none of it counts. He said that the process now appears to him to be subjective, because he could justify saying, yeah, I had to pull a few things out, like that heavy concrete.

Mr. Metzler said that was a good point, which gets back to his earlier question of whether that load could technically go to a inert fill. Furthermore, he asked, could someone direct that load to a facility to boost that recovery rate up? Mr. Metzler said that it appears that is what you are talking about, and it won't count.

Chair Washington brought the meeting to order as everyone began to talk at once.

Mr. Winston said he doesn't know where this whole discussion is going, because it looks like we are now looking at a different definition. He asked, what is the definition of a mixed dry load? Out of a construction site, it's not a mixed dry load, so do you need a certain amount of contamination to consider it a mixed dry load? He said, you might as well table this whole thing, because now I have no clue as to what source-separated box or a commingled load is. He said, to me, a source-separated load is on the construction site if you have a wood box, a metal box, a drywall box, a cardboard box; when it is thrown together, to me it's a mixed dry waste load. He said, if it's not a mixed dry waste load, then we need to have another task force meeting on what that definition is.

Mr. Vince Gilbert said that, at ECR, they take concrete for free, because if it comes in with a piece of wood in it, it goes to \$62.50 a ton. He asked why a contractor would pay \$62.50 a ton to get rid of concrete with a piece of wood in it, if he could get rid of it for free?

Mr. Watkins replied that was his point in the first place at the beginning of this discussion.

Mr. Barrett said that the whole purpose of this is that facilities will now be under the gun to have a specific recovery rate – 25%. He stated that it is in their interest to have as much material that is easily recoverable to be counted as mixed dry waste, so they are looking for loads that are 35%, 45%, 50% recoverable. He said, if I'm a facility operator, I want it to count as mixed dry waste, because I don't have to do a lot of work and that is getting me toward my 25%, and that is what the bottom line of what this discussion is all about; not about what fee is charged or not charged. He said the real question is whether a facility operator is going to be able to count the recovery of the material in this container toward the 25% recovery rate or not.

Mr. Murray interjected that one of the original reasons we allowed dirty materials recovery facilities in the first place was to collect construction waste. He stated that his facilities are seldom able to take a load of cardboard without having to clean it up and there is some residual in it. He said that now that we are going beyond the primary recyclables list, whether it is commingled or somewhat source-separated, it still needs some processing.

Mr. Winston said it still leaves us to think about something – every facility likes the highly recoverable loads; they help you take in the lower recoverable ones by making up for them.

Ms. Herrigel said it is the flip side of that argument that she's being concerned about. Mr. Heiberg is being turned away from those facilities with his mixed load because that facility has already reached its 25% recovery rate

Chair Washington commented that the discussion has been very spirited. He asked Mr. Watkins where the definitions came from. Mr. Watkins explained that some came from DEQ, some from the state, and some from Metro.

Mr. Metzler added that any definitions that came from Metro typically came through an ordinance.

Mr. Metzler said that it had become a little complicated talking about C&D loads, commingled and C&D loads and source-separated, and he cannot answer all the questions. And he cannot talk about any of these questions from a local government level. He does not know what the City of Portland does to encourage source-separated C&D loads, as to price breaks, etc., but that as far as Metro is concerned, C&D mixed loads will count. He said we could probably argue forever about what is commingled or not. He suggested that perhaps we need to look at those definitions again. He said he didn't know if the tip fee is still a big issue or how well the 25% minimum recovery rate will work for local governments. Those questions still need to be resolved. Mr. Metzler asked the committee if we could move forward on the basic issue and readdress the tip fee issue, as well as relook at some of the definitions.

Chair Washington said he did not consider that the committee has voted on the issue; he believes the committee simply responded to the question of whether or not they felt the concept was good or not. It is Chair Washington's opinion that the committee is not yet ready to recommend anything with regard to this matter. He has some concerns with the definitions and they need some clarity.

Ms. Driscoll, following up on Ms. Herrigel's comments, said whatever the outcome, we need to make sure it does not penalize the hauler and give a bonus to the processor; we need to make sure it works for everybody. She commented that it is always tough to please everybody, but we need to make sure that by making a move in that direction, every angle is looked at and these concerns that we've raised are addressed when we start finessing the definitions.

Chair Washington asked Mr. Metzler if staff was tracking a timeline on this matter. Mr. Metzler replied that we need a decision to move some legislation through to Council, but that staff would take this back and confer with SWAC members to see if we can figure out an amicable decision for all. He stated that REM's intent was to set a rate that all would find that acceptable, and it sounds like it isn't acceptable to local government representatives as it stands.

Mr. Barrett said he thought that perhaps it was the facilities that found it unacceptable, and local governments do.

Chair Washington asked the committee if they thought it would be advantageous to hold a special meeting prior to the next regularly scheduled SWAC meeting.

Mr. Metzler said he would see what needed to be done to try and go through all of the definitions and see if they could clarify some of the issues that were brought forward at today's meeting.

Chair Washington said that he would work with REM staff and he would ask Mr. Houser to also work with staff to come to some decisions with regard to the definitions.

Chair Washington asked if there was any other business. There being none, the meeting was adjourned.

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Agenda Item No. V

ACTION REQUESTED: Recommendation on course of action for measuring, evaluating * proposing potential refinements on calculating recovery rates at solid waste facilities
REM's proposal based on SWAC's discussion from September and October
Solid Waste Advisory Committee
Wednesday, November 15, 2000

Regional Solid Waste Advisory Committee
Facility Recovery Rates: “What Counts?” - A Revised Proposal
November 15, 2000

This issue, which was up for discussion at the September and October meeting of SWAC, is back for review. The purpose of this agenda item is to propose a course of action for measuring, evaluating and proposing potential refinements on calculating recovery rates at solid waste facilities.

Summary

In October, REM proposed recommendations to SWAC related to recovery rates. The following is a brief summary of the key issues from the October SWAC meeting.

REM’s Draft at the October Meeting and SWAC’s Issues:

- REM proposed no changes for now in calculating the Regional System Fee credit rate.
- The proposed recovery rate formula for measuring the 25% minimum excluded some of the materials that currently count toward the Regional System Fee credit program. The excluded materials were intended to help clarify “what counts” and “what doesn’t count”¹
- SWAC was in agreement about the concept of the proposed recovery rate.
- SWAC was also in agreement about most of the material category inclusions and exclusions² that would be used to calculate the 25% minimum facility recovery rate (“what counts” and “what doesn’t count”).
- SWAC was not in agreement, however, about how certain material categories would be differentiated and therefore, were unable to make a recommendation on the proposal.

SWAC’s Request for Clarification & Refinement

From the discussion, SWAC requested that an additional level of clarity and uniformity be brought to the definitions for some of the material categories that would be used in determining “what counts” toward the recovery rate. *For example:* without more suitable definitions of the material categories, it would be very difficult to determine what differentiates a “mixed” Construction & Demolition (C&D) load from a “source-separated” C & D load. Questions came up about what really differentiates a load of “mixed waste containing some concrete” from a load of “concrete containing some mixed waste?” *Note: For practical purposes, this distinction must be made by the generator and hauler and is recorded at the facility scale-house. Metro currently relies on the information provided by the facility to make that determination. These material categories may not be consistent from facility to facility.*

Next Steps: REM’s Response to SWAC

Based on the discussion at the October SWAC, REM is presenting a revised course of action for measuring, evaluating and proposing potential refinements on calculating recovery rates at solid waste facilities. The revised proposal recommends that we leave the recovery rate unchanged until we first resolve definitional issues about the material categories (“what counts” and “what doesn’t count”).

¹ The new 25% minimum material recovery rate for non-putrescible waste went into effect on October 1st. Its purpose is to measure the rate of recovery from mixed non-putrescible solid waste that is achieved by a solid waste facility.

² SWAC was not in agreement about the use of a “significant tip fee” as an indicator. This item would require more research.

REM's proposal is:

Part 1. A single recovery rate will be used to calculate Regional System Fee Credits, Excise Tax Credits and the 25% minimum material recovery rate for solid waste facilities. The formula that will be used is the one currently employed to calculate the recovery rate for the Regional System Fee credit program.

Since more suitable definitions are needed for measuring and evaluating the material categories, we are proposing the following work over the next 3 – 6 months:

Part 2. (a) Revise definitions for the material categories, making them more suitable for calculating recovery rates. Working with facility operators, REM will identify and define the material categories that will be used to calculate the recovery rates. The purpose is to bring additional clarity and consistency to what is being reported to Metro by the facilities.

(b) Implementation. The material categories and definitions will be applied and reported to Metro by all facilities as soon as feasible.

(c) Measure and Report. Based on the data, REM will conduct an analysis and report on how well the new definitions and reporting are working (in the field and in the reports submitted to Metro). If it is determined that additional refinements are needed, specific action items will be recommended to SWAC.

Agenda Item No. VI

ACTION REQUESTED: Draft Policy Statement only
REM's presentation of policy white paper on this issue
Solid Waste Advisory Committee
Wednesday, November 15, 2000

M E M O R A N D U M

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METRO

DATE: November 2, 2000
TO: Interested Parties
FROM: Terry Petersen, REM Director
RE: Distribution of a discussion draft on extending Regional System
Fee credits to out-of-district solid waste facilities

Earlier this year, some solid waste operators asked REM to consider extending eligibility for Regional System Fee credits to out-of-district solid waste facilities.

Provisionally, we conclude that Regional System Fee credits should *not* be extended to out-of-district facilities, except under certain specific conditions. The basis for this conclusion is provided in the attached, draft, white paper.

Our goal is to develop our final conclusions during the week of November 27, 2000 and to transmit any recommendations to Metro Council on December 6 or December 14, 2000.

Accordingly, we are providing you with the attached draft, in order to give you an opportunity to review and comment before any conclusions and recommendations are finalized. I ask that you address any comments to Janet Matthews, Program & Policy Manager, REM, 600 NE Grand Avenue, Portland, OR 97232. Comments will be considered if we receive them by 5:00 PM November 27, 2000.

**Regional System Fee Credit Program
White Paper**

**RSF Credits for Out-of-District Recovery
DRAFT October 24, 2000 DRAFT**

During the recent policy study on regional transfer stations, some stakeholders asked why Regional System Fee credits are not available to out-of-district facilities that recover materials from mixed solid waste that is generated within the District. REM committed to examine this issue.

This paper is a response.

Summary

Regional System Fee credits should not be extended to out-of-district facilities or non-system licensees. There might be exceptions to this rule, *if* credits are the only practical means for achieving certain solid waste policies; and only then if Metro has a close relationship with the out-of-district facility—say, the equivalent of a franchise—to ensure that those policies will be carried out.

Background

Original Purpose of the Regional System Fee Credit Program. Regional System Fee credits were originally established after Metro cut its tip fee and Regional System Fee from \$75 and \$17.50, to \$62.50 and \$14, respectively. These changes in solid waste prices threatened the financial viability of solid waste recovery facilities (“MRFs”) that otherwise help reach regional recycling goals. Accordingly, Metro implemented the Regional System Fee Credit Program on a temporary basis to provide MRFs with a “soft landing” as they adjusted to the new economics of the solid waste system.

Design of the Regional System Fee Credit Program. The Regional System Fee Credit Program was designed to restore the per-ton operating margin between the two solid waste prices that Metro controls (the Metro tip fee and the Regional System Fee) to the level that prevailed when capital investment decisions on MRFs were made; and to:

- Accomplish this in a manner that also encourages material recovery
- “Make whole”^{*} only in a targeted range of recovery (approximately 35—40%).
- Encourage additional recovery by making “more than whole” in the 45—50% range

For further information on the RSF credit program, see the Appendix.

^{*} That is, restore the margin to the level that prevailed when the tip fee was \$70 and the RSF was \$15.

Policy Discussion

A General Note on Regional System Fee Credits for Out-of-District Facilities. As noted above, the original purpose of the Regional System Fee Credit Program was to provide a “soft landing” to material recovery facilities whose operating margin was significantly affected by the abrupt changes in Metro’s solid waste prices. Because out-of-district facilities were not built or operated on the basis of Metro’s solid waste fees, they could not be affected by changes in those fees. Accordingly, there is no reason to subsidize a transitional period for them.

Discussion Outline. In the discussion that follows, specific policies are described for each of three types of out-of-district players:

Designated Facilities (DFs)

These are solid waste facilities that are listed in Metro Code as eligible to receive solid waste generated within the District. The conditions under which out-of-district facilities can accept solid waste from within the District are set out in “Designated Facility Agreements.”

Non-System Licensees (NSLs)

These are haulers or generators who hold a license, issued pursuant to Metro Code, allowing them to haul solid waste generated within the District to an out-of-district facility that does not have “designated” status.

Non-Designated Facilities

Out-of-district facilities that have no relationship with Metro and should receive no solid waste from within the District.

Additional Comments on Specific Types of Out-of-District Players

Out-of-District Designated Facilities

- All out-of-district Designated Facilities are currently disposal sites (specifically, landfills). Material recovery is performed at only one or two of these facilities; and even there, only as an ancillary activity. No out-of-district Designated Facility currently appears to achieve a 25% recovery rate from mixed dry waste, the Metro standard for in-district facilities.
- As disposal sites, these Designated Facilities do not pay the Regional System Fee (because they are not *users* of the system); rather, they collect and remit RSFs from their users on behalf of Metro.
- Hence, they have made no fee payments against which Metro can apply a credit.
- As a matter of practicality, most out-of-district Designated Facilities are unlikely to receive large amounts of recoverable solid waste. Thus, any RSF credits would be small. It is questionable whether small amounts of credit would be re-invested in MRF capacity—which is the objective of the program.

Conclusion (Out-of-District Designated Facilities)

- ⇒ As long as the RSF credit program is based on crediting back a portion of the fee paid by a user on the disposal of processing residual, there is neither a philosophical reason or financial basis to extend RSF credits to out-of-district Designated Facilities.

Non-System Licensees

- Unlike out-of-district Designated Facilities, Non-System Licensees (NSLs) *are* users of the system and pay the RSF on delivery tonnage.
- However, NSLs are transporters and have no venue for performing material recovery; therefore there is no basis for establishing a RSF credit. (In this sense, a NSL is analogous to an in-district hauler.)
- For the same reason, in-district haulers are currently not eligible for RSF credits. Furthermore, at the time the RSF credit program was established, Metro Council determined that extending credits to haulers was not consistent with the RSF credit policy, was not practical, and would be prohibitively expensive in any case—this would imply that RSF credits would be available to support curbside and other source-separated recycling efforts.
- If Metro entertains extending RSF credits to NSLs—either directly or by virtue of where they take their waste—then for consistency Metro should entertain extending RSF credits to haulers.

Conclusions (Non-System Licensees)

- ⇒ As haulers, non-system licensees have no venue for application of the RSF credit program. Therefore, there is no basis for establishing a RSF credit.

Out-of-District Non-Designated Facilities

As these facilities are not participants of any aspect of the Metro system, there is no basis for participation in the Regional System Fee credit program or any other Metro program.

Notes for Discussion of Possible Changes to Designated Facility Policies

All out-of-district designated facilities are currently disposal sites. If however, Metro were to grant designated facility status to an out-of-district material recovery facility, then there would at least be a venue for determining where and how much recovery took place. However, this difference would not generate a sufficiently compelling case for extending RSF credits to out-of-district recovery facilities for the following reasons:

- *Purpose of the RSF credit program.* Any decision to build or have built an out-of-district facility should not be based on Metro fees. Hence there is no reason to subsidize its operating margin.
- *RSF a Cost to the Facility or to Users of the Facility?* Unless the facility pays a RSF on processing residual, there is no basis for a credit. This means that such a facility

would have to be exempt from collecting Metro fees (a “back door” facility). Whether or not to exempt any out-of-district facilities from collecting Metro fees is a major policy issue in itself.

- *Administration.* Administrative costs per facility would likely be significantly higher than in-district facilities because of tracking and auditing in-district and out-of-district waste streams and material recovery.

Possible Exception Conditions

Situation 1. If it comes to pass that an out-of-district facility begins to play a significant role in achieving certain solid waste policies such as waste reduction, and credits are the only practical means achieving these policies, then Metro might consider extending credits to such a facility.

Situation 2. If in the future, Metro Council changes the focus of the Regional System Fee credit program—for example, as a direct subsidy of recycling—then extending credits to out-of-district facilities is a more straightforward extension of policy than under the current purpose of the program.

As a condition under either Situation 1 or 2, Metro should establish a close relationship with the facility—say, the equivalent of a franchise—to ensure that the desired policies will be carried out.

Conclusion and Recommendation

Extending RSF credits to any of out-of-district players would not be consistent with the current purpose of the RSF credit program. Metro Council has given no indication that it intends to change the purpose of the program. Furthermore, extending RSF credits is philosophically at odds with REM’s current fee structure. If RSF credits were to be extended to out-of-district facilities, this would tend to open the door to whole new classes of in-district players that are currently not eligible for the program (e.g., haulers, transfer stations, etc.). The consequent financial and administrative expansion of the program may not be acceptable to regional ratepayers.

For these reasons, REM recommends that RSF credit not be extended to out-of-district facilities or non-system licensees. Exceptions may be considered only *if* credits are the only practical means for achieving certain solid waste policies such as waste reduction; and only then if Metro establishes a close relationship with the out-of-district facility—say, the equivalent of a franchise—to ensure that those policies will be carried out.

Appendix
Regional System Fee Credit Program
Overview

This Appendix is provided for readers who need a summary of the main elements and background of the Regional System Fee credit program.

History and Policy Background

Two years ago, when Metro Council reduced the tip fee, they also implemented a variable rate schedule for the Regional System Fee (RSF). Solid waste facility operators within the Metro District are eligible for reduced Regional System Fees on processing residual, and the fee itself depends on the facility recovery rate.

Specifically, the variable fee was established after Metro cut its tip fee and Regional System Fee from \$75 and \$17.50, to \$62.50 and \$14, respectively, within a 2-year period. These changes threatened the financial viability of solid waste recovery facilities (“MRFs”) in the following way: Metro’s tip fee sets a practical limit on the amount of revenue that a solid waste operator can charge per ton. The Regional System Fee, on the other hand, is a cost to the facility, as it is charged on residual that is landfilled. The reductions in Metro’s fees took \$12.50 per ton off revenues, but only \$3.50 per ton off costs.

In response, Metro implemented a variable Regional System Fee to restore the per-ton operating margin between the tip fee and RSF, to the level that prevailed when investment decisions on MRFs were made. The purpose of this policy was to protect regional recovery capacity by maintaining the main economic assumptions on which the MRF operation was founded.

It is important to re-emphasize that the purpose of the program was to ensure continuation of post collection recovery capacity, and *not* a direct subsidy of recycling efforts.

It is also important to note that the Council included an annual sunset provision on the variable fee. Council’s intent was to provide a temporary subsidy that allowed MRFs some time to adjust to the new economics of the solid waste system.

The amount of the RSF is a function of the facility recovery rate. The fee schedule itself is designed to:

- ❑ Restore operating margins in a manner that also encourages material recovery.
- ❑ “Make whole” only in a targeted range of recovery (approximately 35—40%).
- ❑ Encourage additional recovery by making “more than whole” in the 45—50% range.

Implementation

Examples of differential Regional System Fees that depend on recovery performance are:

<u>Recovery</u>	<u>Regional System Fee</u>
0%	\$12.90
30%	9.90
40%	4.90

Note: for administrative purposes, the differential rate is implemented by collecting the full RSF then crediting back a portion of the fee. Hence, the *Regional System Fee Credit Program* (RSFCP). For a RSF of \$12.90, the credits that produce the schedule above are:

<u>Recovery Rate</u>	<u>RSF Credit</u>	<u>Effective Regional System Fee</u>
0%	\$0.00	\$12.90
30%	\$3.00	9.90
40%	\$8.00	4.90

As shown by the example above, the RSF credits depend on the facility recovery rate. In particular, this rate is defined as follows:

$$\text{facility recovery rate}^* = \frac{\text{recovery from mixed dry waste}}{\text{recovery from mixed dry waste} + \text{residual}}$$

What Counts Toward "Recovery" in the RSF Credit Recovery Rate Formula?

- Recovery from mixed dry waste (such as construction & demolition materials) and industrial process wastes are counted toward recovery. Inert materials such as bricks may also count toward recovery if they are delivered to markets; and concrete may count toward recovery only if it is processed from mixed waste.
- Source-separated recyclable materials do not count toward recovery for purposes of RSF credit calculations. (However, an allowance for residual from processing of source-separated materials is provided in the calculation of the rate.)
- Materials used for beneficial purposes at a landfill, such as for alternative daily cover or temporary roadbeds do not count toward the facility recovery rate. (However, the RSF is not imposed on beneficial-use materials that are accepted by a landfill at no charge.)

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* The formula as administered contains several additional components, but these are primarily to correct measurement issues, and are eliminated here to avoid notational clutter.