

A G E N D A



METRO

MEETING: REGIONAL SOLID WASTE ADVISORY COMMITTEE

DATE: Monday, March 15, 2004

TIME: 3:00 p.m. – 4:45 p.m.

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

5 mins. I. Call to Order and Announcements Susan McLain
Announcements
Responses to Issues from the February 23rd Meeting
*Approval of Minutes**

10 mins. II. Solid Waste & Recycling Director's Update Mike Hoglund

60 mins. III. Planning Issues for the RSWMP Update Janet Matthews/Karen Blauer
Following January and February meetings, in which direction-setting chapters in the current Regional Solid Waste Management Plan were discussed, this month SWAC is being asked for input on key planning issues for the RSWMP update. A report on recent input from small groups of stakeholders will preface this discussion of planning issues. A preview of Phase 2 public involvement activities will also be presented.

20 mins. IV. Regional System Fee Credits: Task Force & Issues* Doug Anderson
A task force appointed by Council President Bragdon has examined Metro's policy of providing credits against disposal fees on MRF residual. Their findings and recommendations are being finalized. Meanwhile, this year's budget for the credits has been exceeded, and expenditures are on a historically high track. Council has asked staff to develop options for handling the short run in a manner that is consistent with the Task Force's recommendations for the long run. These issues are presented today for SWAC's information and comment.

10 mins. V. Budget Update Susan McLain

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

All times listed on this agenda are approximate. Items may not be considered in the exact order listed.

Chair: Councilor Susan McLain (797-1553)
Staff: Janet Matthews (797-1826)

Alternate Chair: Councilor Rod Park (797-1547)
Committee Clerk: Michele Adams (797-1649)

**Solid Waste Advisory Committee Meeting Summary
February 23, 2004**

Attendees:

David White	Steve Schwab	Doug DeVries
Mike Miller	Jeff Murray	Mike Leichner
Sarah Jo Chaplen	Anita Largent	Mike Misovetz
Dean Kampfer	Matt Korot	Susan Ziolk
Judy Crockett	Mike Huycke	Mary Sue Gilliland
Mike Hoglund	Susan McLain	Michele Adams
Scott Klag	Tom Chaimov	Doug Anderson

I. Call to Order and Announcements Susan McLain

- Councilor Susan McLain convened the meeting at 3:08 p.m.
- Approval of January 26, 2004, Meeting Summary: Mr. Matt Korot motioned to approve the summary; Mr. Mike Misovetz seconded the motion; there were none opposed; the Meeting Summary passed as read.

II. Solid Waste & Recycling Director's Update Michael Hoglund

- Mr. Michael Hoglund explained that Council had directed staff to negotiate the terms of a contract extension for operation of Metro's transfer stations. Staff will be briefing Councilors on the results of these negotiations prior to the Thursday, February 25, Council meeting when the Councilors will vote to extend the contract or release a request for proposals.
- Mr. Hoglund said that the Council President asked the Department to propose budget efficiencies, and the Department has responded. Council has a series of meetings to review the budget in March, but the Department presentations and public hearings are scheduled in April.
- Mr. Hoglund stated that the Contingency Plan Work Group recommendations, the process for implementation, additional research or analysis needed, and related public outreach would be discussed at the February 24 Council Work Session. Because implemented recommendations would be functional plans requiring local government cooperation, this topic will also be discussed at the Metro Policy Advisory Committee meeting March 10.
- Mr. Hoglund announced that the Solid Waste Rate Review Committee has finalized its recommendations in concept, but will have one more meeting to vote on the final recommendations. This year the Committee has spent a great deal of time analyzing cost allocations.
- Mr. Hoglund thanked the SWAC members that are participating in RSWMP public involvement focus groups.
- Mr. David White asked about the status of compost-related arrangements with Threemile Canyon Farms. Mr. Hoglund explained that legal issues have arisen and the status might change, but he could not elaborate.

III. Regional Solid Waste Management Plan Update Scott Klag

Mr. Scott Klag reminded SWAC that it reviewed the goal-setting chapter, Chapter 5, of RSWMP the previous month. He mentioned that the purpose of his presentation on Chapter 7 is to review the purpose, history, content, scope and progress made in implementing the Plan recommendations.

Mr. Klag reviewed the format of the recommendations, recalling that they were developed a couple of years after DEQ's designated order for Metro to do more to recycle, thus many stakeholders believed a highly prescriptive plan was necessary. The recommendations are also geared towards performance strategies. Mr. Klag noted that concerns about the region meeting goals and targets have lessened due to Metro's implementation of the Plan and reporting on implementation to DEQ.

The scope of the recommendations includes focus on the primary areas in waste reduction: residential and business practices, including organics; and the building industries, or construction and demolition (C&D). Recommendations for facilities focus on regulation and siting, transfer and disposal, and household hazardous waste (HHW).

Mr. Klag explained that waste reduction amendments have been the most significant. In the residential section there were a few minor changes in 1997. In the facilities and services section, there were amendments to regulation and siting. Transfer and disposal recommendations had significant amendments in 1997, 1998 and 2000. The HHW chapter was revised substantially in 2000.

The HHW section reflects the evolution of the thinking of SWAC and other stakeholders about how we accomplish RSWMP recommendations. The original HHW recommendations were very detailed in outlining roles and responsibilities. The amendments have made it more of a strategic framework with emphasis on education, use of alternative products and proper use and storage. Additionally, the terminology was changed from recommended practices to recommended strategies.

There are five recommendations within the HHW chapter. They include risk reduction, product stewardship, or shared product responsibility, targeting risk, and integrating education into collection services. An important part of the facilities chapter concerns utilization of public and private facilities efficiently and effectively, including using private facilities to stage HHW collection events. The round-ups and education program are a direct consequence of implementing the Plan and revisions.

In 2003, the waste reduction initiatives chapter underwent major revision. The plan was set-up to track progress in achieving the waste reduction goals and in 1999 we realized that we would not reach the 2000 goals. Therefore, the waste reduction initiatives were developed in cooperation with local governments and other stakeholders to focus on three targeted areas: C&D, commercial and organics. These three tracks emphasize the waste management hierarchy – waste reduction/prevention, recycling and then disposal. They also promote market development and the opportunity model including education and targeted outreach, such as technical assistance to businesses. Although some of the waste reduction recommendations were streamlined by amendments, the tonnage targets for the three sectors remain. Mr. Klag explained that the yearly Partnership Plan for Waste Reduction has taken the place of detailed implementation tables in the RSWMP. This allows for flexibility, while still incorporating a public process and accountability.

Mr. Klag noted that the current chapter concerning regulation and siting is thin. Nevertheless, when the Plan was adopted, these were areas of concern. For example, the yard debris system was unstable. In addition, siting facilities was difficult and the Plan called for local governments to have objective standards for siting these types of facilities. An organics facility was desired, but due to past issues with organics, people wanted to ensure that there was adequate Metro or DEQ regulation. After the Plan was adopted, Metro and DEQ adopted an inter-governmental agreement whereby Metro regulations meet or exceed the DEQ standards for yard debris processing facilities in the region. While we do not have an organics facility in the region now, at one time there was a vermicomposting facility and Metro did regulate that facility.

There are four sets of recommended practices in the transfer and disposal system chapter covering transfer stations, landfills and reload facilities. The two goals that haven't changed are to

maintaining the existing system of private general and limited-purpose landfills; and to maintain options for haulers to choose among disposal alternatives. Soon after the Plan was adopted there was an amendment to allow the siting of reload facilities that did "direct haul" to appropriate disposal facilities. The final recommendation in this chapter allows additional capacity to the region's transfer and disposal system and requires that new transfer stations perform material recovery. Mr. Klag said that this chapter would be evaluated to see if there is enough capacity, service, and access and to identify any other developments in the system.

The Plan recommendations were founded on stakeholders desire to invest in waste reduction before disposal capacity. There was an explicit prohibition against new transfer stations originally because the plan was to increase material recovery and decrease the need for additional disposal capacity. However, this was amended to allow new transfer stations. Additionally, the Plan was strongly focused on the opportunity to recycle model, in that by making services convenient and easy for people, they will use them and the recycling rate will increase. There have been discussions about moving away from the opportunity model, and to require certain sectors to use the services. There has been continued focus on the waste reduction hierarchy. Finally, maintaining flexibility and encouraging innovation has been achieved through adaptability in the system, not through one-size-fits-all recommendations. There are two constraints on the system – that it should be performance oriented and cost-effective using targeting and tracking.

Councilor McLain questioned Mr. Klag's bullet point, "are we done?" Mr. Klag clarified that he was referring to the transfer station and disposal section. Councilor McLain's said that she doesn't agree with that question being asked because it is policy laden and has more to do with Councilor's views on transfer stations.

Mr. David White and Mr. Jeff Murray complimented Mr. Klag on his presentation.

IV. Cost Model

Tom Chaimov

After a brief break, Mr. Chaimov explained that this cost model is in response to Metro's increased focus on cost analysis, for example, in relation to the transfer station operations contract and the agency's budget. It has been on the department's to do list for several years, but because staff has not had time a consultant was retained to develop this model. It is more-or-less complete, but inputs are being calibrated and assumptions refined. Mr. Chaimov explained that the model is designed to evaluate the cost impacts of management and operational decisions. The structure is complex and has limited flexibility. Operations cannot be optimized or reengineered using this model. However, there are many input variables including tonnage profiles (number, size and types of loads), hours of operation, pay rate for job types, staffing levels, recovery rate, per ton revenue available when materials are sold at market, fixed costs, and variable costs such as utilities. The basic outputs are per ton costs. The benefit of this model is that big changes can be quickly tested to estimate approximate change from baseline. Mr. Chaimov then reviewed the examples that were included in the agenda packet.

Ms. Judy Crocket noted that in the policy change example, tonnage was reduced by 25 percent and asked if, for example, only dry waste could be reduced. Mr. Chaimov replied yes, there are many detailed options for manipulating inputs.

Mr. Murray noted that in the example it is assumed that if Metro Central closed on the weekend, the tonnage missed would instead arrive during the week. However, it is more likely that most of it would end up elsewhere. Mr. Chaimov agreed.

Mr. Steve Schwab asked how Metro did on the tonnage forecast. Mr. Chaimov thought that actual tonnage was within one percent of the forecast. Mr. Schwab then asked if the Rate Review

Committee (RRC) used the tonnage forecast. Councilor McLain replied that the RRC has looked at the model and components comprehensively this year.

Mr. White asked if this model would be used internally, and noted that stakeholders would have to have confidence in the model also when basing decisions on it. Mr. Hoglund remarked that he is familiar with that issue from his past in working with transportation and integrated land use models. What they did was to hold a technical work session for those that are interested. Mr. Hoglund also noted that this is version one of the model and it will be updated; it is not the end all for decision-making. Councilor McLain added that a policy session covering strategy and concept could precede a technical work session. She agreed that this model should be reviewed for practicality.

Mr. Dean Kampfer asked if there is an expected use of this model. Mr. Chaimov replied that he is confident that there will be many uses, but some issues driving the need for this model have already been resolved. Mr. Hoglund added that this could be a useful tool in calculating franchise tonnage caps this summer. Councilor McLain agreed that this model would provide Council with sophisticated analysis of potential impacts of a policy decision on the system. Mr. Doug Anderson noted that Metro's transfer station costs are the contract costs. One of the original purposes of this model was to assist in evaluating transfer station operation costs. Mr. Kampfer asked if this model would be incorporated into the operations contract. Councilor McLain replied that would be something to consider.

IV. Other Business and Adjourn

Susan McLain

As there was no further business, Councilor McLain adjourned the meeting at 4:36 p.m.

Documents to be kept with the record of the meeting (copies available upon request):

Agenda Item I:

- Meeting Summary of the January 26, 2004, SWAC meeting (included in agenda packet)

Agenda Item III:

- RSWMP Recommendations, Strategies and Implementation (overview of presentation; included in agenda packet)
- RSWMP Draft Summary of Recommended Solid Waste Practices (included in agenda packet)
- RSWMP Update – Recommendations (handout)

Agenda Item IV:

- A New Analytic Tool: Overview of Metro's Transfer Station Cost Model (included in agenda packet)
- A New Analytic Tool: Example Output from Metro's Transfer Station Cost Model (included in agenda packet)
- A New Analytic Tool: Example Output from Metro's Transfer Station Cost Model (revised; handout)

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Regional Solid Waste Advisory Committee
March 15, 2004
Regional System Fee Credits
Recommendations of the Task Force and Related Issues

ISSUE & BACKGROUND

In 1998, Metro implemented a program of credits against Regional System Fees (later to include excise tax credits) paid on process residual by material recovery facilities, or “dirty MRFs”. The credits were originally designed to provide temporary cost relief so MRFs could adjust to the new economic climate after Metro reduced its tip fee. Subsequently, the Council changed the policy of the program to support of post-collection recovery from mixed dry waste. The redesigned program under the new objective has been in place for a little over a year.

After last year’s budget deliberations, the Council directed the Council President to convene a task force to take an independent and objective look at the credit program. The Task Force examined questions of program efficiency, fairness, consistency with other waste reduction policies, and alternatives. The Task Force’s draft findings, comments, and recommendations are:

General

- ❑ The Task Force takes as “given” the adopted regional waste reduction goals, and in particular, the 62% recovery target.
- ❑ In the absence of such waste reduction goals, markets alone would drive the most economically efficient recovery system. However, this solution would not necessarily achieve other policy objectives such as environmental sustainability or reduction of toxics. Cost-benefit analysis would be an appropriate method for evaluating these other policy objectives.
- ❑ Because disposal remains a relatively cheap and readily-available option, the 62% target does not appear achievable without some form of market intervention. Information comparing the credits with other options would be needed to determine if the credits are the best—or even a cost-effective—form of market intervention.
- ❑ The Task Force recommends that Metro determine what would be the regional recovery rate in a completely market-driven system. Then, there would be a common baseline for discussing and evaluating programs designed to boost recovery above the “market” level.
- ❑ The credits result in recovery of some materials that would not otherwise be recovered. However, the Task Force has no basis for knowing if the benefits of this additional recovery equal or exceed the additional cost.
- ❑ The Task Force understands that Metro is examining regulatory approaches toward recovery, such as mandatory processing of certain wastes. The Task Force recommends using a cost-benefit framework for deciding among these approaches. In general, the Task Force finds regulatory approaches *philosophically* inconsistent with incentive approaches such as credits.

Immediate Term (this fiscal year): The Task Force declined to make a recommendation.

Medium-Term (~1 year)

Certain adjustments could make the credits more effective and administration more efficient:

- ❑ Because certain materials would be recovered without the credits, these materials could be excluded from the facility recovery rates on which credits are based. This would reign in spending with little or no impact on regional recovery.
- ❑ Eliminate the current credit schedule which depends on recovery rates in favor of a simple two-tiered Regional System Fee—one flat rate for MRF residual and another, higher, rate for all other solid waste. This would simplify administration substantially but might not offer as much incentive for the highest recovery rates.
- ❑ In lieu of—or in addition to—the recommendation above, lower per-ton credits across the board would reign in spending, but would also likely reduce recovery.

Long-Term (beyond 1 year)

- ❑ Credits should be phased out under any of the following conditions hold:
 - The credits are not achieving their stated objectives (higher recovery, higher rate)
 - The region's recovery rate goal is achieved, or the goal is revised downward
 - A more efficient form of market intervention replaces the credits
 - MRFs are able to recover their full costs via tip fees, i.e., “at the front door”

The timing and length of phase-out should balance cost, implementation of other programs, and the amortization of private investments made in response to the credits.

- ❑ The current measure of post-collection recovery performance is the facility recovery rate. Credits are based on this measure. The Task Force finds that a better measure is the proportion of recoverable material in the residual that is landfilled. Metro may wish to investigate the use of residual assaying as a tool for measuring post-collection recovery performance, and as a basis for credits.
- ❑ To ensure efficiency and avoid conflicting objectives, Metro should coordinate decisions on recovery incentive programs such as credits, with regulatory approaches such as those that emerged from the RSWMP Contingency Plan group (e.g., mandatory MRFing).
- ❑ In particular, if mandatory MRFing becomes a reality, Metro should consider eliminating credits and repealing the 25% minimum recovery rate requirement on facilities.

BEFORE THE COUNCIL

Solid Waste & Recycling staff briefed Council on the information above at the Council public Work Session on March 2. In addition, staff made the Council aware of this year's budget status: recent payouts have averaged almost \$110,000 per month, which is on a record expenditure track of \$1.25million for the whole year, against a budget of \$750,000.

Staff provided the Council with options for action, related to the short-, medium and long-term

recommendation framework of the Task Force:

❑ Immediate-Term Options (this fiscal year)

- Maintain the status quo payout track (\$1.25 million total payout projected).
- Target a number higher than the budget but less than the track (i.e., between \$750,000 and \$1.25million) and extend the program through June.
- Stand with the budget. (The budget was exhausted the first week of February 2004.)

⇒ *As a result of this discussion, Council directed staff to file a resolution setting forth an additional \$425,000 of payouts through June 2004 (\$1.175 million total). This resolution will become the basis for a public discussion during April on the appropriate steps to take for the balance of this year.*

❑ Medium-Term Options (transition from this year to the long term)

- Consider revisions to the recovery rate and/or the credit schedule.
- Consider implementing the two-tier credit schedule.
- The Rate Review Committee has recommended a new rate structure that will reduce the need for credits. Consider this in the design of the program and the FY 2004-05 budget.
- Consider the timing of mandatory MRFin implementation.

❑ Long-Term Options (through June 2005 & beyond)

Make decisions about the program considering all of the issues that affect post-collection recovery. Known issues and decision processes:

- Recommendations of the Task Force
- Implications of different rate structures
- RSWMP contingency implications
- RSWMP update process

ACTION REQUESTED

SWAC is invited to raise questions, discuss, and comment on any aspect of this briefing, from the findings and recommendations of the Task Force, to the options put forth by staff.