

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF CONSIDERING THE)	ORDINANCE NO. 01-920
APPLICATION OF RECYCLE AMERICA FOR A)	
METRO SOLID WASTE REGIONAL TRANSFER)	Introduced by Mike Burton,
STATION FRANCHISE)	Executive Officer

WHEREAS, Recycle America has applied under the provisions of Code chapter 5.01 for a Solid Waste Facility Franchise to operate a regional transfer station; and

WHEREAS, the Executive Officer has found that, although Recycle America is qualified to operate a regional transfer station and that Recycle America would be likely to comply with all other applicable regulatory requirements, Recycle America has not sufficiently shown that granting it such authority would be consistent with the Regional Solid Waste Management Plan or that the proposed franchise would meet all of the requirements of Metro Code section 5.01.060; and

WHEREAS, the Executive Officer has recommended denial of the application and has forwarded that recommendation to the Council; and

WHEREAS, we have reviewed Recycle America's application, the report from the staff of the Regional Environmental Management Department, and the recommendation of the Executive Officer; and

WHEREAS, we have considered all of the criteria we are required to consider as provided in Metro Code section 5.01.070; and

WHEREAS, we find that the applicant has demonstrated that granting its proposal would result in lower net system costs, that it would be unlikely to unreasonably adversely affect nearby residents, property owners or the existing character or expected future development of the surrounding neighborhood, and the strong likelihood that it will comply with all applicable laws, rules, requirements, and standards pertaining to its proposed facility; and

WHEREAS, applicants for new regional transfer stations must demonstrate consistency with the Regional Solid Waste Management Plan, including a demonstration that the new authorization will provide a net benefit to the region; and

WHEREAS, important elements of net benefit include, but are not limited to, whether service in certain areas of the region deemed to be "underserved" will be improved, whether vehicles carrying solid waste will be likely to use the nearest transfer station, whether there will be a net system cost reduction that will be passed on to the region's ratepayers, and whether material recovery operations in the region will be preserved and enhanced; and

WHEREAS, the applicant has failed to sufficiently demonstrate that all of these elements would be satisfied if the requested franchise were to be granted; and

WHEREAS, we conclude, on balance, that granting this application will not result in a net benefit to the region and that, therefore, it would not be consistent with the Regional Solid Waste Management Plan; now therefore,

THE METRO COUNCIL RESOLVES AS FOLLOWS:

The application of Recycle America for a solid waste facility franchise to operate a regional transfer station is hereby denied.

ADOPTED by the Metro Council this ____ day of _____, 2001.

WITHDRAWN
David Bragdon, Presiding Officer

ATTEST:

Approved as to Form:

Recording Secretary

Daniel B. Cooper, General Counsel

**EXECUTIVE SUMMARY
ORDINANCE NO. 01-920**

**FOR THE PURPOSE OF CONSIDERING THE APPLICATION OF RECYCLE AMERICA FOR
A METRO SOLID WASTE REGIONAL TRANSFER STATION FRANCHISE**

PROPOSED ACTION

Approval of Ordinance No. 01-920 will deny Recycle America's application for authorization to operate as a regional transfer station. Recycle America is presently franchised as a local transfer station and material recovery facility. Approval of this ordinance will not change Recycle America's current status or obligate it to take on more responsibilities.

WHY NECESSARY

Recycle America has submitted a regional transfer station application for Council consideration. The Council must make a decision within 120 days (by October 26) or a franchise will be granted automatically.

DESCRIPTION

Recycle America is located at 869 NW Eastwind Drive, Portland, Oregon (Metro District 1) and has been operating as a franchised local transfer station and material recovery facility since December, 1998. Approval of Resolution 01-920 will deny authority for Recycle America to operate as a regional transfer station.

ISSUES/CONCERNS

The applicant has not demonstrated a sufficiently certain, large or equitably distributed net benefit to the system if authorization to operate as an uncapped regional transfer station is granted. Specifically, there is insufficient evidence that materials recovery will be significantly enhanced, cross-hauling by affiliated hauling companies may offset potential VMT savings in underserved areas, transportation savings are unlikely to be fully reflected in reduced collection rates, the public investment in Metro South and Central may not be sufficiently protected, and there is a likelihood of disruption of the regional solid waste system.

BUDGET/FINANCIAL IMPACTS

The budget impact for FY 2001 - 2002 on Metro if the Council were to grant Recycle America's application would be between \$350,000 and \$600,000, assuming operation as an uncapped regional transfer station commenced on January 1, 2002. The loss in excise tax revenue for the same period would be between \$10,000 and \$20,000. Metro tip fees would rise as a result of its revenues declining more than its costs with a large shift in tonnage to Recycle America.

STAFF REPORT

IN CONSIDERATION OF ORDINANCE NO. 01-920, FOR THE PURPOSE OF CONSIDERING THE APPLICATION OF RECYCLE AMERICA FOR A METRO SOLID WASTE REGIONAL TRANSFER STATION FRANCHISE

Date: September 17, 2001

Presented by: Terry Petersen

BRIEF DESCRIPTION OF ORDINANCE

Waste Management of Oregon, Inc. presently operates the Recycle America facility under Metro authorization as a local transfer station and material recovery facility (SW Franchise No. F-001-99). Recycle America is located in Troutdale, within Metro Council District 1 (see Map 1 for location). In addition to its authorization to operate as a local transfer station, Recycle America is also franchised to direct-haul solid waste to the Columbia Ridge Landfill but is restricted to delivering no more than 50,000 tons of solid waste annually to solid waste disposal sites. Council approval of Ordinance No. 01-920 will deny Waste Management's request for a regional transfer station franchise at Recycle America. The primary effect of this action would be to retain the facility status in the current Recycle America franchise. This ordinance would not obligate Recycle America to perform additional functions required of regional transfer stations under Metro Code Section 5.01.125(d)¹.



Entrance to Recycle America

EXISTING LAW

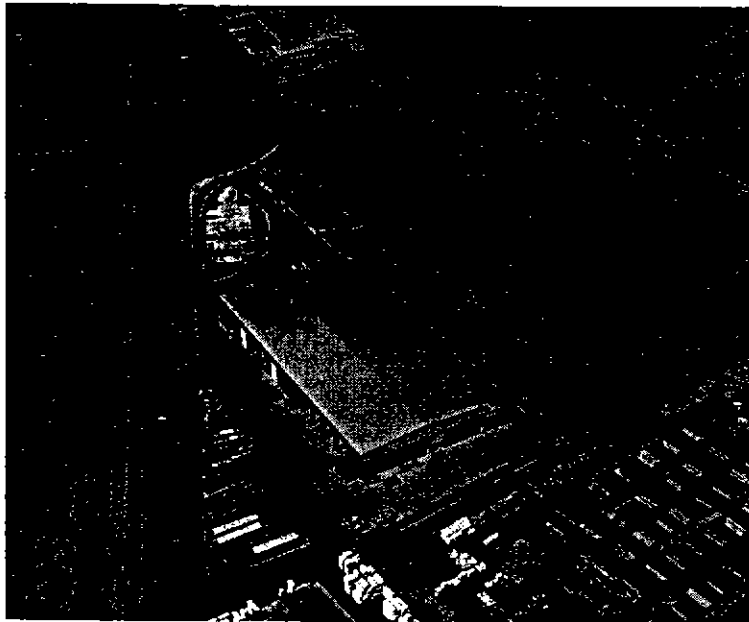
Metro Code Section 5.01.045(c) requires a Metro franchise to operate a regional transfer station. Only the Metro Council can approve solid waste facility franchises [Metro Code 5.01.070(a)] and the decision to approve or deny is made following an investigation and recommendation by the Executive Officer [Metro Code 5.01.070(b)].

¹ The functions required in Section 5.01.125(d) are to accept all public customers, provide free public drop-off of source separated recyclables, and accommodate periodic Metro-sponsored household hazardous waste collection events.

BACKGROUND

Recycle America's application follows a change in Metro policy to allow consideration of additional, privately owned regional transfer stations within the region. Columbia Environmental has also submitted a regional transfer station application, but it has been deemed incomplete pending the applicant's acquisition of local land use approval from the City of Portland and a permit from the Oregon Department of Environmental Quality.

Recycle America's application has been evaluated against the backdrop of the Metro Code, the Regional Solid Waste Management Plan (RSWMP) and Metro policies in place at the time of the submittal. However, many of the policy choices, laws and regulations surrounding private transfer stations are currently under consideration by the Metro Council. The result of these decisions may affect the Council's final balancing of whether or not to issue a franchise to Recycle America at this time.

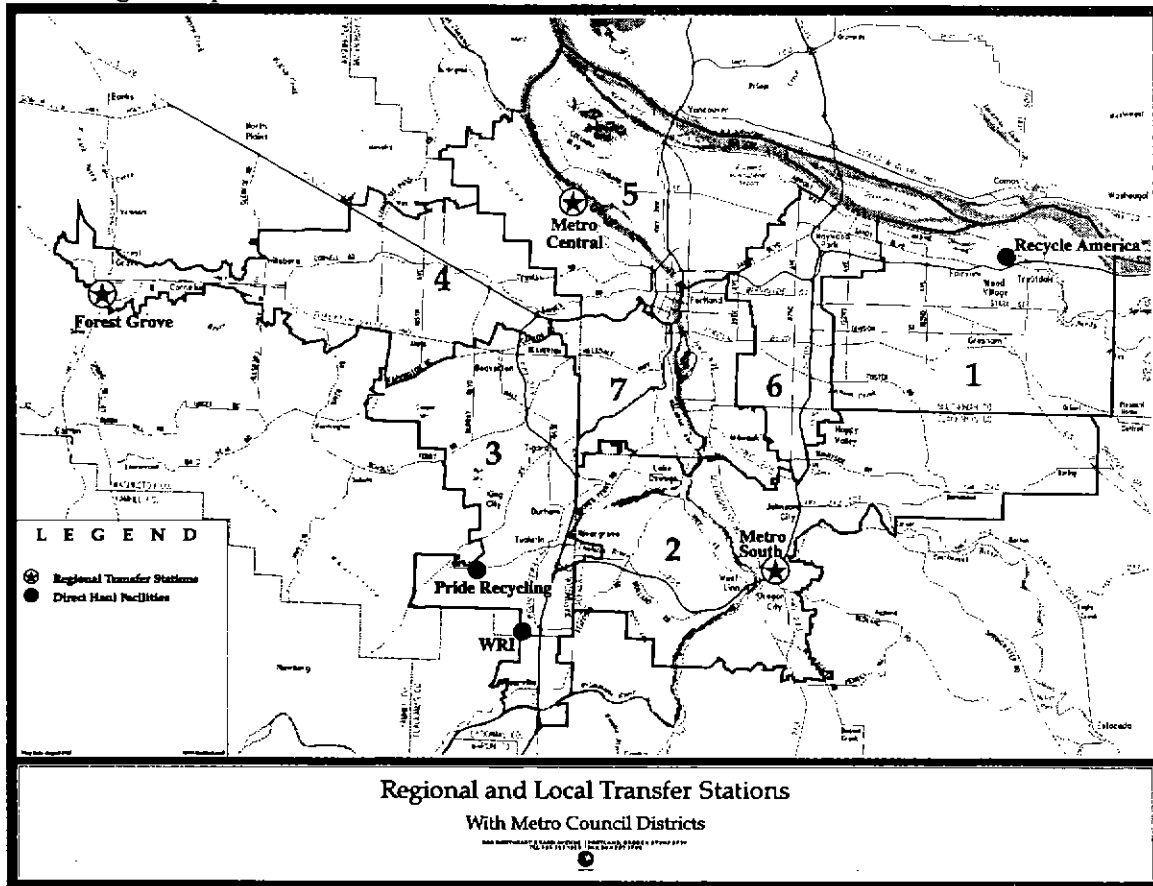


Aerial View of Recycle America

Changes to the Regional Solid Waste Management Plan (RSWMP) and the Metro Code

The regional solid waste system and the solid waste industry have changed considerably since the RSWMP was first approved in 1995. In 2000, Metro established a framework to consider expanding the existing solid waste transfer and disposal system. The current system includes two public and one privately owned regional transfer stations; three local transfer stations; two dry waste material recovery facilities; and two nearby dry waste landfills. There also are numerous other specialized processing, composting and reload operations throughout the region. Additional transfer facilities are located in Clark County, Washington and are used to process some solid waste generated within the Metro region. Other general and limited purpose landfills are found throughout Oregon and

Washington and serve as disposal destinations for solid waste generated within the Metro region. The following map locates the primary facilities where waste generated in the Metro region is processed or transferred:



Map 1: Major Metro Solid Waste Facilities

The Metro Council amended Metro Code Chapter 5.01 by adopting Ordinance No. 00-866 in June 2000. The amendment created two distinct classifications of transfer stations: local, which are currently limited to the disposal of less than 50,000 tons of solid waste annually; and regional, which are authorized to dispose of 50,000 or more tons of solid waste annually. Regional transfer stations are also obligated to accept all public customers, provide free public drop-off of source separated recyclables, and accommodate periodic household hazardous waste collection events. Both local and regional transfer stations must recover at least 25 percent of incoming mixed non-putrescible waste and self-hauled waste.

Ordinance No. 00-865, also adopted in June 2000, amended the RSWMP to allow the Council to consider applications for new regional transfer stations. Under the amended RSWMP, consideration of new privately owned regional transfer stations could occur only under specified circumstances. Ordinance No. 00-865 does not by itself authorize any new transfer stations. Rather, it provides a vehicle by which the private sector can apply to operate a new regional transfer station or expand a local transfer station to become a regional one. The Ordinance also established a general framework in which the Council can consider an application.

The Application Process

Recycle America representatives met with Metro staff for a pre-application conference on September 18, 2000. Recycle America submitted its first formal regional transfer station franchise application on October 30, 2000. That application was withdrawn on February 12, 2001. The present application was submitted on June 1, 2001 and was substantively amended on June 28, 2001. The Council must approve or deny the application within 120 days of the date the application was amended (by October 26, 2001) or the franchise will be deemed granted (Metro Code 5.01.070(g)).

Key Elements of Proposed Franchise by Applicant

Waste Management proposed several key points as part of the franchise application package. The applicant indicated reduced transportation costs, net Vehicle Miles Traveled (VMT) savings and reduced air pollution. One of the major features of the proposal is to reduce the tip fee at Recycle America from \$68.25/ton to \$60.50/ton. In addition, the applicant proposed specific language to be included in the franchise agreement that lays out specific circumstances in which the applicant would adjust its tip fee. The applicant does not tie a tip fee increase at its facility to a tip fee increase at Metro or other facilities. The applicant has proposed using this fee setting methodology unless or until the Metro Council decides to set rates region-wide.

Public Comment

Notice of Recycle America's application and an opportunity to submit written comment was provided by Metro to all Metro-area local governments, Solid Waste Advisory Committee (SWAC) members, and other interested parties. Metro's response to comments and the applicant's response to comments are included in Appendix A of this staff report. Comments were received from the following:

- **Clark County, Washington, Solid Waste Program.**
- **City of Fairview, Oregon.**
- **East County Recycling (ECR).**

Copies of all of the written comments are available for review upon request. Additional opportunities for public comment will be available at the Council's Solid Waste and Recycling Committee hearing and the Metro Council's hearing when the applicant's request is considered.

DESCRIPTION OF EVALUATION CRITERIA

This section (**Description of Evaluation Criteria**) serves as a starting point for the Council to consider explicit criteria in determining whether to deny or authorize the issuance of a franchise. In the next section (**Net Benefit Analysis**), staff of the Regional Environmental Management Department (REM) provide a detailed discussion and

analysis on major issues in a topical format but with the following evaluation criteria in mind.

Metro Code

Metro Code 5.01.070(f) provides that the Council “shall consider but not be limited by” the following five criteria.

- 1.) The applicant has demonstrated that the proposed Solid Waste Facility and authorized Activities will be consistent with the Regional Solid Waste Management Plan [Metro Code 5.01.070(f)(1)];*
- 2.) The applicant has demonstrated that the proposed Activity will result in lower net System Costs, if such a showing is required by section 5.01.060 [Metro Code 5.01.070(f)(2)];*
- 3.) Granting a Franchise to the applicant would be unlikely to unreasonably adversely affect the health, safety and welfare of the District’s residents [Metro Code 5.01.070(f)(3)];*
- 4.) Granting a Franchise to the applicant would be unlikely to unreasonably adversely affect nearby residents, property owners or the existing character or expected future development of the surrounding neighborhood [Metro Code 5.01.070(f)(4)]; and*
- 5.) The applicant has demonstrated the strong likelihood that it will comply with all the requirements and standards of this chapter, the administrative rules and performance standards adopted pursuant to section 5.01.132 of this chapter and other applicable local, state and federal laws, rules, regulations, ordinances, orders or permits pertaining in any manner to the proposed Franchise [Metro Code 5.01.070(f)(5)].*

In addition, Metro Code 5.01.070(c) requires the Executive Officer to formulate recommendations regarding whether the applicant is qualified, whether the proposed franchise complies with the RSWMP, whether the proposed franchise provides sufficient information required of all applicants in Metro Code 5.01.060, and whether the applicant has complied or can comply with all other applicable regulatory requirements.

RSWMP Consistency

Since Recycle America is seeking authority to operate as a full service regional transfer station, one of the primary issues is determining consistency with the RSWMP (Metro Code 5.01.070(f)(1)). The primary method to determine consistency with the RSWMP is to evaluate whether granting the application will result in an overall net benefit to the existing solid waste system.

The additional following criteria were considered by staff in evaluating whether the Recycle America application is consistent with the RSWMP. These criteria also guide the staff in weighing net benefit of proposed activities. These criteria are adopted in the RSWMP and stipulated in Section 12 of Administrative Procedure No. 101.

- A.) The proposed facility will provide a net benefit to the regional solid waste system. [AP No. 101, Section 12, 12.3.2.1]*
- B.) The proposed facility will be located where it will provide more uniform access to residents, businesses, and solid waste haulers within the under-served areas. [AP No. 101, Section 12, 12.3.2.2]*
- C.) The proposed facility will improve system efficiencies in those areas of the region that are under-served. [AP No. 101, Section 12, 12.3.2.3]*
- D.) The proposed facility will provide a full range of public services that serve a broad or regional market. [AP No. 101, Section 12, 12.3.2.4]*
- E.) The proposed facility will preserve and enhance the region's material recovery capacity. [AP No. 101, Section 12, 12.3.2.5]*

NET BENEFIT ANALYSIS

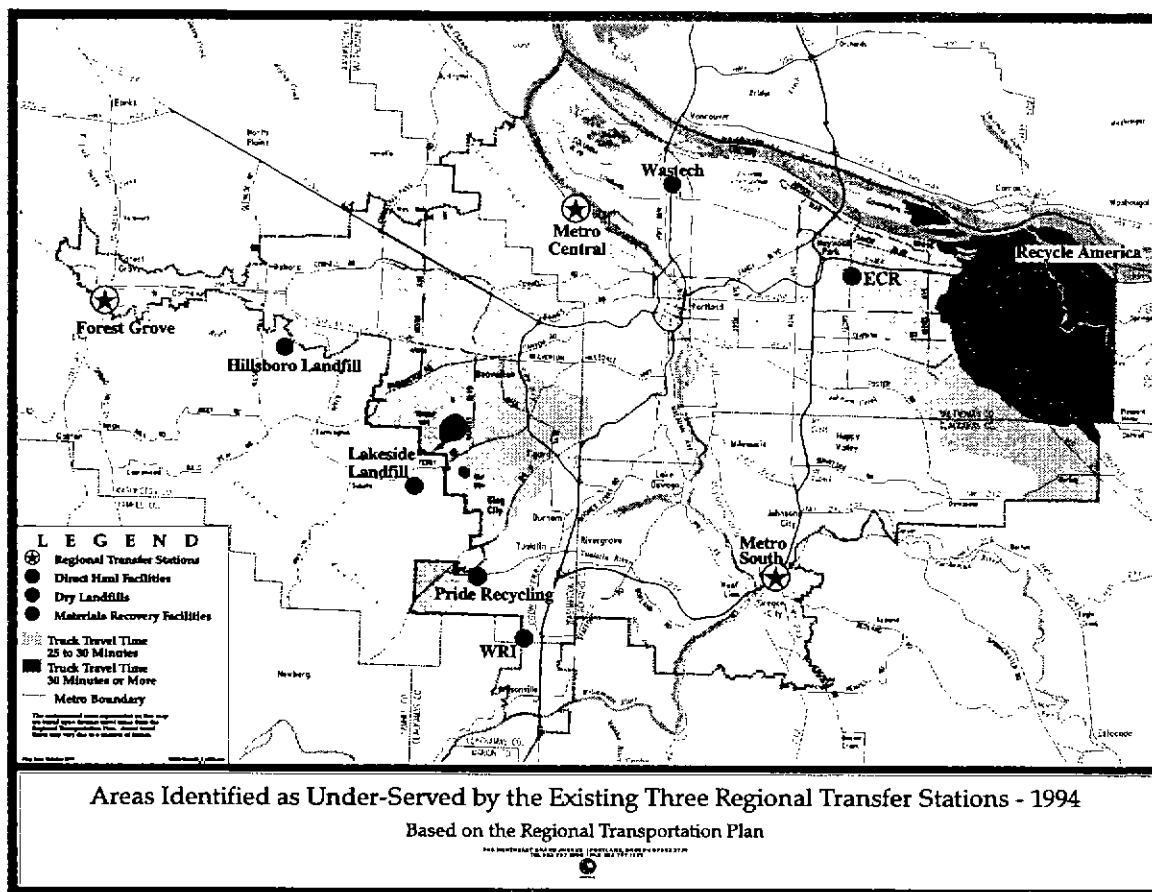
In conformance with the RSWMP, the recommendation regarding the applicant's proposal is based on the likelihood that granting a regional transfer station franchise to Recycle America will meet all the evaluation criteria and produce a clear and certain net benefit to the region. Demonstrating net system cost reduction is one part of the equation in predicting whether a net system benefit will accrue. There are a number of additional factors that have been weighed in arriving at this recommendation regarding net system benefit.

The earlier section on **Description of Evaluation Criteria** lists the five required Code criteria that the Council must consider in determining whether to authorize the issuance of a Franchise. However, the Council is not limited to considering only these criteria. The Council must, in the public's interest, consider the magnitude of any anticipated net system benefit for a proposal with as far reaching effects as the approval of a new regional transfer station. The decision does not lend itself to a simple pass or fail on the codified criteria alone.

In the following section, REM staff provides comment and analysis on each of the issues considered. This section is intended to assist the Council in its consideration and weighing of the issues as it deliberates over its decision.

Under-Served Areas

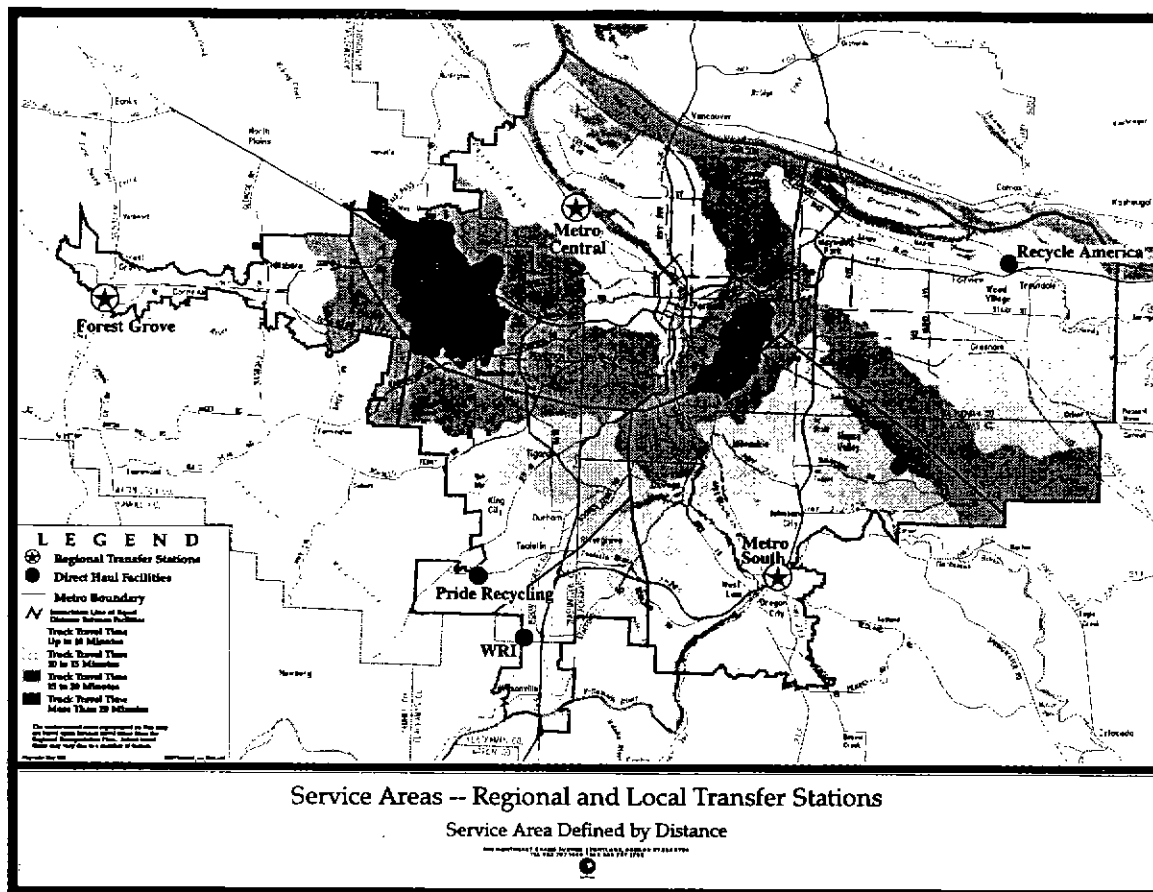
At the time the RSWMP was last amended in 2000 to allow consideration of new regional transfer stations, underserved areas were defined as areas more than 25 minutes travel time from an existing *regional* transfer station. This was also the definition used in Metro's official regional transfer station franchise application form. According to this definition, the northeast corner of the region, the area where Recycle America is sited, is one of the region's two underserved areas, the other being the Beaverton-Aloha area in eastern Washington County (see Map 2).



Map 2: Areas Underserved by Current Regional Transfer Stations

In its capacity as a local transfer station, however, Recycle America already serves a large portion of the northeast corner of the region previously identified as underserved. In addition, dry waste MRFs such as East County Recycling (ECR) and Wastech provide additional service for self-haul and recoverable dry waste within this area but were not considered in the original designation of underserved areas.

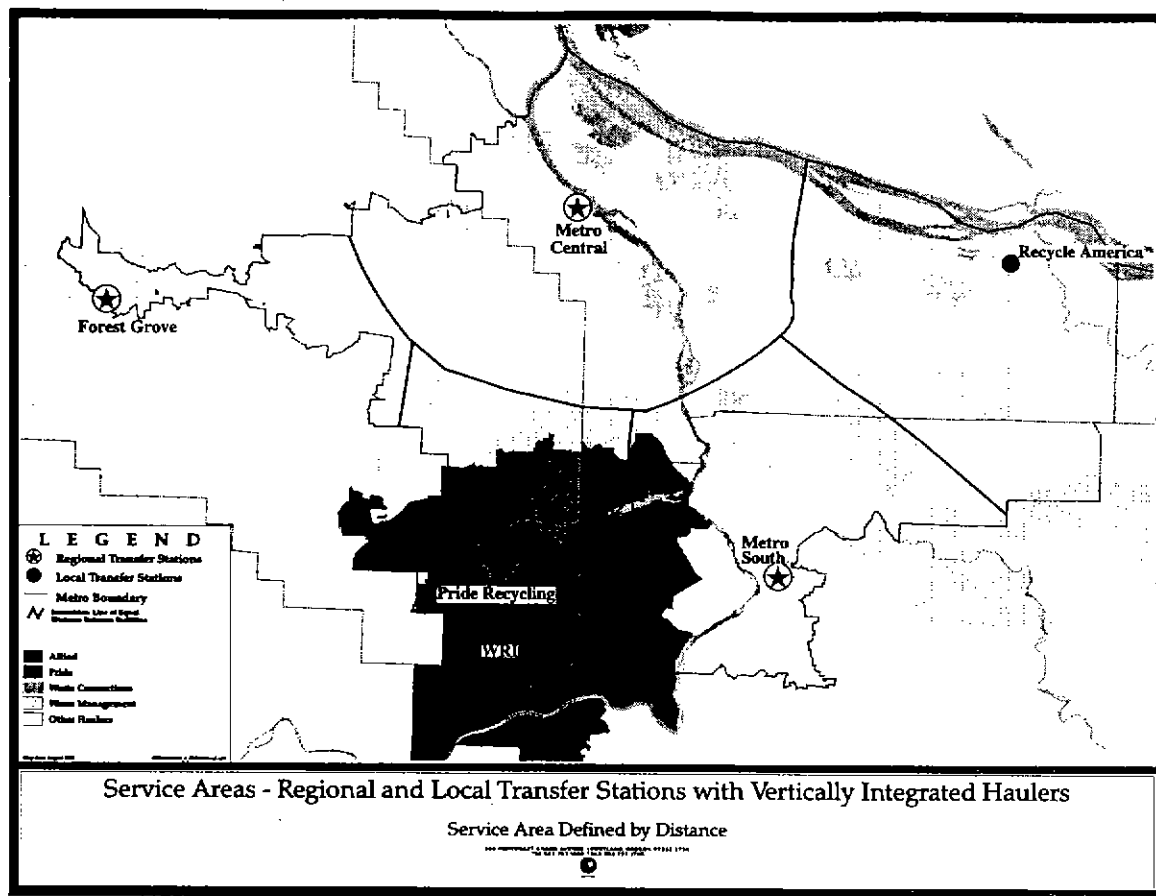
When both regional *and* local transfer stations are considered, the remaining underserved area in the eastern part of the region would shrink down to a band surrounding Recycle America's current service area and would include mainly curbside waste collected by residential waste haulers. This area is underserved, not because it is too distant from a solid waste facility, but rather because of Recycle America's (1) 50,000-ton cap and (2) decision to serve some of its own haulers located further away rather than some nearby independent haulers. (See Map 4 for Waste Management-affiliated haulers in relation to distance from Recycle America.)



**Map 3: Areas Served by Regional and Local Transfer Stations
(Defined by Distance)**

Notably, because the current 50,000 ton cap at Recycle America crowds out some nearby independent local haulers, it allows Recycle America to accept more waste at greater profit from its affiliated hauling companies. Some of the affiliated routes may be located further from the facility than local haulers' routes, however. It appears appropriate and consistent with the RSWMP to authorize Recycle America for some amount greater than 50,000 tons in order to enable it to better serve the presently underserved haulers without cutting off affiliated haulers. Alternatively, Recycle America could be required to service nearby local haulers to the exclusion of its own haulers located farther away from the facility.

However, granting regional transfer station status to Recycle America and *completely eliminating the cap* will not improve the travel time from some areas that are currently located 20 or more minutes away from the facility. (See dark areas on Map 3.) Since no new transfer stations, either local or regional, are being located closer to the dark areas on Map 3, approval of Recycle America's application will not improve the travel time or distance between these areas and the closest transfer station. However, a lifting or eliminating of the cap will undoubtedly better serve some of the haulers closer to the Recycle America facility.



**Map 4: Areas Served by Regional and Local Transfer Stations
with Affiliated Haulers Indicated
(Defined by Distance)**

Applicant's Tonnage Model

The Recycle America facility is currently franchised by Metro as a local transfer station and is limited to dispose of no more than 50,000 tons of solid waste per year. In 2000, the applicant received approximately 53,327 total tons of solid waste and disposed of 49,188 tons. Dry processing residual accounted for approximately 6,000 tons of disposal. For purposes of analysis, the applicant estimates current annual deliveries at 43,671 tons of wet waste and 8,081 tons of dry waste.

The applicant estimates that it will receive an additional 139,905 tons of solid waste per year if authorized to operate as an uncapped regional transfer station. The applicant's system cost analysis is based on its projected annual increase of 108,521 tons of wet waste, 13,568 tons of dry waste and 17,816 tons of self-haul, for a total of 139,905 additional tons. The total tonnage including current tonnage would be 191,657. These estimates are based on the results of a waste flow model developed by EcoNorthwest, an economic consulting firm retained by the applicant.

The model used by EcoNorthwest is similar in many respects to Metro's Solid Waste Flow Simulation Model. Like Metro's model, EcoNorthwest's model assigns waste from Transportation Analysis Zones (TAZ's) to facilities in a strictly economic based on minimization of the sum of the transportation cost and tip fee. Most of the data used in the model, including waste generation rates, travel times, waste volumes, load size, and travel cost are the same as used by Metro. While the underlying algorithm used to assign the waste to facilities is different in the two models, the approach used by the applicant is well accepted and should produce results similar to the model developed by Metro.

The applicant's model distributes the waste in the region to a limited suite of only five facilities (see Map 1). These include Metro Central, Metro South, Wastech, East County Recycling and Recycle America. The model did not include other facilities such as Waste Connection's two Clark County facilities that also have an impact on the system. Unlike Metro's model, the applicant assigns residential waste from the region to franchised haulers and then considers the locations of the haulers' garages in assigning the waste to a particular facility. For example, waste could be assigned to a transfer station that was not the closest transfer station if the hauler's garage was closer to that transfer station.

While the estimated solid waste tonnage that the applicant predicts will go to its facility is within the same order of magnitude as projected in earlier analyses based on Metro's Solid Waste Flow Simulation Model, it is significantly greater than the amount that staff currently anticipates. This over-estimate of tonnage consists of three elements.

- 1) Out-of-District Waste: The first element involves approximately 12,400 tons of waste from outside the Metro boundary that the applicant's model assigns to its facility. This tonnage is primarily from Clackamas County and includes waste from areas served by the Sandy Transfer Station, which is operated by Waste Management, Inc. The model assigned this waste to Recycle America primarily because of where the commercial haulers serving this area maintain their garages. While it is possible that some portion of this waste will be delivered to Recycle America, it is inappropriate to consider it in the computation of system cost since it is not system waste. Therefore, cost reductions associated with this waste are not system cost reductions.
- 2) Waste Connections: A review of detailed model results provided by the applicant show that the model directs about 9,400 tons of waste to Recycle America from franchised areas served by a subsidiary of Waste Connections (Arrow Sanitary Services). This waste is currently delivered to facilities in Clark County under authority of a non-system license. There is no indication that this hauler would use Recycle America, if available, even though the location of the hauler's garage is convenient to Recycle America. If the applicant had sufficient data on the facilities in Clark County and information on that hauler's internal costs, it is likely that the model would not have directed the waste to Recycle America.
- 3) Self-haul Waste: The applicant estimates that the facility will receive 17,820 tons of self-haul waste. This exceeds Metro's self-haul tonnage projection. Metro staff has acknowledged that the confidence level for any model to project self-

haul tonnage is far less accurate than for projecting commercial wet and dry tonnage. This is due, in part, to the different economic factors affecting the behavior of self-haul customers versus commercial customers in choosing to travel to one facility over another. Previous analyses by Metro omitted self-haul tonnage from system cost analyses due to the uncertainties involved in estimating this tonnage. Based on Metro's experience with similar models, it is probable that actual self-haul tonnage will be less than half of that predicted by the applicant's model. Based on previous analyses using the Waste Simulation Model developed by Metro, staff estimates that the total self-haul waste delivered to Recycle America will be approximately 7,000 tons.

Based on the changes discussed above, Metro staff estimates that, without any tonnage cap, Recycle America would receive an additional 108,096 tons as follows: 90,392 tons of wet waste, 10,709 tons of dry waste delivered in drop boxes and 6,995 tons of new self-haul waste. The total tonnage including current tonnage would be 159,848 tons. Thus, Metro's estimate of a likely uncapped flow is 31,809 fewer tons of solid waste than the applicant's estimate. Of this total tonnage, 18,129 tons is wet waste, 2,859 is dry waste and 10,821 is self-haul waste. Staff used these reduced tonnage estimates to develop Metro's estimate of system cost reductions (as well as Metro's fiscal impact estimate discussed later in this report).

Table 1 summarizes and compares Recycle America's actual tonnage for calendar year 2000 with projected calendar year tonnage in 2001. The table also indicates the annualized amount of tonnage projected by Waste Management and Metro if the applicant's request to become a regional transfer station were granted:

Table 1: Solid Waste Tonnage Model Comparisons				
	Wet Waste	Dry Waste	Self-Haul	Total
2000 Actual	47,327	6,000	0	53,327
2001 Projected (by WMI)	43,671	8,081	0	51,752
Annual Projected Increase as RTS (by WMI)	108,521	13,568	17,816	139,905
Annual Projected Increase as RTS (by Metro)	90,392	10,709	6,995	108,096

NOTE: The tonnage discussion presented above is predicated on the assumption that the model captures all of the most significant decision variables and that the applicant and other users of the system will behave in an economically rational manner that is correctly described by the models used. Metro presumes that the model's results will remain relatively stable for a reasonable period of time. One factor that is not a part of the model is that companies under common ownership with the applicant control waste streams totaling almost 300,000 tons per year (see Map 4). Private business decisions by those companies, changes in their framework, could result in a shift of additional waste to Recycle America from affiliated haulers. Such a shift could significantly increase the

actual tonnage received at the facility beyond what the model indicates because the model is based solely on minimization of the sum of travel costs and posted tipping fees. The model does not take into consideration the probability that the effective internal “tip fee” of a hauler affiliated with Recycle America is much lower than the posted, public tip fee.

Cross Regional Hauling and VMTs

The applicant has estimated that granting this franchise will reduce vehicle miles traveled (VMT) by 821,000 miles annually. REM staff has determined that the applicant inadvertently included the VMT reductions for the waste already going to the facility in this total. The actual savings based on the applicant’s model will be approximately 771,000 miles annually. As discussed earlier, staff’s estimates of tonnage that will be delivered to this facility are somewhat lower than the applicant’s. This reduction in tonnage will result in lower VMT savings. Staff estimates that the stated VMT savings should be reduced by 25,000 miles due to out-of-district waste, 6,500 miles for Waste Connection’s waste and about 33,000 miles due to less self-haul tonnage. Staff estimates total annual VMT savings of about 707,000 miles based on the applicant’s model. In addition, there will be a reduction in miles traveled between the landfill and the facility of between 120,000 and 186,000 miles per year.

The following Table 2 compares staff’s estimate of VMT savings with the applicant’s.

Table 2: Recycle America Franchise Application Estimate of Annual VMT Savings		
Delivery Mode	Applicant Estimate	Metro Estimate
Compacted	200,782	188,073
Drop Box	10,639	9,757
Self Haul	559,816	509,050
Totals	771,238	706,880

In both estimates, the bulk of the savings, 72-73%, arises from diversion of self-haul waste, primarily from Metro transfer stations and East County Recycling. As discussed earlier, Metro’s experience indicates that deliveries of self-haul waste are difficult to predict. Therefore the magnitude of VMT savings from self-haul is uncertain. On the other hand one should also note that Metro’s estimate of self-haul tonnage is 60 percent lower than the applicant’s, yet staff’s estimate of VMT savings is only about 10 percent lower.

The dual objectives of reduced cost and reduced VMT, in some respects are conflicting rather than complementary goals. This is because reduced tip fees may attract waste to a facility from greater distances. Enabling more nearby haulers to utilize Recycle America will certainly result in a VMT reduction. However, as waste begins to flow in from areas that are closer to other transfer stations, VMT reductions will be offset by increases in VMT’s from these more distant areas. This effect is demonstrated to a degree by the applicant’s own model. The applicant’s model estimates a VMT savings *over the status quo*. However, because the low tip fee attracts an inflow of waste from Transportation Analysis Zone’s (TAZs) that are actually closer to *other* transfer stations, the result is still

suboptimal compared to the VMT savings that would be realized if each hauler were to utilize the nearest facility.

In addition, it is implicit in the applicant's model that haulers are blind to transfer station ownership and choose disposal sites based solely on the sum of the travel cost and the posted tip fee. It should be acknowledged, however, that it is generally in a company's interest to utilize its own facilities rather than its competitors, and that the internal cost for a hauling company to utilize an affiliated transfer station is likely to be less than the posted rate. This reality is clearly reflected in the transfer station utilization patterns that actually exist in the Metro region. In reality, vertically integrated haulers use unaffiliated transfer stations only for loads collected very near those transfer stations. This is the reason that waste generated in areas served by Waste Connections is likely to continue to be delivered to Waste Connections' Clark County facilities even though the distance to Recycle America (and Recycle America's public tip fee) would be less. For these same reasons, staff believes that, in the complete absence of a cap, hauling companies affiliated with Recycle America are likely to cross-haul from much greater distances than indicated by the model. If that were to happen, then a net reduction in VMTs is not at all assured. (See Map 4.)

Impact on Metro Transfer Stations

The effect on Metro's fiscal position and Metro customers of granting a franchise to Recycle America is discussed in this section. The main cause of any fiscal impact to Metro would be the shift of revenue bases (tons and transactions) from Metro transfer stations to a new or expanded regional transfer station. If additional solid waste is delivered to Recycle America, then Metro will lose the transaction fees and tip fees that would have been levied on that tonnage had it gone to Metro. Of course, Metro's costs also drop with the shift in tonnage. For example, no expenses are incurred for transfer, transport and disposal if the tons do not show up at Metro's transfer stations. Metro's costs and revenues, however, do not drop dollar-for-dollar. In fact, Metro loses revenue somewhat faster than it sheds costs when tons are shifted to private facilities. *The net difference between cost reductions and revenue reductions is the fiscal impact.*

The applicant estimates that if this franchise is granted, 126,700 tons per year will shift from Metro transfer stations to Recycle America. Based on the analysis presented earlier, REM staff estimates a smaller shift of 95,000 tons away from Metro facilities. The estimated revenue tonnages are indicated in the following Table 3.

Table 3: Revenue Tonnage (First full year)			
Facility Ownership	Status Quo	Applicant Estimate	Metro Estimate
Metro	659,234	532,502	564,311
Non-Metro	557,103	677,916	650,553
Total	1,216,337	1,210,418	1,214,864

As mentioned above, Metro's revenues fall faster than costs when tonnage is shifted to private facilities—in this case, Recycle America. The following Table 4 quantifies this effect. The estimated impact is based on the current Metro fee structure including a \$5.00 transaction fee, \$62.50 tipping fee and a \$12.90 regional system fee.

Table 4: Changes in Metro Revenue if the Franchise is Granted (First full year)		
	Applicant Tonnage Estimate	Metro Tonnage Estimate
Cost Reduction	\$4.7 million	\$3.6 million
Revenue Reduction	\$5.9 million	\$4.3 million
Surplus (shortfall)	(\$1.2 million)	(\$0.7 million)

There are multiple causes for the differential change in costs and revenues. Some of the key impacts which explain Metro's shortfall in Table 4 are described below.

1. *Structure of the transfer station operations contract.* Shifts of variable costs are largely fiscally neutral. For example, it costs Metro about \$14 per ton to transport waste to Columbia Ridge Landfill. This same \$14 is a component of the tip fee. If waste shifts to another facility, Metro does not collect the \$14. But it also does not incur the \$14 cost. However, the transfer station operations contract has a declining block rate structure. This means that the transfer station operations contractor's rate per-ton increases as the amount of tonnage decreases. Staff estimates that the per ton cost for transfer station operations will increase between \$0.20 and \$0.35 per ton.
2. *Fixed costs.* Metro currently incurs certain fixed costs for operating the transfer stations (e.g. administration, renewal and replacement of equipment, scalehouse costs). By definition, fixed costs do not vary with tonnage. These costs are about \$3.5 million per year. The loss of tonnage from Metro facilities due to granting of this franchise would increase the per ton rate required to recover these costs by between \$0.97 and \$1.37 per ton.
3. *Delivery to an exempt facility.* Metro exempts private facilities from fees on everything except waste disposed of in a landfill. In contrast, Metro levies fees on all solid waste that is delivered for disposal to its own transfer stations (Metro Central and Metro South) as does the Forest Grove Transfer Station. This means that fees are levied on any material that is ultimately recovered at Central and South. However, Metro will forego regional system fees on recyclable material that is recovered at Recycle America. This contributes to the fiscal effect, and is part of the 1,500 to 5,900 ton drop in revenue base. This results in a loss of revenues generated by the Regional System Fee of between \$19,000 and \$76,000 per year, with no anticipated increase in recovery.



WASTE MANAGEMENT

7227 N.E. 55th Avenue
Portland, OR 97218
(503) 331-2221
(503) 331-2219 Fax

October 16, 2001

Councilor Bill Atherton
Metro
600 NE Grand Ave.
Portland, OR 97232-2736

Dear Councilor Atherton,

Waste Management of Oregon has applied under the Metro code for a regional transfer station. The application is scheduled for a hearing tomorrow afternoon. Waste Management has, however, decide to withdraw the application from further consideration. Please remove the application from tomorrow's agenda.

Sincerely,

A handwritten signature in black ink, appearing to read 'Adam C. Winston'.

Adam C. Winston
Division Manager

Cc: David Bragdon
John Houser

4. *Material recovery.* The Recycle America facility qualifies for system fee credits based on its recovery rate. The system fee credits resulting from recovery from this waste will increase Metro's costs for credits by \$20,000 to \$79,000 per year, with no anticipated increase in recovery.

The applicant has proposed a lower tipping fee and a proposed methodology for controlling increases in the tipping fee. Staff is not certain how effective the proposed methodology will be in controlling tipping fee growth. The method does appear to limit tipping fee growth to reflect Recycle America's actual cost increases rather than being tied to the Metro tip fee increases.

Finally, if Metro increases its tip fee to recover its costs, any increase to the Metro tip fee will increase the overall system cost. Furthermore, many regional solid waste facility tip fees have historically mirrored Metro's tip fee, this impact to the system may well be magnified. In addition, it is also possible that the gap between Metro's tip fee and Recycle America's could set in motion a spiral of continuously increasing per ton costs at Metro facilities as more and more tons shift to Recycle America, further increasing Recycle America's economies of scale and diminishing Metro's.

System Cost

Metro Code requires an applicant to demonstrate that granting its application will result in a lower net system cost when proposing to engage in direct-haul. Administrative Procedures require that the REM Department generate findings regarding the effect on net system costs for all regional transfer station applications.

System Cost Overview

The RSWMP provides a policy to guide decisions regarding the authorization of additional transfer stations. Goal 3 of the RSWMP states, "The costs and benefits to the solid waste system as a whole are the basis for assessing and implementing alternative management practices." Objective 3.1 goes on to define "system cost" (defined in Metro Code Section 5.01.010 as the sum of the dollar amount expended for collection, hauling, processing, transfer and disposal) as the "primary consideration" for evaluation "rather than only considering the effects of individual parts of the system."

As part of revising the RSWMP to allow consideration of authorizing additional transfer stations in the Metro region, a planning-level analysis of the potential system impacts of two new transfer station facilities was conducted. Metro retained the firm R.W. Beck to assist with this analysis.² Waste Management's Recycle America facility in Troutdale was one of the facilities considered in the study. The R.W. Beck report concluded that authorizing these two facilities to operate as regional transfer stations would result in overall net system cost reductions to the Metro region compared to the existing system in which these facilities operate as local transfer stations. The report estimated total

² System Impact Assessment. R.W. Beck. April 25, 2000.

combined cost reductions for both facilities in the year 2000 of \$972,000 and \$1,282,000 in year 2010 (2000 dollars).³

Administrative Procedure 101, Section 12, stipulates that the analysis shall consider whether the applicant for a franchise “has demonstrated that the proposed Activity will result in lower net System Costs.” Metro developed a methodology for the system cost analysis as a part of the administrative procedures for franchise applications. This applicant elected to conduct a more detailed analysis of system costs than contemplated by Metro. While the applicant did not utilize the format suggested by Metro, the analysis itself is consistent with the basic assumptions employed in Metro’s methodology. An underlying assumption of this methodology is that all costs associated with processing, transfer and disposal of solid waste are reflected in the tipping fees of either the facility losing the waste or the proposed fees of the facility receiving additional waste. Transportation cost reductions are calculated separately. (On the other hand, internal costs at vertically integrated operations are not always reflected in the posted public tip fee. However, access to this information is held confidential by most solid waste operations.) The applicant’s analysis of system cost reductions is discussed in the following paragraphs. Metro staff has prepared estimates showing the change in computed reductions that result if the tonnage delivered to the facility conforms to the adjusted estimate based on the three elements listed earlier. (See “Applicant’s Tonnage Model” (1) Out-of-district waste, (2) Waste Connections’ tonnage; and (3) Self-haul tonnage.)

System Cost Considerations

As indicated earlier, Metro Code defines System Cost as “the sum of the dollar amounts expended for collection, hauling, processing, transfer and disposal of all Solid Waste generated within the District.” Rather than re-calculate all costs for the system, the methodology outlined by Metro is intended to estimate the difference in net system cost that would result from the additional tonnage anticipated to be diverted from Metro facilities to the applicant’s facility if the franchise is granted. The following considerations are key to understanding the system costs conclusions:

Tipping Fees as a Surrogate for Transfer and Disposal Costs

A basic assumption used in the system cost analysis is that all costs to process, transfer and dispose of solid waste are included in a facility's tipping fee. The implication of this assumption is that any increase or decrease in the processing, transfer and disposal costs will be reflected in the applicant's tip fee. Therefore, if the applicant's tip fee is the same as the tip fee charged by the facility that had previously received the waste, there would be no change in system cost. However, if an applicant's tip fee increases or decreases, there would be a corresponding increase or decrease in system cost.

Recycle America’s proposed tipping fees for both wet and dry wastes are \$60.50 per ton, or \$2.00 per ton less than the rate presently charged at Metro facilities. In

³ The system cost reductions in the R.W. Beck report are not the same as the applicant’s analysis primarily because of differences in projected tonnage of solid waste anticipated to be processed at Recycle America.

addition, the applicant does not plan to charge a per load transaction fee (currently \$5/load at Metro facilities). More than half of the system cost reductions computed by the applicant result from the lower tipping fee and the lack of a transaction fee. In addition, the tipping fee proposed by the applicant represents an even greater reduction over the \$68.25 per ton fee currently charge for wet waste (\$68.25) for dry waste (\$64.00). Due to such reductions, a significant portion of the system cost reductions computed by the applicant are due to savings on waste already going to the facility.

The applicant estimates savings of about \$1,048,500 due to the \$60.50 tipping fee and lack of a transaction fee. Of these reductions, \$360,000 accrues to waste that is currently delivered to the facility and the remainder is for new waste that is currently going to other facilities. Metro estimates that these tip fee savings will be approximately \$809,000 based on staff's lower estimate of tonnage that will be diverted to the facility.

It should be emphasized that these estimates of a reduction in system-wide transfer and disposal costs could vary between \$809,000 and \$1,048,500, and are predicated on Metro's current tip fee of \$62.50 per ton. For the reasons explained above under "Impact on Metro Transfer Stations," Metro's per-ton costs will increase as tonnage shifts from Metro to new regional transfer stations, which may result in an increase in Metro's tip fee.

Transportation Costs

For purposes of the applicant's system cost analysis, the change in transportation costs projected to be realized by waste haulers is computed based on the difference in time it takes to transport the waste from the collection route to the transfer station and for the hauler to return to the yard where it stores its collection vehicles. Based on the system cost analysis provided by the applicant, reductions of \$663,600 are projected for the first 12 months of operation. The applicant developed a waste flow model to estimate transportation cost reductions. The methodology used and the basic assumptions are similar to those used by Metro. If the lower tonnages estimated by Metro staff are used, the transportation savings are reduced slightly to approximately \$624,000.

Local Rate Decisions

System cost reductions are only realized by ratepayers when the local rate setting authority recognizes this savings by reducing the collection rates or offsetting a proposed rate increase. Because local governments set collection rates, and because these rates are based on certified costs, there is a possibility that reductions realized by commercial users of Recycle America could translate into benefits to ratepayers through fee reductions.

However, some local government rate setting officials and haulers have indicated, at meetings of the Solid Waste Advisory Committee and the Council's Solid Waste and Recycling Committee, the difficulty in factoring in all such reductions,

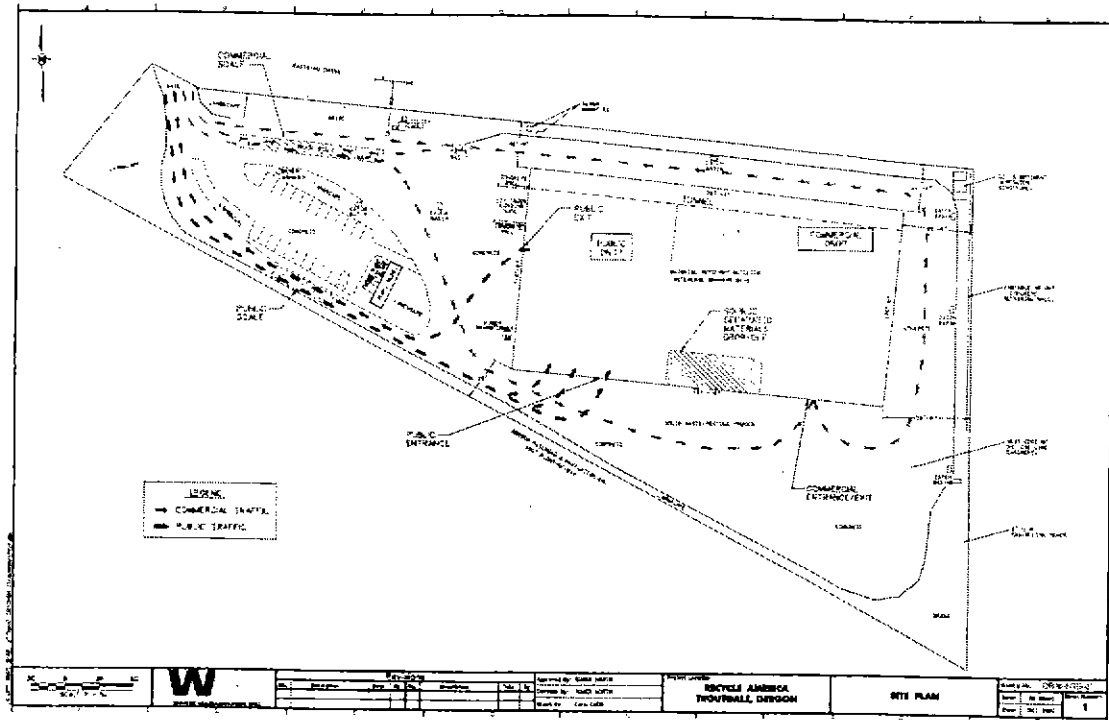
especially transportation cost reductions. This is due to two reasons. First, local government rate setting officials do not compute rates based on a category entitled "transportation costs." Rather, such costs are part of many other factors such as labor costs, fuel costs, maintenance costs, etc. It would, therefore, be very difficult for a local government to shave dollars off such reported accounts based on the belief that a hauler was not going to the closest transfer station. Second, rates are set for an entire geographic locality based on averages, not on hauler-specific basis. Thus, for example, if only one hauler in a locality realized any transportation savings, such savings might be insignificant in terms of setting rates for the entire locality.

It is reasonable to predict gross system cost reductions for Recycle America of between the \$1.4 million (as estimated by REM staff) and \$1.7 million (as estimated by the applicant) during the first 12 months of operation as a franchised regional transfer station. However, the overall net system cost reduction would be offset by approximately \$700,000 (using Metro's projected tonnage levels) or \$1.2 million (using the applicant's projected tonnage levels) when the cost of the increased tip fee at Metro is subtracted from the equation. This, of course, presumes fees collected at the Metro transfer stations will increase commensurate to cover the cost of operating the public transfer stations. (See the previous discussion of fiscal impact on Metro and the Executive Officer's Recommendation on page 23 for further discussion.)

Material Recovery

Metro Code requires all licensed and franchised facilities to recover at least 25 percent by weight of non-putrescible waste accepted at the facility that is waste delivered by public customers or in commercial drop boxes. The RSWMP provides that an applicant's ability to show it will preserve and enhance the region's material recovery capacity is an element of the net benefit analysis. The applicant has indicated that it intends to maintain a recovery rate of 30 percent to 35 percent while slightly increasing the total tonnage of dry waste from which recovery takes place (staff estimates about a 17,700-ton increase including self-haul tonnage). Some of this additional dry tonnage will likely be drawn from facilities that are already doing substantial recovery, such as East County Recycling in Portland, and therefore does not represent additional regional recovery.

The applicant indicates that recovery at the facility will be accomplished by manual floor sorting of dry waste. Based on Metro's experience at its own facilities, staff believes that the applicant may have difficulty in meeting the required 25 percent recovery rate, and is unlikely to meet the more aggressive 30 to 35 percent rate noted in the application. One of the key reasons for this concern is the amount of floor space that will be needed to handle the anticipated self-haul traffic at the facility. The Recycle America facility plan shows that no less than one-third of the floor space in the facility will be used to handle self-haul customers. Based on Metro's tonnage estimates, which are more conservative than the applicants, this means that 19,000 tons of dry waste delivered in commercial vehicles and 134,000 tons of wet waste will have to be handled in the remainder of the building. When required maneuvering space and floor storage for sorting are accounted for, staff questions whether there will be sufficient space to support the required recovery activities.



Recycle America Facility Plan

The degree to which Recycle America's recovery potential would be realized may be partly dependent on the functional relationship between Recycle America and the Wastech material recovery facility, located in Portland and also operated by Waste Management. It appears that Wastech will become Waste Management's primary processing center for residential and commercial source-separated recyclables and mixed waste recovery while Recycle America will primarily function as a solid waste transfer station with floor sorting of mixed dry waste. For example, the sorting line previously located at Recycle America has been moved to Wastech. It is unclear what effect this will have on total recovery for the two facilities combined. It is also unclear how transportation costs will be affected if recyclables generated closer to Recycle America are delivered to Wastech, or if material is transferred between the facilities. Although it appears that each facility will play a more specialized and complimentary role in the processing of putrescible and recoverable wastes, the relationship of the two facilities was not fully discussed in the application.



View of Tipping Floor at Recycle America

In summary, staff concludes that there is no assurance that the applicant will receive a substantial proportion of non-putrescible waste in the long term or that the total recovered tons at the facility will change if Recycle America becomes a regional waste transfer facility.

Compliance History

The applicant has been in continuous compliance with all applicable Metro regulations throughout the history of its operation. The applicant reported a 1999 violation of Federal Aviation Administration regulations related to shipping and transportation of a hazardous material package. The applicant also reported several violations, cited by the Oregon Department of Transportation (ODOT), in 1997 of federal regulations pertaining to random drug and alcohol tests, maintenance of driver records and limits on hours drivers may work within a given week. After an explanation by the company, the issue was dropped by ODOT. None of the violations materially affects staff's conclusion that the applicant has demonstrated a strong likelihood of compliance with all applicable laws and regulations.

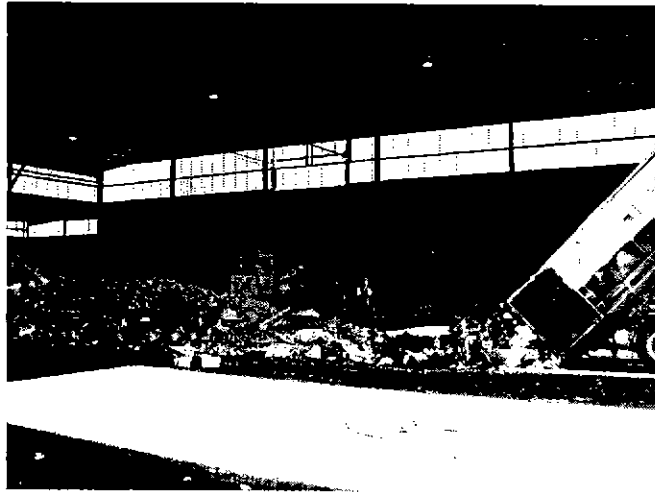
Public Impact

Public Services

The applicant has indicated that it intends to accept non-affiliated commercial haulers and public customers during the Metro-specified times of 8:00 AM – 6:00 PM Monday through Friday and 9:00 AM – 5:00 PM on Saturday and Sunday. The applicant will also maintain a free public drop-off area for source-separated recyclable materials at the facility and provide an area for periodic collection of household hazardous waste at the facility.

Health, Safety, and Welfare

The Recycle America facility is permitted by the Department of Environmental Quality and has operated as a MRF since July 1996, and as a local transfer station since December, 1998 without adversely affecting the health, safety, or welfare of the District's residents. During the time Recycle America has been in operation, Metro has never received a complaint regarding the facility.



Load being Tipped at Recycle America

Effect on Surrounding Area

The applicant has obtained a conditional use permit from the City of Troutdale authorizing it to operate as a regional transfer station provided that it constructs specified turn lanes at the corner of Marine Drive and Eastwind Drive. The facility is located in an industrial zone. It is well screened by landscaping and has been operating as a local transfer station since December 1998 without problems. Increasing the intensity of use from a local transfer station to a regional transfer station is unlikely to unreasonably adversely affect nearby residents, property owners or the existing character or expected future development of the surrounding neighborhood.

BUDGET IMPACT (FY 01/02)

Solid Waste Revenue Fund

Granting this franchise would reduce Metro's net solid waste revenue by between \$700,000 to \$1.2 million in FY 01-02. That figure is based on the staff assumption that the applicant would have operated as a regional transfer station effective July 1, 2001. The actual budget impact will depend on exactly when the applicant actually begins receiving increased solid waste tonnage. For example, if Recycle America were to commence operation as a Regional Transfer Station on January 1, 2002, then the budget impact would be about half, or between \$350,000 and \$600,000.

No budget impact is expected in future years, as future budgets will reflect the new system configuration with Recycle America as a regional transfer station.

General Fund

Solid waste excise tax revenue would fall \$20,000-\$50,000 below FY01-02 current forecasts, assuming Recycle America operated the full year as a regional transfer station. The actual revenue impact would depend on exactly when the applicant begins receiving increased solid waste tonnage. For example, if Recycle America commenced operation as a regional transfer station on January 1, 2002, then the impact would be about half, or between \$10,000 and \$25,000.

The per-ton excise tax would self-adjust per Metro Code Chapter 7.01 to collect the appropriate revenue after the first full calendar year of Recycle America's operation as a regional transfer station.

EXECUTIVE OFFICER'S RECOMMENDATION

The Metro Code requires the Executive Officer to formulate recommendations to the Metro Council "regarding whether the applicant is qualified, whether the proposed Franchise complies with the Regional Solid Waste Management Plan, whether the proposed Franchise meets the requirements of [Metro Code] section 5.01.060, and whether or not the applicant has complied or can comply with all other applicable regulatory requirements." (See Metro Code 5.01.070(c).) In addition, the Metro Code requires the Council to consider five criteria when deciding whether to grant or deny an application for a regional transfer station franchise, but the Code explicitly provides that the Council need not be limited by only those five criteria. The previous analysis in this report has addressed all of the issues that the Executive Officer is required to analyze, as well as all five of the criteria the Council is required to consider.

The Executive Officer finds that the applicant is qualified to operate a regional transfer station and has complied and can comply with all other applicable regulatory requirements. The Executive Officer also finds that the application meets the requirements of Metro Code 5.01.060(a), (b) and (c).

The Executive Officer believes, however, that the most important criteria is demonstration by the applicant that the proposed new facility will be consistent with the RSWMP. (See Metro Code 5.01.070(c) and (f)(1), and 5.01.060(d) and (e)(2)). The RSWMP provides that new transfer stations may be considered when disposal services have been impaired by either of two factors: inadequate capacity or inadequate access. It should be emphasized from the outset that the region's current transfer stations have more than adequate capacity to accept, manage, and transfer all of the region's waste for many years to come. If a new regional transfer station is to be granted, therefore, the primary rationale must be improved access. Moreover, the RSWMP also specifically provides that a regional transfer station may be approved if it will provide a net benefit for the region. Thus, to grant an application for a regional transfer station, an applicant must demonstrate that the benefits of doing so outweigh the costs that will accompany such a decision.

The net benefit analysis of the applicant's proposal does not lend itself to a simple pass or fail analysis of a list of objective criteria; rather, it requires the weighing and balancing of several different factors. Further, we know through experience that significant changes to the system carry with them a strong likelihood of unforeseen disruption and unintended consequences. Given this, prudence demands that new regional transfer station franchises be approved only if the potential benefits are large and certain enough to outweigh potential risks to the system or if conditions are placed on an operation to minimize the risk of disruption.

Taking into consideration the changes made to the RSWMP just over a year ago to allow consideration of new transfer station applications and the rationale that led to those changes, the Executive Officer concludes that the most important issues to be considered are whether:

- (1) service in certain areas of the region deemed to be "underserved" will be improved and vehicles carrying solid waste will use the nearest transfer station,
- (2) there will be a net system cost reduction, and if there are savings, that they will be passed on to ratepayers, and
- (3) material recovery operations in the region will be preserved and enhanced.

Underserved Areas and Use of Nearest Transfer Facilities

One of Metro's key objectives in deciding to consider the establishment of additional regional transfer stations was to provide for better access within underserved areas. Functionally, "underserved areas" have been defined as areas within the region that are more than 25 minutes from a transfer station that will accept putrescible waste. As a local transfer station, Recycle America already has the authority and capacity to serve a substantial portion of the area in the far northeast corner of the region. In other words, the underserved area currently is not as large as originally identified (see Map 2, page 7). Moreover, the original identification did not take into account the existence of dry waste material recovery facilities in the region, such as the ECR and Wastech facility located in that area. Nevertheless, the area that was originally designated as underserved covered an area that generated more than 50,000 tons of putrescible waste. In addition, as a regional transfer station, Recycle America would be required to be open to the public, and it will therefore make more services available in that portion of the region for self-haul service, notwithstanding that ECR currently provides service to many self-haul customers in that area. Thus, granting Recycle America's application would undoubtedly result in better service to some limited underserved areas and customers, and for some types of wastes.

An important problem, however, is that granting the application, and eliminating the 50,000 ton cap, may actually result in the shipment of some waste to Recycle America from areas that are closer to other transfer stations. For example, Recycle America currently ships waste to its facility from some of its affiliated haulers across portions of the region, notwithstanding that other transfer stations are closer to where that waste originates. (For example, residential waste is currently transported by Waste Management trucks from Milwaukie to the Recycle America facility even though Milwaukie is closer to Metro South). We can only presume that Waste Management's

internal costs are significantly less than the posted rate despite the higher tip fee at Recycle America (\$68.25) than at Metro South (\$62.50). It can be anticipated that, if this transfer station is approved and the cap is lifted at Recycle America, Waste Management affiliates from other portions of the region will also start using the Recycle America facility rather than the nearest transfer station (see Map 4, page 9 for other franchised hauling areas). This was not what was intended when the RSWMP was amended in 2000. (Moreover, it also should be noted that even if this application is approved, areas of the region that are 20 minute or more away from Recycle America in travel time will remain 20 minutes or more away. See Map 3, page 8 for distances from transfer stations.) Thus, granting regional transfer station status to Recycle America may improve access to a limited part of the region's underserved areas, but it also may encourage additional cross-region hauling of waste.

Net System Cost Reduction and Likelihood It Will Be Realized By Ratepayers

Staff estimates that the net system cost reduction by granting this application will be \$700,000. This represents the difference between system cost reductions due to Recycle America's lower tip fee and reduced transportation costs of approximately \$1.4 million (based on staff's estimate using the applicant's system cost model) and the increase in Metro's gross tip fees that will be required to keep the Metro transfer stations whole of approximately \$700,000.

There are two important points to take into consideration, however, when interpreting these net reductions. First, the ultimate goal of reducing system cost is intended to benefit citizen ratepayers by providing them with the lowest practicable cost solid waste recycling and disposal service. A key question, then, is whether the system cost reductions resulting from granting a new transfer station will be passed on to ratepayers. This question goes to the efficacy of local governments' ratemaking systems to pass on the cost reductions of the kind predicted here. Those systems are generally based on a review of local haulers' costs, including tip fees, labor, fuel, vehicle maintenance, etc. It has been publicly noted by local government officials and at least one hauler representative that it is exceptionally unlikely that the local ratemaking systems would be able to incorporate the projected transportation savings into new rates since transportation costs are not independently counted as they were in the model used by the applicant or in Metro's model. In reality, such costs are very difficult to accurately and reliably track and count.

Moreover, although Recycle America's commitment to have a lower tip fee would be easier to pass through to ratepayers, the larger localities in the region that have more than one franchised hauler base their ratemaking on an average of such costs across all haulers. Thus, for haulers in the City of Portland, for example, the fact that a few haulers may be able to take advantage of a lower tip fee may very well not result in any rate change. In short, although Metro must to a certain degree rely on local governments to be responsible for passing system cost reductions through to ratepayers, the fact is that the ratemaking systems currently used may not be well suited to pass on such costs in this instance.

Additionally, even if it could be assured that savings would be passed through to ratepayers, it must be recognized that granting regional transfer station status to Recycle America would create both winners and losers. That is to say, residents in franchised areas close to Recycle America whose haulers began using that facility might see a savings in their garbage bills as their local governments factored the greater transportation efficiencies and tip fee savings into collection rates. However, the much larger group of ratepayers whose haulers use Metro's transfer stations would be burdened with higher rates as Metro increased its tip fee to pay for its costs after having lost tonnage and, along with it, part of those stations' economies of scale. Tip fee increases at Metro transfer stations would most likely result directly in a local rate increase, whereas, transportation cost reductions have only a slight chance of lowering local rates. Assuming, again, that all net system cost reductions could be directly passed through to ratepayers, garbage bills of individual "winners" would decrease by more than garbage bills of individual "losers" would increase. Nevertheless, there would be far more "losers" than "winners" if this application were granted.

Preserved and Enhanced Material Recovery

The applicant has indicated that it will increase only slightly the total tonnage of dry waste from which recovery takes place. What is difficult to determine, however, is whether a significant amount of this "new" waste that will be processed for recovery at Recycle America previously went unprocessed, or if it is simply being attracted to Recycle America from other dry waste material recovery facilities, such as ECR. Staff has concluded that a substantial portion of this dry tonnage will likely be drawn from facilities that are already doing substantial recovery. Moreover, there is no assurance that the applicant will accept a substantial proportion of non-putrescible waste in the long term or that it will recover as great a percentage from that waste as the facilities that are presently processing that waste. Notably, Recycle America recently removed the sorting line from its facility and installed that line at the Wastech material recovery facility located in Northeast Portland (another Waste Management affiliate). That move appears to be an attempt to focus Recycle America's operations on waste transfer and to de-emphasize waste recovery. Thus, although the region's waste recovery capability is not likely to be diminished by granting this application, there is no compelling evidence that granting the applicant's requested franchise will enhance the region's recovery capacity.

Conclusion and Recommendation

The applicant's proposal is not without merit. Its proposed tip fee reduction represents a real and tangible cost benefit and it appears that granting its application would result in some transportation cost savings and VMT efficiencies as well. The question, however, is whether the estimated benefits are sufficiently certain, large, equitably distributed, and likely to be realized by the region's ratepayers to outweigh the likely costs and potential risks of granting this application. On balance, the Executive Officer finds that the likely benefits do not outweigh the likely costs *at this time*.

For the above reasons, the Executive Officer recommends approval of Ordinance No. 01-920, denying Recycle America's application for a Regional Transfer Station Franchise.

APPENDIX A

PUBLIC COMMENTS

Notice of Recycle America's application and an opportunity to submit written comment was provided by Metro to all Metro-area local governments, Solid Waste Advisory Committee (SWAC) members, and other interested parties. Comments were received as follows:

- **Clark County, Washington** – Kathy Kiwala, the county's Solid Waste Program Manager, has requested that the franchise agreement, if granted, specify that the franchisee be required to report the county and state of origin of each load of solid waste accepted.

***Metro Response:** Metro agrees with the comment letter and would recommend that the Council include such a provision in the franchise if it is to be approved.*

- **City of Fairview, Oregon** – Steven M. Kaufman, City of Fairview Planning Commissioner, submitted a letter endorsing the application under consideration.

***Metro Response:** Metro notes the endorsement.*

- **East County Recycling (ECR)** – Vince Gilbert of ECR submitted an extensive comment letter that raised the following issues:

ECR Comment:

1. Concerning the source of data that was obtained to create a need or determine underserved areas, were all stake holders contacted including but not limited to large privately owned hauling companies or did the information come from a chosen few to influence the outcome in a certain direction?

Metro Response:

The process leading up to the decision to amend the Regional Solid Waste Management Plan (RSWMP) to allow consideration of new regional transfer stations was a highly public process. The process involved extensive discussion of all stakeholders at Solid Waste Advisory Committee (SWAC) meetings, and before the Council's Solid Waste and Recycling Committee, and the Metro Council. ECR and other stakeholders took an active part in these discussions.

ECR Comment:

2. Are there other alternatives for the underserved areas i.e. small transfer stations? The only underserved areas in northeast Multnomah County are the residential curbside haulers. The commercial dry waste and self-haulers are very well served and the capacity is there for many years.

Metro Response:

*Staff and the Council are evaluating **both** the effects on the solid waste system of a new regional transfer station **and** alternatives such as local transfer stations or*

combinations of the two types of transfer stations. While it is true that the region has adequate overall capacity, Metro also considers distance and time to a disposal site to determine whether to grant an application for a new regional transfer station.

ECR Comment:

3. If we are trying to achieve hauling efficiencies, what kind of requirement will there be to use the closest facilities. Have the haulers themselves made their trucks and equipment as efficient as possible?

Metro Response:

The Council is evaluating policies to encourage haulers to maximize efficiency and minimize Vehicle Miles Traveled (VMT) while letting the private market place operate. However, the routing of vehicles and the locations of truck yards sometimes make it more efficient to utilize a facility that is not the nearest one to a particular generation site. Metro has done modeling to predict waste flow, transportation and system efficiencies. Metro's assumptions, where they differ from those of Recycle America's, are noted in the staff report.

ECR Comment:

4. Will all regional transfer stations have to follow the same rules, regulations and uniform policies?

Metro Response:

Yes, these rules, regulations, and policies are set forth in the RSWMP, the Metro Code, and Administrative Procedures.

ECR Comment:

5. Why is the recycling percentage minimum set so low, when the present MRFS are achieving much higher recycling rates and the state has mandated 50% recovery?

Metro Response:

The policy-making process by which the minimum recovery rate was established involved extensive discussion with all stakeholders at SWAC meetings, and before the Council's Solid Waste and Recycling Committee, and the Metro Council. ECR and other stakeholders took an active part in these discussions.

ECR Comment:

6. What kind of a policy will Metro have in place to insure all dry waste is MRFed and not set to the wet side of the facility? Why can't Metro run the gate?

Metro Response:

Metro Code requires a minimum recovery rate of 25 percent from mixed non-putrescible and self-hauled waste. Frequent random inspections assure that loads of waste are classified accurately. Metro has authority to run the gates and scalehouse at privately owned transfer stations and will exercise such authority as it determines is appropriate.

ECR Comment:

7. Has anyone given the FAA an oversight into this application? This is a putrescible waste facility operating within ¼ mile of a FAA airport where jets land. Please see FAA Advisory Circular #150-5200-33 hazardous wildlife attractants on or near airports. "Solid waste facilities can not be located within 10,000 ft. of an airport."

Metro Response:

Metro has reviewed FAA Advisory Circular 150/5200-33 and did not see the statement quoted in ECR's comment letter. In fact, AC 150/5200-33 explicitly notes that the enclosed waste facilities such as Recycle America "generally would be compatible...with safe airport operations provided they are not located ... within the runway protection zone." Moreover, whether the facility is appropriate for its location is a local land use decision and we note that the Troutdale City Code contains numerous safety provisions related to operations at the airport which were likely part of the applicant's land use approval process. In any event, responsibility for compliance with FAA rules, including the notification requirement of AC 150/5200-33, lies with the applicant. Metro's local authority over transfer stations does not supplant any federal authority.

The applicant has provided responses to the comments from East County Recycling and Clark County by letter from Adam Winston, Division Manager for Waste Management. Copies of all of the written comments are available for review. Additional opportunities for public comment will be available at the Council's Solid Waste and Recycling Committee hearing and the Council's hearing when the applicant's request is considered.