

MEETING: Joint Meeting of Solid Waste Advisory Committee/Rate Review Committee

- **DATE:** November 17, 1993
- DAY: Wednesday
- TIME: 8:30-10:30 a.m.
- PLACE: Metro Headquarters, 600 NE Grand Avenue Room 370

AGENDA

1. Approval of minutes

Roger Buchanan

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- 2. Solid Waste Revenue System
 - O Alternatives and Evaluation
 - O Public Involvement
- 6. Other Business / Citizen Communications
- 7. Adjourn

TP:clk pete/swac/awac1117.aga Doug Anderson Judith Mandt/Merrie Waylett

Roger Buchanan

SOLID WASTE ADVISORY COMMITTEE (SWAC) Summary of the Meeting of 9/15/93

MEMBERS PRESENT: Judy Wyers, Chairperson Susan Keil, City of Portland James Cozzetto, Jr., MDC Pat Vernon, DEQ Susan Ziolko, Clackamas Co. John Drew, Far West Fibers Chris Boitano, East Co. Cities Emilie Kroen, City of Tualatin Bruce Broussard, Citizen Rep. Gary Hansen, Commissioner, Multnomah Co. Brian Carlson, Clark Co. Delyn Kies, Washington Co. Brian Heiberg, OSSI/Tri-Co. Council Jeanne Roy, Citizen Rep. Shirley Coffin, Citizen-Recycler, Rate Review Committee Steven L. Miesen, BFI/Trans Industries Tom Miller, Washington Co. Haulers Steve Schway, Clackamas Co. Haulers Doug Coenen, Oregon Waste System Merle Irvine, Willamette Resources

GUESTS: Lynda Kotta, Alternate City of Gresham Victoria Kordilik, Alternate Citizen Rep.

METRO: John Houser, Metro Council Bob Martin Terry Petersen Scott Klag Doug Anderson Steve Kraten Debbie Gorham Connie Kinney

The meeting was called to order by Chairperson, Judy Wyers. Ms. Wyers announced that Chairperson Roger Buchanan was unable to attend the meeting due to recent dental surgery.

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Approval of the 9/29/93 minutes

Mr. Coenen asked for an amendment of the minutes to reflect that he was in attendance at the 9/29/93 SWAC/RRC meeting. The minutes were accepted as written with the amendment as indicated.

Updates:

Mr. Kraten gave an update on the flow control enforcement program. Mr. Kraten said the program is up and running and consists of one Metro coordinator, and three Multnomah County Sheriff's deputies and a corrections officer. He said there were two major functions of the unit: 1) investigation of solid waste violations, and 2) illegal dump cleanups. The cleanup portion of the program is slated to clear out the worst of the chronic dump sites aided by the corrections officer and inmates who have volunteered to assist in this program. Mr. Kraten said the most important task in this program is to identify where the "missing" tonnage is going. In the case of illegal dumping, where the illegal dumper has been identified, they are required to clean up the site.

Mr. Broussard asked if the Sheriff's deputies were scheduled to go to each of the counties in the region to explain the program's goals and objectives?

Mr. Kraten said all local governments had been contacted so that efforts could be coordinated and that in fact they had received tips from some of those same local governments.

Ms. Roy asked what was the cost to Metro for the illegal dumping program and can someone provide the total cost to the region if you calculate Metro's costs plus the city and county's costs.

Mr. Kraten said he could not give the cost for illegal dumping alone, but the major emphasis is to track down the waste that is leaving the region. The cost of the program for the first year is \$357,000 which includes one-time start up costs of \$150,000.

Mr. Martin said that figure should be compared with the revenue loss which we believe is occurring from the flow that is not tracked, an estimated \$2,000,000 in revenue.

Ms. Kiel, City of Portland said they have tracked some categories of costs: Maintenance Bureau, \$40,000 cleaning up; out of Franchise fees, \$280,000 to Bureau of Buildings to deal with nuisance issues -- not all of which is illegal dumping, and this does not cover any of the "call response" types of matters.

Mr. Broussard wanted to know if the program would publicly identify the violators?

Mr. Kraten said the program had only just gotten underway and they are working closely with local governments to apprehend violators and in fact local governments have given them tips on violators. Mr. Kraten said they have had a lot of cooperation with regards to violators cleaning up their dump sites and he certainly did not want to jeopardize that cooperation.

Mr. Martin said that before the program was implemented one of the provisions was that a cost accounting would be furnished Council on a regular basis. Mr. Martin felt it was a bit premature to indicate at this point the tons recovered, prosecutions, etc.

Chair Wyers felt they should explore the question of whether or not violators were identified publicly. She said the pros and cons needed to be discussed first.

Mr. Miller suggested it would not be necessary to name names but it might act as a deterrent if it was announced that "16 illegal dumping violators were apprehended today." this would indicate to the citizens of the region that the program was working.

Mr. Heiberg asked if there was any follow-up on the violators: i.e., if they needed a license, etc.

Mr. Kraten said they required proof that they disposed of the illegally dumped material legally and they were keeping a database to see if they were repeat violators.

Organic Waste Management:

Mr. Jeep Reid gave a presentation on the Second Organic Waste Workshop for management of organic waste to be held on November 10, 8:00 at the Portland Conference Center. Mr. Reid said that all of the delegates at the first conference for the most part favored finding a way to avoid landfilling of organics. Mr. Reid said the next workshop will focus on four strategies, each of which will present a different level of change from the existing system.

Ms. Roy said she would like to know what kind of time-frame we were talking about in the institution of an organic waste management system, *i.e.*, within the next 1 or 2 years or 5 or 10 years, because it would make a difference to her as to what type of scenario she would choose.

Mr. Martin said Metro was looking at a strategy that would serve us well in the long term, not just a short fix.

Ms. Kies said that one thing that was pointed out at the National Recycling Conference that markets were still the most important consideration and recycling had to be fitted into the economy. That the way that recycling was going to be successful was to implement economic development.

Options for Redirecting Haulers to Reduce Tonnage at Metro South:

Mr. Martin said this issue has arisen as a consequence of the debate over whether or not to build the Wilsonville Transfer Station and whether or not it was needed from a capacity standpoint. Mr. Martin said it was pointed out by both Clackamas County Commission and the City of Oregon City that Metro has a commitment to pare back the tonnage to around 700 tons per day on a monthly average, which was required under the original conditional use permit granted when the site was allowed to become a transfer station in the early 1980's. Mr. Martin said there has not been a hard and fast decision to actually implement redirecting tonnage to Metro Central, but

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he does want to show how it could be done and what some of the options are as well as impacts and/or benefits.

Mr. Martin said one benefit to Metro is that the more tonnage redirected to Metro Central, the more money Metro will save. Under the present (short-term) contract arrangements any tonnage redirected will amount to approximately \$4.00 per ton in savings to Metro. He said that is offset, however, to impacts on the haulers. Assuming that all haulers are making rational decisions about where they haul tonnage, on the basis of travel time, if you shift a hauler from the facility they are presently using to another, that arguably could involve some additional travel time inconvenience or logistic problems for the hauler.

Mr. Martin said we essentially have a "put or pay" contract at Metro Central of 35,000 tons per month and we want to shift enough tons from South to Central so we will always take advantage of that 35,000 tons per month capacity. In that case we would have to shift about 67,000 tons from South to Central. Because tonnage varies substantially throughout the seasons, it is not quite that simple, however. This would be the "low tonnage" approach.

Mr. Martin said the "high tonnage" approach might make a tonnage maximum at South of 2,000 per day. That would result in shifting about 129,000 tons. Mr. Martin then directed everyones attention to maps on the wall and described how the colors indicated travel times and how Metro might propose which haulers were to deliver material to South and which to Central. Mr. Martin also spoke about the possibility of using a directed use order, identify franchises and shift those franchises as needed to achieve the tonnage objectives. A second strategy might be to offer vouchers to haulers which would allow them to use Metro South up to a certain tonnage limit and then everything else has to go to Central. A third strategy might be to financially encourage haulers to make the shift, since that Metro will realize a savings on all tonnage being shifted to Central. This would allow haulers to make the management decision on which, if any, tonnage will be diverted. This strategy would be the most difficult for Metro to implement.

Mr. Martin said that none of the programs would be implemented until after they have been thoroughly discussed with the haulers. After a review of various options, a meeting with all franchised haulers in the region, and consideration of input from the haulers, Metro will proceed as Metro Code directs with the directed use orders which would identify those haulers who will have to shift. Metro will schedule hearings for appeals, on the basis of hardship, review those appeals and make final determinations on the shifts. It looks as though the earliest implementation could begin is January.

Mr. Heiberg asked if this would only affect franchised haulers, *i.e.*, if you are an independent contractor who has a charge at Metro, you will not be affected.

Mr. Martin said that it really depended on the implementation strategy, but primarily because Metro can identify franchised haulers, that will be their target. If, however, we were to go to a system of vouchers or a system in which we offer some financial inducement for people to shift, then it wouldn't matter whether they were franchised, commercial, non-commercial, or whatever.

Mr. Heiberg asked if he were directed to Metro Central, would all of his drop-box accounts also have to go to Central as well?

Mr. Martin said the drop box material was a difficult call.

Mr. Heiberg said he felt if drop box customers were not included, the drop box customers that were not franchised would have an advantage of franchise haulers.

Mr. Petersen said that the scenarios they have identified did consider the drop box tonnage -- it was built-in.

Mr. Martin said as they begin considering all of the scenarios, Metro will equitably administer it and not unduly interfere with the competitiveness of the companies. Mr. Martin said Metro will undoubtedly encounter problems which by no means are all sorted all out at this point. That is why we want to meet with the haulers in a formal setting to sort some of these things out.

Ms. Keil said she felt that the voucher system definitely had some appeal for a jurisdiction because it tended to offset in some way the additional operating cost.

Mr. Cozzetto suggested that they again survey the haulers because he felt that within some of the boundaries Metro has suggested be dedicated to Metro South, the haulers have voluntarily taken to Central.

Mr. Martin said that was a good suggestion.

Mr. Boitano said he liked the idea of using Metro's savings as a short-term incentive to stimulate buy-in, and particularly to help diminish the impact on the end rate payer.

Mr. Martin said if we were to devise some way to return some of our savings back to haulers, that would require Metro Council action. This strategy would take longer to implement, if possible, than implementing a directed use order.

Mr. Miller asked if the real issue we are working with, tons and dollars? Or is the real issue, with respect to Clackamas County, the number of trips and activity around the facility?

Mr. Martin said that Oregon City/Clackamas County has quite clearly said they would like to see us reduce the tonnage at that facility. We have discussed other issues and we have taken steps to diminish the delay times at South, and I don't think the traffic situation is too impactful to either Oregon City or Clackamas County. The number of self-haul customers have increased 20%. And a question has been asked of this committee as to whether or not they are paying their way. The committee might want to consider the rate for self-haul and perhaps self-haul drop-off centers.

Mr. Miller expressed the desire for the haulers to meet with Metro because the newspaper made it sound as if Metro had already made up its mind on how it was going to proceed. He said the

haulers had some alternative ideas and he was sure they could come up with something that was equitable for everyone.

Mr. Martin said he wanted everyone to understand that Metro will talk exhaustively with people before any program is implemented.

Ms. Ziolko said that Oregon City and Clackamas County was indeed concerned with traffic and tonnage totals as well as the fact that recovery capabilities were almost nonexistent at South due to space.

Mr. Schwab asked when the contract with Metro Central would be up for renegotiation, and were we looking at, for instance, a nine-month fix?

Mr. Martin said we could keep the contract at Metro Central where it currently is for as much as five years, or as little as three. The three years would be up in October 1994. The Metro South contract will be up for bid at the end of 1994, with an optional extension of 2-1/2 years. We are not suggesting doing this from the standpoint of savings or we would have done it a long time ago.

Mr. Heiberg said it still was not clear to him whether the shift was being implemented due to the tonnage or the traffic, or is it due to the desire of diverting more waste out of the stream and the facility is not capable of doing that because of the number of vehicles using it?: So I feel we first need to identify what the problem is.

Mr. Martin said there were a variety of concerns that go beyond tonnage and traffic, but as I suggested earlier, we will get together with the haulers and we will examine all of the options and explore the suggestions that haulers might bring to the table.

Mr. Heiberg said that as a hauler he was encouraged in Metro's commitment to communicating with haulers as to what will work.

Mr. Miesen said that one thing haulers might want to think about is whether there was something they (Trans-Industries) could do to induce them to bring their material to Central rather than South.

Mr. Schwab asked if there was a reason for not allowing haulers to use the short road in to Central?

Mr. Martin said the reason it was signed to go down Kitteridge and down Front was because it was a concern of the City when that facility was permitted that that was their preferred route because of the way in which Front St. has been designated as a "truck route". Their concern is that if a lot of heavy trucks start using streets like Balboa and 61st, they would have continuous maintenance problems. They have made it clear that if they have maintenance problems, Metro does also.

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Mr. Miller pointed out that the City was particularly concerned that the railroad traffic would hold up truck traffic and it would cause a line-up on St. Helen's Road.

Chair Wyers said perhaps a question on how things could be improved at Central could be included on the questionnaire for the haulers.

Mr. Cozzetto also commented that the train is a big issue there and they sometimes tie up the track for as long as a half-hour at a time.

Chair Wyers introduced the next agenda item: Targeted Generator Diversion Strategies.

Mr. Klag distributed a handout to put into perspective where we think we are at -- at the end of the second phase when we start to talk about what programs will be in the mix, how we might structure that in the planning process to come up with a final plan.

Mr. Klag said in interpreting these scenarios, he began with the "status quo", or present analysis and in each scenario raised the efforts by, for instance in the first scenario, 5%, etc. Mr. Klagg said the figures used in each of the categories were approximate and not an issue. More important, he said are to look at what is feasible in terms of programs and what level of effort would be required to develop things in different areas.

Mr. Drew said this was a very good approach, especially if we are going in the direction of house per capita per day. He felt it was important to point out to Metro Council that, as Scott said, this is an example for the purpose of discussion and that we are not guaranteeing, nor do we have a concept or program in mind to improve participation that will automatically result in a certain amount of tonnage reduction per annum. He felt that Council has in the past taken work accomplished by both staff and committee too specifically and they should understand this is but an example.

Ms. Kroen stated she felt this was a great model. One concern is that a market evaluation be conducted to establish the potential, and that the cost to the rate payer be considered when we begin to establish the five-year goal, and whether that cost is worth the amount of material that is being diverted from the wastestream.

Mr. Martin said we would probably need some help from local jurisdictions as to how to translate our cost increases into curbside rate increases.

Mr. Heiberg agreed that the model was excellent and added that he would like to see some cost association with each scenario as to its cost effectiveness.

Ms. Kroen added that a value need to be added. She said there were some things that you couldn't put into dollars and cents but there was some long-term economic value to making a change.

Ms. Kordik asked if there was a particular reason why the word "recycling" in the title for the five-year plan. She is particularly concerned that when this is presented to the public they may view this as something other than recycling.

Ms. Kies felt diversion, waste reduction and recycling could be used.

Ms. Vernon said she felt that the correctness of words such as "diversion", "waste reduction", and "recycling" were a matter of taste. The bottom line was that we are trying to keep this material out of the landfill. Ms. Vernon wanted to know how Mr. Klagg's document set forth the roles of Metro vs. local government vs. state government (if there was one).

Mr. Klagg said that the scenarios set forth in his model assumed that within each category those roles had already been ascertained. So our role now is how do we get to the point in the model.

Mr. Martin said that initially we wanted to concentrate on how much progress we can make irrespective of institutional constraints and later we can focus on various agency roles.

There was more discussion on the correctness of the words recycling, or waste reduction.

Mr. Martin said he would favor getting away from all of those descriptions and use the term "landfill diversion". He said the real significant and measurable indication of progress is what is the amount of waste going to the landfill and what is the trend? That is the real measure of success.

Ms. Roy said that further to Mr. Martin's comments, she said her feeling for the reason for the hierarchy is because landfill diversion is not our only goal, that the more important goal is conservation of resources.

Mr. Drew said he felt that it might be important to have all of the agencies have the same message. At this time DEQ is pronouncing it "source reduction" and in that way you are not discounting the value of recycling but you are saying that you are going beyond recycling.

Ms. Vernon said actually DEQ was calling their project "resource and residual management". Meaning that what is being removed from the landfill is a resource and hopefully conserving energy.

Ms. Gorham made a short presentation on the public participation process. She said they are looking at the possibility of holding a half-day session in the late spring for residential sector discussions. The thought is to pull together homeowners, apartment dweller, DEQ participant, local government, haulers, environmental community and Metro to engage in a round-table type discussion in groups of 7 or 8 persons. We could then have 2-1/2 hour sessions with retail trade, wholesale trade, industry, construction demolition to discuss the result of the round-tables discussions. The results of these discussions could then be brought before this committee to be refined again.

Ms. Kies said she would very much like to be involved in the workshops especially in helping to frame what the issues are.

Mr. Anderson recapped for the committee the results of the Revenue System Work Group meeting of October 6. Mr. Anderson noted that attached to the agenda was the information the committee had requested concerning sources and uses of Metro's excise tax.

Mr. Anderson said that a parallel process to the Revenue System Work Group is being implemented through the efforts of Judith Mandt of the Solid Waste Department. Ms. Mandt will be organizing a public involvement strategy, to explain what Metro does, why we do it, why we charge what we are charging to interested and affected parties.

Mr. Anderson said the work group has been asked to think about and comment on several options for financing the solid waste system. Some of these options included combining taxes with fees, universal service, manufacturer's fee. Two general concepts emerged: a two-part fee system and unpacking services. Mr. Anderson explained how these concepts might work, as recapped in the agenda documents.

Mr. Anderson distributed some illustrations showing examples of how the numbers work for a two-part fee. Mr. Anderson cautioned the committee that these were illustrations only and were not to be confused with actual proposals which might be forthcoming.

Mr. Coenen commented that the work group had not conclusively chosen a two-part fee system as the only answer.

Ms. Roy commented that she was particularly adverse to lowering of the tipping fee. Ms. Roy also commented that she was interested in advanced disposal fees on household hazardous waste.

Mr. Drew was interested in seeing examples of what other cities in crisis are doing under similar circumstances.

There were no communications from citizens. The meeting was closed.

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DATE: November 12, 1993

TO: Solid Waste Advisory Committee/Rate Review Committee

FROM: Doug Anderson, Senior Economist

RE: Discussion Materials

Enclosed are two documents we will be discussing at the meeting onWednesday, November 17, 1993:

- Review of recent innovations in funding solid waste systems
- Solid waste revenue system: draft report and progress report. Please note that this draft does not yet incorporate feedback from the work group, so its findings and recommendations should be interpreted as those of Metro staff and not necessarily those of work group members.

DA:jc

Enclosures

cc: Bob Martin, Solid Waste Director Terry Petersen, Planning & Technical Services Manager

pete\swac\doug1112.mmo

Solid Waste Revenue System Financing Study DRAFT Report Progress Report November 10,1993

Introduction

Metro relies on a variable revenue source--fees and charges for solid waste disposal--to cover both variable and non-variable costs of the solid waste system. As a matter of principle, reliance on a variable revenue source for recovery of both types of costs reduces overall revenue stability. As a matter of fact, Metro's revenue base has been eroding over the last several years, and stands at substantial risk of further erosion. Under the current rate structure, the only feasible response to a declining tonnage base is a continual rise in the per-ton disposal charge. This response only exacerbates the problem, as rising costs drive tonnage and users from the revenue base. As a result, funding for operation and management of the solid waste system is jeopardized, and diminishing group of users is burdened with an increasing cost of paying for the whole system.

Under the existing rate structure, recent trends adversely affect the Regional Solid Waste Management Plan policies on rate stability, equity and predictability:

Stability: Under the current rate structure, tipping fees are expected to continue their rise. Preliminary scenarios suggest the tipping fees could reach \$123 per ton (\$100 in current dollars) by 2000 if regional recycling goals are reached.

Equity: There will be a rising and differential burden on regional rate payers. Under the current rate structure, several large generators appear to be paying more into the system than can be justified by services received. This may motivate some large generators to leave the region. This will place and inequitable burden on households and small businesses who will be forced to pay for a greater share of the whole system through disposal charges alone.

Predictability: any significantly inequitable system is inherently unstable and unpredictable.

On July 22, 1993 Metro Council adopted Resolution No. 93-1824A which directed a reconsideration of Metro's method of funding the solid waste management system. The System Financing Study is to examine: broadening the rate base, so that rates are levied over a broader tonnage base than that which arrives at facilities for disposal; rate restructuring, in which rates are restructured so as to cover costs which do no vary with tonnage from relatively stable sources, and to cover variable costs with tipping fees related to true costs of disposal; diversify the revenue base, in which some solid waste management functions are funded from sources other than system-specific user charges.

A joint meeting of the Rate Review Committee (RRC) and the Solid Waste Advisory Committee (SWAC) was held during July 1993 to consider the scope of the program to be financed. In

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consideration of the council's resolution to consider recommendations by January 1994, the RRC/SWAC moved to examine options which are within the scope of the department's current mission. The joint committee reserved the privilege of documenting findings and advice for potential long-range solutions during this process. A statement of the Solid Waste Department mission statement, objective, programs, and FY 1993-94 budget and rate model is available as *Background Information for System Financing Study* (Metro, July 1993).

Background

The present study was induced by the Council's findings that the current method of financing the solid waste system contains elements of instability and inequities. This section briefly lays out the reasons for these findings.

Stability Issues

The Solid Waste Department at Metro operates on the principle of integrated waste management. Integrated Waste Management is the approach that integrates the cost of waste reduction with the true environmental costs of land filling, and has evolved in response to the need to consider long-term waste management implications. Integrated system financing is a logical consequence of integrated waste management.

The original approach to integrated system financing at Metro was to set up the Solid Waste Department as an enterprise fund with all costs of integrated waste management to be raised by a usage charge (tipping fee) on disposal. Waste reduction, recycling, and recovery were to be encouraged by a mixture of differentiated pricing, incentive, programs, and facilities. The set of financial policies established during the 1980s was believed to be an equitable and stable means of financing the system.

By 1993 this was no longer generally perceived to be the case. The present System Financing Study is a response to these new perceptions.

What conditions and assumptions have changed since the financing system was initiated to produce the change in outcome?

1. Responses to incentive and programs did not follow exactly as expected. The Waste Reduction Program, as updated in 1988 and adopted in 1989, anticipated that recycling goals would be met through a variety of means, principally source separation and post-collection recovery. Of these, post-collection recovery was to make the larger contribution to recycling goals. An analysis of progress (Metro, *Draft Metro Region 1993 Waste Reduction Assessment,* August 1993) reveals that the region is on track if not ahead of expectations for source-separation, but is far behind expectations for post-collection recovery. In short, source reduction and separation have accounted for more waste diversion than anticipated.

The significance for system financing is that source-separated recyclables never enter the waste stream, and thus are not a source of revenue for Metro. Had these materials been part of a waste stream disposed at a recovery facility, a fee could have been extracted on the front end. In other words, in the original conception, diverting waste from a disposal facility did not necessarily imply that waste would be diverted from revenue-producing facilities.

2. Price responses to increased tipping fees exceeded expectations. It was anticipated that higher tipping fees on disposal would encourage source reduction, recycling, and high grading of commercial loads for delivery to processing facilities. These responses were correctly anticipated. However, the rise in tipping fees induced a greater-than-expected "high grading" of

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waste loads, allowing haulers and generators to shift waste from Metro facilities to lower-cost alternative disposal options.

3. Facilities not built as anticipated. As noted in (1) above, waste reduction responses have favored source separation and recycling over high grading and post-collection recovery. As a consequence, various recovery facilities (e.g., lumber depots) contemplated for Metro ownership never materialized. Sufficient recovery facilities were supplied by the private sector.

The closure of the MSW Composter, which was to be a key element in the system of recovery facilities, has temporarily foreclosed another opportunity for post-collection recovery.

4. Unfunded Mandates. The Solid Waste Department has been mandated to implement various programs over the years, but has generally not received funding assistance for implementation. Examples include the Household Hazardous Waste Program, the Unilateral Order from Oregon's Environmental Quality Council to implement the Regional Waste Reduction Program, and the 1991 Oregon Recycling Act designating Metro as the waste shed for the tricounties responsible for reaching a 40 percent recovery fevel by 1995.

Equity Issues

In November 1988, Metro's base disposal rate was nearly tripled from \$10.75 to \$31.75 per ton in order to raise an initial \$12 million for the St. Johns closure account. Other components of the rate were also increased, resulting in a rise in Metro's tipping fee to \$45.75 per ton, from \$19.70 the previous year. One year later, the Rate Review Committee noted: "In previous years, Metro facilities have received a sufficient supply of waste to guarantee adequate revenue generation to meet expenses. However, in recent months, waste has been moving away from Metro facilities, becoming more price sensitive compared to past experience." [Interim Report, November 1989]

This finding induced a revision in Metro's rate setting method to its present form. The present method explicitly calls out variable and non-variable costs, and allocates these costs to the beneficiaries of services provided. The rate structure has four components: the **Regional User Fee** (Tier 1 User Fee), to which is allocated the non-variable cost of all programs that have a regional benefit. The Regional User Fee is a surcharge on all waste which is disposed in the region or at designated out-of-region facilities. To the **Metro System User Fee** (Tier 2 User Fee) is allocated the non-variable costs associated with Metro facilities. To the **Regional Transfer Charge** and the **Disposal Fee** are allocated the variable operating costs of Metro facilities, and the variable costs of transportation and disposal, respectively. The last three charges are assessed against waste disposed at Metro facilities only. To calculate these fees, an annual budget is prepared, and 1-year forecast of revenue tons by facility is developed. The Regional User Fee is calculated by dividing Metro revenue tons into the Tier 1 allocation. The Metro components are calculated by dividing Metro revenue tons into each of the three Metro components. The Metro tipping fee is the sum of the four components (plus some DEQ and other minor surcharges).

Subsequent experience with this rate-setting method has suggested a number of cost reallocations among components. Among the most significant of these--contributions to the St. Johns closure account, recycling avoided cost, expensed capital outlays, and contributions to contingency--have been moved to the Tier 1 (regional) component. An analysis by independent consultants in 1993 concluded, "In general, the cost allocation process used by Metro appears reasonable and supported by analysis of the services provided which created the cost. There are a small number of specific costs whose allocation can be improved." [Black & Veatch, Analysis of Rate Setting Practices, July 1993].

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However, a consequence of these reallocations has been a 171% rise in the Regional User Fee during a period when the Metro tipping fee rose 36% (Table 1).

Table 1	
Rate History by Component	t
(\$ per ton)	

		Metro	Regional		Metro
Fiscal	Regional	System User	Transfer	Disposal	Tipping Fee*
Year	User Fee	Fee	Charge	Fee	
90-91	\$ 7.00	\$14.00	\$ 7.00	\$26.00	\$54.00
91-92	13.00	8.50	10.50	34.75	66.75
92-93	19.00	7.00	9.00	38.25	73.25
93-94	19.00	7.00	9.00	38.25	73.25

Note: excludes DEQ fees

Due to the manner in which the Regional User Fee is levied, the incidence of the non-Metro portion of the Regional User Fee is falling on a shrinking number of users. In point of fact, a single industrial user alone stands at risk to bear over 19% of the \$6.0 million estimated to be collected at non-Metro facilities in FY 1993-94 (Table 2)--calling into question the equity of distribution of costs and benefits under the current system.

Table 2 Metro Solid Waste Net Expenses by Rate Component Budgeted Amounts FY 1993-94 (FY 1992-93 Rate Model)

Regional User Fee (Tier 1*)	
Metro Portion	\$ 11,718,603
Non-Metro Portion	6,030,536
Subtotal	\$17,749,139
Metro-Only Components	
Metro System User Fee (Tier 2*)	\$ 6,041,276
Regional Transfer Charge	4,806,882
Disposal Fee	24,811,776
Subtotal	\$35,659,934
Total FY 1993-94 Revenue Requirements	\$53,409,073

* In the original development of the current rate structure, all non-variable components were conceptually to be recovered through a "two-tiered" fee for fixed costs. The nomenclature of "Tier 1" for allocations to the regional component, and "Tier 2" for the Metro fixed component has remained in use.

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The Building Blocks of a Solution

Usage charges on disposal will continue to provide the bulk of funding for the solid waste system, but the extent to which they subsidize non-disposal elements must be reduced if equity and stability goals are to be realized.

The complexity of balancing revenue adequacy with equity, stability, and the other criteria for an acceptable solution means that the Solid Waste Department will rely on several financing legs in the future. This section contains a summary of funding options which have been examined, together with a summary of discussion and preliminary conclusions.

Linkage principle. At all times, the Work Group has emphasized that funding mechanisms be linked to services provided and/or clearly related to objectives of the solid waste management system. Funding sources should not be pursued for their own sake if their principal advantage is simply a source of financing.

Neutrality. The Work Group also emphasized that any solution be revenue neutral. Metro is not seeking new funding; rather it is seeking to redress inequities, establish a more stable revenue base, and satisfy the other criteria listed in Council Resolution No. 1824A.

Special Disposal Fees

This is a family of fees assessed against specific products or classes of products. Certain special disposal fees (e.g., advance disposal fees) are used as price-guided management tools for source reduction and recycling, or to internalize the costs of special disposal requirements. Other special disposal fees (e.g., litter charges) are designed to fund mitigation programs targeted at users' disposal habits toward the products. All special disposal fees listed below share some common features of administration (e.g., all may be levied at the point of sale), so it is feasible to think of them as a package of management tools for source reduction, recycling, and litter mitigation.

Advance Disposal Fee. Advance Disposal Fees (ADFs) are generally viewed as a tool for source reduction or internalizing the cost of disposal for items which present special disposal problems. An ADF is a fee levied on a product at some stage in its cycle from manufacturing to distribution and final consumption. An ADF intended to influence behavior by providing a price signal to manufacturers and consumers about the full environmental cost of use and disposal.

ADFs are levied by a number of states on selected items--primarily automobile tires and lead acid batteries. These types of ADFs are linked to special or problem disposal. As a tool for source reduction, ADF proposals are usually based on packaging content.

The Revenue System Work Group recommends study of ADFs as an appropriate funding mechanism for certain elements of the solid waste management system at Metro—in particular, the Household Hazardous Waste Program--because the charge can be integrated into the administration and objectives of the program itself. Preliminary investigation suggests that there is sufficient revenue potential in the region to make an ADF program feasible. However, the Work Group remains deeply divided on key elements of program design. For example, the efficacy of regional implementation of ADFs is untested, and may distort product markets more than achieve intended goals. The appropriate level to levy the fee in the manufacturing-distribution chain is also undecided. For some goods, there are strong arguments that ADFs work best when levied on the manufacturer. However, this may place a hardship on locally-

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manufactured goods which are for export and or which must compete locally with imports. On the other hand, levying the ADF at the point of sale places an undue burden on retailers.

Deposits. Deposits are a charge (usually collected at the point of sale) designed for refund if certain procedures are followed. The most commonly implemented form of deposit is a bottle bill on beverage containers. Deposits are appropriately applied to goods with no intrinsically harmful or problematic residual (compare with an ADF on lead acid batteries). A deposit is an economic incentive for proper disposal rather than a charge for disposal itself. Thus, deposits are primarily a management tool for recycling and litter control rather than a revenue source (although unclaimed deposits are often used to help defray administration costs). Deposits may be used in conjunction with other special disposal fees to aid in comprehensive management of recycling programs and litter mitigation.

Litter Fees. A litter fee is a charge on products which, due to their nature, are commonly littered or illegally disposed. Examples include tires, mattresses, furniture, carpeting, and some appliances. At Metro, receipts from litter fees would be appropriately targeted to enforcement of legal dumping, and cleanup of illegal dump sites.

Generator Fees

Generator fees are charges to generators of solid waste. They are often not directly tied to consumption of services, but are designed to cover the fixed costs of an integrated solid waste management system. Generator fees are justified by the costs of infrastructure, planning, mandated actions, and public health which are induced by residence or business activity in the region. Accordingly, generator fees may appropriately recover non-variable costs which must be incurred regardless of the level of usage by the generator. In this manner, generator fees act in the same way as customer (or connection) charges as used by most utilities.

"Generator fee" is actually a generic term for a family of fees which can have markedly different characteristics, depending on rate design. Rather than levying a universal rate, customers are often classified according to general generation characteristics in order to tailor the fee schedule. In solid waste, residential generators are often classified by housing unit type (single, multifamily, mobile home) and/or parcel size. Commercial generators are often grouped by industry classification or building type. A generator fee can be designed as a connection charge wherein payers into the system receive benefits not available to non-payers, such as a lower usage charge. Generator fees can be flat fees, such as a charge per address or account; levied on the basis of imputed activity levels such as the size of the building or parcel; or based on actual activity levels, such as the number of employees, gross or net receipts. Each of these designs has different implications for administration cost.

A key issue in implementation of generator fees is the mechanism by which generators are reached for assessment, billing, collection, and enforcement. This element is sufficiently significant for this study that it defines several sub-options:

Dedicated Billing System. As no system currently exists in the region which is specifically designed to bill all solid waste generators, this option would require setting up a completely new billing system. Depending on the size of the generator fee, the start-up and administration costs could easily overwhelm receipts. The main advantage is that this option can in principle reach all generators. The main disadvantage is the potential cost of the system.

Line Item on the Property Tax Bill. Metro probably has authority to implement this option, but would have a large public relations job in educating and reminding the public that the generator fee is not a new tax, but that the tax bill is only a collection mechanism. This option limits the designation of customer classes to data which is available through the property tax rolls--most

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reliably, the address of the owner and the value of the property. This may have implications for equitable design. Equity issues are further compounded for multiple tenant addresses and rented property in which the generator may not be billed directly, and the property owner has limited scope to pass on the charge. Advantages: this option can in principle reach all generators and is less costly than an entirely new system. Disadvantages include the limited scope for equitable rate design and public relations issues.

Line Item on a Utility Bill. Many of the arguments under the property tax collection mechanism above hold for this option. The utility companies will object to a new charge which customers may perceive as an increase in rates. If billing is through selected utilities (e.g., power but not gas), then the affected utility may lose market share based on the customer's conception of a rate increase. If billing is made through all utilities, there would be significant additional administrative costs to avoid double billing of addresses with multiple service (e.g., power and gas). Advantages: this option can reach a large number of generators and is less costly than an entirely new system. Disadvantages include the limited scope for equitable rate design, and potential distortion of private utility markets.

Bill Through Jurisdictions. Under this option, Metro executes agreements with local jurisdictions to submit bills based on the number of generators in each jurisdiction. Each jurisdiction has the ability to rebill its residents by the most efficient means available. Advantages: this option can reach a large number of generators and keeps solid waste charges within the agencies which have regulatory authority. Disadvantages include coordination issues between Metro as the agency which identifies and assesses generators, while 26 separate agencies are involved in billing and collection. Nonetheless, <u>the Work Group at present favors this option over the three listed above. However, some representatives of jurisdictions at the Work Group have expressed reservations about this approach.</u>

Bill Through Haulers. Under this option, haulers would include the generator fee in their regular billings. The option has the advantage of being simple and direct: a customer charge for solid waste shows up on a garbage collection bill, consistent with the way consumers are used to being charged for utilities. Unlike the other options above, however, this option does not in principle reach all generators, but only those that have purchased collection services. Conceptually, these customers can at present be "reached" through the standard tipping fee for disposal of commercial loads. The revenue base is not necessarily broadened; and if rate redesign causes some garbage bills to go up under a two-part fee approach, the recipients of those bills may opt out of the collection system, affecting the hauler, the franchising jurisdiction, and Metro. Advantages: this option is direct and understandable. Disadvantages include limited scope for reaching generators. Nonetheless, *the Work Group recommends that Metro pursue study of this option. The Work Group has directed Metro staff to investigate whether the institution of universal service could solve the problems associated with this method of implementing generator fees.*

License or Franchise Fee

A license or franchise fee is a charge for the ability to do business. This type of fee can broaden the rate base by obtaining revenues from non-disposal operations. The justification for this type of fee is that processors and other operators benefit from Metro's policies which divert valuable materials from the waste stream.

License or franchise fees can take the form of a charge for operation (rather like a business license fee), a surcharge on activity levels, or a mix of the two. Charges on activity levels can be levied on a gross or net basis. Charges on a gross basis (e.g., on tons or cubic yards delivered) has the advantage of simplicity, but the disadvantage that a firm working with a marginal or new technology cannot avoid the charge unless exempted. Charges on a net basis

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(e.g., net business income) does not necessarily disadvantage new firms (which typically have low or negative profits, especially if working with a new technology or infant markets), but increases the administrative reporting burden and may be a disincentive for efficient operation.

Usage Charges

A usage charge is a fee based on the amount of services consumed. Nearly all of Metro's solid waste system is currently financed through a usage charge at Metro facilities (tipping fee) and a usage surcharge (Regional User Fee) at certain non-Metro facilities. A usage charge is an appropriate means of recovering costs when service provision is not dominated by fixed costs. There are several bases for establishing usage charges in solid waste:

Weight-Based Charges. A per-ton tipping fee is the most common form of usage charge in solid waste disposal. At present, Metro charges a flat \$75 per ton of waste delivered to its facilities. Weight-based charges have the advantage of being simple, unambiguous, and easy to administer. Alternatively, a price schedule could be established which varies the per-ton charge according to the size of the load delivered, and which could be designed to reflect the variable cost of service with the size of the load. An alternative approach to such a price schedule is described in "Customer Class Charges," below.

Volume-Based Charges. Similar in principle to weight-based charges, the basis for charge is volume rather than weight. <u>This option was generally rejected by the Work Group due to the considerable scope for ambiguity in application.</u>

Waste Class Charges. A waste class charge provides different price schedules for different types of waste. Within each class, this charge could be by weight or volume depending on which is most appropriate. At present, Metro's differentiated charges for tires, household hazardous waste, source-separated recyclables, and clean loads of yard debris are examples of limited price schedules for different waste classes. Class-based usage charges can in principle be more equitable than undifferentiated charges if fees are based on the cost of disposing of different types of waste. However, identification, monitoring, charge backs for contaminated loads, and the administration of detailed price schedules can potentially raise the costs a simpler procedure.

Customer Class Charges. A customer class charge sets up a differentiated price schedule for different types of customers. The Work Group has recommended that Metro re-examine its practice of not distinguishing between deliveries in small vehicles and deliveries in large, commercial vehicles. It is likely that station operation costs are equal if not greater for small, inefficient vehicles than for large vehicles with mechanized tipping capability. <u>The Work Group recommends that Metro undertake a cost-of-service study, and entertain a pricing schedule that recognizes different costs of service, if any are found.</u>

"Take-or-Pay" A take-or-pay concept is common in certain utility industries where variation in demand is costly. A take-or-pay approach essentially puts resources up to bid in blocks, wherein a customer commits to purchase a certain minimum at a set price, and agrees to a separate price schedule for services above the minimum. The minimum is paid regardless of use, and in return the customer is given preferential treatment--such as a discount above the spot rate for consumption above the nominated minimum, or priority allocations in times of shortage. This approach may be relevant to assist Metro in balancing its own contracts which usually contain "put-or-pay" provisions which make waste shortfalls more costly on a per-ton basis.

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Progress Report

The Revenue System Work Group began its work by examining a wide range of options--"building blocks" in the language of the previous section--for financing the solid waste system. The starting point for evaluation was to narrow this wide list to a manageable "long list" using common sense and philosophical principles. The "long list" would be evaluated qualitatively, using the evaluation criteria set out in Council Resolution No. 93-1824A, plus additional criteria added by the Work Group. From the "long list" will emerge a "short list" to be subjected to sharper, quantitative analysis by Metro staff and its consultant. Results will be reported to the Work Group and SWAC. Survivors of the "short list" become recommendations to the SWAC.

As noted in the previous section, the group believes that any financing alternative which emerges from this study will rest on several legs. Thus, only a few of the "long list" of building blocks have been eliminated by consensus (these are noted under the discussion of each above), as most options have merit if combined in a comprehensive program of integrated financing.

To date, the Work Group has arrived at the following positions:

- The broad approach to system financing is: (a) To pursue dedicated forms of funding for specific programs when the financing mechanism has an identifiable link to the program objective, provision of service, or implementation. (b) To pursue customer charges for nonvariable elements of the budget. (c) To continue financing variable costs of operation and disposal with usage charges on disposed waste.
- 2. Specifically, under (1.a), continue to study advance disposal fees and other forms of special fees for use as management tools for the Household Hazardous Waste and Illegal Dumping programs. Under (1.b), investigate means of billing generator fees through jurisdictions and haulers. Under (1.c), investigate means of making the usage charge more equitable and designed to work with elements (1.a) and (1.b) above. In particular, investigate whether there is a differential cost of service by vehicle type, and whether an associated pricing system at transfer stations could be developed that reduces the incentive to opt out of the collection system. Note that a reduction of incentives to leave the collection system would make a generator fee billed through the haulers a broader-based, more stable funding mechanism.
- As different elements of the financing system will have differing degrees of acceptance and implementability, develop a program for phasing in portions of the financing system as they are ready for implementation.
- It is important to establish understanding and acceptance of the reasons for change and its effects. Accordingly, Metro should embark upon a program to communicate this project its broader audience of customers and the public at large.

Next Steps

In order to complete a qualitative analysis of the "long list" of options, the Work Group will submit the remaining options to the evaluation criteria. In order to complete this task, weights must be assigned to the criteria. The Work Group invites the SWAC to assist with this task.

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SURVEY OF RECENT INNOVATIONS IN FUNDING SOLID WASTE SYSTEMS

November 1993

Metro Solid Waste Department and Synergic Research Corporation

WITH ATTACHMENTS

Florida's Advance Disposal Fee: A Fact Sheet, 1993, Florida Department of Revenue Report on the German Packaging Law, 1993, Jeanne Roy Advance Disposal Fees, 1993, David W. Smith, Booz-Allen & Hamilton, Inc.

SURVEY OF RECENT INNOVATIONS IN FUNDING SOLID WASTE SYSTEMS

Historically, solid waste agencies have not developed an integrated system of funding methods to support programs and facilities. Rather, they have largely relied on tax funding, allocations from the general fund and tipping fees. However, as the demands for programs and facilities increase (along with their costs), and as the methods by which solid waste is managed expand into new territories, jurisdictions are finding it difficult to rely exclusively on these traditional funding methods.

This survey describes several solid waste revenue systems that include non-traditional funding methods. These methods are grouped into the following categories:

- Generator Fees
- > Advance Disposal Fees
- > Other Funding Methods

GENERATOR FEES

Assessing fees on a non-ad valorem basis to residents or businesses for solid waste services is occurring or being proposed in a number of communities across the country. An important distinction between these fees and the traditional ad valorem taxes is that they are intended to be based on the amount of service consumed. Examples are Minnesota, Maryland, Florida, New York State and California. The fees are generally being imposed at the county level to primarily finance disposal services, although funding of recycling and other waste reduction programs is included in some areas.

Hennepin County, Minnesota

As with other Minnesota counties, Hennepin County (population 1.1 million) is responsible for solid waste disposal. The County operates a transfer system and contracts for disposal at two waste-to-energy facilities and a landfill. The County also provides support to local recycling programs and runs a household hazardous waste program. The County operates as an enterprise fund and finances its operations and programs from the tip fee. Additional funding comes from a state disposal tax and is distributed to local governments.

Communities in the County determine how residential collection and recycling services are provided. Local governments have no direct involvement in commercial waste collection. In Minneapolis (350,000 residents), residential collection and recycling is provided by city crews in half the city and in the other half by a "consortium" of private haulers. The City of Hopkins also has municipal collection of residential waste. The remainder of the municipalities and suburban areas of the County are generally served by the cities contracting for service (both refuse and recycling). However, there are areas where local governments only contract for recycling, leaving refuse collection to be arranged by the individual household. There is mandatory refuse service in

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the larger cities and suburbs. Residential self haul to transfer facilities is generally limited to "cleanout" wastes.

The County recycles 47% of its waste and sends 51% to its waste-to-energy facilities. The remaining 2% is directly landfilled. The County has 15 years remaining on 20 year put-or-pay contracts with the waste-to-energy facilities. Of the current \$95 per ton tip fee, the waste-to-energy facilities account for approximately \$50 to \$55 and transfer station operations account for \$18 to \$20 per ton. The County pays for a very large portion (up to 85%) of the costs for local government's curbside recycling programs. Some of the funding for local government recycling is County distribution of State disposal taxes.

Description of Fee:

Recently, due to the increasing tip fees and attractiveness of alternative out-of-state disposal options (estimated to be as low as \$45 per ton for transport and disposal), both Minneapolis and commercial haulers have threatened to take their wastes elsewhere. As recent court cases have called into question Minnesota counties' ability to direct waste to their facilities, the County has proposed a dramatic reduction in the tip fee from \$95 to \$60 per ton.

The reduction in revenues would be met in two ways. First, there would be cuts in expenses including grants for local recycling programs. Second, a fee would be imposed on both the residential and commercial sectors. Early proposals included a flat \$18 per residence fee collected through the tax bill, and a fee assessed on businesses in relation to "contracted capacity" (i.e., container size). The proposal currently under consideration by the County Board would implement a fee collected by haulers directly from their customers. The fee would be on gross revenues with a 9% rate for residential haulers and a 14.5% rate for commercial haulers. The cities with municipal collection would probably add the fee to their existing residential billing. Under the new system, cities in the County would assume greater funding for recycling programs.

Hennepin County has not yet experienced falling revenue tonnages. Based on information from haulers and municipalities, the County believes the drop to \$60 per ton will be sufficient to keep waste coming to County facilities.

(Source: Tim Goodman, Division Manager, Solid Waste Division, Department of Environmental Management, Hennepin County, Minnesota.)

Montgomery County, Maryland

Montgomery County is located immediately northwest of Washington, DC. The population of three quarters of a million is generally suburban, affluent and highly educated. The County has set self-mandated waste reduction goals of 35% for 1994 and 50% for 2001 in contrast to the State of Maryland's 20% goal for 1994.

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The County operates solid waste services as an enterprise fund established in 1976. Funding was through tip fees until July 1, 1993, when a residential "service fee" was instituted (see below). The County provides a variety of solid waste services including: a transfer station, a landfill, a materials recovery facility for recyclables, a household hazardous waste program, and a low technology yard debris composting operation. Construction of a \$320 million waste-to-energy facility has been underway for 10 months and the facility is expected to be operational in 1995. The County began provision of curbside recycling to 195,000 single family households in January 1992.

Commercial waste collection in the County and its local governments is private and unfranchised. The County bids out residential refuse and recycling services for a franchised area of 80,000 single-family residences. The County also provides for contracted recycling collection for additional 115,000 single-family residences in non-franchised areas. Local governments may choose to provide their own recycling service and are credited back that portion of the service fee for recycling collected by the County. Refuse collection services in the non-franchised portions of the county are provided by contract except for the City of Rockville, which has its own municipal collection system. Service is not mandatory.

In order to better recover the costs of these programs and save for the waste-to-energy facility, the County began ramping up the tip fee until it reached \$73 ton. With this increase came a steady attrition of waste. While the County directly controls some wastes through its residential contracts, a large amount of both commercial and residential waste was substantially at risk of leaving. By December 1992 a crisis had been reached and the decision was made to cut the tip fee from \$73 to \$57 per ton beginning July 1, 1993.

Description of Fee:

To replace the original revenue lost from the tip fee reduction, a generator fee was proposed. The original proposal included both households and businesses. To date only the household fee has been implemented.

For the 80,000 single-family households within the franchised areas of the County the tax bill includes the following fees per year:

Recycling services	\$78
Refuse disposal service	\$68
Weekly refuse collection	\$51
(twice a week is offered at \$94)	
TOTAL YEARLY	\$197

The 115,000 single-family household in the non-franchised areas in the County will have a service fee on their tax bill covering only the first two services — recycling and refuse disposal. Refuse collection service for these residents is provided by private haulers or the municipality and billed separately.

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The County's proposal to assess a similar service fee on the commercial sector is on hold pending the result of a referendum that would prohibit such a fee. The referendum appears in part to originate from continued opposition to the waste-to-energy facility. If the referendum is defeated, the County intends to pursue a fee on multi-family apartments and businesses. The fee would probably be assessed through a permit on containers and based on volume. This would be a flat fee and is not expected to be related to business size or other characteristics.

(Source: Tom Kusterer, Senior Planning Specialist, Montgomery County Department of Environmental Protection.)

Florida

Provision of solid waste services in Florida is similar to many of the eastern states such as New York, Connecticut and New Jersey. Counties (or similarly sized special districts) provide disposal services while individual communities arrange collection services. Due to its flat terrain and low water table, Florida has been under strong pressure to solve its disposal problems with alternatives to landfilling. According to Florida's Department of Environmental Regulation Florida burns 17% of its wastes and has the capacity to burn up to a third.

State legislation allows counties and solid waste disposal districts to levy line item assessments on tax or utility bills issued by the agencies. The fees are based on "equitable and reasonable" non-ad valorem assessments. While implementation appears to vary somewhat, there are several examples of fees based on expected waste generation per parcel.

Generator fees are used in Indian County, Broward County, and Palm Beach County. Dade County has a county-wide assessment among all residents and businesses to provide an equitable revenue source for planning. They imposed this fee in anticipation of future legal problems regarding flow control. Detailed information about Palm Beach County is presented below.

Palm Beach County

Palm Beach County is located on the eastern coast of Florida about 60 miles north of Miami. The County has about 900,000 residents roughly evenly divided between incorporated and unincorporated areas. The County has a Solid Waste Authority that operates a fully integrated transfer and disposal system including a waste-to-energy facility, landfill, yard debris compost facility, and materials recovery facility for recyclables. During the procurement phases for the waste-to-energy and transfer facilities, the Authority was an independent agency governed by appointed elected officials. After the system was built, the Authority was placed under the county. While it is still relatively independent, financing issues such as rates are approved by the County Board.

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The Authority contracts for collection services for both the residential and commercial sectors in all unincorporated areas. Recycling is provided to the residential sector but not required on the commercial side. The Authority developed an innovative bidding method so that no hauler receives more than one half of the ten franchised areas or 40% of the service overall.

Collection in the incorporated areas is a very diverse mix of municipal and private service. There are 20 to 25 cities of significant size (37 municipalities in total). About ten cities provide collection services. Regardless of whether collection is private or public, all haulers are required to use the Authority's disposal facilities.

The Authority handles about 860,000 tons a year through five transfer stations. A sixth station is under study. Most of the waste goes to the waste-to-energy facility with the landfill primarily taking the ash. Fixed costs for the system are between 60-80% of total costs. The Authority has issued \$430 million in revenue bonds to build the system.

Description of Fee:

The Authority began planning for generator fees back as early as 1986. In fact, their plans predated the State legislation regarding generator fees. After the State acted, the Authority decided to delay implementation one year so it could be done under the State rules.

The Authority spent one to two years completing the studies necessary to establish the generator categories. The system was implemented in the residential sector in October 1990 and in the commercial sector the next fiscal year.

The original plan dating back to 1987 was to use the generator fee to replace 100% of the tip fee. Today, of the Authority's \$100 million budget, about \$60 million comes from the generator fee. The fee is designed to pay for 100% of residential disposal and 50% of commercial disposal. The reduction to 50% on the commercial side was intended to retain an incentive to reduce and recycle. Commercial customers pay the remaining disposal charges through their hauler bills. The commercial tip fee for FY 1993-94 is \$46 per ton. This covers half of the Authority's \$83 total disposal costs. At this level, leakage out of the system is under control. The tip fee in neighboring Broward County is about \$60 per ton. However, there have been reports of spot prices of around \$20-\$30 per ton at some private disposal facilities within reasonable hauling distances.

The fee assessments for disposal services in the residential sector are based on a four part classification system:

1.	Single family	\$156/yr.
2.	Multi-family (2-4 units)	\$ 54/yr.
3.	Mobile Home	\$ 90/yr.
4.	Multi-family (more than 4 units)	\$ 54/yr.

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In addition to these disposal fees, collection fees in the newly bidded out unincorporated districts average \$78 per year. This is a drop of about 50% from the previous collection fees and is attributed to the new bidding process described above.

The fee assessments for the commercial sector are based on a five part classification system:

1. Non generator - by appeal only, yearly renewal and inspectio		on required.
2.	Low waste generation (e.g., parking lots, churches)	\$0.0032/sq ft

3.	Medium waste generation (most commercial establishments)	\$0.0064/sq ft
4.	High waste generation (e.g., restaurants)	\$0.264/sq ft
5.	Agricultural entity	\$400

Very few complaints have been received about the system. The appeal process is somewhat cumbersome. Inspectors are sent to complaining businesses to quantify the waste generated to see if the classification is correct. This appears to be done very rarely.

(Source: Charles Maccarrone, Finance Director, Solid Waste Authority of Palm Beach County.)

California

In Riverside and Kern Counties in California, generator fees are assessed on both businesses and households based on property tax classification. In Riverside County the fee was assessed only on parcels located in remote areas of the counties served by unregulated landfills. The fee is based on the estimated waste generation for specific property tax codes. In Kern County the fee has recently changed. In 1989, a fee was assessed on all parcels based on estimated waste generation. This fee was contested in court by agricultural interests as inequitable and is currently on appeal. However, the County changed its assessment method to include a combination generator fee and a tip fee. The generator fee is now assessed only on residential properties and is \$57 per year for a single family household. Commercial customers pay only the tip fee.

The reason for these two approaches is somewhat different. In Riverside County, the landfills were in remote locations and there was no means to assess costs for their operation other than using the property tax. The amount of revenue collected from the property tax fee was only \$2 million of the \$47 million in County disposal revenue.

In Kern County, the generator fee was instituted to remove demands on the general fund. It is estimated that the County solid waste system will receive 50% of its revenue from the generator fee and 50% from the tip fee. The new fee in Kern County provides unlimited residential disposal.

Both Kern County and Riverside County noted that these revenue systems generated a lot of controversy. Riverside County is likely to eliminate the generator fee entirely to remove frequent complaints about equity.

(Source: County officials including Barry Overholt of Riverside County.)

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New York State

Tompkins County, New York has recently instituted an annual solid waste fee based on property tax classification code. Five separate rates are assessed with three of them based on square footage. Single and two family residential rates are an annual fixed charge. Other charges are as follows:

Three or more housing units rooming houses, apts.	.056 sq ft
Warehouses and recreation (excluding row storage)	.027 sq ft
All other improved properties	.050 sq ft

This revenue system is estimated to generate 2.7 million or 42% of the solid waste budget. The remaining 58 percent will be funded through the tip fee. This bill is not assessed with the property tax fee because disputes may result in non-payment of the property tax. If, however, a bill is not paid, it is converted into a property tax assessment for the next year.

In Huntington, New York, a mechanism was instituted to collect fees from both residential and commercial customers. Residential customers pay a solid waste fee on their property tax while commercial customers pay a "whole town tax". Both of these fees are in addition to tip fees paid through hauler bills.

In Babylon, New York, a special district has been established and residential waste is collected by a private hauler under contract to the town. The special district assesses a fee for solid waste disposal based on waste generation categories. A provision of the contract allows "free" disposal of up to 60,000 tons per year (the estimated disposal quantity from the Town's residents) at the town's waste-to-energy facility. There is also a tip fee at the facility for haulers serving commercial establishments. The private hauler under contract for residential collection also pays the tip fee if waste exceeds 60, 000 tons.

Toronto, Ontario

Solid waste disposal service in the region surrounding Toronto is provided by Metropolitan Toronto. Metropolitan Toronto is a regional government covering an area containing about 3 million persons in six municipalities. The Works Department of Metropolitan Toronto (Metro Works) operates a material recovery facility, two landfills and seven transfer stations. Municipalities are responsible for residential collection. Commercial collection is private.

Metro Works was funded from tax levies until 1988 when a change was made to complete funding of disposal costs from tip fees. Disposal costs were included in these taxes. Over the next four years, the tip fee increased from \$18 to \$152.

In 1991, the agency processed about 3 million tons of waste. About 60% of this was residential waste from the municipalities and the remaining 40% from private haulers of commercial waste. By 1993, only 1.5 million tons of waste was received by Metro Works. Since municipalities are

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required to use Metro Works facilities, the loss represented about 90% of the commercial waste that had been delivered by private haulers.

The high tip fee enabled the agency to build a very large reserve (\$250 million dollars at one point). At the present time, the system is continuing operations by running down the reserve. The reserve will be exhausted in 1994 and negotiations with the municipalities about how to fund disposal are underway. Municipalities paying on the basis of service used may be part of the solution.

Metro Works has also reduced the tip fee to \$90 per ton for mixed waste and \$75 per ton for loads that do not contain "banned" material such as OCC and scrap metal. Even with the rollback in tip fees, however, tonnages have not significantly increased.

While the high tip fee was an important factor in causing the flow of waste out of the region, several other factors were at work. Primary among these was the lifting by the United States Department of Agriculture of a ban on import of waste destined for landfills. Previous regulations had only allowed waste to be imported to the United States for waste-to-energy facilities. Commercial haulers have found it relatively easy to set up private transfer stations. Disposal facilities in the U.S. are now strong competitors for the waste.

(Source: George Kelly, Director and Tom Richard, Assistant Manager for ICI, both of the Solid Waste Management Division, Works Department, Metropolitan Toronto)

ADVANCE DISPOSAL FEES

Advance Disposal Fees (ADFs) are fees levied on products to cover the cost of disposal and/or the environmental costs of production. Adding a fee to the production or purchase price of a specific product or type of product is often intended to influence behavior so that other products are used or created. ADFs are broadly used for the disposal of tires and automotive batteries and are being studied for other solid waste materials.

The most widely used advance disposal fee is one levied for the purchase of specific products. These items generally present special disposal problems, such as hazardous materials or bulky items. According to BioCycle (June 1993) 27 states currently have some type of ADF. Twentytwo of these states had fees on tires while five had fees on other products.

SURVEY OF RECENT INNOVATIONS IN FUNDING SOLID WASTE SYSTEMS

Florida

Florida recently instituted SB 1192 that requires a one cent charge on containers not recycled at a 50 percent rate. Aluminum and steel are exempt from the charge. The charge was instituted to stimulate recycling and to improve the markets for recycled materials.

The fee is collected by the Department of Revenue from the distributors. Distributors can, at their option, pass this fee on to retailers who can, again, pass this charge on to consumers. Retailers can use three methods to notify customers that a charge will be made: 1) a sign on the wall, 2) a notice on the register receipt, or 3) a notice on the product shelf.

The fee is estimated to raise \$24 million in revenue during the first year. It went into effect in October 1992. Products will be reexamined for recyclability or recycled content on July 1, 1994.

Maine

Maine charges a "Recycling Assistance Fee" on specific "hard to dispose" products. This fee is assessed at the point of retail sale and the revenue is used to fund administrative costs and the recycling programs. The following items are included: tires, new lead-acid batteries, new major appliances, new major furniture, new bathtubs, and new mattresses. This fee is collected in addition to tip fees at disposal sites.

The fee is: \$1 per tire or battery and \$5 for all other items. In many cases, items with a sale price less than \$250 are exempt (the statute has a long list). The fee is collected by retailers and paid to the Bureau of Taxation who then transfers monies to the Maine Waste Management Agency.

Oregon

Oregon has made several efforts in the area of advance disposal fees and deposits. Oregon's wellknown beverage container law dates back to 1971. Efforts to add additional containers (e.g., wine coolers) have been made over the past few years but have so far been unsuccessful.

In 1987 the legislature created the Waste Tire Program. A fee of one dollar was placed on the sale of each new tire. The funds collected were used to remove waste tire piles around the State. By legislative design (a "sunset" clause) the fee ended in September 1992. During the life of the program over two million tires were collected.

Hazardous Substance Possession Fees were adopted by the 1989 Legislature to fund the Fire Marshal's implementation of the Community Right-To-Know Act, DEQ's implementation of the Toxic use Reduction Program, and part of the State's Superfund program. These fees are assessed based upon the quantity of hazardous substance possessed (or stored) by Oregon employers. Each fee currently ranges from a low of zero for less than 100 pounds of hazardous substances to a maximum of \$2,000 for more than 50,000,000 pounds.

SURVEY OF RECENT INNOVATIONS IN FUNDING SOLID WASTE SYSTEMS

The 1991 Oregon Legislature instructed the DEQ to research and report back on alternative funding for the State's household hazardous waste (HHW) program established by the 1989 Legislature. This program is currently funded through a per ton fee on waste disposed at solid waste landfills. In 1991, the legislature approved an increase in the solid waste disposal fee to expand the household hazardous waste collection program and aid in implementing the Oregon Recycling Act.

In December of 1991, DEQ asked representatives from local government, the retail industry, solid waste management and environmental organizations to serve on a work group to develop funding options. The work group sought to develop a rational and equitable recommendation to fund a long-term household hazardous waste program. The work group recommended continuing to use the solid waste disposal fee to fund part of the State's household hazardous waste program. The work group also recommended that one of these two options be implemented beginning in the 1993-95 biennium:

- 1. An annual registration fee paid by retailers who sell household hazardous products. The fee would be graduated based on either the number of employees, the amount of household hazardous products sold, or the gross sales of a business.
- 2. A surcharge to the Fire Marshal's Hazardous Substance Possession Fee paid by the retailers.

The recommendations of the work group were carried forward to the legislature as Senate Bill 67. The work group's recommendation to place a surcharge on the Fire Marshal's fee was not included in the bill. The retail fee was to be dedicated to a voluntary education program "for the benefit and to be used by" retailers. During the session, even though the bill was amended to remove the "front end" retail fee, the bill was not passed.

OTHER FUNDING METHODS

Disposal Taxes

Disposal taxes include items like statewide landfill taxes, disposal permit fees, tonnage fees, franchise taxes, or recycling fees (generally a per ton or per cubic yard fee on waste going to disposal facilities). Ten states have disposal taxes: Arkansas, Colorado, Connecticut, Illinois, Iowa, New Jersey, Oregon, Rhode Island, Vermont and Wisconsin. Revenues are used to fund general solid waste programs. These taxes are commonly in the range of \$0.50 to \$1.50 per ton. However, Vermont's fee is \$6.00, and New Jersey's is \$7.20 per ton. The landfill fee in the State of Oregon is currently \$0.98 per ton.

SURVEY OF RECENT INNOVATIONS IN FUNDING SOLID WASTE SYSTEMS

Niche or Litter Taxes

These taxes are assessed against broad categories of consumer products (for example, taxes on beverages, cigarettes, food, groceries, sundries, tires, news and magazine stock, paper products and packages, carry-out food establishments). The funds are generally used to support litter, cleanup, recycling, and source reduction programs. Some localities are prohibited from levying litter taxes that reserve taxing authority for the state. Litter taxes are in existence in four states: Nebraska; New Jersey; Rhode Island; and Washington.

Charges by Types of Waste

Certain kinds of waste cost different amounts to dispose or manage properly. Many facilities charge significantly different rates based on the type of waste brought in. In most cases, these are differences in the "per ton" rate; in others, there may be "per item" charges.

For example, Broome County, New York, charges at least four different rates at the landfill. They charge \$32.90 per ton for MSW; \$38.15 for Construction and Demolition; \$60 per ton for tires, and \$100 per ton for asbestos. They anticipate changing their rates next year so that their MSW fee will be in the \$49-\$52 range, and the proposed rate for C&D is currently almost \$90 per ton. Their proposal also includes a lower rate for yard waste next year. Currently, this waste is charged the same as MSW, and they expect to maintain the fees for leaves and yard waste at \$25-\$35 next year. Broome County relies primarily on driver reports as to the content of the load.

A potential problem with charging different amounts for different waste streams is that there is an incentive to hide higher priced waste in with a load of lower priced waste. Broome County keeps a county security officer on site, who spends about 20-25 hours of each 40 hour week "on the face," watching loads.

Many other communities charge different fees for types of waste to provide incentives or to reflect costs.

Customer Charges

Many utilities use a "two-part fee" system. One part is a "customer charge" that covers some of the fixed costs of having access to the system regardless of the amount of service consumed.

Metro currently uses a crude version of a two-part fee, in that a minimum charge per load is instituted at the transfer stations. This is very easily enforced and administered, especially because it is invariant with respect to size of vehicle or actual load deposited.

SURVEY OF RECENT INNOVATIONS IN FUNDING SOLID WASTE SYSTEMS

Hauler or License Fees

Broome County, New York employs a permit fee for all commercial haulers. The fee is small (\$50 for the first vehicle and \$20 per vehicle thereafter. Vehicles are defined as a cab plus a container). Their permit "application" is somewhat lengthy and requires the haulers to sign a "plan" that certifies that they're conforming to state law and collecting source separated waste. Their revenues are largely tip fee based -- the permit fee is not a real revenue source, accounting for less than \$100,000 of their \$8 million budget. Standard tip fees (varying by material) contribute \$7.5 million of the revenues.

Mercer Island, Washington also employs a license fee. The fee is assessed to all haulers collecting garbage, recycling (residential) and yard waste. The license fee itself is relatively small (a couple hundred dollars), but the fee also includes a *utility tax* of 7% that is assessed on gross revenues from hauling of *all materials* from Mercer Island. This tax goes to the City's general fund, and the haulers are required to make these payments on a quarterly basis to the City.

Dedicated Surcharges

Seattle, Washington instituted a surcharge on the B&O tax (business and occupation tax, a revenue-based tax) for commercial haulers. This surcharge was meant to raise funds for the closure of two landfills to which commercial haulers had traditionally delivered waste. A surcharge was needed because Seattle had no direct contact with commercial haulers.

Washington State has implemented a revolving loan fund for sewer utilities that helps fund program initiatives and facilities.

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SURVEY OF RECENT INNOVATIONS IN FUNDING SOLID WASTE SYSTEMS

ATTACHMENT A

Florida's Advance Disposal Fee A Fact Sheet

What is ADF?

The Advance Disposal Fee is a one-cent fee which is charged at the wholesale level on gammy certain containers sold in Florida.

On July 1, 1995, the ADF will increase to two-cents per container.

Why is it being imposed?

Florida's Advance Disposal Fee was created by the Legislature to meet two goals:

- To help develop markets for recyclable materials.

To increase the rate of recycling in Florida.

What containers are included in the Advance Disposal Fee?

· Cans · Bottles · Jars · Beverage Containers · Capacity: 5 ounces to 1 gallon. What containers are exempt?

 Containers used for medicine, medical devices, drugs or other medical items.
 Containers made of materials which are recycled at a rate of 50 percent or more. Aluminum and Steel containers have met that goal and are not subject to the Advance Disposal Fee.

In the future, other containers may meet the 50 percent recycling goal or other marketbased incentives and will become exempt from the fee.

Examples of containers upon which the one-cent fee will be paid:

Will I as a consumer of these materials pay this fee? Not directly. Wholeselers pay the fee. However, the cost may be passed on to you, the consumer.

How much money will be collected through the Advance Disposal Fee and what will It be used for?

About \$23 million are expected in the first full year of the fee. Amounts from subsequent years will depend upon several factors, including whether other types of packaging materials have exempted themselves from the fee.

Uses: • Environmental and Natural Resources Programs, such as the Surface Water Improvement and Management Program, or loans for local government twaste treatment facilities. • Supplemental grants to counties for recycling and environmental education. • Improving the markets for recycled materials. • Administrative costs of administering the Advance Disposal fee itself.

For Further Information, contact the Florida Department of Revenue 1-800-FLA-DOR1 (1-800-352-3671), then enter 1-2-2 for assistance in English or press 2 for assistance in Spanish.



THE ADVANCE DISPOSAL FEE REFINED (8/10/93)

In Chapter 93-207, Laws of Florida, Florida adopted significant changes to the advance disposal fee (ADF) program. The original goal of ADF, passed by the Florida Legislature in 1988, was to increase recycling. The state's recent changes will enhance the achievement of that goal by helping to develop markets for recyclable materials. Specifically, effective October 1, 1993, the ADF will use market-based incentives to encourage businesses to use recycled content in the manufacture of products sold in Florida.

Beginning October 1, 1993, a penny per container will be assessed at wholesale on containers which have not achieved a 50% recycling rate. Aluminum and steel containers have already exceeded the 50% recycling rate, and are exempt.

"Container" means any individual, separate, and sealed can, bottle, jar, or beverage container from 5 ounces to 1 gallon, inclusive, by volume, in which the contents have been sealed by the manufacturer, including aseptic containers. Not included are containers for medical devices, drugs, medicine, or other medical items.

Market based incentives may be used to opt out of the ADF by meeting recycled content requirements or by "taking back" recovered materials and recycling them into other products in an amount of material equal to or exceeding the recycling and recycled content goals.

Beginning January 1, 1995, the ADF increases to two cents per container.

"Rates and Dates"

Beginning July 1, 1994, the ADF will be removed from businesses that certify that they will meet or exceed the following recycled content "rates and dates":

- For glass containers, 35% by July 1, 1994, and 50% by January 1, 1998
- For plastic containers, 25% beginning July 1, 1994
- For paper containers and product packaging, including aseptic containers: 30% by July 1, 1994 and 40% by January 1, 1997

The goals for glass and plastics containers can be satisfied by recycling the amount of container material necessary to meet the recycled material content goals into other products, such as "glassphalt" or carpet.

The goal for paper containers and product packaging can also be satisfied if the paper and paper products industry in Florida demonstrates sustained recovery rates of 30% by July 1, 1994, 40% by July 1, 1995, and 50% by January 1, 2002.

If a business receives an exemption but subsequently fails to meet the goals, they are required to remit the amount of the ADF that would have been paid on their containers, plus 12% interest.

Fee Proceeds

The Legislature estimates that approximately \$23 million in revenue will be collected in the first full year of fee collection. The proceeds will be used for supplemental grants to counties, environmental and natural resources programs, improving recycling markets for containers subject to the fee, and administrative costs.

allocation:

30% for supplemental grants to counties
12% for improving recycling markets
19% for the Surface Water Improvement Trust Fund
27% for the Sewage Treatment Revolving Loan Fund
12% for the Small Community Sewer Construction
 Assistance Trust Fund

Differences from original statute

When passed in 1988, the ADF was scheduled to take effect October 1, 1992, with the fee increasing to 2 cents per container October 1, 1995. In 1992, the fee was delayed until July 1, 1993. The new ADF will take effect October 1, 1993, with the fee increasing to 2 cents per container January 1, 1995.

The point of fee collection has been moved from retail to the distributor, or wholesale, level.

Emphasis has been broadened from just collecting recyclable materials to improving markets for recyclable materials.

Fee proceeds have been reallocated.

The redemption process has been eliminated.

For further information, contact: The Department of Revenue Division of Taxpayer Assistance at 1-800-FLA-DOR1 (1-800-352-3671), then enter 1-2-2 for assistance in English or press 2 for assistance in Spanish.



ATTACHMENT B

Report on the German Packaging Law by Jeanne Roy

REPORT ON THE GERMAN PACKAGING LAW By Jeanne Roy, October 14, 1993

The German packaging law represents a dramatic new approach to the conservation of materials. Rather than viewing discards as consumers' waste, this approach considers them the manufacturers' responsibility. If the manufacturer made it, the rationale goes, the manufacturer should be responsible for the product throughout its life cycle. Packaging was targeted first because it makes up such a large portion of the waste stream and is growing at a fast pace. But the concept won't end there. Germany's environment minister has already announced a proposal that dealers be required to take back electronic goods such as TVs and computers.

The packaging law grew out of a failure of other attempts to stem the flow of solid waste. In the 1970's and 80's Germany passed legislation intended to reduce waste, increase recycling, and allocate costs on the "polluter pays" principle. But waste kept increasing, landfills reached capacity, and incineration prices climbed. In the late 1980's the Minister of Environment proposed minimum refill quotas for beverages--over 90% for mineral water down to 30% for milk. The beverage industry complained that it was unfair to single them out. A group of states proposed that all packages be taken back by manufacturers. Their idea was to have all containers be refillable--not just beverage containers. Trade groups lobbied fiercely against this idea. The Minister of Environment presented a compromise that became the 1991 packaging law.

The legislation divides packaging into three categories: transport, secondary, and primary and specifies reuse and recycling requirements for each. Since December 1991 distributers and manufacturers have had to take back transport packaging such as crates, pallets, and cardboard, and either reuse it or have it recycled. The result has been a shift to durable, reusable containers. The collection and sorting of recyclable packaging is handled by the pachaging businesses that produce cardboard, wooden pallets, and plastic.

Since April 1992 consumers have been able to discard at stores excess packaging such as blister packs. A retailing organization has produced a questionnaire asking customers to nominate packaging that is excessive or unnecessary. Stores, so they don't have to pay for disposal, pressure their suppliers not to use it. As a result, outer boxes, like those around toothpaste tubes, are disappearing.

By December 1993 retailers are required to take back primary packaging either at their sites or the immediate vicinity. Packaging is to go back to the manufacturer who is responsible for recycling it. To assure high recovery rates for certain containers--disposable drink packages, waterbased paint cans, and detergent bottles, the law gave them mandatory deposits of 30 cents.

The law allows manufacturers to pool resources to form a joint collection and recycling system for primary packaging. As long as they

meet minimum collection and sorting targets averaging 50% by 1993 and 80% by 1995, they are exempt from having to take back the containers. Beverage containers for beer, wine, soft drinks, juice, and water are to be refilled, rather than recycled, at their present rate of 72%. In Germany bottles are refilled 35 times, on average.

More than 600 companies got together and formed a private non-profit company, DSD or dual German system. Once a package is approved by DSD, it can be given a green dot and be included in the collection program. Three thousand companies have been licensed for the green dot. Companies pay a fee to DSD based on the filling volume of the package.

For glass and paper packaging DSD is supplementing the neighborhood bins which had been in use prior to the law. The intent is to have a bottle bank and one waste paper bin for every 500 inhabitants. All other packaging is to be collected curbside in yellow collection bags or bins. Materials are processed at sorting stations.

According to Germany's environment minister, in only two years the new system has helped eliminate 500,000 tons of packaging. The system seems to be working except for a huge problem with plastics. DSD is receiving almost four times as much plastic as expected and is currently offering \$610-855 per ton to anyone who will recycle it. This has resulted in some uncrupulous companies taking advantage of the system. Greenpeace says plastics from Germany are showing up in dumps in Asia. Environmentalists are also critical because plastics may be processed into fuel oil rather than being made into new packaging or products.

DSD is presently running in the red. But beginning October 1993 fees will increase and will be differentiated by material type. For example a kilogram of plastic will cost 15 times as much as a kilogram of glass. This should bring a shift to easier-to-recycle materials.

In the long-term it is obvious that the materials stream must be simplified. There is already talk of using only three types of plastic for packaging. Markets must be stimulated, possibly by content standards. And tax reform must level the playing field between new and secondary materials. A tax on primary commodities would be one way of doing this.

References:

"Packaging a Revolution" by Megan Ryan, Worldwatch, Sept./Oct. 1993.

European Recycling Revolution and It's Impact on Oregon's Businesses by Deborah Nelson, June 1992.

"European Packaging Initiatives: Leading the Way on Source Reduction" by Bette Fishbein, <u>Resource Recycling</u>, March 1992.

ATTACHMENT C

Advance Disposal Fees by David W. Smith, Booz-Allen & Hamilton

ADVANCE DISPOSAL FEES – ARE THEY AN EFFECTIVE TOOL FOR SOURCE REDUCTION?

David W. Smith Booz-Allen & Hamilton Inc. San Francisco, California (415) 495-2700

Over the past ten years recycling has seen a rebirth in America, restoring its visibility and importance to levels not known since World War II. The major drivers of this resurgence have been economics (landfill disposal has become more expensive) and the environment (many landfills cause environmental problems). These efforts have resulted in a diversion of 10 - 15 percent of our nation's waste stream from landfills to some sort of reuse or recycling.

Although recycling has reduced the percentage of the waste stream going to landfills, it has done little to reduce the generation of waste in the first place. Many states and local governments are recognizing that recycling will make up only one aspect of a fully rounded solid waste program. To address the total costs and impacts of solid waste disposal, a program of reuse, source reduction, recycling, and management of disposal activities will be required. In addition, as recycling programs have become more effective, states and local governments have recognized the importance of developing markets for the materials collected.

The purpose of this paper is to explore one proposal that has been put forward as a method to both encourage the use of recycled materials in products and lead producers and consumers to reduce the generation of waste products in the first place – Advance Disposal Fees. Specifically, this paper will address:

- What is an Advance Disposal Fee?
- How Is An Advance Disposal Fee Calculated?
- What Basic Program-Design Policy Decisions Are Required?
- Can An ADF System Really Work?
- What Conclusions Can We Draw?

In summary, the paper's premise is that although ADFs can be an effective part of an overall program encouraging source reduction and promoting markets for recycled materials, designing an ADF program will require a broad range of policy and political decisions and policy makers developing such programs must look closely at their goals for an ADF system and carefully design the system's main elements to ensure its overall success and balance the costs of such as system to the anticipated benefits.

I. What Is An Advance Disposal Fee?

In economic terms, an ADF is a differential tax, designed to internalize the total waste-management cost of a product or material to the producer and the consumer of that product or material. This means that the ADF is a way of affecting consumer and producer decisions about what products and packaging to buy and manufacture. The intent is to insure that the prices that the producer must charge and the consumer must pay are based not on the production costs alone, but also take into account the life-cycle costs to the economy and environment of disposing of or recycling the particular product or material and its packaging.

The economic concept of internalization of costs is behind many of the financial approaches being discussed as potential solid waste management tools. Unit-pricing systems are intended to correctly internalize the costs of disposal to the waste generator in a way that a fixed-rate system can not. Similarly, part of the motivator behind the design of California's beverage container processing fee was to make container prices reflect the true costs of recycling those products. Consistent with this theory, ADFs are intended to make prices reflect the total cost of disposal or recycling of a product, including the handling costs, landfill costs, and longer-term environmental costs.

All of these economic approaches are based on the assumption that producer and consumer behavior can be modified by changing the prices that producers charge and consumers pay in the market place. Presumably, when a consumer is faced with two products that have similar functions but different disposal costs, they will select the product with the lower disposal cost if the price of that product reflects that lower disposal cost. Similarly, if a producer has a choice between two types of processes or packaging with similar costs and functions, one with a relatively high disposal cost and one with a relatively low disposal cost, they will select the option with the lower disposal cost if they will be able to realize a savings because of that lower cost.

In addition to affecting producer and consumer product decisions, the ADF can be used as a tool to achieve other solid waste goals. For example, by reducing the ADF for products that contain recycled content, producers can be encouraged to increase the amount of recycled inputs they use. Similarly, by reducing the fee for products a significant proportion of which are recycled, the fee can encourage the development and maintenance of recycling systems for those products.

This basic concept has been interpreted in a number of different ways by different states. To date, no state has implemented a comprehensive ADF system. However, Florida and California have both passed legislation moving toward implementation of such a system. In addition, California's processing fee, which has been a part of its Beverage Container Recycling Program since its inception, incorporates many of the concepts behind an ADF.

IL How Is An Advance Disposal Fee Calculated?

Although a number of different approaches have been proposed for calculating an ADF, Exhibit 1 shows the basic steps required. As this Exhibit suggests, there are three steps in the calculation of an Advance Disposal Fee. The first step is to group the products affected into categories with similar disposal or recycling costs. The disposal cost for each group is then calculated, and, finally, any policy-based adjustments, such as a credit for recycled content, are applied. Depending on the structure of the groups, a fourth step may be required to reallocate the disposal cost to individual products in the group.

EXHIBIT 1 Basic ADF Calculation



Although this approach seems straight forward, each of these steps masks a broad range of complex policy decisions that must be made to develop and implement an ADF system. In addition, as policy makers move toward implementation of an ADF system, the political interests of individual manufacturers and consumer groups will present substantial challenges. Examples of these challenges can be seen in the repeated litigation, threats of litigation, and annual legislative changes affecting implementation of California's beverage container processing fee. These attempts to affect the California Division of Recycling's processing fee delayed its implementation, except on bi-metal containers, for four years after passage of the initial legislation.

In addition to the political and policy hurdles facing the establishment of an ADF system, the costs of such an effort can be substantial. To calculate an ADF for each product in the economy of a state would be a major project, requiring substantial funds. In the alternative, grouping products into large groups, without substantial differentiation based on their disposal costs would reduce the differential cost impact that the ADF is designed to create. Before embarking on the development of an ADF system, policy makers must decide what level of administrative cost is acceptable and how broad an ADF program must be in order to achieve political acceptance.

III. What Basic Program-Design Policy Decisions Are Required?

Once the decision to go forward with an ADF system has been made, there are a broad range of policy decisions that are necessary regarding the system's design. To begin to identify and discuss the policy decisions affecting each step in the calculation, Exhibit 2 shows the types of decisions that may be necessary for the three basic steps in the ADF calculation.



EXHIBIT 2 Policy Decisions Affecting Program Design

In addition to these basic decisions affecting the design of an ADF program, there are a broad range of decisions that must be made regarding the administration of an ADF system. These include:

- At what point in the production, distribution, and marketing system should the fee be collected?
- How frequently should fee levels be recalculated?
- How should administrative costs be financed?
- How should revenues from the fee be used?

Although these questions are critical to the design of any ADF system, their resolution is beyond the scope of this paper. Therefore, the following sections address the policy decisions that affect the basic design of the ADF program.

As discussed briefly above, grouping of products and materials for calculation and application of an ADF can be a way to achieve substantial administrative efficiencies. Prior to grouping the products and materials, however, policy makers must decide the appropriate scope for the fee. Should it apply to all products in circulation in the state? Should it differentiate between consumable and durable goods? Should it apply to services? (Many services, such as real estate, banking, and legal services, generate large amounts of paper wastes.) Once the scope is determined, the covered products, materials, or services must be grouped for administrative ease in calculating the ADF.

The grouping of products and materials affects the level of detail at which the ADF is calculated and applied. For example, an ADF could be assessed on all white goods, based on average materials contents, weights, and volumes. In the alternative the ADF could differentiate between all refrigerators and all washing machines, or between refrigerators with over 25 percent plastic content and those with less than 25 percent plastic content. Another possible rationale for grouping products would be the ease of recycling. For example, products that were easy to disassemble into recyclable components could be grouped under the assumption that the costs to recycle these products would be lower than the costs to recycle a more-integrated product. The level of specificity selected for this product grouping will affect both the nature and cost of the calculations required to determine the proper fee structure and the degree to which the fee structure accurately reflects the disposal or recycling costs of each product.

Finally, products may also be grouped to reflect differences in packaging as well as differences in content. Such a grouping might include compact discs sold in single-layer packaging as opposed to the current standard of multiple layers. The purpose of differentiating groups based on packaging would be to insure a lower relative ADF on those products delivered in packaging with a lower total cost of disposal. Such packaging differentiation could be applied in addition to the differentiation based on the product qualities discussed above.

Calculation of the Total Cost Pool

Perhaps the most critical policy decision affecting the implementation of an ADF program is the determination of what types of costs will be included in the total pool of costs collected under the fee. The concept of internalizing the disposal costs of products and materials to the producer and consumer would suggest that the total life-cycle disposal costs associated with the product or material should be included in the fee.

ASTSWMO Portland David W. Smith There are three primary components of total disposal costs that must be considered in calculating the disposal costs for any group of products. These are:

- Currently Paid Disposal Cost the costs currently being born by the consumer, or others, for the disposal of solid waste
- Non-Captured Marginal Disposal Cost -- the amount above currently
 paid costs that would be charged to consumers, or others, if waste
 management services were priced on a purely marginal cost basis
- Environmental Disposal Cost -- the amount required to fund any necessary environmental cleanup caused by waste management practices related to the product.

Exhibit 3 below shows the relationships between these costs.



EXHIBIT 3 Calculation of ADF Cost Pool

ASTSWMO Portland David W. Smith

July 20, 1992 BOOZ-ALLEN & HAMILTON INC.

If all of these costs are captured in an ADF system, the producer and consumer will be forced to make production and purchasing decisions based on prices that include the costs of all waste management and environmental activities associated with the product or material. An example of this approach can be found in the Tellus Institute's examination of ADFs for the California Integrated Waste Management Board. In their 1991 report, they describe a prototype system based on the recovery of the total cost of disposal for all products and materials statewide. This approach would have resulted in the collection of fees of approximately \$4.3 billion dollars (\$3.5 billion in conventional waste management costs and \$0.8 billion in environmental costs).

An alternative approach would be to design an ADF system that captured only that portion of total disposal costs that are not now being born by some player in the system. This approach would assume that, although consumers do not face prices based on total disposal costs, they do bear those costs that are imposed by the current waste-management system. For example, a consumer that purchases chickens at a supermarket will pay for disposal of the plastic wrapper, foam tray, and insulation pad as part of their municipal waste management fee. This fee will include some allocation of the total cost of the collection and disposal of municipal wastes. However, the fee will almost certainly be less than the total economic and environmental costs of waste management. It will most likely not reflect the true marginal costs of disposal, nor will it reflect the environmental costs associated with future cleanup of today's landfills.

The decision between capturing the total disposal costs for a product or material and capturing only those costs not currently paid requires a balancing between the economic purity of the ADF concept and considerations of fairness and administrative ease. By imposing an ADF that is based on total disposal costs, the consumer and producer will face prices that reflect that total cost and should make production and purchasing decisions accordingly. However, such an approach will either force the consumer to pay twice for disposal (once in the ADF and once in their municipal waste disposal fee) or must result in the development of a new financing system where all disposal costs are born by the state that collects the ADF revenues. Such a state-financed system would be a substantial change from most waste management systems around the country where private businesses and local governments currently collect the majority of waste management fees.

Application of Policy-Based Incentives

The final set of policy decisions that are required for the development of an ADF program is the determination of whether policy-based incentives will be used to increase or decrease the fees paid on individual products or materials. As the earlier discussion of the goals of an ADF system suggest, such a system can be structured to achieve policy-based goals beyond just internalizing the costs of

disposal to the producer and consumer. Achieving these goals can, however, affect the economic efficiency of the ADF system.

The most-frequently-mentioned policy-based goals that can be added to an ADF system are:

- increasing recycled content in goods sold
- fostering recycling programs for materials discarded.

Both of these goals can be incorporated into an ADF system by developing a formula-based credit against the ADF for goods with high recycled content or for goods a substantial portion of which are currently recycled.

As Exhibit 4 suggests, an individual product's ADF can be calculated using a base of the average disposal cost for the group to which the product belongs and reducing that base to address its recycled content and the rate at which it is recycled.

EXHIBIT 4 Application of Policy-Based Incentives



Using this approach, a product with a base ADF of \$1 per unit that included 25 percent recycled content and where 10 percent of the product was typically recycled in the state would receive a final ADF of 0.675 ($1 \times (1-.25) \times (1-.1)$). The adjustment for recycled content would give producers an incentive to increase recycled content to obtain reductions in the ADF applied to their products. Similarly, the adjustment for percent recycled would create incentives for developing markets for recycling the product or its elements or to design the product in such a way as to facilitate its recycling.

To implement incentives such as those proposed here, policy makers will have to first identify the issues of sufficient concern to merit adjustments. Once identified, levels of credit will have to be developed. For example, an incentive could be applied at 50 percent of its potential weight or at 200 percent of its potential by adding an adjustment factor to the formula. In addition, policy makers may decide that it is appropriate only to apply the adjustment after some floor has been achieved. Such a system might only apply the recycled content adjustment if more than 20 percent of the product were from recycled materials.

Implementation of this type of incentive has been criticized as interfering with the basic internalization concept of the ADF. While it is true that incorporating policy-based adjustments in an ADF program will distort the effect of the ADF on producer and consumer decisions, it may still be appropriate to include such adjustments if their value outweighs that of the economic purity of an unadjusted ADF. Another criticism of adjustments is that they interfere with the revenue-generating potential of an ADF. However, if an ADF system that incorporates downward adjustments would fail to generate sufficient revenue, adjustments could be developed where each product's ADF was defined by the extent to which its policy variables (percent recycled content, percent recycled) deviated from the average for the group. Under such a system, products with low recycled content would receive positive adjustments and those with high recycled content would receive negative adjustments. Using this approach, the adjustments could be revenue neutral.

IV. Can An ADF System Really Work?

As stated above, the underlying purpose of an ADF system is to affect the behavior of producers and consumers. Economic theory would suggest that any tax that creates price differentials between products with similar functions will achieve this. Producers will produce more products with characteristics that resulted in a lower tax in order to be more competitive. Consumers will buy products with a lower tax to save money. However, the extent of the impacts on behavior that can be achieved with a differential tax system will depend to a large extent on:

- the ability of producers and consumers to substitute products with lower ADFs for those with higher ADFs (If you need to buy automobile tires, you need to buy automobile tires.)
- the magnitude of the price impacts (The threshold where price will affect behavior will be lower for a producer making 1 million units than for a consumer buying 1 unit.)
- the sensitivity of the consumer to the price of an individual product (Good beer is good beer, whether it costs a little more is not important to some people.)

Together, these issues are known as price elasticity, and they vary substantially for different products and materials.

The bottom line is that people generate waste because they buy stuff they do not need to keep for ever. If you could change their decision making to have them buy less stuff that they do not need to keep for ever, you can reduce the generation of waste. To examine whether an ADF can achieve this goal, we can look at three products:

- Whole chickens
- Compact discs
- Refrigerators.

Each of these products can be produced and sold in different ways, with different packaging. Each likely carries a different price elasticity.

Whole Chickens

Today, most chickens are purchased in supermarkets, with a Styrofoam tray, an insulation sheet, and a plastic wrapping. It is still possible, however, to purchase a chicken at a butcher shop, just wrapped in a paper sheet. Both, however, generally come with bones. The packaging that the chicken comes in, the bones, and some of the meat will become part of the municipal solid waste stream.

Because of the packaging differences, the disposal costs associated with the supermarket chicken are higher than those associated with the chicken from the butcher. Therefore, under an ADF system that included packaging differentials, the supermarket chicken would carry a higher Advance Disposal Fee. This higher fee would be based on the costs of disposing of the plastics used in packaging, which have a higher volume and less-economically-viable recycling alternatives than the paper wrapping. The cost of disposing of the bones and meat would be the same.

Although the Supermarket chicken would have a higher ADF, it is unlikely that the differential in ADF would outweigh the higher storage and handling costs that the butcher must add to their chicken in order to deliver it in a paper wrapping. In addition, the ADF differential is likely to be very small, as a proportion of total sale price. Therefore, even though the ADF would create a price effect encouraging purchase of the paper-wrapped chicken, this effect is not likely to be sufficient to affect either the producer's or the consumer's decision to sell and purchase the chicken with substantial packaging.

Compact Discs

Most compact discs (CDs) are currently sold in a "jewel case" made of plexiglass, a poly-propylene wrapper, a cardboard box, and another poly-propylene wrapper. Some discs are sold in only the "jewel case," with one wrapper. Recently, there has even been consideration that this packaging could be changed to a cardboard box, instead of the "jewel case," and one wrapper. The current multi-layer approach results in the generation of substantially more waste material, the cardboard outer box and one additional wrapper, than either the single-plexi-box or cardboard-box approaches. Therefore, the multi-layer option would carry a higher ADF than either of the two alternatives. As with the chicken, however, this differential is not likely to be significant enough to change consumer behavior to purchase one CD over another. This is true, in part, because the consumer is not likely to be willing to substitute one CD for another, based on a small price difference. However, in the case of CD's there is little differential in handling cost for the producer between the higher-ADF and lower-ADF approaches. Therefore, if the ADF were collected at the producer level, and could not be passed on to consumers because of standard pricing, a lower ADF on one million CDs would, in effect, be a reduction in cost and therefore an increased profit margin over other CDs with a higher ADF. Depending on the level of the differential, this profit incentive might have an impact on producer decisions regarding packaging.

Refrigerators

As a final example, refrigerators are generally shipped in cardboard boxes and contain a broad range of recyclable and non-recyclable materials: metal, insulation (generally plastics), and refrigeration gasses. As currently designed, these materials are often difficult to separate, and therefore the individual materials are often difficult to collect for recycling. Some manufacturers are working to develop products where the different materials, particularly the refrigeration gasses and the plastics, are more-easily separable.

If a refrigerator could be designed with more-separable components, it might carry a substantially lower ADF than would a conventionally designed refrigerator. This would be particularly true under an ADF system that looked to the cost of recycling the product, not just the cost of disposal. Under such a system, the ADF differential could be high enough to affect the consumer's decision to purchase one refrigerator over another, assuming that the basic functions were similar. In addition, such a system could provide research and development incentives for producers to develop a refrigerator that met the criteria for recyclability.

V. What Conclusions Can We Draw?

Advance Disposal Fees are an important, emerging concept with a strong appeal as an economic tool for affecting decision-making with an eye toward solid waste management. There are many ways such a system could be developed and administered. The costs of any of these could be substantial. This paper has described some of the policy issues that must be addressed along the way.

An ADF system is not the only answer to a state's source reduction goals. As the three examples presented above suggest, the effectiveness of an ADF system will vary on different products. In some cases, the ADF may not be of sufficient magnitude to affect producer or consumer decisions (Chickens). In others, it may be sufficient only to affect producer decisions (Compact Discs). In still others, the ADF may both affect consumers and encourage producers to improve their products in a socially desirable way (Refrigerators).

Reviewing all of the products sold in a state and determining which will have what effects will be almost impossible and certainly costly. Rather than undertake such a process, decision makers should focus on those products where substantial potential ADF differentials exist, there are either alternatives available or there are alternatives that could be developed, and consumers' price sensitivity is high. ADF systems could then be developed for these high-impact products as part of an overall solid waste management program. Implementing ADF systems in an incremental way for these products will insure that the potentially substantial costs of implementation and administration will have a significant pay-back to the state's solid waste management system. Е

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DATE: November 17, 1993

TO: Solid Waste Advisory Committee

FROM: Bob Martin, Solid Waste Director

SUBJECT: Public Participation for Revising the Solid Waste Revenue System

The Solid Waste Department has commenced a study that will probably lead to new ways of funding solid waste programs. Public acceptance of whatever is proposed will be essential. In order to achieve that, we must initiate a public information program. A strategic plan is needed to orchestrate the What, When, Where, and Who, of all this.

- WHAT the public outreach activities will be
- WHEN they will be conducted
- WHERE they will be conducted
- WHO will be responsible for developing and/or carrying out the individual components of the plan

The attached discussion paper describes methods for promoting public participation in the process to study and ultimately revise the solid waste revenue system. Please review this information and provide us with your input by contacting Judith Mandt at 797-1649.

cc: Rena Cusma, Executive Officer Dick Engstrom, Deputy Executive Officer

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REVISING THE SOLID WASTE REVENUE SYSTEM

PUBLIC PARTICIPATION COMPONENT

BACKGROUND:

Last spring the Solid Waste Department proposed revising the rate structure that finances the solid waste system and we proposed *how* we would do it. The effort was unsuccessful. A number of reasons contributed to this: The short time frame envisioned to implement it, and a lack of widespread awareness that the change was needed. The mortal blow, however, was dealt by the effective opposition of people who would be most directly affected by the proposed changes. We also made a tactical error: We presented the problem *and* the solution simultaneously. There was no public debate or discussion before we decided what to do and how to do it, so the solution we presented, while it may have been the best answer and may yet be part of what is ultimately implemented, had no real sponsors. No one but Metro's Solid Waste Department and Rate Review Committee "owned" it.

Why did we want to revise the solid waste revenue system? And why, even though we did not succeed the first time, are we pursuing this again? (It may seem to some that we are stubbornly engaged and have no popular support.) The answer is that we must be responsive to the clear message the public wants the cost of garbage service, like other government functions, to stop increasing. As important, Metro elected officials want the costs of garbage disposal service to be contained. Accordingly, they directed a study of the rates be done to determine what methods could be applied to revise the revenue system to meet that objective.

In revising the revenue system, we hope to eliminate inequities and stabilize the rates. Significant rate increases that have already occurred have caused negative impacts. Rising costs, in part, have caused the flow of waste to Metro facilities to decrease. The decreasing flow, in turn, has caused revenues to drop, at the same time that the cost of running the system is increasing because of inflation and new laws. The result is a shrinking base with ever climbing rates being financed by fewer and fewer users.

The public has said the "what" of the problem, but they have not said the "how." We have reached a threshold, yet costs *will* go up. Mere inflation assures that, and changes proscribed by state and national legislation, which have substantially increased costs in the last five years, are expected to continue. The job ahead is to examine options and present recommendations. Our best judgment today for keeping costs level is to *spread* them, or pay for them by more than just the tipping fee. This means revising the revenue system. Presently there isn't a broad perception that there is a problem with the way the revenues are generated. That works for us and against us. It works *for* us that we are talking about a problem before it becomes a crisis. It works *against* us that there is a steep learning curve out in front of us that will take time and a lot of education.

On the positive side, awareness has increased significantly just since our initial overture last spring, with at least three Metro committees now discussing solid waste rates and acknowledging that change could be needed. Two of the committees -- the Solid Waste Advisory Committee and the Rate Review Committee -- are now studying whether it may be necessary to change the way Metro generates revenue to pay for the recycling and disposal system if we are to continue to manage it effectively. The recommendations of these committees will be made to the Executive Officer and the Council Solid Waste Committee (the third committee), which will make recommendations to the Council. Any changes are expected to be incorporated in next year's rates.

With our initial effort, we did learn a few things. Foremost among them is that it is essential to involve the vested interests in the process up front. People want and must be given an opportunity to *create* and *identify* solutions without being told what the solutions are at the same time they're made aware that a problem exists. That probably actually *creates* resistance.

In other words, the old DAD Method -- Decide, Announce, Defend -- does not work.

To be successful, we are looking at an all-out effort that will involve many hours and probably several staff. Resources needed will include solid waste expertise, public information skills, graphics work, advertising expertise, and the input of local governments to ensure the message is accurate and effective.

POSSIBLE METHODS:

What does work? Taking the facts to the public, presenting them, and then seeking input as *part* of developing the solution, has more probability of success than developing answers on our own. Today people do not accept unquestioningly what is stated by public officials, and the public questions virtually *everything*.

The word "public" is a broad term. There are many publics:

There is the customer public. Residences, businesses, and institutions that receive solid waste disposal and recycling services. These are people who pay the rates, adjust to the changes in service, seek competitive prices, conform to changing regulations, and in general are our main constituent.

There is the professional, technical, industry public: Garbage haulers, recyclers and processors, consultants, disposal service companies, transfer station operators. These are people whose livelihoods are vested in decisions -- political, financial, technical -- that are made about the solid waste system. They attend Metro meetings, associate with Metro staff, negotiate agreements and contracts, communicate with Metro elected officials, and conduct interviews with the media. There is the neighborhood public. Neighborhood associations, community planning groups -- people who meet on a regular basis and are formally recognized by local governments to make decisions about their community. These people are in frequent contact with local government representatives, communicate with the media, regularly conduct association meetings, host speakers at their meetings, and generally provide oversight at the local level for a large array of activities.

Specific groups such as seniors need to have information and to be given the opportunity to voice their concerns. Groups whose individuals are on fixed incomes will be more impacted by any increases passed on to consumers. They convene at regular meeting places and will have useful insights.

There are also publics within our own organization. In any given group of employees, there are coaches, Rotarians, artists, educators, sales people, gardeners, musicians, writers, care providers, parents, bill payers and the like. These people have their own ideas and terms of communication.

It is essential to acknowledge and cultivate our different publics. Everybody has a point of view and can provide important insights. A number of ways to obtain this insight are outlined as follows:

Focus Groups

Metro invites a target group of 10 to 12 people representing different backgrounds, socioeconomic characteristics, etc.; to participate in a 2-hour focused interview. A facilitator leads the group in a discussion of topics; i.e., solid waste service, cost, how revenue is derived, etc. Topic is generally open-ended and if done correctly, could be effective in our quest to identify what people want to know, how to tailor the approach for a favorable reaction to the need for revising the revenue system.

Support required: We may have the requisite skills in-house. If not, assistance of a consultant would be needed. This is currently an unbudgeted expense, but should be evaluated.

Pro's: Provides qualitative information from potentially motivated audience, direct reaction from participants in controlled environment, opportunity to refine message. Recognized as a good method for obtaining information.

Consideration: Could in-house meetings (see below) achieve the same result? This should be done after the options are well defined.

Con's: Could be costly (trained facilitator needed), method to select/motivate target group unknown, may appear contrived.

Rate Effectiveness: High ____ Medium ___ Low ____

In-house meetings

These meetings would be attended by selected Metro staff from a cross section of disciplines from entry level to management. The meetings would be staged as dry-runs to introduce the topic, discuss it, and get feed-back before scheduling presentations at public meetings. This would be designed to distill and refine the message, get insight to and anticipate what people may ask, and generally work the bugs out. Probably only a few meetings would be required.

Support Required: Assigned staff, some support services; local government representatives, if available, would observe to help clarify any issues.

Pro's: Good source for probing, Metro staff are curious and informed, a very good way to get a reading on what people want to know, not much time involved, no cost. Metro staff are available, motivated, and some will be skeptics.

Con's: Takes time away from other projects, staff may be "too informed" to provide accurate litmus.

Rate Effectiveness: High ____ Medium ____ Low ____

Direct Mail

In the recently completed "Citi-Speak II" Survey, a community attitude survey conducted for Metro by Western Attitudes, 53% of those polled indicated that the best way to keep them informed and to solicit their opinions during the planning process is via direct mail. While this was related to 2040 planning participation, it is reasonable to extrapolate that the same would apply to solid waste rates. How rates are collected is not presently a high priority on the public agenda. It is urgent, but it is not a crisis, which tends to be more likely to bring out the public.

We have done several direct mail pieces in the past related to rate increases. This piece would be a no-envelope mailer. Direct mail should be given serious consideration with two factors in mind:

- 1. <u>Region wide</u>: For so large an area, it is potentially extremely costly to do one.
- 2. <u>Target areas</u>: With some demographic, possibly historic research, areas of "motivated" public could be identified; i.e., those with residents most likely to pay attention to a mailer. A clip-out or tear-out postage pre-paid return mailer posing specific questions and soliciting comments could also be distributed to this group. Follow-up could be done by making presentations at local meetings in those areas. Rather than asking the public for a return mail response, follow-up could also be accomplished by telephone calls by Metro staff.

Support required: Staff time to develop and prepare mailer, digesting return mailer results, responding to calls from public who received mailer, attending

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follow-up local meetings to make presentations. Input of local governments will be needed for information development.

Pro's: Considered very effective communication tool, can be tailored to audience, attendees at public meetings already have some understanding of what will be presented.

Con's: Potentially costly, staff intensive, time-consuming.

Rate Effectiveness: High ____ Medium ____ Low ____

Direct Delivery

Door-to-door direct delivery can be a very effective means of dispersing information to targeted areas of "motivated" public that is less costly than direct mail. Since the piece is not mailed, it may get attention that "junk mail" would not. Targeted areas can be selected as with a direct mail piece, and this type of piece could contain a clip-out or tearout postage pre-paid return mailer posing specific questions and soliciting comments. The piece would be a no-envelope mailer. Follow-up could be done by making presentations at local meetings in the affected areas. Many neighborhood newsletters are direct delivered; we may be able to piggy-back onto some of these deliveries with this piece.

Support required: Same as direct mail

Pro's: Same as direct mail, portion of work can be done by a contractor

Con's: Similar to direct mail, though less costly, potentially staff intensive, timeconsuming

Rate Effectiveness: High ____ Medium ___ Low ____

Local Meetings

In this outline, direct mail is identified as the most effective way of informing the public and soliciting their input. We should certainly do this in some way. But direct mail contact is not enough. We cannot achieve public acceptance, and we still risk rejection, if we don't speak directly to the public as well. Making presentations at public meetings is a given.

For this effort, we need to put the message across at meetings held for other purposes; these meetings would have the best chance of attracting the most people because there is a built-in audience. Experience has demonstrated, and the recent Citi-Speak II community attitude survey shows, that meetings held to talk specifically about one topic (such as rates) probably would not be well-attended. The public prefers to receive information via direct-mail or the newspapers. Unless there is an immediate, direct and identifiable threat, most people prefer not to attend meetings. To get their attention, we will need to utilize existing meetings that people do attend.

It will require a unit of 5 or 6 trained personnel to do this. Scheduling presentations on group agendas will require time and a person assigned to do it. Metro has resources that can be tapped; information about the neighborhood associations, community planning groups, and service and professional organizations and their contacts is already in the Public Affairs data system and continually updated.

1. Neighborhood Associations, Community Planning Groups, Business Associations

Metro staff, assisted by input from local government representatives, will make presentations -- the revenue system need to be revised, this is why. Groups such as these hold regular meetings, typically monthly, with regular agendas and frequently guest speakers. It is an existing forum that can provide opportunity to talk about the issue with the people who are affected by rate increases.

Support required: The number of staff needed depends on the number of meetings conducted; this segment would be accomplished in concert with the previously discussed activities, by members of this team. Assuming a minimum of 50 to 75 throughout the region over a period of five months, a minimum of 4 staff would be needed to allow coverage of meetings on same dates. To avoid burnout, 5 to 6 staff would be more conducive. This could be handled by one person each assigned from the Administration, Budget and Finance, Waste Reduction, and Technical Analysis divisions. Managers should take an active role in this function; the Administration and Waste Reduction Managers are interested in doing this. Input from local government representatives and attendance at meetings ,when they can do so, is invited. Use of "informed" individuals on contract, those who are familiar with the department, is an option, but would represent currently unbudgeted cost.

Pro's: Existing forum, Q & A opportunity, establishes personal contact, can be invited back

Con's: Staff intensive, time-consuming, can't do all, may require additional staff, attendance may be low because people attend many meetings already.

Rate effectiveness: High ____ Medium ____ Low ____

OR

2. Workshops, Open Houses

Metro holds series of open houses with a sponsor group. Group host invites citizens/members to a meeting with this topic among other topics on agenda. This would

be a good vehicle for public meetings (2 minimum) of the Rate Review Committee (rationale developed later in this outline).

Typical sponsor group: business association invites affiliate business associations, PTA invites other PTA's, neighborhood coalition invites neighborhoods, etc.

Support Required: Same as or similar to No. 1. above.

Pro's: Existing forum, Q & A opportunity, establishes personal contact, potentially broader-based contact

Con's: Staff intensive, may be time-consuming, securing willing sponsor groups, attendance may be low because people attend many meetings already.

Rate effectiveness: High ____ Medium ___ Low ____

Paid Newspaper Advertising

Timed paid advertisements placed in papers of general and limited or special circulation. These ads could have a clip-out response to be returned to the Solid Waste Department for tabulation and to obtain names and addresses of interested readers who could later be invited to meetings or mailed other information.

Community and Neighborhood newspapers	10 papers of largest circulation 1/month, Dec-April, 50 ads total
Minority publications	Probably 4; 1/month, Dec-Apr 20 ads total
Daily Journal of Commerce and The Oregonian	2 large ads in Jan-Feb, and/or Mar-Apr, and/or Apr-May
Neighborhood Newsletters	Arrange to submit articles, Dec, Feb, Apr

To do all of these would be very costly; even if ads in the Oregonian were small. If ads are small, the good of doing it at all is questionable. The Daily Journal of Commerce is a cost effective medium to reach the business community. Many community papers, such as the Gresham Outlook and Hillsboro Argus, are direct delivered to the household. Neighborhood papers are effective and ads are not too costly. Community and neighborhood newsletters also do get read. It may be possible to piggy-back a direct delivery with a few neighborhood newsletters. Minority publications are read, though advertising in some can be expensive.

Rate Effectiveness: High ____ Medium ____ Low ____

Selected Mailings

Metro's various functions constitute thousands of names and addresses on various mailing lists already prepared and ready for labels. This is a tremendous built-in resource for us to capitalize on. We should request and assemble all the mailing lists (Solid Waste can provide departments with mailing labels to print) and do one mailing to all addresses. This could be bulk mail, done by a mailing house, using a no-envelope piece. Selected mailings would also need to be complimentary to one or more of the other efforts.

Support required: Staff to procure mailing lists, input data where necessary, manage the mailing.

Pro's: Good value for cost, reaches people we know are already in some way "motivated"

Con's: Cooperation of other departments, possibly time-consuming, could be complicated

Rate Effectiveness: High ____ Medium ___ Low ____

Considerations

Cultivate a media source to cover SWAC meetings when rates are discussed. This is somewhat weak because only the Oregonian is large enough to do this, if they would do it. Regular releases that have accurate, relevant information will also need to be done for all news publications of circulation in the region.

Rate Review Committee, (RRC): The involvement of the Rate Review Committee is essential. They can play a key role, and could assist by holding one or more meetings in the community, where the public is actively *invited* to come. Attendance could be ensured by targeting specific groups to send representatives, and inviting community leaders from organized citizen groups such as professional, industry, City Club, Rotary, Kiwanis, church, political, medical, environmental, utility, local government citizen committees, etc. Follow-up with letters and telephone calls will be needed.

Solid Waste Advisory Committee, (SWAC): Possibly joint meetings of Solid Waste Advisory Committee and Rate Review Committee could be held. It may be somewhat cumbersome to try to impanel so many people to hold meetings for public input, and representatives or a sub group from each committee may need to be selected to represent each committee in the joint meetings.

Timing

TBD; probably December through April. Breakfast, lunch, evening meetings, probably 3 or 4 a week for 5 months.

Preparation Needed

A half-day training conducted by Solid Waste staff with director playing key role would be needed to educate speakers to the message. Again, local government representatives would be asked to provide information. It is critical to have everyone saying the same thing and understanding the role of Metro, the role of local governments, and how these relate to solid waste costs and revenues. Contradictions will waste time that we don't have to waste. A 3-part presentation is recommended:

1. Oral: 5 minutes, 10 minutes maximum. A canned speech everyone uses (may adapt to personal style, but *content* always remains same) that brings out the main points of our message. The speech must be sculpted by the Director and address the following:

<u>Canned Speech</u> <u>What we are proposing to do</u> <u>Why we are proposing it</u> <u>Who is affected</u> <u>When it starts</u> <u>Cost: Who pays?</u>

- 2. Hand-Outs:
- a. Current budget, how dispersed
- b. How fees are collected now
- c. Options for change being considered
- 3. Audience participation: Q's and A's

Budget

Focus groups, direct mail, direct delivery, and advertisements will all cost money. The strategic plan that is adopted will determine the amount that will be needed. But it is fairly obvious that we probably cannot achieve meaningful public participation without spending money on it. A budget of \$50,000 is probably needed and there is this amount budgeted in the Budget and Finance Department this year for rate information to the public.

SHARE'MAND'CORRESPO'PUBPART.DOC November 16, 1993