

Executive Summary

Solid Waste Advisory Committee April 21, 2003

I. Call to Order and Announcements

Susan McLain

- Councilor McLain introduced Eileen Newman, a new SWAC member representing Washington county citizens.
- Approval of Minutes: Mr. Misovetz motioned to approve the summary; Mr. Walker seconded the motion; none opposed; the Executive Summary passed as read.

II. Solid Waste & Recycling Director's Update

Mike Hoglund

- Mr. Hoglund announced that the ordinance to adopt the FY 2003-04 rate passed on April 3 after two public hearings. There was some controversy because the regional system fee (RSF) and tip fee did not go up in equal amounts. The RSF was raised in order to gradually move closer to unit cost pricing. There will be an overall tip fee increase as of July 2, with a rate of \$67.25 per ton at Metro transfer stations. Mr. White questioned, and it was clarified that the \$67.25 tip fee assumed no change in the excise tax rate. The rate as of July 2 will be \$67.18 due to a seven cent decrease in the excise tax.
- Mr. Hoglund announced that the Council will consider a resolution April 24 to release a request for grant proposals to provide up to \$200,000 in funds for building C&D reuse and recovery infrastructure.

III. Fiscal Year 2003-04 Proposed Budget

Mike Hoglund

Councilor McLain explained that the Council needs to approve the Metro budget April 29 in order to forward to the agency responsible for approving Metro's budget, the Multnomah County Tax Supervision Commission, by May 1. She asked SWAC members to point out any "fatal flaws" or comment on program budgets during this presentation, or during public hearings. Mr. Hoglund added that there is one final public hearing opportunity at Council, and that is this Thursday.

As background information, Mr. Hoglund described how the state of the industry has evolved since 1995 and the challenges for Metro. For example, Metro stations now capture less than half of the market share, and are processing fewer, smaller loads. He reviewed the department's core mission (waste reduction leader, service provider and environmental steward) and explained that the department has been asked to find savings in the budget, while trying to maintain programs that support the core mission. While the rate will increase in FY 2003-04, most of that increase will go to shore up the department's reserves. The department's financial objectives are prudent financial management, particularly in relation to meeting bond covenants and adjusting solid waste rates toward unit cost pricing. The Council President asked the Department to recommend cuts, while keeping within prudent financial management. Mr. Hoglund explained that the Department's fund total is \$86.5 million, yet all but about \$16 million is tied up in reserves, renewal and replacement, and capital costs. Out of that \$16 million, the Department found \$1.6 million in savings through cost reductions, reduced overhead costs, reducing disposal subsidies and eliminating under-performing programs. The Council will likely consider amendments to restore at least partial funding for some of these program areas, while still trying to meet the target reserve level. Proposed cuts probably won't have much effect on Metro operations.

In response to a question, Councilor McLain confirmed that there is still a \$1 per ton surcharge on the solid waste excise tax for parks, which is in effect for another year.

Mr. White clarified that "disposal subsidies" are the Thrift and RSF credits. He pointed out that elimination of these programs increasing waste reduction through encouraging source separation conflicts with the RSWMP goal of moving toward commingling. Councilor McLain responded that

Councilor Monroe would be introducing a budget amendment to restore the RSF credit program because he and some of the other Councilors agree that cutting the budget for this program could be too much too soon.

Mr. Huycke stated that he believes the impact of eliminating the RSF credit program has been understated. Mr. Hoglund acknowledged that he understands there could be some adverse impact on recovery, but on the other hand, the money spent on this program could probably be more effectively spent to increase recovery.

Mr. Phelps noted that the RSF credit program contributes 2.5% of the region's recovery, 1.9% of which is captured from facilities recovering between a 0-25%. Only 0.6% is recovered from facilities recovery 25-30%. You cannot get to 25-30% before first getting from 0- 25%. The dry waste recovery program through MRFs accounts for 2.5% of the recovery rate. Councilor McLain replied that the question is – would people do that anyway without the credits? She's heard that some would not, but Metro needs to weigh the choices that will get the most bang for the buck.

Mr. Kampfer agreed that the RSF credit program is a good program, but said that the way the money is distributed could perhaps be adjusted to get more bang for the buck. He added that most of the material that is being recovered through the RSF credit program does not lend itself to recovery through source separation.

Mr. Gilbert said he believes that Metro has the most control over recycling by facilities through this program. Metro's efforts should be put in place where they have control and authority.

Mr. Walker said that the budget cuts and constraints make sense, but he doesn't understand how the decisions to cut these programs were made. Councilor McLain conceded that the schedule has been tight, and regrets that these conversations could not have happened prior to Council's consideration of the budget. Nevertheless, the President's direction to make budget cuts was clear. Councilors will be introducing amendments to restore funds for some of these programs, therefore she urged SWAC members to call their Council representative if they have comments on the proposed budget.

Mr. Merrill asked why 0.5 FTE is being cut, yet personnel costs are still increasing by 5.14%? Mr. Hoglund responded that the increase is due to increases in cost of living, PERS and health care insurance costs.

IV. Regional Solid Waste Management Plan (RSWMP) Amendments

Scott Klag

Mr. Klag reminded members that proposed RSWMP amendments were introduced and discussed last month. This month, SWAC is asked to make comments on the ordinance and staff report, as well as the proposed work group that will be charged with looking at contingency plan options. Recognizing that organics initiatives are already underway, the language in the ordinance was changed to reflect that on-going work. Second, SWAC was concerned that the workgroup would be charged with looking only at disposal bans. The workgroup, as appointed by the COO, will be free to explore a variety of options and present recommendations to SWAC and the Council.

Mr. Kampfer asked about the budget impact of this ordinance. Mr. Klag explained that adoption of this ordinance does not have any direct fiscal impacts, but initiatives and options developed as part of the plan may have fiscal impacts. These will be considered during the budget process, and by Council consideration of legislation to implement policies and programs that may result from this ordinance.

Mr. Kampfer then questioned how current the data supplied to the workgroup would be. Mr. Barrett said he expects to have data not more than six months old. If the committee is charged with setting some trigger points for further action if we are not reaching our goals, then current data will be required to assess whether goals will be met before the target date has passed.

Mr. White said he thinks the proposed representation of the work group is good. The important thing is who is selected – a broad spectrum of perspectives is needed. Mr. Barrett replied that Metro is

committed to try and find committee members that are able to speak for all perspectives. Also, for example, a member of the construction industry would be selected to sit on the Committee, but that when the time came for the Committee to consider C&D recovery, other construction industry representatives will be asked to attend for that specific topic.

Mr. Huycke noted that the RSWMP contingency plan supports market development, yet in the proposed budget, market development is eliminated. Mr. Hoglund clarified that market development has not been eliminated. The Recycling Business Assistance Program was eliminated, but other grant programs to assist market development in organics and C&D are funded. The Department has found that programs need to target specific areas in order to get responses and be effective. Mr. Klag added that market development is still a part of the waste reduction initiatives, but other areas such as technical assistance are important in developing markets for recyclable materials. Councilor McLain pledged that the Council would still make market development a priority.

V. Food Waste Recovery: Status Report

Lee Barrett

Mr. Barrett reported that organics has been a difficult program to make progress in, but that other places have been successful and are ending up with a good product, and he thinks we can do this here, as well. The goals of the food waste program are to provide the region with processing capacity that is competitive with garbage collection; to supply a composter(s) with feedstock that contains less than 5% contamination; and to work with DEQ to make sure composting is done in an environmentally responsible manner. Mr. Barrett said that 12 proposals for organics infrastructure grants are being reviewed. Some of the proposers are located outside or far from the region, and that vehicle miles traveled (VMTs) are being considered. The group reviewing these applications fully realize that their decisions will help shape the regional solid waste system in the future.

Mr. Barrett said that the City of Portland is currently putting together a technical advisory committee to advise on the City's ordinance to require source-separation of food waste and recovery for some businesses. Mr. Walker added that the City is asking restaurants and others to comment, to make sure the implementation of this program goes smoothly.

Mr. Barrett said that Metro is working with a consultant, Merina & McCoy, to recommend a rate for organics that local jurisdictions can use in their rate-setting processes. Metro is hoping for a rate of \$40 or less at Metro transfer stations if they are used as a reload for organics, as that rate would provide an incentive to source-separate organics.

Mr. Gilbert asked if Metro had any plans to help marketing of the end product, and what kind of quality control and regulation will this product be subject to. Councilor McLain said that Metro has looked into market potential and have talked to Norcal [organics processing facility in San Francisco]. National standards will probably apply to composters, though if Metro funds a processor, other standards may be required.

Ms. Schaefer said she supports food waste processing, but hopes it doesn't happen at the expense of increased VMTs and air quality. She doesn't think it is right for the Metro region to put that burden on the rest of the State.

Mr. Huycke stated that he has been looking to Norcal's food waste program in San Francisco, as well, and cautions that the market dynamic is different from the Portland area and this region needs to make sure a strategy that works here is developed. Mr. Hoglund said that Metro is putting together a business plan to address each of the steps and elements of food waste processing, and to make sure the questions are answered at each step.

V. Other Business and Adjourn

Susan McLain

As there were no further comments or business, Councilor McLain adjourned the meeting.

Metro staff had intended to seek a motion from SWAC on Agenda Item IV: RSWMP Amendments, but did not. Therefore, an e-mail was sent out to voting members present at the meeting asking for their response to the following statement:

"The Solid Waste Advisory Committee has reviewed the updated recovery goal and new business waste reduction strategies and recommends that Council adopt the recovery goal and strategies described in Ordinance No. 03-1004"

Fourteen members responded in support of the statement, and none responded negatively.

Mr. White added this comment, "...I think this could have used more discussion. I was okay with the amendments until I heard Metro's proposed budget cuts in grants and credits. I think it will be hard to implement these strategies without financial support."

Documents to be kept with the record of the meeting:

Agenda Item II:

Handout - Construction and Demolition Debris Salvage and Recovery Infrastructure Grant Program (copy available upon request)

Agenda Item III:

PowerPoint presentation - Proposed Budget FY 2003-04: Solid Waste & Recycling Department Outline (copy available upon request)

Solid Waste & Recycling Department Outline



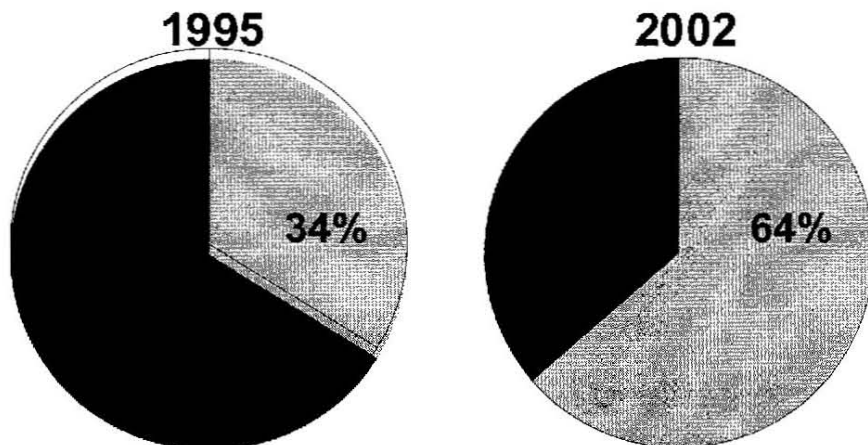
Volume 1 of 2

State of the Industry - Regional

Continuing Consolidation

- Fewer independent haulers
- Large companies control more waste
- Vertical integration: control from collection to disposal

Share of Tonnage Collected by 5 Largest Haulers

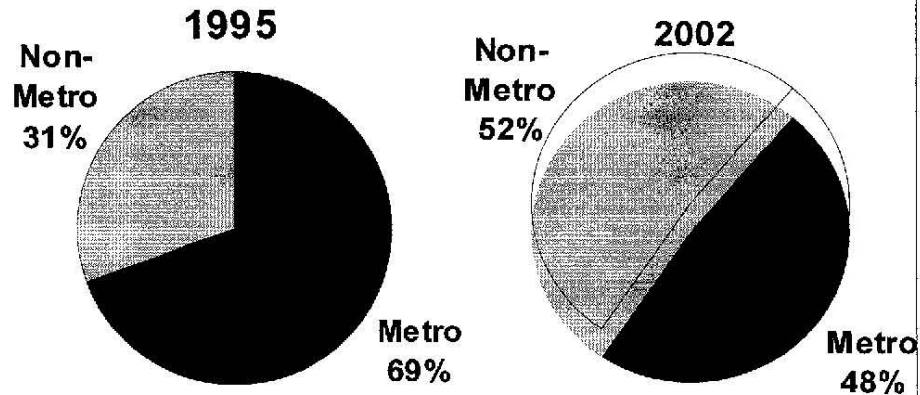


State of the Industry - Metro Disposal Enterprise

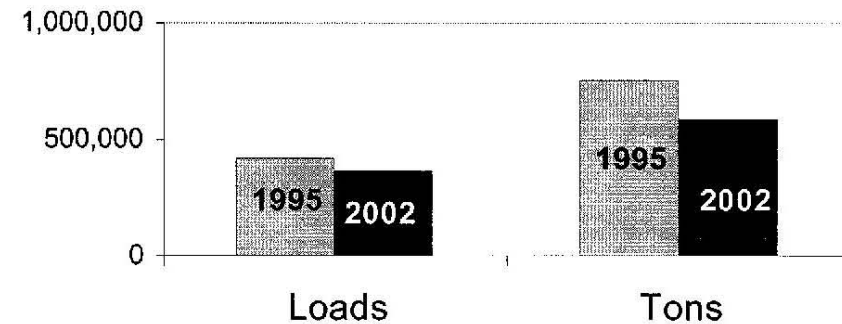
More Disposal Facilities

- Competition with Metro transfer stations
- Metro market share now less than 50%, down from ~75%
- More facilities, more distant

Share of Tonnage to Metro Transfer Stations



Loads and Tons to Metro Transfer Stations



Department's Core Mission

Waste Reduction Leader

- Food waste composting
- Dry waste processing
- Recycling & waste reduction education
- Local government commitment

Department's Core Mission

Service Provider

- Enhance latex operations
- Continue historical service levels

Regulator

- Expand regulatory functions
- Additional inspector for complex system

Department's Core Mission

Environmental Steward

- Continue monitoring St. Johns Landfill
- Clean up illegal dumpsites

Financial Objectives & Issues

Belt-tightening

- Fewer resources - maintain service levels
- Less than FY02-03
- Adjust personnel needs

Financial Objectives & Issues

Prudent Financial Management

- Reach targeted reserve levels
- Manage dept service
- Meet bond covenants
- Financial reporting, controls & auditing

Financial Objectives & Issues

Adjust Solid Waste Rates

- Target: fees that recover costs
- Gradual movement to unit cost pricing
- Eliminate cross-subsidization

Council President's Budget

- Asked to recommend cuts
- Consider financial management
 - examine revenue
 - reserve levels
 - meet bond covenants

Department's Response

- Find efficiencies
 - \$1.6 million reduction in 4 areas
- Manage financial resources
 - Rate ordinance
 - Reserve draw-down in FY03-04 is last planned year
 - Debt service
(defeasance + revenue increase + expenditure reduction,
now safely exceed debt service coverage requirement)

Budget Reductions

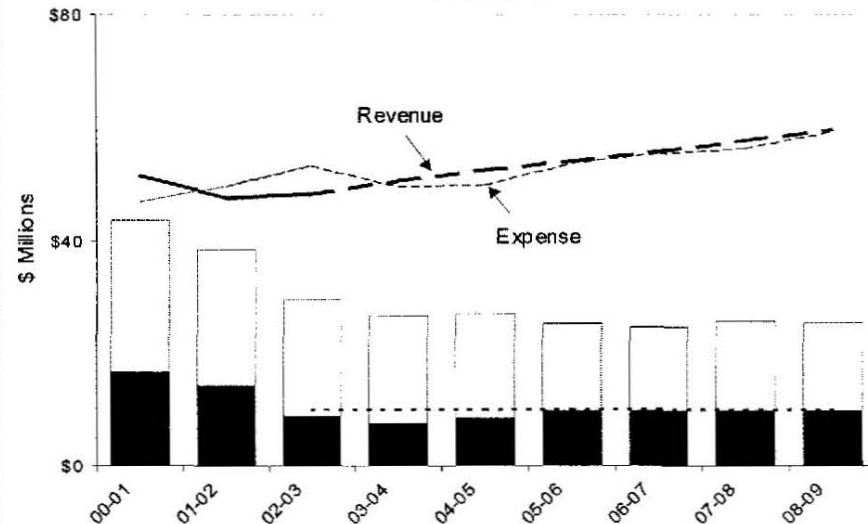
- Total reductions = \$1,605,619
- FTE eliminated
- Deliver core services and programs

Efficiencies Found Cost Reductions

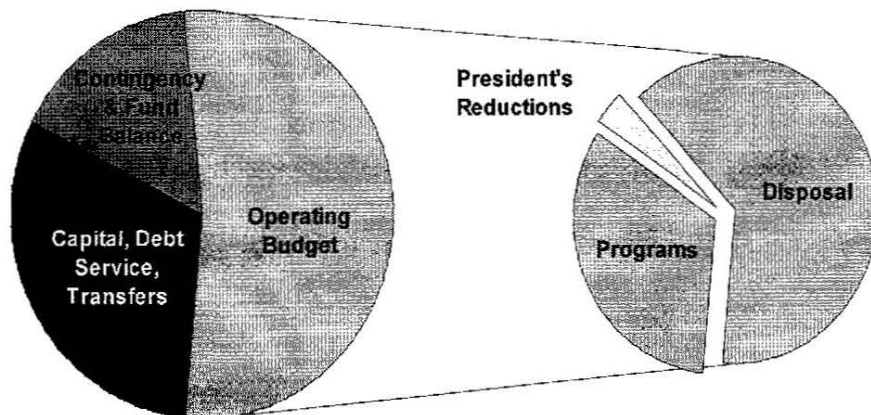
- \$404,465
- Eliminate a secretary
 - Reduce travel and supplies
 - Reduce surveys and management consultants
 - Reduce central service transfer

- The Solid Waste & Recycling Department core mission remains intact
- Operations are financially secure for FY03-04
- On track to sounder financial footing

Solid Waste Financial Trends



Solid Waste Revenue Fund



\$86.5 Million Fund Total

Proposed Budget

FY 2003-04

Comments?



METRO
PEOPLE PLACES
OPEN SPACES

Volume 1 of 2

Efficiencies Found *Disposal Subsidies*

\$427,921

- Half disposal vouchers
- Eliminate disposal credits for Thrifts

\$82,500

- Eliminate end-use market studies, mower rebate ads
- Half ENACT

Efficiencies Found *Under-performing Programs*

\$690,733

- Eliminate market development program
- Halve Regional System Fee Credits (2-year phase out)
- Eliminate business prevention/reuse grants and pilots

What Changes Mean for *Operations*

- Proposed efficiencies judged to have little effect on operations
- Cutting disposal subsidies may enhance waste reduction mission
- Elimination of cross subsidization shows fiscal prudence without impact to operations

What Changes Mean for *Operations*

- Improves management of Bond coverage
- Legacy of permanent reduction in future debt service
- Reserves funded at adequate and sustainable levels