

BEFORE THE COUNCIL OF THE  
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF CONTINUING ) RESOLUTION NO. 84-512  
CURRENT SOLID WASTE DISPOSAL RATES )  
) Introduced by the  
) Executive Officer

WHEREAS, The Metropolitan Service District (Metro)  
operates its Solid Waste Department as an enterprise fund; and

WHEREAS, Revenue from solid waste disposal charges and  
user fees constitutes the sole means of meeting operating  
requirements; and

WHEREAS, Solid waste operating revenue is projected to be  
adequate under the current rate structure to meet operating  
requirements through December 1985; now, therefore,

BE IT RESOLVED,

That the solid waste disposal rates approved by the  
Council by Ordinance No. 83-163 and made effective January 1, 1984,  
will remain in effect through calendar year 1985.

ADOPTED by the Council of the Metropolitan Service District  
this 8th day of November, 1984.

  
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Presiding Officer

ES/srb  
2188C/402-4  
10/26/84

STAFF REPORT

Agenda Item No. 8.2

Meeting Date Nov. 8, 1984

CONSIDERATION OF RESOLUTION NO. 84-512,  
CONTINUING CURRENT SOLID WASTE DISPOSAL RATES

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Date: October 17, 1984

Presented by: Dan Durig

FACTUAL BACKGROUND AND ANALYSIS

An analysis of solid waste disposal rates was presented to the Council at its October 11, 1984, meeting. It concluded that current disposal rates would be adequate to meet expenditure needs until December 1985. It also concluded that user fee revenues would be inadequate unless development costs of the Washington Transfer & Recycling Center were paid from regional transfer charge revenues, and that current user fee-supported programs were not substantially increased.

The Resolution affirms the results of the analysis. Any program increases identified in the FY 1985-86 budget process will be reflected in the calendar 1986 rate structure.

EXECUTIVE OFFICER'S RECOMMENDATION

The Executive Officer recommends adoption of this Resolution.

ES/srb  
2188C/402-3  
10/26/84

BEFORE THE COUNCIL OF THE  
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF GRANTING A ) RESOLUTION NO. 84-522  
FRANCHISE TO OREGON WASTE MANAGE- )  
MENT, INC. AND GENSTAR CONSERVA- ) Introduced by the  
TION SYSTEMS, INC. FOR THE PURPOSE ) Executive Officer  
OF OPERATING A SOLID WASTE PRO- )  
CESSING FACILITY )

WHEREAS, Section 5.01.030 of the Metropolitan Service District (Metro) Code requires a Metro Franchise for any person to establish, operate, maintain or expand a disposal site, processing facility, transfer station or resource recovery facility within the District; and

WHEREAS, Oregon Waste Management, Inc. and Genstar Conservation Systems, Inc. (OWM/GCS) have jointly applied for a non-exclusive franchise to operate a processing center at 701 N. Hunt Street, Portland, Oregon; and

WHEREAS, OWM/GCS has submitted evidence of compliance with Metro Code Section 5.01.060 requirements for franchise applications and operational plans except in areas relating to rate regulation and collection of User Fees and Regional Transfer Charges as discussed in the Staff Report; and

WHEREAS, OWM/GCS has applied for variances from Metro Code sections relating to rate regulation and collection of User Fees and Regional Transfer Charges pursuant to Metro Code Section 5.01.110; and

WHEREAS, OWM/GCS has met the purpose and intent of Metro Code Section 5.01.180 and has met variance criterion (3) under Metro Code Section 5.01.110 as set out in its application for a variance from rate regulation; and

WHEREAS, OWM/GCS has met the purpose and intent of Metro Code Sections 5.02.045 and 5.02.050 and has met variance criterion (3) under Metro Code Section 5.01.110 as set out in its application for a variance from collection of User Fees and Regional Transfer Charges; and

WHEREAS, The variances are granted subject to annual review by the Executive Officer because the innovative nature of the proposed operation makes it impossible to determine that the criteria of the Metro Code will continue to be met; now, therefore,

BE IT RESOLVED,

1. That the Council of the Metropolitan Service District authorizes the District to enter into the attached Franchise Agreement with Oregon Waste Management, Inc. and Genstar Conservation Systems, Inc. within ten (10) days of the adoption of the Resolution.

2. That the requested variances from the Metro Code are granted, but they shall be reviewed by the Executive Officer one year from the date of issuance of the Franchise. If, in the opinion of the Executive Officer, the variances warrant review they shall be reconsidered by the Council.

ADOPTED by the Council of the Metropolitan Service District this 13th day of December, 1984.

  
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Presiding Officer

ES/srs  
2449C/402-3  
12/04/84

CONSIDERATION OF RESOLUTION NO. 84-522, FOR THE  
PURPOSE OF GRANTING A PROCESSING FACILITY  
FRANCHISE TO OREGON WASTE MANAGEMENT, INC., AND  
GENSTAR CONSERVATION SYSTEMS, INC.

Date: November 29, 1984

Presented by: Edward K. Stuhr

FACTUAL BACKGROUND AND ANALYSIS

Oregon Waste Management, Inc. currently operates a source-separated buy back center for recyclable materials at 701 N. Hunt Street in Portland. On October 16, 1984, the company initiated an application for a non-exclusive franchise to operate a processing facility at that location as well. The application was accepted as complete on November 23, 1984. The operator of the business wishes to enter into a joint venture with Genstar Conservation Systems, which will allow upgrading the facility so it can accept selected loads of mixed waste from commercial haulers. Only loads which contain a significant percentage of recyclable materials (primarily corrugated cardboard and other paper products) would be accepted.

As the process is planned, mixed loads will be placed on a conveyer belt which will move the material past sorters who will separate out recyclable materials by hand. The recyclable materials will then be warehoused for sale and the remaining solid waste will be taken to a disposal site. The operator anticipates that approximately 7,200 tons of recyclable materials per year will be extracted from the waste stream by the processing facility. The operator also intends to continue the buy back center for source-separated recyclables. It is estimated that there are about 35,000 tons per year of corrugated cardboard in the Metro region's waste stream that currently escape recycling.

Variance Requested from Collection of User Fees and Regional Transfer Charge (RTC) on Mixed Waste

Under Sections 5.02.045 and 5.02.050 of the Metro Code, the operator of a facility which receives mixed waste is required to collect user fees and the RTC on all material which is received. When the remaining waste is disposed of, User Fees and the RTC are charged at the disposal facility. The operator then receives a credit for the charges which were collected at the disposal facility.

The net result of this process is that Metro charges are collected on both the recyclable materials and the disposed materials. The applicant asks that Metro charges not be collected

on material that he receives, but only when the remaining material is taken to a disposal facility. The variance request is attached (Exhibit A).

Using the applicant's projected volumes (24,000 tons per year) and projected 30 percent recyclable recovery rate, the revenue loss to Metro of this variance taken by itself is 7,200 tons x \$3.68, or about \$26,500. At a 50 percent recovery rate, the revenue loss becomes \$44,160 per year.

The applicant bases the request for variance on the grounds that the extra cost would prevent him from being competitive in the market place. There is no adequate way to verify that assertion since no financial data is presented. A logical argument can be made, however, that the fact that Metro charges are only collected on recyclable materials which are not source-separated would be a disincentive to the kind of business being proposed here.

#### Variance Requested from Rate Regulation

Section 5.01.180 of the Metro Code requires that the Council set rates for franchised facilities. The applicant requests a variance to the Code requirement under Code Section 5.01.110 on grounds that (1) the facility will operate in a competitive climate; (2) disclosure of proprietary agreements as part of rate setting would be detrimental to the business; and (3) the nature and complexity of the business makes empirical rate setting inaccurate. The applicant claims, therefore, that adherence to the Code would be inappropriate because of conditions beyond his control and because it would result in "substantial curtailment or closing down of the business." Detailed arguments are presented in the attached variance request (Exhibit B).

This variance, taken by itself, would have no fiscal effect on Metro. A key operational consideration for the applicant is that he must charge enough less than available disposal facilities to attract customers.

The Solid Waste Rate Review Committee has considered the applicant's requests for variances from rate regulation and from collection of User Fees and Regional Transfer Charges on incoming material. The Committee recommends approval of both variances, provided that the approvals will be reviewed after one year of operation, in accordance with standards to be set by the Executive Officer.

#### EXECUTIVE OFFICER'S RECOMMENDATION

The operation being proposed by OWM/GCS is a positive step for waste reduction in the Metro area. The Council should adopt Resolution No. 84-522, to allow the District to enter into a franchise agreement with OWM/GCS.

The applicants' request for a variance to be exempt from

collecting User Fees and the Regional Transfer Charge from incoming waste should be reviewed with the following questions in mind:

1. Would their imposition have a significant impact on the viability of the project?
2. Will the loss of this revenue source have a significant impact on the Metro solid waste program?
3. Should the Metro fees be applied to any material which will be removed from the waste stream prior to final disposal?

The Solid Waste Department staff has evaluated the economic viability of this project and, at least for the short-term, agrees with the applicant that the imposition of the Metro fees could have a significant negative impact. Current revenues indicate that, during the next year, the loss of an estimated \$25,000 to \$40,000 in Metro fees from this project will be offset by higher than projected volumes. The Executive Officer's recommendation is to grant the requested variance from the User Fee and Regional Transfer Charge for one year, or until the Council has reviewed the policy of exempting recyclable material at any point prior to disposal for the entire region and adopts policies to apply regionwide.

While the agreement would be a non-exclusive franchise, and while the operation will take place in a somewhat competitive environment, it is recommended that a variance be granted to OWM/GCS such that the variance would be reviewed by the Executive Officer annually, according to the criteria contained in Schedule E of the Franchise Agreement. If the Executive Officer determines by the review process that the variance is no longer appropriate, the variance will be brought back to the Council.

ES/srs  
2449C/402-3  
12/04/84