BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF GRANTING A COMMERCIAL RATE INCREASE TO THE KILLINGSWORTH FAST DISPOSAL LANDFILL	)	RESOLUTION NO. 84-523 Introduced by the Executive Officer

WHEREAS, The Killingsworth Fast Disposal Landfill operates under a franchise granted by the Metropolitan Service District (Metro); and

WHEREAS, The Killingsworth Fast Disposal Landfill has applied for a commercial rate increase in accordance with Metro Code provisions for such applications; and

WHEREAS, The Solid Waste Rate Review Committee and the Executive Officer have investigated the proposed rates as required by Section 5.01.180(d) of the Metro Code; now, therefore,

BE IT RESOLVED,

That the commercial disposal rate increase requested by the Killingsworth Fast Disposal Landfill is granted and the franchise shall be amended to reflect the new rates effective April 1, 1985. The new rates are:

Commercial Loose	$1.75 per cubic yard
Commercial Compacted	$2.70 per cubic yard
Demolition Debris	$2.25 per cubic yard

ADOPTED by the Council of the Metropolitan Service District this 24th day of January, 1985.

Presiding Officer
Ernie Bonner

ES/gl
2450C/405-5
01/25/85

KFD, INC.
4200 S.W. Mercantile Drive
Bldg. F, Suite 730
Lake Oswego, Oregon 97034 JAN 15 1985
503/635-8191

January 11, 1985

TO: Metropolitan Service District Council

FROM: KFD, Inc.

REF: Reduction of Rate Increase Request

Because of the concerns expressed by the Council and the commercial haulers, we have substntially reduced our request, which is now well below the amount which would permit investment recovery and a reasonable rate of return. We believe our amended request will minimize the effect upon the commercial haulers, who are our customers, the pass-through impact on their customers and avoid affecting the present disposal patterns.

Therefore, we amend our prior request and now request authority to raise our commercial rates, effective March 1, 1985, from the present rates to the following requested rates, (approximately an 18% increase):

	PRESENT RATE			REQUESTED RATE		
	KFD	MSD	TOTAL	KFD	MSD	TOTAL
Commercial Loose	1.40	.55	1.95	1.75	.55	2.30
Commercial Compacted	2.16	.95	3.11	2.70	.95	3.65
Demolition Debris	1.80	.55	2.35	2.25	.55	2.80

Mr. Gregg Richmond, a Certified Public Accountant, who is our Controller, has forwarded a letter to Mr. Ed Stuhr presenting the back-up data supporting our application. This back-up includes exhibits which exclude all components questioned by the Council (i.e., interest, taxes and prior year losses). This approach justifies a $1.00 per cubic yard rate increase well above our requested $0.35 rate increase.

KFD, INC.
4200 S.W. Mercantile Drive
Bldg. F, Suite 730
Lake Oswego, Oregon 97034
503/635-8191

January 11, 1985

Mr. Ed Stuhr
Metropolitan Service District
527 S.W. Hall Street
Portland, OR 97201-5287

Dear Ed:

The purpose of this letter is to explain our reasoning in reducing the requested arate increase which we filed before the Metropolitan Service District from approximately 30% to approximately 18%. In real terms, our amended request would reduce our requested increase per commercial loose cubic yard to $0.35.

Following the December 13, 1984 and January 10, 1985, Council meetings, we met among ourselves to consider the comments and concerns expressed by the Council and the commercial haulers. We determined that it would be appropriate to amend our request so as to minimize impact upon our customers, their customers and the pattern of commercial and demolition waste disposal.

After considering the comments made by the Council members and the commercial haulers, we amended our requested increase as set out below:

	PRESENT RATE			AMENDED REQUESTED RATE		
	KFD	MSD	TOTAL	KFD	MSD	TOTAL
Commercial Loose	1.40	.55	1.95	1.75	.55	2.30
Commercial Compacted	2.16	.95	3.11	2.70	.95	3.65
Demolition Debris	1.80	.55	2.35	2.25	.55	2.80

We would respectfully suggest that these figures demonstrate that if KFD conceded on all controversial components (all interest, corporate income taxes, prior year losses), the rate increase which would yield a fair rate of return would still be greater than the $.60 we originally requested.

In view of the fact that our reduced request is for an increase of only $0.35 per cubic yard of commercial loose, we feel that the reduced request is more than fully justified, even if all of the disputed items were resolved against our position.

A brief summary of our original (9/14/84) and minimum rate increase is presented in Attachment 1. The summary is supported by the following Exhibits:

A1 - Original "Return on Investment"
A2 - Original "Proforma Income Statement"
A3 - Original "Required Rate Increase per Commercial Cubic Yard"
B1 - Minimum "Return on Investment"
B2 - Minimum "Proforma Income Statements
B3 - Minimum "Required Rate Increase Per Commercial Cubic Yard"

The original exhibits are presented in a different format than our September 14, 1984, presentation, but contain identical computations.

The minimum computations remove all components which have been controversial at previous council meetings (i.e., interest, income taxes and prior year losses). Additionally, $32,000 per acre is used as the value of the property. The only change in KFD's favor is the use of a 20% rate of return which we discuss below. The net effect is a $0.39 reduction per commercial yard from KFD's original position of $1.39 to $1.00.

The United States National Bank of Oregon's prime lending rate has averaged in excess of 13.6% during the period December 1980 through December 1984. The best corporate customers of USNB have not been able to borrow long-term moneys at or below the prime rate.

During this period, KFD's cost of capital has been approximately 15%. KFD's risk as an operator of a commercial disposal facility is greater than USNB's as a lender to customers at or slightly above the prime rate. We believe KFD would, in an economic sense, be entitled to a substantially greater rate of return than bankers' prime rate. We have used a 20% rate in the minimum exhibits which, we suggest under the circumstances, is conservative.

All other items and the exhibits remain as originally presented to you, including depreciation. KFD's annual depreciation of approximately $300,000 is comprised of $240,000 depreciation on the landfill and its improvements and $60,000 for equipment. Depreciation is real. However, we have used a cash flow approach in our Exhibits (A2 & B2) in which depreciation is deducted as an operating expense and added back to compute cash flow. The method we used eliminates any impact of depreciation on the required rate increase.

If you have any questions or desire additional information, please call me at 635-8191.

We wish to express our appreciation for the assistance, extra hours and effort devoted by the Metro Staff, the Rate Review Committee, Doug Plambeck and yourself in reviewing our application. Thank you.

Sincerely,

Gregg Richmond

Gregg Richmond
Controller

GR/cg

Enclosures

cc: Rate Review Committee

KILLINGSWORTH FAST DISPOSAL

Original
Return on Investment
Cash Flow Basis
(000's Omitted)

EXHIBIT A1

	Capital Expenditures (1)	Cash Returned By Operations (2)	Total Cumulative Cash Expenditures(3)	Return On Investment @15% (4)	Total Investment To Be Recaptured(5)
Fiscal Yr. Ending 2/28/81	$ 1,020	12	1,032	39	1,071
Fiscal Yr. Ending 2/28/82	894	123	2,049	214	2,302
Fiscal Yr. Ending 2/28/83	28	231	2,308	365	2,926
Fiscal Yr. Ending 2/28/84	293	(516)	2,085	421	3,124
Interim Period Ending 8/31/84	106	(278)	1,913	210	3,162
Additional Capital Expenditures:					
1984: Remaining costs to install Hypalan Lines	94		2,007		3,256
1985: 294,000 x present value of 1 @10% (.90909)	267		2,274		3,523
1988: 160,000 p.t. closing costs x present value for 4 yrs.@10% (.68301)	109		2,383		3,632
Subtotal	2,811	(428)	2,383	1,249	3,632

Sale of Pit Property in 1991:

25 acres @$25,000 per acre (1984$) = $625,000
Convert to 1991$:$625,000 x future value for 7 yrs. @6%(1.50363) = 939,769
Present value of Sale: 939,769 x present value for 7 yrs. @10% (.51316) = 482,234 (483)

Grand Total 3,149
==========

Notes:

(1) Capital expenditures include acquisition costs (i.e., the pit, pit development and equipment).

(2) Actual cash flow from operations (net profit plus depreciation). Negative cash flow years are shown as positive numbers and positive cash flow as negative numbers.

(3) (1) + (2) = (3) Represents the total cash invested in KFD.

(4) 15% of the total cumulative cash expenditures. Some expenditures were made throughout the year. Return has been computed on the actual number of days the cash has been invested.

(5) (3) + (4) = (5).

KILLINGSWORTH FAST DISPOSAL

EXHIBIT A2

Original
Proforma Income Statement
For Fiscal Year Ending February 28, through Pit Closing
(000's Omitted)

Revenue:		
Commercial Customers 600,000 cy^3 x 1.95	$1,170	
General Public Sales	780	
Total		$1,950
Operating Expenses:		
Labor	339	
Royalties	70	
Metro Fees	482	
Equipment Rental	5	
Fuel & Lubricants	67	
Services/Tools/Supplies	101	
Depreciation	312	
Equipment Maintenance	99	
Total		1,475
Overhead:		
Management Fee	25	
Professional Services	15	
Interest	185	
Telephone/Utilities	6	
Bad Accounts	25	
Property Taxes	37	
Insurance	15	
Miscellaneous	2	
Total		310
Profit before provision for tax		165
Provision for income taxes (50%)		83
NET PROFIT		$ 82

Computation of Cash Flow from Operations:

Add Depreciation	312
Cash Flow from Operations	$ 394

KILLINGSWORTH FAST DISPOSAL

EXHIBIT A3

Original

Required Rate Increase Per Commerical Cubic Yard

1.	Pro Forma Cash Flow (per Exhibit A2)	$ 394,000
2.	Required investment to be recovered between 9/1/84 and closing of Pit in early 1988 (per Exhibit A1)	3,149,000
3.	Required annual cash flow to recover investment per (2) above, over remaining 3-1/2 years of Pit operation	
	Required investment to be Recovered $3,149,000 = Present value of an annuity for 3-1/2 years @15% (2.5691)	1,225,721
4.	Required increase in cash flow from proforma cash flow (1) to provide required annual cash flow (3).	
	Required Annual Cash Flow to Recover Investment	1,225,721
	Annual Cash Flow per Pro Forma (Exhibit A2)	(394,000)
	Required Annual Revenue Increase	831,721
	Required Rate Increase per Commercial Cubic Yard	

$$\frac{\text{Required Annual Revenue Increase } 831{,}721}{\text{Annual Commercial Volume } 600{,}000 \text{ cy}^3} = 1.39/\text{cy}^3$$

KILLINGSWORTH FAST DISPOSAL

Minimum
Return on Investment
Cash Flow Basis
(000's Omitted)

EXHIBIT B1

	Capital Expenditures (1)	Cash Returned By Operations (2)	Total Cumulative Cash Expenditures(3)	Less Int. Incl. In Cash Ret'd By Operations (4)	Adjusted Cash Expenditures (5)	Total Return On Investment (@20% (6)	Total Investment (7)
Fiscal Yr. Ending 2/28/81	1,020		1,020		1,020	51	1,071
Fiscal Yr. Ending 2/28/82	894		1,914		1,914	273	2,238
Fiscal Yr. Ending 2/28/83	28		1,942		1,942	452	2,718
Fiscal Yr. Ending 2/28/84	293	(516)	1,719	185	1,534	502	2,812
Interim Period Ending 8/31/84	106	(278)	1,547	95	1,267	536	3,081
Additional Capital Expenditures:							
1984: Remaining costs to install Hypalan Lines	94		1,641		1,361		3,175
1985: 294,000 x present value of 1 @10% (.90909)	267		1,908		1,628		3,442
1988: 160,000 p.t. closing costs x present value for 4 yrs.@10% (.68301)	109		2,017		1,737		3,551
Subtotal	2,811	(794)	2,017	280	1,737	1,814	3,551

Sale of Pit Property in 1991:

25 acres @$32,000 per acre (1984$) = $800,000
Convert to 1991$:$800,000 x future value for 7 yrs. @10% (1.94872) = 1,558,976
Present value of Sale: 1,558,976 x present value for 7 yrs. @15% (.37594) = 586,081 (586)

Grand Total 2,965

Footnotes:
See Exhibit A1

KILLINGSWORTH FAST DISPOSAL

EXHIBIT B2

Minimum
Proforma Income Statement
For Fiscal Year Ending February 28, through Pit Closing
(000's Omitted)

Revenue:		
Commercial Customers 600,000 cy^3 x 1.95	$1,170	
General Public Sales	780	
Total		$1,950
Operating Expenses:		
Labor	339	
Royalties	70	
Metro Fees	482	
Equipment Rental	5	
Fuel & Lubricants	67	
Services/Tools/Supplies	101	
Depreciation	312	
Equipment Maintenance	99	
Total		1,475
Overhead:		
Management Fee	25	
Professional Services	15	
Interest	-0-	
Telephone/Utilities	6	
Bad Accounts	25	
Property Taxes	37	
Insurance	15	
Miscellaneous	2	
Total		125
Profit before provision for tax		350
Provision for income taxes (50%)		-0-
NET PROFIT		$ 350
Computation of Cash Flow from Operations:		
Add Depreciation		312
Cash Flow from Operations		$ 662

KILLINGSWORTH FAST DISPOSAL

EXHIBIT B3

Minimum

Required Rate Increase Per Commerical Cubic Yard

1.	Pro Forma Cash Flow	$ 662,000
2.	Required investment to be recovered between 9/1/84 and closing of Pit in early 1988	2,965,000
3.	Required annual cash flow to recover investment per (2) above, over remaining 3-1/2 years of Pit operation	
	Required investment to be Recovered \$2,965,000 = Present value of an annuity for 3-1/2 years @20% (2.347)	1,263,315
4.	Required increase in cash flow from proforma cash flow (1) to provide required annual cash flow (3).	
	Required Annual Cash Flow to Recover Investment	1,263,315
	Annual Cash Flow per Pro Forma	662,000
	Required Annual Revenue Increase	601,315

Required Rate Increase per Commercial Cubic Yard

$$\frac{\text{Required Annual Revenue Increase } 601{,}315}{\text{Annual Commercial Volume } 600{,}000 \text{ cy}^3} = 1.00 \text{ cy}^3$$

ATTACHMENT 1

KILLINGSWORTH FAST DSPOSAL

Summary of Original & Minimum "Required Rate Increase"
Per Commercial Cubic Yard"
(000's Omitted)

	ORIGINAL	MINIMUM
Total Capital Expenditures	2,811	2,811
Less: Total Cash Flow From Operations	428	1,074
Plus: Required Return on Investment		
(a) 15%	1,249	
(b) 20%		1,814
Less: Sale of Property in 1991	483	586
Total Investment & Return To Be Recovered	3,149	2,965
Proforma Annual Cash Flow From Operations	394	662
Required Annual Rate Increase Per Commercial Cubic Yard	1.39	1.00

STAFF REPORT

Agenda Item No. 8.1

Meeting Date Jan. 24, 1985

CONSIDERATION OF RESOLUTION NO. 84-523, FOR THE PURPOSE OF GRANTING A COMMERCIAL RATE INCREASE TO THE KILLINGSWORTH FAST DISPOSAL LANDFILL

Date: January 15, 1985 Presented by: Edward K. Stuhr

FACTUAL BACKGROUND AND ANALYSIS

This report is a supplement to Staff Reports on the Killingsworth Fast Disposal (KFD) rate issue presented at the December 13, 1984, and the January 10, 1985, Council meetings. At the January 10 meeting, an analysis of the diversionary effects of rate increases was presented, with the conclusion that diversion was not an important issue in this case.

Since the original application, the management of KFD has reconsidered its requested rate increase, and has reduced it to an average 18 percent increase, citing sensitivity to the impact which increases would have on KFD's customers (Exhibit 1).

The applicants maintain that their original request was justified on financial grounds (detailed in Exhibit 2), and further support their current request by providing two analyses: a simplified version of the original (Exhibit A), and a "minimum" which included allowances for the concerns expressed by the Council at previous meetings (Exhibit B). The results of the two alternatives are presented in Exhibit 3. The "minimum" analysis shows a $1.00/cubic yard justified, versus a requested $.35 average.

The key assumptions made by the two analyses can be compared:

	Original	Minimum
Interest Expense	Included	Excluded
Early Year's Losses	Included	Excluded
Income Taxes	Included	Excluded
Land Value	$25,000/acre	$32,000/acre
Rate of Return	15%	20%

Two policy questions emerge from the discussions that have surrounded this issue and are reflected somewhat in the analyses as presented.

The first question centers around what factors should be allowed as part of the investment. To be technically correct, return on investment should be calculated on operating losses as well as gains. That rule does not always hold in rate regulation matters. It is not clear that a retroactive return on any investment should be granted in all cases.

The second question relates to the proper rate of return. In the two analyses presented, a 15 percent rate is submitted as appropriate to the level of risk being taken if prior year's losses can be counted. The "minimum" analysis shows a higher rate of return, reflecting the greater risk that is being taken when losses are not recoverable.

EXECUTIVE OFFICER'S RECOMMENDATION

The Executive Officer recommends approval of Resolution No. 84-523. It is also recommended that the Council direct the staff to further define and resolve the issues which are raised in the staff report, and to devise rate regulation standards and policies for future rate increase issues.

ES/srs
2739C/405-2
01/16/85

Motion: Councilor Van Bergen moved the Council ratify the appeal to LUBA of Multnomah County's Landfill Siting Ordinance. Councilor Kirkpatrick seconded the motion.

Vote: The vote on the motion resulted in:

Ayes: Councilors Cooper, DeJardin, Gardner, Kirkpatrick, Kelley, Myers, Van Bergen, Waker and Bonner

Absent: Councilors Hansen, Kafoury and Oleson

The motion carried and the appeal was ratified.

Mr. Carlson referred the Council to his memo dated January 10, 1985, regarding 1984-85 priorities and objectives. He said a Council Work Session was planned for January 31 on this subject and he requested Councilors to prepare themselves for a productive session.

Presiding Officer Bonner then appointed the following Councilors to work with staff in addressing major priorities at the Work Session:

Priority A:	Administration	Councilor Van Bergen
Priority B:	Financial Support	Councilor Waker
Priority C:	Long-term Disposal Site	Councilor Hansen
Priority D:	Local Governments	Councilor Kirkpatrick
Priority E:	Regional Service Needs	Councilor Kelley
Priority F:	Public Awareness/Involvement	Councilor Bonner

6. CITIZEN COMMUNICATIONS TO COUNCIL ON NON-AGENDA ITEMS

None.

7. RECONSIDERATION OF RESOLUTION NO. 84-523, for the Purpose of Granting a Commercial Rate Increase to the Killingsworth Fast Disposal Landfill (Notice by Councilor Hansen on 12/13/84)

Motion: Councilor Hansen moved to reconsider this agenda item at the Council meeting of January 24, 1985. Councilor Kirkpatrick seconded the motion.

Councilor Hansen said staff would need to consider the following concerns raised by the Council at the meeting of December 13, 1984: 1) a more equitable implementation date be established in order for the solid waste industry to have ample time to notify their customers of any rate increases; 2) a one-time, 30 percent rate increase was too high and that staff consider requesting smaller increases over a graduated time period; and 3) more detailed fiscal documentation be provided with the staff report.

Presiding Officer Bonner said he did not consider the possible diversion of solid waste from the St. Johns Landfill to the Killingsworth Fast Disposal Landfill as a result of any rate increase an issue that should be considered by staff in their report for the January 24 meeting.

Vote: A vote on the motion resulted in:

Ayes: Cooper, DeJardin, Gardner, Hansen, Kirkpatrick, Kelley, Myers, Oleson, Waker and Bonner

Nay: Councilor Van Bergen

Absent: Councilor Kafoury

The motion carried and the Resolution will be reconsidered at the Council meeting of January 24, 1985.

8. CONSENT AGENDA

Motion: Councilor Waker moved to approve the Consent Agenda and Councilor Kirkpatrick seconded the motion.

Vote: A vote on the motion resulted in:

Ayes: Councilors Cooper, DeJardin, Gardner, Kirkpatrick, Kelley, Myers, Oleson, Van Bergen, Waker and Bonner

Absent: Councilors Hansen and Kafoury

The motion carried and the following items on the Consent Agenda were approved or adopted:

8.1 Approval of minutes of the meetings of November 20 and December 13, 1984

8.2 Resolution No. 84-528, Amending the Transportation Improvement Program to Include Two New Projects: Fernhill Road Bridges Replacement and Interstate Bridge Railing Replacement

8.3 Resolution No. 84-529, Amending the Unified Work Program to Accelerate the Study of Light Rail Transit Feasibility in the I-205 Corridor Between Gateway and the Clackamas Town Center

8.4 FY 1985-86 Budget Schedule and Process

Councilor Kafoury asked if new computer equipment being requested as a part of the budget amendment could be easily transferred to new office headquarters. Mr. Carlson said the equipment could be easily and inexpensively transferred.

Councilor Cooper asked why $2,300 was being requested for the Zoo director's furniture. Mr. Carlson explained the former Zoo director owned his own furniture and took it with him when he moved. Councilor Cooper then asked staff to describe an elephant ear cart. Mr. Carlson said this cart would provide for the preparation and vending of a food concession called elephant ears.

Councilor Hansen asked if the recently adopted ordinance for Zoo admission increases would be calculated into the budget amendment figures. Mr. Carlson responded it would not.

There was no public testimony regarding this Ordinance. Presiding Officer Bonner said the session of the Budget Committee would be continued on February 14, 1985.

8. RESOLUTIONS

8.1 Consideration of Resolution No. 84-523, for the Purpose of Granting a Commercial Rate Increase to the Killingsworth Fast Disposal Landfill

Motion: Councilor Hansen moved to adopt the Resolution and Councilor Kirkpatrick seconded the motion.

Ed Stuhr reviewed the history of the rate increase request, explaining the Council had first reconsidered the matter on December 13, 1984, had denied the increase and requested more information from staff regarding the effects of an increase of diverting waste to the St. Johns Landfill, more thorough financial data and a lower rate increase request. On January 10, 1985, at the request of Councilor Hansen, staff presented information about waste diversion and the Council then voted to reconsider the Resolution on January 24.

Mr. Stuhr said the report prepared by staff contained newly submitted data from Killingsworth Fast Disposal Landfill (KFD) requesting a rate increase of 35¢ per yard or approximately 18 percent. The revised staff report also included updated financial information, as requested by the Council, and the proposed effective date of the Resolution would be March 1, 1985. Mr. Stuhr said the Council was being asked to consider this resolution as well as policy issues of whether prior years' gains or losses should be considered when granting future increases and what would constitute an appropriate rate of return for this type of activity.

Gary Newbore of Riedel International, representing KFD, thanked Councilor Hansen for requesting reconsideration of the rate increase and said the revised data submitted for Council review had addressed all the concerns previously noted by the Council.

Councilor Kafoury asked if the revised financial data submitted by KFD would change the recommendation of the Solid Waste Rate Review Committee. George Hubel of the Committee said he had not thoroughly reviewed the information but was confident the new data would not change the original recommendation of the Rate Review Committee.

<u>Motion</u>: Councilor Kirkpatrick moved the main motion be amended to allow for an effective date of April 1, 1985. Councilor Kelley seconded the motion.

Councilor Kirkpatrick said this effective date would respond to the public's request of more time to notify customers of a change in disposal rates.

Councilor Cooper asked Mr. Newbore if haulers had notified customers that rate increases were forthcoming. Mr. Newbore replied he knew of one hauler, his largest account, that had already sent out notices of increase to their customers. He said most haulers would need more than one month's advance notice in order to bill their customers accordingly and he thought most haulers were aware that a 35¢ increase was being considered by Metro.

Councilor Gardner, referring to Exhibits A-1 and B-1 of the staff report, asked Mr. Newbore why the percentage values were reported differently when converting to 1991 dollars. Mr. Newbore said he assumed the land value would increase at a less rate than the value of dollars.

<u>Vote</u>: The vote on the motion to amend the main motion resulted in:

Ayes: Councilors Cooper, DeJardin, Gardner, Hansen, Kirkpatrick, Kafoury, Kelley, Myers, Waker and Bonner

Nay: Councilor Van Bergen

Absent: Councilor Oleson

The motion carried and the Resolution was amended to be effective April 1, 1985, if adopted.

Presiding Officer Bonner asked if members of the public wished to testify on the amended Resolution.

Mr. Dewey Mansfield of S & M Dropbox Service and Oregon State Dropbox Association, Portland, 2828 S.W. Taylors Ferry Road, Portland, Oregon, said he was opposed to the rate increase as were all small haulers. He said this was a very poor time to impose an increase, considering the condition of the state's economy. In response to Councilor Gardner's question, Mr. Mansfield said he would most likely dispose of more loads at the St. Johns Landfill if it were cheaper to do so. He also expressed dissatisfaction with the long lines of haulers waiting to dispose of waste at St. Johns.

Mr. Paul Gruetter, AGG Enterprises, Route 1, Box 179, Portland, Oregon, said his company would like to continue hauling material to KFD but if a rate increase were granted, he would probably dispose of more waste at the St. Johns Landfill because of the cheaper disposal rate and because the condition of the landfill is such that it is safer for his equipment. Mr. Gruetter questioned why Metro would grant an increase to KFD when their compaction methods were unsatisfactory.

Councilor Cooper said he met with Mr. Newbore regarding KFD's financial reports and said he was more comfortable with the revised reports and the lower rate increase request. He also urged the Council to address the policy issues of rate increases, particularly if Metro planned to franchise other landfills.

Councilor Kelley said she would support a compromise solution of lowering the increase for KFD, but said she was anxious to discuss the problems of part public and part private businesses and Metro's role in granting increases.

Councilor Waker said he was confused by Councilor Kelley's statement because he assumed KFD and other such operations were private businesses. Mr. Stuhr explained KFD was privately operated under a Metro franchise and one criterion for granting a franchise was the facility be in keeping with the region's Solid Waste Management Plan. The Management Plan and the franchise ordinance take into consideration the economic viability of the franchisee. This would include regulation of any competition such as denying a franchise to another landfill located near KFD. This practice was neither pure monopoly nor pure competition, he said.

Ms. Carmen Gales, AGG Enterprises, Inc., 2416 North Marine Drive, Portland, Oregon, said she received many phone calls from senior citizens effected by the ban on backyard burning. When they learned how much a dropbox would cost them, many callers did not order one because they thought the cost was already too high, she explained. Any increase would create a bigger problem for three people. Ms. Gales also said KFD's poor landfilling procedures had caused damage to AGG's trucks.

Councilor Hansen asked Ms. Gales what percentage of an average bill would cover the cost of the actual haul. Ms. Gales said it would cover about 50 percent of the bill. This percentage would vary according to the distance of the haul and according to the landfill in which the waste was disposed.

Councilor Kafoury said she would probably support the Resolution because it appeared KFD had responded to the Council's concerns. She also said the free enterprise system would remain intact if the Resolution were adopted because haulers were at liberty to dispose of waste at a number of landfills. However, Councilor Kafoury questioned whether the rate increase would have an adverse effect on the life of the St. Johns Landfill.

Mr. Stuhr said the increase would probably divert some waste to St. Johns. Assuming the rate increase diverted 10 percent of waste to St. Johns that normally would be deposited at KFD, the life of the St. Johns Landfill could be decreased by approximately three weeks, he said.

Councilor Hansen said he wanted the Council to consider at a later time whether the current level of Metro user fees were appropriate for limited use landfills and whether future increases to KFD would keep material from being disposed at KFD. Councilor Kirkpatrick said the Council should also consider the effects of rate increases on diversion. Councilor Gardner added the Council should consider what would constitute a reasonable rate of financial return for a landfill.

<u>Vote</u>: A vote on the main motion to adopt the Resolution, as amended, resulted in:

Ayes: Councilors Cooper, DeJardin, Hansen, Kirkpatrick, Kafoury, Kelley, Myers, Van Bergen, Waker and Bonner

Nay: Councilor Gardner

Absent: Councilor Oleson

The motion carried and Resolution No. 84-423 was adopted as amended. The rate increase would become effective April 1, 1985.

The Presiding Officer instructed staff to address the policy issues raised by the Council and provide recommendations to the Council for consideration in 1985.

Councilor Kelley suggested an informal workshop be scheduled to address the policy issues raised by Councilors. Presiding Officer Bonner said he would consider such a workshop after staff submitted their recommendations to the Council.

8.2 Consideration of Resolution No. 85-538, for the Purpose of Amending Resolution No. 84-491 and Adding Waste Reduction Policy to the Interim Management Strategy for the St. Johns Landfill

The Presiding Officer said the Council had previously adopted a resolution which established an Interim Management Strategy for the St. Johns Landfill. When the resolution was adopted, the Council instructed staff to draft language for a waste reduction policy that would be added to the overall strategy. He then invited Dennis Mulvihill to review the proposed waste reduction policy language.

Mr. Mulvihill explained the four key elements of the waste reduction policy proposed by staff for the St. Johns Landfill: 1) develop a model demonstration project for recycling collection from multiple family housing; 2) adopt a multi-year regional promotion marketing program; 3) conduct a demonstration project to determine the cost effectiveness of siting additional yard debris drop off centers; and 4) on an interim basis, waive Metro fees for franchised mixed waste sorting operations. He then referred Councilors to the revised Resolution which included the above proposals.

Councilor Hansen asked about the status of the yard debris demonstration project at the St. Johns Landfill. Mr. Mulvihill said about 10,000 cubic yards of yard debris has been stockpiled at the landfill, staff were negotiating to purchase processing equipment and the program would be in operation within five months. Most of the processed material would be sold for hog fuel or used for final landfill cover, he said.

Councilor Waker, in addressing staff's proposal to waive fees for franchised mixed waste sorting operations, asked if all fees would be waived. Mr. Mulvihill and Norm Weitting responded that Metro user fees and transfer fees would be waived when the mixed sorting operations received the mixed waste from St. Johns. After the mixed waste was sorted and the unacceptable waste was brought back to St. Johns, the operations would be assessed Metro fees. Eleanore Baxendale said the Council would have to adopt a separate ordinance to waive Metro fees. This would allow the Council to conduct a full policy discussion on this issue, she said. Councilor Waker said it was unclear to him, after reading the proposed resolution, which fees would be waived.