



**METRO**

2000 S.W. First Avenue  
Portland, OR 97201-5398  
503 221-1646

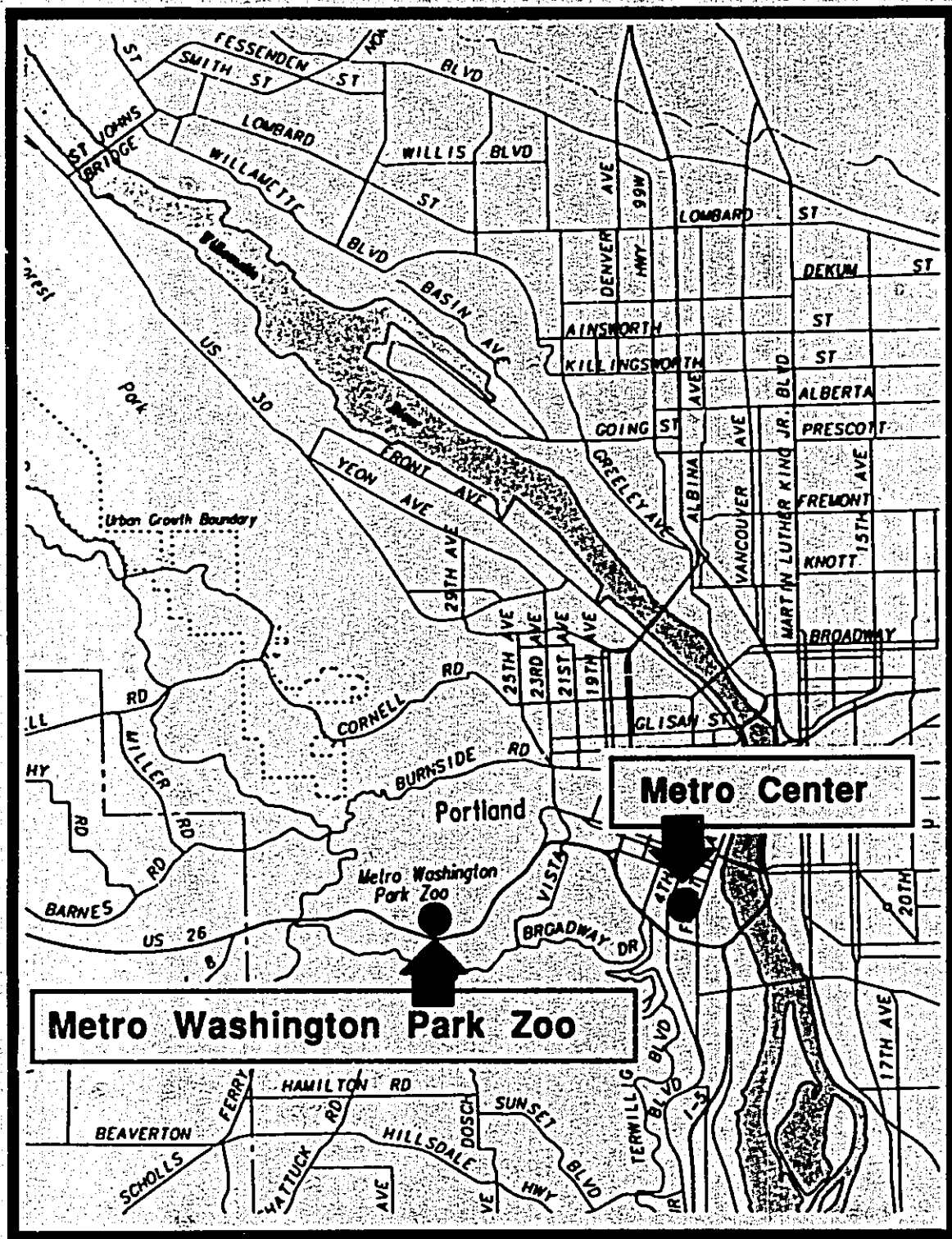
# Agenda

Meeting: **Joint Technical Committee / Waste Reduction Subcommittee**  
Date: **June 1, 1990**  
Day: **Friday**  
Time: **9:00 AM to 11:00**  
Place: **Meeting Center  
Washington Park Zoo (see attached map)**

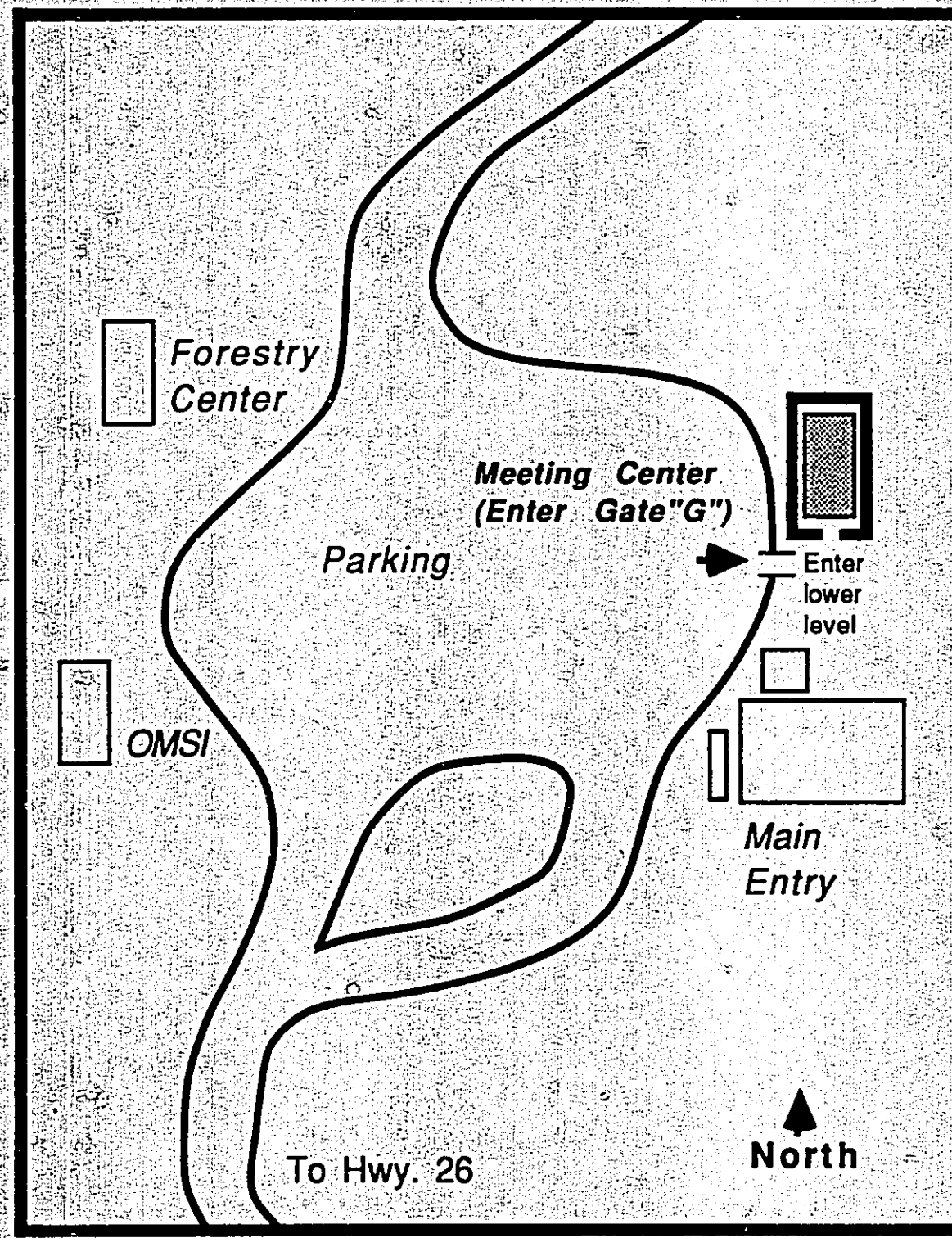
\*\*\*\*\* Note meeting location \*\*\*\*\*

- |       |   |                |
|-------|---|----------------|
| I.    | Committee Members and<br>Citizen Communications         | Rich Carson    |
| II.   | Approval of March 30, 1990 Minutes                      | Rich Carson    |
| III.  | Updates   | Becky Crockett |
| IV.   | Yard Debris Plan Process<br>and Schedule (attached)     | Rich Carson    |
| V.    | Review of Yard Debris<br>Workshop Comments (attached)   | Becky Crockett |
| VI.   | <u>Approval of Draft Yard Debris Plan</u><br>(attached) | Becky Crockett |
| VII.  | Discussion of Financing Chapter<br>(attached)           | Ron Nagy       |
| VIII. | Next meeting: June 22, 1990                             |                |





**Vicinity Map**



**Meeting Location**

Solid Waste Planning Technical Committee Meeting  
 Friday June 1, 1990 9 a.m.  
 Metro Washington Park Zoo-Meeting Center. Enter through Gate "G"

SOLID WASTE TECHNICAL COMMITTEE  
March 30, 1990

The following members and alternates were present

Rich Carson, Metro Planning Director  
Ed Druback, City of West Linn  
Joanne Garnett, Multnomah County  
John Gray, City of Portland  
Lynda Kotta, City of Gresham  
Bill Martin, Washington County  
Kevin Martin, Washington County  
Tom Miller, Washington County Refuse Haulers Association  
Dave Phillips, Clackamas County  
Jim Rapp, City of Sherwood  
Peter Spendelow, Department of Environmental Quality  
Bob Wiggin, Citizen

The following members were not present

Michael Borg, Clackamas County Refuse Haulers Association  
Dick Cereghino, Multnomah County Refuse Haulers Association  
Jim Claypool, City of Portland  
Renee Dowlin, Port of Portland  
John Drew, Far West Fibers  
Joseph Glicker, Portland Water Bureau  
Ed Gronke, Citizen  
Dick Howard, Multnomah County  
Merle Irvine, Wastech, Inc.  
Gary LaHaie, Citizen  
Dominic Mancini, Clackamas County  
Tyler Marshall, Citizen  
John Trout, Teamsters  
Mark Williams, Citizen

Metro Staff

Rich Carson, Planning Director  
Becky Crockett, Planning  
Debbie Gorham, Solid Waste  
Pamela Kambur, Solid Waste  
Tami Kihs, Solid Waste  
Steve Kraten, Solid Waste  
Ron Nagy, Planning  
Gerry Uba, Planning

Guests

Rod Grimm, Grimm's Fuel  
Pat Merkle, McFarland's Bark  
Don Robertson, Milwaukie Parks & Recreation  
David Rozzell, Department of Environmental Quality



**Solid Waste Technical Committee**  
**March 30, 1990**

**SUMMARY OF MEETING**

**Protocols**

The Meeting was called to order by Rich Carson. It was moved to approve the minutes from the February 2, 1990 meeting: the motion was seconded and carried unanimously.

**Updates**

Becky Crockett began by giving updates of Solid Waste Planning activities including the household hazardous waste management plan, and financing issues related to meeting local government waste reduction goals. She said that the Policy Committee will review recommendations from Solid Waste staff on how Metro may allocate dollars to local governments in order to fund the first year expenditures associated with carrying out the requirements of the Annual Waste Reduction Program for Local Government.

Bill Martin and Tom Miller were asked to update the Committee on the status of the Washington County system design project. Bill Martin said that the Washington County Steering Committee accepted the preliminary draft of the Concept Plan developed by consultants McKeever-Morris. The draft was distributed to Steering Committee members on Monday March 26.

Becky Crockett stated that one of the issues related to the Washington County Concept Plan was that Metro staff would do the technical analysis for specific recommendations. Ms. Crockett proposed merging the Facilities Subcommittee and the Waste Reduction Subcommittee two subcommittees for the purpose of reviewing technical analysis associated with the Washington County system design project. Members of the joint committee will perform the hands-on technical work to develop the plan. Ms. Crockett said that the most difficult issues related to doing that work will be high grade processing and material recovery.

Rich Carson asked for comments as to combining the subcommittees for the project. There were none. There were no further updates.

**Yard Debris Preliminary Recommendations**

Becky Crockett said the primary purpose of this meeting was to discuss preliminary recommendations for Regional Yard Debris Plan, which were forwarded to the Technical Committee by the Waste Reduction Subcommittee. The intention for the present meeting was to briefly review the plan process and forward a recommendation to the Policy Committee for the April 13, 1990 meeting of that group. Gerry Uba gave overview of the Waste Reduction Subcommittee's work



over the past six months. Mr. Uba described the directives received from Policy Committee in September, 1989. He said that local governments and officials were invited to attend a public workshop on April 18 where the recommendations would be presented. Mr. Uba said that, after Council adoption, the plan will be implemented by local governments.

Collection options were discussed. Mr. Uba said it was necessary to assure that the region used collection options that would maximize cost effectiveness. Criteria for selecting collection options regarded neighborhood impact and potential for contamination; included in the cost estimates was the annual cost to a hypothetical city with a population of 20,000.

Mr. Uba said that the Subcommittee tried to group costs into ranges. They worked with cost estimates and then evaluated with ranks from 1 to 5, plus weighting factors. The goal was to come up with the best collection option, keeping in mind that this is to be a market driven plan.

Becky Crockett discussed how the information was used to put together the recommendations. Key policy directives were: 1) it was to be a market driven plan; and 2) to take a conservative approach in terms of mandating to local governments. Ms. Crockett said that, over long term, the best approach to yard debris was curbside collection, but flexibility in transitioning from a depot system was considered.

Ms. Crockett again emphasized that the numbers derived were "soft" numbers and that committee members should try to balance the reliance on the technical information. Ms. Crockett said the Subcommittee recommended alternative 2, with the alterations of eliminating the annual neighborhood chipping program and adding the monthly user pay curbside program from alternative 1. She said the Subcommittee believes that this would achieve minimum standard of collection standards appropriate for local governments to implement by July 1, 1991. It is intended that the planning committees will monitor the program and make changes as needed by July, 1993.

The Subcommittee also recommended that Metro intervene if market is oversupplied, that there be a consistency in processing, that processor's rates be regulated, and that processors set rates that will encourage collection of yard debris.

Bruce Walker thanked staff on behalf of Subcommittee and expressed the concerns of the Subcommittee regarding increased market capacity. Mr. Walker said that he wanted to impress upon Metro the importance of a continuing role in the diversion of yard debris to the processors. Mr. Walker also expressed concerns of the Subcommittee as to the costs of upgrading depots if local governments ultimately institute a curbside yard debris program.

Dave Phillips expressed his concerns as regarding the market capacity and felt Metro staff was reaching with their first-year figures, but felt that with public education and a strong diversion program, the base case in alternative 2 could almost double. Dave Rozzell also extended his congratulations to the Metro staff and Subcommittee on their work. Mr. Rozzell, speaking on behalf of DEQ, said that the intent of the order was to go after yard debris composting aggressively. Mr. Rozzell said that the proposed plan was not aggressive and did not meet the general requirements of the rules. He said that DEQ's position is that the numbers need more scrutiny and that collection capabilities of the local jurisdictions need to be enhanced and put on line as quickly as possible. Mr. Rozzell said that DEQ agrees with the market-driven approach, but believes that the market needs to be pushed some.

Rich Carson inquired of DEQ if there was an alternative listed among the recommendations that DEQ feels would meet their more aggressive expectations. Mr. Rozzell deferred to Peter Spendelow inasmuch as he is the DEQ staff person who has been tracking the numbers. Mr. Spendelow said that, although DEQ had worked closely with Metro staff in developing some of the numbers, more particularly on the collection numbers and yard debris available, DEQ feels Metro has been too conservative in estimating the market. He said that DEQ is more inclined towards alternative 3 with the commitment that Metro has already made to purchase material.

Rich Carson asked if there were any questions from the Technical Committee or the Waste Reduction Subcommittee regarding this issue.

Dave Phillips suggested that DEQ should state numbers as to a goal for 1991, inasmuch as they have been involved with the waste composition studies and have been to the various depots.

Mr. Walker stated that the existing rate structure does not promote diversion of yard debris from the landfills. Mr. Walker said the most cost-effective way to divert material from the landfill was to ban disposal of yard debris at landfills. Mr. Walker said that he felt that, if the program is allowed to move ahead as the Subcommittee recommended, the region will experience a great amount of diversion of materials.

Peter Spendelow said a rate structure designed to divert yard debris was already in place at St. Johns landfill, but DEQ had not seen a proposal from the committee to strengthen that and take a stronger approach for diversion.

Ed Druback expressed the view that Metro would have to make it an economic hardship to contaminate yard debris with other waste. He also pointed out that the Subcommittee did not select one of the three source reduction options to go in as part of the alternative recommendations. Dave Rozzell suggested that the committee include all three options.



Tom Miller stated that the intent of the Subcommittee was not to flood the market with yard debris but to try to push the market to capacity, and then embark on a system that could adjust as those capacities increased.

Bill Martin, stated that Washington County would certainly cooperate in any diversion program initiated. Mr. Martin asked Dave Rozzell how the present discussion affected the Washington County yard debris plan, which had already been approved by DEQ despite a more conservative estimate of recovery than proposed by Metro's plan. Mr. Rozzell reserved comments on the conservative nature of Washington County's approved plan.

Bob Wiggins stated that, from a citizen's perspective, the Subcommittee accomplished a great deal, and felt that the DEQ seemingly changed the rules.

Mr. Rozzell stated that DEQ did not change the goals. The rules were developed for everyone but Metro who was free to develop its own goals depending on balancing of the market capacity, etc. He said that DEQ's position was if there was a choice between pushing ahead at a slow speed or at an intermediate speed, their preference would be the intermediate speed.

Rich Carson asked the processors if they had any comments.

Rod Grimm commented that the bark supply has been greatly restricted. He said that the yard debris area at St. John's is contaminated with metals, etc., and has caused more than \$20,000 in damage to his equipment. Mr. Grimm said that six years ago there was no market and that in 1989 he processed 16,000 units of product. Mr. Grimm commented that he was able to handle more yard debris than a depot at the transfer station.

Rich Carson asked Mr. Grimm if he had an opinion as to any of the recommendations submitted by the Subcommittee. Mr. Grimm said that he had not studied the report thoroughly enough to respond to that, but that, at the present time, he is handling 200,000 cubic yards and he was able to handle at least 250,000 cubic yards.

Dave Phillips asked Mr. Grimm if his comment was that he could handle three more cities the size of the Oregon City/Gladstone program. Mr. Grimm answered affirmatively and said that by this time next year, he could handle four or five times the amount.

John Gray asked the Committee how the MSW composter proposal will affect the yard debris market. Mr. Grimm stated that it would primarily affect the amount he charges for his product. Mr. Grimm stated he felt that the current flat rate for disposal hurts his business.



### Motion and Vote

Rich Carson asked the Committee if there were any additional comments. Mr. Phillips moved to forward the Waste Reduction Subcommittee's recommendations to the Policy Committee. Ed Drubach seconded the motion.

Rich Carson asked if there were any amendments. Tom Miller commented that he had some concern about the vagueness as to Metro's commitment to intervene in marketing or buying composted materials to ensure the market was not flooded.

Becky Crockett indicated that Metro's responsibility was to respond to the marketability of the material and that responsibility will be further clarified as the recommendation is more thoroughly developed and defined.

Mr. Phillip's indicated that a caveat should be added to the recommendation of the committee which states the marketability of the product will be further developed in the draft yard debris plan.

Mr. Carson asked if anyone had any objection to the addition of the caveat. Ed Druback commented that he was more amenable to the combining of recommendation number 2 and number 3 as the recommended action of the Committee.

All members of the Committee voted affirmatively on the motion, with the exception of Peter Spendelow, Department of Environmental Quality who abstained.

Becky Crockett stated that the next meeting of the Technical Committee would tentatively set for May 4, and it was her expectation to have the Draft Yard Debris Plan at that meeting for approval.

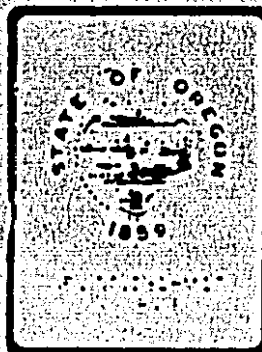
Rich Carson noted that the other meeting date to keep in mind was the Policy Committee Meeting was set for April 13, 1990 where the preliminary recommendation will be presented. Mr. Carson thanked the Waste Reduction Subcommittee and staff for all the work they had done. The meeting was then adjourned.



## YARD DEBRIS PLAN SCHEDULE

May 22	Waste Reduction Subcommittee Meeting
May 25	Mail out to Joint Waste Reduction Subcommittee/Technical Committee
June 1	Joint Waste Reduction Subcommittee/Technical Committee Meeting
June 1	Mail out to Policy Committee
June 8	Policy Committee Meeting
June 11	Mail out to Council Solid Waste Committee
June 19	Council Solid Waste Committee Meeting -- Public Hearing on Plan (Resolution to Council)
June 28	Council Meeting (Adopt Resolution to Submit Plan to DEQ)
June 29	Submit Plan to DEQ





## Department of Environmental Quality

811 SW SIXTH AVENUE, PORTLAND, OREGON 97204-1390 PHONE (503) 229-5696

April 24, 1990

Richard H. Carson, Director  
Planning and Development Department  
Metro  
2000 SW First Avenue  
Portland, OR 97201

Dear Rich:

We are in basic agreement with the process outlined in your letter of April 18, 1990 for submittal and approval of the Metro Yard Debris Recycling Plan, provided that certain conditions are met.

First, the plan submitted by July 1, 1990 must be a complete plan containing all information specified in OAR 340-60-035 (5), with the exception of signed intergovernmental agreements specified in OAR 340-60-035 (5)(d)(I). The submittal should include a draft intergovernmental agreement to demonstrate the expected form of the agreement. The Department promises prompt evaluation of the Metro Yard Debris Recycling Plan after submittal by Metro.

Second, the final plan must be submitted to the Department within ninety days of receipt by Metro of the Department's written comments on the earlier plan submittal. The final plan must include all information specified in OAR 340-60-035 (5). In order to demonstrate a commitment on the part of Metro to implement the plan, the final plan must be adopted by Metro Council within this time period.

Finally, the Department must be notified in writing in the event that Metro is not able to meet the deadlines set above or the requirements of the rules or order.

The Department recognizes the tremendous amount of effort Metro has put into developing the yard debris recycling plan to date. We wish you success in finalizing a good, strong, workable plan that will reduce to the maximum extent feasible the amount of yard debris going to landfill.

Sincerely,  
  
David Rozell, Manager  
Waste Reduction Section  
Hazardous and Solid Waste Division

Attachment: Rule OAR 340-60-035 (5)

cc: Rena Cusma, Executive Officer  
Gary Hansen, Chair, Metro Solid Waste Committee





# METRO

2000 SW First Avenue  
Portland, OR 97201-5398  
(503) 221-1646  
Fax 241-7417

April 18, 1990

Dave Rozell  
Hazardous & Solid Waste Division  
Department of Environmental Quality  
811 SW Sixth Avenue  
Portland, OR 97204

Dear Dave:

This letter is a follow-up to our telephone conversation today. The Environmental Quality Commission (EQC) has required that Metro's "regional yard debris plan shall be completed and submitted to the Department of Environmental Quality (DEQ) for approval no later than July 1, 1990."

At Metro's Council Solid Waste Committee hearing (4-17-90) the question was raised about which agency approves the plan first. You and I agreed that the following process is acceptable to both agencies and is in keeping with the EQC's expectations:

Phase 1: No later than July 1, 1990 the Regional Yard Debris Plan will be reviewed by the Council Solid Waste Committee and then submitted to DEQ.

Phase 2: DEQ will review and comment on the plan and return it to Metro. DEQ will not approve or disapprove the plan at this stage.

Phase 3: After July 1, 1990 Metro's Council Solid Waste Committee will take final action on the plan and make its recommendation to the full Metro Council.

Phase 4: Metro will submit the adopted plan to DEQ for approval.

I think this will be very satisfactory to the Council Solid Waste Committee and Metro Council. I know they do not want to take action on the plan without knowing exactly what DEQ's position on approving the plan is.

Sincerely,

*Richard H. Carson*

Richard H. Carson, Director  
Planning and Development Department

cc: Rena Cusma, Executive Officer  
Gary Hansen, Metro Councilor

Executive Officer  
Rena Cusma  
Metro Council  
Janva Collier  
President, Council  
District 1  
Gary Hansen  
Deputy President  
Council  
District 2  
Mike Kagsdahl  
District 3  
Lawrence Baker  
District 4  
Jim Gardner  
District 5  
Richard Devlin  
District 6  
Tom Delardin  
District 7  
George Van Bergen  
District 8  
Ruth McFarland  
District 9  
Judy Myers  
District 10  
Roger Buchanan  
District 11  
David Knowles  
District 12

Public and Local Government Officials Workshops  
Summary of Comments Received

BACKGROUND:

Metro conducted four workshops to solicit input on the preliminary recommendation for the regional yard debris plan. One workshop was conducted for the general public. Three workshops were conducted for local government officials in each of the three counties in the Metropolitan region.

The times, dates, sponsors and attendees of each workshop are attached. A summary of the comments received at the workshops follows.

SUMMARY OF COMMENTS

Public Workshop, April 18th, 1990

- o Homeowners who receive the free composting bin as a part of the source reduction program should be role models for other residences within a neighborhood. This is to assure that the persons who receive the bins take the opportunity to educate others about home composting.
- o Metro should provide funding for yard debris collection equipment. Funding could be provided as a credit against the tip fee or by having low interest loans available.
- o Grass and leaf collection should be separate from collection of branches to keep compost product quality high. (Jeff Grimm explained that this would not be true for Grimms Fuel Co. processing.)
- o Market uses should be expanded beyond the nursery industry to include golf course top dressing and erosion control.

Washington County Public Workshop, April 23, 1990

- o The cost of building a permanent yard debris depot cannot be amortized in only two years. This comment is in reference to the recommendation that by 1993 higher volume collection options may be required such as curbside. Washington County requested that permanent depots which are established now continue operating even after curbside programs are phased in at a later date. This rationale is based upon the recognition that not everyone is serviced adequately by curbside programs. An example is yard work that creates massive volumes of material (e.g., cutting down a laurel hedge) that is impractical to cut up and set on the curb for collection later in the week or month.



A concern was raised also that there may not be enough yard debris coming into the permanent depot to generate adequate revenues when curbside programs were put on line.

- o The region's goal should be to offer the opportunity to recycle yard debris to all residents of the region. The goal should not be to reach an artificial 80% recycling level as established by DEQ.
- o Home composting breeds rats and other undesirable rodents. Local governments should be required to have effective vector control programs in place.

#### Multnomah County Public Workshop, April 25, 1990

- o Permanent home composting education sites (source reduction program) should include other recyclable materials displays for educational purposes.
- o Metro should provide continued technical assistance to local governments during plan implementation.
- o Metro should provide adequate funding to assist local governments in planning and carrying out waste reduction programs. It is more efficient for Metro to raise the tip fee to generate revenues to pay for programs than for local governments to pass costs through the garbage hauler to the resident or to generate necessary revenues through a tax base or utility charge.
- o Concern was raised regarding the need to provide service to the unincorporated parts of Multnomah County (outside the UGB). The County and cities agreed to meet and discuss this at a later date.
- o It may be in the best interest of Multnomah County and the cities of Gresham, Troutdale, Wood Village and Fairview to work together in implementing waste reduction programs. The county and cities agreed to meet and discuss this at a later date.

#### Clackamas County Public Workshop, April 27, 1990

- o A curbside collection program (SAB) is probably the most efficient type of system. However, Clackamas County

doesn't have the ability to attach service costs to a utility bill like Oregon City. County believes a pay for service system will be just as good as far as providing service to those residences that want the service.

- o Concern was raised related to land use issues that could cause hurdles to getting depots sited within a jurisdiction.
- o Questions were raised regarding Metro's possible intervention in marketing or purchasing yard debris compost. Specifically, it was stated that this will ultimately cost the residents more because Metro will have to raise the garbage tip fee to cover the cost of market intervention.
- o Statements were made regarding the need for Metro to assure that adequate processing and market capacity existed in the region over the long term. It was felt that a disruption in collection programs as a result of potential failure in the processing end of the system would derail the entire yard debris program.
- o The County and cities within Clackamas County agreed to consider meeting again to discuss implementation of the yard debris program.
- o Commissioner Harlan requested that the cities appoint a representative to the Solid Waste Policy Committee to fill a vacancy which has resulted in the Clackamas County cities being partially unrepresented on regional solid waste issues.

#### OTHER

One letter was received during the public workshop process from Jeanne Roy of Recycling Advocates (attached).





# METRO

2000 SW First Avenue  
Portland, OR 97201-5398  
(503) 221-1646  
Fax 241-7417

May 1, 1990

Jeanne Roy, President  
Recycling Advocates  
2420 SW Boundary Street  
Portland, OR 97201

Dear Jeanne:

Thank you for your comments on the preliminary regional yard debris plan recommendations. Your insight and thought regarding effective waste reduction programs for the region is always appreciated.

I will be forwarding your letter with other comments we have received from conducting our public workshops last week to the Waste Reduction Subcommittee. The Waste Reduction Subcommittee will be working on the draft plan in a couple of weeks. At that time, we expect they will evaluate all comments received and consider how such comments can be incorporated into the draft plan.

Sincerely,

*Richard H. Carson*

Richard H. Carson, Director  
Planning and Development Department

Executive Officer  
Rena Cusma

Metro Council

Mike Ragsdale  
Presiding Officer  
District 1

Gary Hansen  
Deputy Presiding  
Officer  
District 12

Lawrence Bauer  
District 2

John Gardner  
District 3

Richard Devlin  
District 4

Tom DeJardin  
District 5

George Van Bergen  
District 6

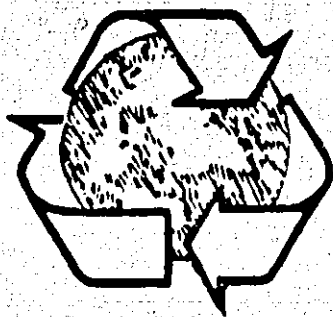
Ruth McFarland  
District 7

Judy Wyers  
District 8

Tanya Collier  
District 9

Roger Buchanan  
District 10

David Knowles  
District 11



# RECYCLING ADVOCATES

2420 S.W. Boundary Street, Portland, Oregon 97201 (503)244-0026

APR 30 1990

April 26, 1990

Rich Carson and Debbie Gorham  
METRO  
2000 SW First Ave  
Portland, OR 97201

Dear Rich and Debbie:

I have spent some time studying the staff analysis of yard debris options and am very impressed by the high quality of work done.

I was delighted to see the proposal for composting demonstration sites. I visited one in Seattle and found it to be the most helpful educational tool available. Of course, ongoing advice from real people is necessary too. I would suggest that a person with composting expertise be hired to answer homeowners questions through the Recycling Information Center.

Concerning the "Alternative 2" minimum local government options recommended by the Waste Reduction Subcommittee, I agree with DEQ that they will not generate the amount of yard debris the region is capable of processing and marketing. (I am accepting your staff's figures showing yard debris compost generated by the recommended options would be 98,000-135,125 cu yd compared to a projected demand of 151,000 cu yd.)

However, I am concerned more about good options being recommended than about a balancing of figures. I don't think it is wise to select a group of options just because they all would yield about 400,000 cu yd.

Following are my recommendations, based not only on market demand but also on three other criteria which I think are just as important: unit cost, cost to local government, and ease of transition to a better system.

1. Strike Monthly Curbside (User Pay) and Weekly Curbside (User Pay). I do not think they should be included among the recommendations. The unit costs are too high. I believe haulers, local government, and residents would be dissatisfied with such a system. Yard debris collection would be perceived as a failure. And it would then be difficult to transition to another system.

2. Add municipal composting. It is clearly a good option, having the lowest unit and local government costs.

3. Add monthly low density depots. This option is so similar to the rotating depots that it should be included.

4. Add twice-a-year curbside (SAB). I feel strongly that a viable  
There's no such place as "away"



collection option be included and that residents won't participate to a significant extent unless the extra cost to them is low (spread across the customer base). It would be easy to transition from this option to quarterly, monthly, or weekly collection.

Attached are my recommendations compared to the Waste Reduction Subcommittee recommendations.

I have one final suggestion. I strongly recommend that your staff consider another option: weekly curbside (partially SAB with incentives to keep yard debris out of the garbage can). I am referring to the Seattle system where the separate yard debris service costs a little extra, but the homeowner can keep his total costs down by switching to a mini-can for garbage. It would be perceived as fair because the yard debris subscriber would pay a little more (\$2/mo.); however the participation rate would be lower than your weekly collection option.

I would appreciate any comments you have on these suggestions.

Yours truly,

  
Jeanne Roy

cc: Pamela Kambur  
Peter Spendelow  
Bill Hutchison  
Judy Wyers  
Gary Hanson  
John Charles  
Pat Merkle



# Recycling Advocates Recommendation

	Unit cost \$ per cu yd	Annual local govt cost in \$1000	Ave. regional cu yd x 1000
Self Haul:			
Municipal composting	3.87	52-60	528
Monthly low density	11.55	50-84	300
Monthly rotating depot	10.92	69-113	355
Weekly low density	10.37	86-141	409
Weekly low density (perm)	11.09	114-171	472
Curbside:			
Twice-a-year (SAB)	7.35	89-137	613

# Waste Reduction Subcommittee Recommendation

Self haul:			
Monthly rotating depot	10.92	69-113	355
Weekly low density	10.37	86-141	409
Weekly low density (perm)	11.09	114-171	472
Curbside:			
Monthly (UP)	14.60	60-112	322
Weekly (UP)	13.85	111-215	407



PUBLIC WORKSHOP  
April 18, 1990

<u>Name</u>	<u>Address</u>
Steve Weary	2603 NE 60th Ave., Portland
Robert Findley	325 NE 20th Ave., Portland
Charles Bird	12312 SE River Road
Unette Worley	8723 NE Dyer, Portland
John Haakawson	7739-B SW Capitol Hwy, Portland
Terry Waddell	12320 SE Vernon, Clackamas
Terry Ege	P. O. Box 69
Dick Vetter	3625 NE Multnomah
William Greene	Columbia County Courthouse, St. Helens
Glen Higgins	Columbia County Courthouse, St. Helens
Mary Ellen Andre	2835 SE Yamhill, Portland
Bill Bree	DEQ
Jerry Masik	8785 S.W. Morgan, Beaverton
Pat Swonger	8625 SE Morrison, Portland
Bill Martin	591 NW Queen, Hillsboro
Dean Kampfer	P. O. Box 19063, Portland
Debbie Thornton	4006 NE Hoyt, Portland
Tammy Billick	1324 SE 32nd, Portland
Bill Stewart	4900 Riveria, Gladstone (Wiley & Ham Consultants)
Jeanne Roy	2420 SW Boundary St.
Nancy Ponce	5924 SW Vermont
Andy Beecher	1417 NW 176th Pl., Beaverton
Lot Smith	21619 N. Force, Portland
Keith Hopkins	3964 SE Ankeny, Portland

WASHINGTON COUNTY PUBLIC WORKSHOP  
(April 23, 1990)

<u>Name</u>	<u>Address</u>
Barbara Storey	City Counsel Cornelius, 1070 N. Clark
Ben Altman	Consultant, United Disposal
Liz Newton	City of Tigard Staff
Tom Barthel	City of Wilsonville Staff
Lenore Herson	King City
Cecilia Petrocco	Hillsboro
Shirley Huffman	Hillsboro
John H. Atkins	Beaverton
Bill Martin	Washington County
Steve Larrance	Washington County Commissioner



MULTNOMAH COUNTY PUBLIC WORKSHOP  
(April 25, 1990)

<u>Name</u>	<u>Address</u>
Paul Thalhofer	P.O. Box 177, Troutdale
Jeff Sarvis	P.O. Box 337, Fairview (City of Fairview)
Gerald Anderson	2055 N.E. 238, Wood Village (City of Wood Village)
Lynda Kotta	133 N.W. Eastman Parkway, Gresham (City of Gresham)
Sharron Kelly	Multnomah County Commissioner

CLACKAMAS COUNTY PUBLIC WORKSHOP  
(April 27, 1990)

<u>Name</u>	<u>Address</u>
Bob Kincaid	City of Lake Oswego
Pamela Bloom	B-B Leasing Co., Inc.
Richard Bloom	B-B Leasing Co., Inc.
Don Robertson	City of Milwaukie
Ed Druback	City of West Linn
Dave Phillips	Clackamas County
Dale Harlan	Clackamas County





**METRO**

2000 S.W. First Avenue  
Portland, OR 97201-5398  
503/221-1646

# Memorandum

**DATE:** May 25, 1990

**TO:** Solid Waste Technical Committee

**FROM:** Rich Carson, *being drafted for RHC* Director of Planning and Development

**SUBJECT:** Draft Financing Chapter

The Draft Financing Chapter of the Regional Solid Waste Management Plan (RSWMP) provides guidelines for Metro solid waste system finance. The current draft includes revisions suggested by the Policy Committee subsequent to review at the May 11, 1990 meeting. At the meeting, it was agreed to send the draft chapter forward to local governments for further comment.

The Financing Chapter is of particular importance to the Regional Yard Debris Management Plan in that program guidelines and funding options are described in detail.

## CHAPTER 10 - FINANCING

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### I. POLICIES

10.0 The solid waste management plan shall include methods of financing the solid waste system.

10.1 Metro may assist in the financing of solid waste facilities in part by allocating waste volumes to various facilities.

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### II. PURPOSE

The purpose of the finance chapter is to establish guidelines for making decisions related to system finance. The chapter presents an outline of how the existing system is financed and addresses the significance of both the rate-setting process and Master Bond Ordinance 89-319 in making system finance decisions.

The chapter identifies options for funding and financing mechanisms that may be employed by Metro or local governments for solid waste system facilities and programs. To accomplish this objective, examples of how options for financing have been employed by other states and jurisdictions are provided.

### III. BACKGROUND

#### A. Overview

The regional solid waste management system is a public-private partnership comprised of Metro, local government and private entities. Since most system components are not owned by Metro, system financing must take into account the options available to and requirements which guide both public agencies and private industries. Metro fulfills its solid waste management responsibilities by providing administrative management of the waste disposal system through contracts, service agreements and franchises.

Metro finances the planning and operations of the system through tip fees levied on a per ton basis for commercially-hauled refuse. Metro charges a flat fee per load for private citizens who choose to self-haul but will ultimately levy a per-ton charge



on all vehicles at all Metro facilities.

Waste collection in the Metro region is performed by private haulers regulated by local governments. Rates for collection are set by the haulers themselves in Multnomah County. Local governments in Clackamas and Washington Counties play a larger role in setting collection rates, in part, through administration of franchise agreements.

## **B. Integrated System Finance**

Historically, waste management practices have relied on a capital investment facilities approach. Integrated waste management is a combination of approaches that may be used to handle targeted portions of the waste stream, and has evolved in response to the need to consider long-term waste management implications. Integrated system financing is an approach that integrates the cost of waste reduction with the environmental costs of land disposal natural by-product of integrated waste management.

Metro's emphasis on waste reduction, closure of the St. Johns Landfill, and the decision to transport solid waste out-of-region are factors which have created a need to take an integrated waste management approach.

## **C. National Context**

Approaches to financing integrated waste management by jurisdictions in states across the nation vary widely. Most waste disposal systems depend on funding through tipping fees, outright grants, or other sources of revenue.

Minnesota has a statewide grant program, funded by tip fee surcharges, to help fund planning and start-up costs of alternative disposal programs.

Vermont has a landfill tax of \$6 per ton or \$2.00 per cubic yard to fund waste reduction, as well as a schedule of fees with the tip fee varying according to the type of solid waste and the environmental hazard it poses. New Jersey has a landfill surcharge with funds earmarked for low-interest loans and loan guarantees for waste reduction.

Washington has initiated a statewide landfill surcharge of one percent that is added to refuse collection bills, as well as initiating a \$5 advance disposal fee charged for lead-acid batteries. The City of Seattle has converted to a volume-based waste disposal billing system to discourage waste generation. Financing identified in the July 1989 King County, Washington Waste Management Plan is derived from three sources. First, the plan recommends that revenues to support household collection services be funded as part of collection service costs. Second,

any yard waste costs incurred at drop boxes, transfer stations, or rural landfills will be recovered through a surcharge at landfills. Third, all other waste reduction / recycling costs will be funded through the solid waste disposal fee, which is a continuation of current funding practice. A proportionate share of these revenues will be available for King County cities that elect to implement optional yard waste composting and non-residential waste reduction/recycling programs.

The state of Maine has initiated a statewide landfill disposal surcharge to fund local government recycling programs. In addition, sales taxes are collected on hard-to-dispose items such as tires, appliances and lead-acid batteries. Local governments are provided with an incentive to establish waste reduction programs by passage of a \$5 million general fund bond issue for capital grants for local and regional governments for recycling equipment and facilities. The state has also launched a revolving loan fund for local business recycling projects.

Developing special mechanisms to support waste reduction programs is a politically viable alternative to earmarking general fund dollars. This approach achieves an integrated program which levies the cost to product users.

Metro approaches integrated system management with a strategy that addresses the roles of public and private entities involved. Metro passes on avoided landfilling costs realized through integrated management by providing promotional programs and technical assistance to recyclers, incentives to recycling processors, and grants to defray start-up costs for local government waste reduction programs.

#### **IV. METRO SYSTEM FINANCE**

##### **A. Revenues**

Metro operates the solid waste disposal system as a self-supporting user fee service. Revenues for the Solid Waste Revenue Fund, which funds all Solid Waste Department activities, are derived from charges and user fees collected from disposal operations.

The authority for Metro to establish, maintain and amend rates for disposal, transfer and resource recovery sites or facilities is outlined in ORS 268.317 and 268.515. Rates are set by the Metro Council and adopted as Title V, Chapter 5.01 of the Metro Code following a periodic rate analysis. Staff recommendations are based on projected operating costs derived from projected waste generation and flow data.



Rates<sup>1</sup> are structured to maintain consistent coverage of expenses associated with administration, operation and planning functions for the system. A rate study is performed annually in conjunction with the budget process to assure that revenue derived from rates is proportionate to the costs of providing regional waste management services.

Metro has developed the Solid Waste Information System (SWIS) to assist in formulating rate recommendations. SWIS is a method of reporting, analyzing and projecting waste generation, disposal and recycling data. Data are derived from monthly facility reports. The reporting format relates waste generation data to system expenditure projections in order to provide an integrated forecast of system operational costs.

With adoption of Ordinance 90-333, Metro has instituted an excise tax with provisions for an upper limit of 6% on all Metro agency services. Revenues from the tax, which will be applied to all solid waste disposal service fees, are intended to be dedicated to Metro Council and other administrative support functions.

Other disposal fee surcharges are collected at facilities to fund rehabilitation and enhancement projects for neighborhoods near solid waste facilities. These funds are typically passed on to other jurisdictions and do not result in net revenues for Metro.

## **B. Expenditures**

Metro's solid waste expenditures are the result of operating expenses, facility debt, and programs. These expenditures are discussed in more detail below.

### **1. Programs**

Metro solid waste programs are housed both in the Solid Waste Department and the Planning and Development Department. Programs vary from year to year according to that fiscal year's planning and program implementation requirements. All programs are funded through tip fee revenues.

### **2. Operating Expenses**

Solid waste operating expenses are primarily the result of service agreements at Metro facilities including transfer and recycling station operations, waste transport and disposal operations. Other operating expenses include closure and post-closure costs at St. Johns Landfill, renewal and replacements at Metro facilities, planning functions and general administrative

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<sup>1</sup> Rates are covered in greater detail in Chapter 9, Rate Structure, of the RSWMP.

expenses.

The most significant solid waste-related expenditures that Metro will incur in the 1990s are for the St. Johns Landfill closure, increased contractual transportation and disposal operations cost at the Gilliam County Landfill, the cost of bringing the Metro East Station on line, and the costs associated with further waste reduction efforts.

### 3. Facility Debt

Through the planning process, Metro has identified the need for both increased capacity at transfer facilities and the siting of more waste reduction facilities. Since long-term financing spreads the cost over a wider base of facility users over time, Metro has determined that debt financing of facilities is in the best interest of the system.

In order to approach long-term debt in a prudent manner, Metro has adopted a Master Bond Ordinance, which establishes a legal framework for system finance decisions. The Master Bond Ordinance is discussed in greater detail beginning on page 10-10 of this chapter.

### C. Structure of Funds and Accounts

Master Bond Ordinance 89-319, adopted by the Metro Council (November 21, 1989), requires a consolidated accounting format for all funds and accounts of the Solid Waste System.

#### 1. Major Divisions

The Solid Waste Department maintains a single Solid Waste Revenue Fund with several subaccounts. The following represents the Department's system of funds and accounts:

**FUND:**       Solid Waste Revenue Fund

**ACCOUNTS:**   Operating Account  
                  Renewal and Replacement Account  
                  Landfill Closure Account  
                  General Account

The Solid Waste Revenue Fund, an enterprise fund, consists of four basic accounts. The Operating Account has five divisions that correspond to the five operating areas of the department: Administration; Budget and Finance; Engineering and Analysis; Operations; and Waste Reduction. Each division has separate personal services, and materials and services expenses. Transfers to the Planning and Development Fund and the Transportation Planning Fund include the cost of the solid waste planning function of the Planning and Development Department, as



well as population and demographic statistics provided by the Transportation Planning Department.

The Renewal and Replacement Account contains dollars dedicated to the payment of extraordinary repairs to or the replacement or renewal of capital assets. The Landfill Closure Account receives funds earmarked for the closure and post-closure care of the St. Johns Landfill, as well as additional mitigation and environmental impacts at the landfill. The General Account provides for capital purchases by the operating divisions, capital improvements to the existing facilities, and for on-going landfill closure activities.

## **2. Debt Financing Accounts**

Master Bond Ordinance 89-312 defines parameters for two types of bond issues: system bonds and project bonds. Under the terms of the Ordinance, each system financing requires that, upon issuance of bonds, a subaccount for refunding that system component will be established. The subaccount is administered by a system trust estate and is structured as follows:

### **MASTER TRUST ACCOUNTS:**

- System Construction Account
- System Debt Service Account
- System Reserve Account
- System Rebate Account

The System Construction Account consists of bond proceeds dedicated to construction of the Metro East transfer station. The System Debt Service Account, System Reserve Account, System Rebate Account are all accounts which contain funds dedicated to the Metro East Transfer Station system construction revenue bond issue. Future bond issues for future system construction will require separate trust accounts.

The Master Ordinance also requires that a subaccount for each project financing, administered by a project trust estate, also be established. Project subaccounts are more flexibly structured to allow for variations in project arrangements. Project subaccounts are structured as follows:

### **MASTER PROJECT ACCOUNTS:**

- Project Construction Account
- Project Debt Service Account
- Project Reserve Account (if necessary)
- Project Rebate Account (if necessary).



#### **D. System Financial Projections**

System financial projections contained in Table 1 provide a multi-year framework that describes the revenues, expenditures and capital costs of the regional solid waste system. The projections will be monitored and updated as specified in Chapter 17, Plan Development and Amendment, to reflect variables such as system changes, economic changes, budgetary constraints, and capital decisions.

Metro facilities identified in the projections are those which are owned or operated under service agreements with Metro. Non-Metro facilities include all other facilities which accept waste from the region.

For the purpose of projecting annual operating and maintenance costs, dollar figures are escalated according to known adjustment provisions contained in individual service agreements. Other costs are escalated at a general inflation rate of 4.5% per year.

A detailed listing of additional assumptions for the projections may be found on pages C-64 through C-83 of the Consulting Engineer's Report appended to the Official Statement for the Metro East revenue bond issue, from which this table is excerpted.



**TABLE 1**  
**SYSTEM FINANCIAL PROJECTIONS**

<u>Fiscal Year Ending June 30</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
<b>SOLID WASTE DELIVERED (thousand tons)</b>										
Metro facilities	815	834	866	886	892	896	908	920	932	943
Non-Metro facilities	387	424	431	432	435	437	439	443	445	449
Metro Service Area total	1,202	1,258	1,296	1,318	1,327	1,333	1,348	1,363	1,377	1,392
<b>GROSS REVENUES (\$000)</b>										
Base disposal fees	\$26,457	32,981	37,358	41,020	42,827	44,121	46,090	47,953	49,876	51,768
Tier-Two User Fee	10,447	11,170	12,123	12,968	13,636	14,319	15,166	16,048	16,990	17,974
Tier-One User Fee	9,232	9,855	10,654	11,335	11,931	12,534	13,256	14,017	14,822	15,670
Disposal fee surcharges	1,317	1,155	1,197	1,225	1,233	1,239	1,256	1,271	1,288	1,304
Miscellaneous	478	499	522	545	570	595	622	650	679	710
Total System Operating Revenues	\$47,930	55,660	61,853	67,093	70,196	72,809	76,390	79,940	83,655	87,427
<b>OPERATING EXPENSES (\$000)</b>										
St. Johns Landfill operating expenses, including rent	\$3,071	0	0	0	0	0	0	0	0	0
St. Johns Landfill closure fund contributions & post closure expenses	4,000	0	0	0	0	140	463	484	503	526
Metro South Station operating expenses	1,198	1,009	1,046	1,083	1,172	1,225	1,280	1,337	1,397	1,460
Compost Facility operating expenses	0	5,281	6,524	6,671	7,023	7,172	7,331	7,638	7,908	8,085
Metro East Station operating expenses	3,628	7,604	7,658	7,668	8,016	8,476	8,824	9,185	9,563	9,957
Metro West Station operating expenses	0	0	682	1,863	2,018	1,928	2,335	2,762	3,232	3,725
Gilliam County Landfill fees	12,615	16,679	17,838	18,948	19,829	20,731	21,845	23,006	24,244	25,539
Additional landfill fees	0	0	0	0	0	0	0	0	0	0
Marion County E.R.F. tip fees	402	502	525	549	573	599	626	654	684	714
Waste transport services	7,625	10,078	10,904	11,708	12,134	12,550	13,105	13,676	14,280	14,904
Additional waste transport services	105	131	137	143	150	156	163	171	178	186
Renewals and replacements	444	764	1,369	1,431	1,495	1,563	1,633	1,707	1,783	1,864
Minor capital projects	1,800	0	0	0	0	0	0	0	0	0
Disposal fee surcharges	1,317	1,155	1,197	1,225	1,233	1,239	1,256	1,271	1,288	1,304
General and Administration	8,888	9,288	9,706	10,142	10,599	11,076	11,574	12,095	12,639	13,208
Total System Operating Expenses	\$45,092	52,492	57,585	61,431	64,242	66,854	70,435	73,986	77,700	81,472
<b>NET REVENUES (\$000)</b>	\$2,838	3,168	4,268	5,662	5,954	5,954	5,954	5,954	5,954	5,954
<b>DEBT SERVICE REQUIREMENT (\$000)</b>										
Series 1990 A Bonds	\$2,580	2,880	2,880	2,880	2,880	2,880	2,880	2,880	2,880	2,880
Additional Bonds	0	0	1,000	2,267	2,533	2,533	2,533	2,533	2,533	2,533
Total Debt Service Requirement	\$2,580	2,880	3,880	5,147	5,413	5,413	5,413	5,413	5,413	5,413
<b>DEBT SERVICE COVERAGE</b>	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
<b>SYSTEM RESERVE FUND</b>										
BALANCE (\$000) (25)	\$3,138	3,646	4,289	5,104	6,002	6,964	7,993	9,093	10,271	11,531
<b>BASE DISPOSAL FEE (\$/Ton)</b>	\$32.47	39.56	43.14	46.28	48.02	49.23	50.74	52.13	53.52	54.87
<b>TOTAL FEES CHARGED AT METRO FACILITIES (\$/Ton)</b>										
Base disposal fee	\$32.47	39.56	43.14	46.28	48.02	49.23	50.74	52.13	53.52	54.87
Tier-One User Fee	8.24	8.61	9.00	9.40	9.83	10.27	10.73	11.21	11.72	12.25
Tier-Two User Fee	12.82	13.40	14.00	14.63	15.29	15.98	16.69	17.45	18.23	19.05
Disposal fee surcharges	1.62	1.39	1.38	1.38	1.38	1.38	1.38	1.38	1.38	1.38
Total fee to dispose at Metro facilities	\$55.14	62.95	67.52	71.69	74.51	76.85	79.54	82.17	84.85	87.55

## V. OPTIONS FOR SOLID WASTE SYSTEM FUNDING

Funding options differ according to factors that range from legal restrictions which govern agency fiscal policy for program funding, to public or private ownership of facilities. Since the solid waste system is comprised of Metro, local government and private entities, guidelines for financing are tailored specifically to Metro's role as it relates to each entity.

Guidelines are divided into three functional areas that pertain to internal Metro Solid Waste Department finance, Metro's role with local governments and Metro's role in conjunction with private components of the solid waste system.

### A. Metro Financing mechanisms

Guidelines: The following guidelines are specific to Metro's internal system financing decisions.

1. System finance decisions shall be consistent with provisions of the Regional Solid Waste Management Plan and constraints imposed by Master Bond Ordinance 89-319.
2. All system finance decisions shall reflect the solid waste hierarchy of reduce, reuse, recycle, recover, and landfill.
3. Metro funds system administrative functions, operations and programs through user fees. Metro shall continue this mode of funding.
4. Metro shall take into consideration an integrated system of transfer and disposal facilities and waste reduction programs when making finance decisions.
5. In establishing financial support for system facilities and programs, Metro shall consider cost effectiveness, legal, technical and economic feasibility, and local government solutions.
6. Metro shall employ financial forecasting, based on waste generation and flow data, as a solid waste system planning tool.

### Discussion

Metro funds operations, programs and facilities in two ways: through current revenue derived from tip fees and debt financing through the provisions outlined in the Master Bond Ordinance, which is an amplification of bonding authority outlined in ORS 268.590 through 268.620. The Master Bond Ordinance enables Metro



to finance system facilities which are or will become Metro-owned, as well as assist in the financing of private components of the solid waste system.

This is achieved by defining the issuance for two types of bonds: Project Bonds and System Bonds. The division between System and Project Bonds allows Metro the flexibility to encourage private participation in developing needed regional waste reduction facilities (projects), while at the same time protecting Metro's credit and financial flexibility on system facilities that do not include other public or private participants.

#### 1. System Bonds

There are two basic options for system financing. The first option is a tax-exempt government activity bond issue that is secured by a pledge of Metro system revenues. This type of financing requires that Metro have ownership of the facility, and that the initial operating agreement for the facility extend no longer than five years with Metro having the option to terminate the agreement at the end of three years.

Metro also has the capability to issue private activity system revenue bonds. In order for the bonds to be tax-exempt, Metro must secure a portion of the state of Oregon volume allocation for private activity bonds (\$150,000,000 for fiscal year 90-91). Metro must have ownership of the facility but the operating contract could possibly extend to twenty years. Private activity bonds do not receive as favorable an interest rate as do government issue bonds.

The Metro East Transfer Station is an example of government issue system financing. System bonds are secured by a trust estate, which is comprised of all system revenues and reserves. Additionally, system bonds are backed by all other property and assets that have been financed with other system bond issues.

Historically, Metro's practice has been to provide system financing only to facilities that are, or will become Metro facilities.

#### 2. Project Bonds

The Riedel Compost Project is the first project

financing to take place under the Master Bond Ordinance. In this private-public cooperative project, bond proceeds are loaned to Riedel, the builder and operator of the compost facility.

The private activity project bonds are not backed by Metro: financing of the facility do not involve revenues of the regional solid waste system. However, Metro supports this waste reduction project by using its authority as a public agency to issue private activity revenue bonds. Bonds for this project are backed by the credit rating of the vendor and the revenues of the facility, supplemented by a Letter of Credit obtained by the vendor. In addition to using its ability to issue bonds, Metro is also assisting the Compost Project by guaranteeing a minimum revenue stream to the facility.

Metro's practice has been to provide project financing only for recycling or waste reduction facilities.

Since the Tax Reform Act of 1986 has eliminated the ability of corporate investors to deduct interest from revenue bond investments as of January 1990, Project Bond financing is not as attractive an option as it was when Metro sponsored the issuance of bonds for the Riedel Compost Facility in November 1989.

Each financing event, whether for project or system bonds, must be issued under a supplemental ordinance. For system bonds, the details of the financing are defined in the Master Ordinance. For project bonds, the details of the financing and the responsibilities of the parties involved are specified only in the supplemental ordinance for that issue.

The Master Bond Ordinance obligates Metro to deposit all gross solid waste system revenues into the Solid Waste Revenue Fund, and places repayment of bonded debt as the first priority. Metro covenants to levy and collect fees for solid waste services and facilities so that net revenues, including the balance in the General Account, equals at least 110% of the debt service on system bonds for that fiscal year.

Appended to the Master Bond Ordinance is a Flow Control Ordinance. The Flow Control Ordinance clarifies Metro's flow control authority as defined in ORS 268.316 (3) and (4) and is intended to ensure that sufficient quantities of solid waste will be disposed through the system each fiscal year to maintain revenues necessary to comply with terms of the Master Bond Ordinance. The Flow Control Ordinance exempts source separated recyclables.

#### **B. Local Government components of the system**

Local Government Guidelines: Metro's role in solid waste system finance with local governments in the region are presented below.



1. Metro shall assist local governments in implementing efforts required by the RSWMP by providing up to 50 percent of first-year program start-up costs exclusive of facilities or major equipment purchases, contingent upon annual budget authorization by Metro Council.
  - 1.1 Yard debris depots and other facilities are excluded from financial assistance by Metro under this provision.
  - 1.2 Major equipment purchases such as trucks are excluded from financial assistance by Metro under this provision.
  - 1.3 Equipment purchases which would qualify include recycling bins and containers.
  - 1.4 First-year administrative costs associated with implementing required programs may include personnel, support services and contractual services.
2. When Metro provides technical assistance and/or funding for local government solid waste efforts, the tip fee impact shall be determined and local governments, through the planning process, shall be informed of that tip fee impact.
3. Funding by Metro for local government waste reduction programs shall be directly related to meeting Annual Waste Reduction Program for Local Government performance standards.
4. Technical assistance to local governments shall include model guidelines for setting collection rates.
5. Metro encourages local governments to adapt any solid waste-related revenues, such as hauler franchise fees, to fund solid waste activities for which they are responsible.

#### Discussion

Local governments are responsible for implementing activities that directly affect the solid waste collection system. This includes waste reduction programs outlined in Chapter 1, Waste Reduction of this document. They are also responsible for adopting and enacting legislation that implements regional programs.

Financing is one of the most critical factors affecting the

success or failure of a solid waste program. Options for local governments to finance solid waste programs are: tax financing; user charges; franchise fees; debt financing; special assessments; and current revenue. These options are described below.

## 1. Tax Financing

Tax financing for solid waste and waste reduction programs effectively places these programs on a level equivalent to other urban services offered by local governments. Program costs are typically paid from general fund revenues, which may include revenue from property taxes, or excise taxes. Other special fees or assessments, grant monies, and franchise fees are also deposited into local government general funds.

- o Property tax. The source of most local general fund revenues.
- o Local income tax. This option exists for local governments in Oregon, but recent proposals have not found favor with the voting public.
- o Municipal utility tax. This is a tax that may be levied on some or all local utilities, whether municipally or privately owned.
- o Excise tax. An excise tax may be levied on services a local government provides, with the revenues dedicated to specified programs.
- o Special tax levies. Serial tax levies to fund specific programs may be proposed by local governments with taxing authority.
- o Real estate transfer tax. The real estate transfer tax is an excise tax on the exchange or sale of one type of property. The rationale for use of the tax is that it serves as a user charge for new residents of an area which is imposed for benefits provided by public capital financed by taxes on existing residents.

Other types of taxes are available to local governments, but the above represent the more commonly used options.

## 2. User Charges

User charges are charges and fees for services that are provided that are imposed on the user of the services. User charges are



the most flexible revenue source. Since there is a direct relationship between the use of the service and the charge, user charges also pose less difficulty for adjustments when necessary.

User charges are an option for programs and/or facilities that are financed through collection rates. Program costs may be calculated as part of the base rate or added as a surcharge (excise tax). The following are the two forms of collection charges that may be administered by local governments in the Metro region.

- o **Direct user charge.** This charge allocates an equal share of the costs to all users within a defined service level group. This is the most efficient and easiest user charge option to administer.
- o **Progressive user charge.** This charge correlates costs and service by charging generators by the amount generated.

### **3. Franchise Fees**

Franchise fees are a logical source of revenue for local government solid waste programs. Currently many local governments in the Metro region charge refuse haulers a franchise fee which ranges from 3-5 percent of the hauler's gross income. While a certain percentage of the revenue from franchise fees is necessarily applied to defraying the cost of administration and highway wear and tear, a large percentage of franchise fee revenues are applied to unrelated programs in local government general funds.

### **4. Debt financing**

Debt financing through bonds or loans is more appropriate for capital projects or purchases than for program development. Local governments have available the basic sources of revenue listed above (taxes, special assessments, and user charges) from which debt may be paid. The extent to which these revenue sources can be used to support borrowing by a local government for capital needs, and the form in which borrowing can be accomplished, can vary widely.

Outlined below are the types of debt financing available to local governments.

- o **General Obligation Bonds.** General obligation (GO) bonds are usually considered to be the least risky form of debt obligation. General obligation bonds are bonds that legally obligate the issuer to pay the debt from all

its available revenues and are often described as being backed by the issuer's full faith and credit.

GO bonds constitute the most flexible and least costly mechanism. Bonds are issued by a county, municipality, or other governmental unit with taxing authority. Advantages of GO bonds include the fact that they are the least costly financing mechanism, extensive technical and economic analysis for the facility or project is not necessary, and small projects may be grouped under one bond issue. GO bond issues require voter approval.

- o **Revenue Bonds.** Revenue bonds are a form of limited obligation bonds and promise to pay debt service on such bonds exclusively from the revenues derived from user fees and charges from the project.

Revenue bonds can be utilized as the sole source of financing only for those facilities or improvements that are self-supporting. Unless the project financed is expected to generate sufficient revenues to pay both debt service and operating and maintenance expenses, a limited obligation bond payable solely from project revenues is not marketable. It may be desirable or even necessary to supplement user charges with other governmental revenues which may be pledged to the payment of the bond.

In revenue bond financing, it is common for a financial institution to serve as a bond trustee or representative of the bondholders. Voter approval for revenue bond issues is not required.

- o **Guarantees and Insurance.** The credit worthiness of a bond issue may be enhanced by the guarantee of a third party. Although not a source of debt service payments in the ordinary sense, third party guarantees provide an additional source of payment to bondholders if project revenues are not sufficient.

One type of guarantee is a letter of credit from a commercial bank. Generally, the transaction is structured so that a bank with a high credit rating issues a letter of credit with respect to a particular bond issue, which permits the bonds to be sold on the credit worthiness of the bank, often without regard to the credit worthiness of the issue or any security for the bonds.

## 5. Special Assessments

Special assessments historically have been used to finance improvements on a pay-as-you-go basis: they may also provide an



additional source of revenue to pay bonds. In contrast to ad valorem (property) taxes, special assessments are levied against property benefited by a project or improvement. So long as the issuer can demonstrate that the properties are benefited by a project, those properties may be assessed for the cost of the project. The means of determining allocation of costs among property owners is established by state law.

Special assessments for public improvements are usually payable, at the option of the property owner, over a period of years. To raise the required funds, the government may issue bond anticipation notes, the revenues of which are used to finance the capital project. The assessments, as they are collected, are used to retire a portion of the anticipation notes.

A variation of special assessment financing is tax increment financing. This method involves the pledge of the increased tax collections attributable to an increase in assessed valuation of property as a result of the proposed project. The legal theory permitting the use of tax increment financing is that construction of a particular project enhances the value of all taxable property within the area served by the project, and that it is appropriate for additional taxes collected as a result of the increased property value to be used to pay project bonds.

#### **6. Current Revenue**

Current Revenue Financing is the use of existing revenue sources to finance facilities or programs on a pay-as-you-go basis. This method of funding does not assess new and future users of a given program or facility, as does debt financing.

#### **7. Other**

Certificates of Participation (COPs) are a means of financing that does not need voter approval. Another advantage is that they do not count toward a jurisdiction's debt limitations. COPs have recently become a viable means for local governments to raise money to meet capital needs and facilities.

To use COPs, a local government enters into an agreement with another entity (public or private) to acquire equipment or build a facility. The local government then leases the equipment or facility from a third-party. Annual expenses are in the form of lease payments, and are considered in the annual budget as operating expenses instead of debt payments.

COPs are more expensive to issue than bonds because of the added cost of a third-party and higher interest rates.

Additional means of funding local government solid waste management efforts may include:

- o grants from the Waste Reduction Trust Fund established by House Bill 3482 of the 1989 Oregon legislative session;
- o grants from the Environmental Protection Agency for solid waste management planning efforts;
- o grants from Metro as outlined in Local Government Guideline #1.

### Summary

The most important consideration for local governments in developing waste reduction programs is to establish operating costs and the level of service desired before making a decision on the best means of funding. This is in contrast to the typical approach to funding which is to allot a dollar amount first and then make the program fit the funding.

### **C. Private Components**

Private Sector Guidelines: Metro's role in solid waste system finance with private components of the system are presented below.

1. Privately-owned and operated components of the regional solid waste system shall recover costs through an equitable rate structure approved by Metro.
2. Refuse and recycling collection costs shall be paid by waste generators through means established by local governments.
3. Metro shall provide technical assistance to private components of the system by identifying sources of funds and other mechanisms such as tax credits for which waste processors and haulers in the region would qualify.
4. Metro shall continue to employ a differential rate structure to divert recyclable materials from land disposal to recycling facilities.
5. When making system finance decisions that involve infrastructure debt, Metro shall be guided by legal restrictions outlined in the Master Bond Ordinance.
6. Metro shall continue its practice of waste flow guarantees through put-or-pay agreements, but only for



waste reduction and recycling facilities.

## Discussion

Chapter 13 of the Regional Solid Waste Management Plan states that Metro shall decide whether a facility is publicly- or privately-owned based in part on an evaluation of anticipated capital and operating costs. This evaluation must take into account that public financing through the sale of bonds is the most cost-effective mode of financing facilities. However, this evaluation must be balanced by other critical factors such as preference for local government solutions and facility siting, which has been effectively accomplished by the private sector.

Private financing of solid waste facilities may require assurance of waste flows to such facilities. While Metro has established that it is not appropriate to guarantee waste volumes to non-waste reduction facilities in the system, Metro can assist private sector facility owner/operators in assessing expected economic returns on investments based on waste expected to be generated within a given service area established for a facility.

Private facilities must be designed and operated so that they are self-supporting. Outlined below are some financing methods that may apply to private components of the solid waste system.

### 1. User Fees

Fees for waste processing and disposal of waste generated within the Metro boundary must be approved by Metro. Metro's rate structure is uniform in its components, yet flexibly applied to non-Metro facilities. Metro also levies an excise tax on services it provides.

### 2. Market revenues

Revenues collected from the sale of recycled or reprocessed materials should be maximized. Metro enters into contractual arrangements with operators of Metro-owned facilities to delineate how revenues from recycled materials will be divided. Metro provides rate incentives to direct source separated materials to non-Metro processors.

### 3. Debt financing

Debt financing through bonds or loans is appropriate for capital projects or purchases. All debt financing involving Metro is governed by the Master Bond Ordinance, discussed on pages 5-7 of this chapter. The Ordinance also outlines policy for setting rates to

generate appropriate revenue to pay debt.

Under the terms of the Master Bond Ordinance, Metro has the ability to issue project bonds for a waste reduction facility owned and operated by a private interest. This process is described on pages 5-7 of this chapter.

#### 4. Other

Private components of the solid waste system are eligible for the following Investment Tax Credits (ITC).<sup>2</sup>

- o **Pollution Control tax credits.** The pollution control tax credit was originally passed in 1967 and applied to facilities constructed to prevent, control or reduce air and water pollution. Resource recovery and recycling programs were added to the program in 1973. The tax credit allows up to a 50 percent deduction against the state's corporate income tax to be taken at 5 percent per year for up to ten years. Alternatively, the tax credit may be taken as an exemption from ad valorem taxation on the designated facility. Between 1968 and 1986, the Environmental Quality Commission approved exemptions worth \$47 million for 27 recycling projects statewide.
- o **Business Energy tax credits.** This investment tax credit applies to equipment used solely for recycling. Companies are allowed to write off 35 percent of the cost of equipment over a five-year time frame. The program is administered by the Oregon Department of Energy and can certify up to \$40 million of project costs annually statewide. To prevent large credits from depleting the pool, the maximum allowable project size is \$5 million. Another \$5 million is reserved for projects costing \$100,000 or less.

This tax credit program is directed at smaller investments than those covered under Pollution Control tax credits. To date, all types of materials have been credited by this

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<sup>2</sup> See also the discussion on tax credits, ppg. 1-8 and 1-9 of Chapter 1, Waste Reduction, in this document.



program including yard debris, glass containers, asphalt, scrap metals, waste oil, and tires.

#### IV. CONCLUSIONS

(These draft conclusions will be expanded subsequent to internal review.)

The ability of Metro to continue to meet waste reduction and disposal needs will depend on its ability to adjust to a growing regional population, changes in technology, and an increasing regulatory environment. A part of this adjustment requires that Metro consider the effects of the above factors on the agency's credit, since the capital costs of integrated waste management requires the issuance of bonds.

In a general government context, capital for financing solid waste facilities may be drawn from three basic sources: borrowed funds; current revenues; and contracts with private firms, which shifts the burden of raising capital on them.

Waste generators must pay for increased costs of integrated waste management. User fees and surcharges on collection or disposal, or both, will continue to be viable options for program start-up costs. It is important to develop long-term programs which will return the long-term savings of integrated waste management back to the ratepayer.





**METRO**

2000 S.W. First Avenue  
Portland, OR 97201-5398  
503/221-1646

# Memorandum

**DATE:** May 18, 1990  
**TO:** Technical Committee / Waste Reduction Subcommittee  
**FROM:** Rich Carson, Director of Planning and Development  
**SUBJECT:** Re-scheduling of May 25, 1990 Meeting

Please note that the May 25, 1990 joint meeting of the Technical Committee and Waste Reduction Subcommittee has been re-scheduled for June 1, 1990. Committee members will receive an agenda which will be mailed one week prior to the meeting.

The June 1st meeting will focus on review of the first draft of the Regional Yard Debris Plan, which will be distributed to Committee members in the near future.