

BEFORE THE METRO COUNCIL

AUTHORIZING THE CHIEF OPERATING OFFICER TO ISSUE A ) RESOLUTION NO. 11-4310  
NON-SYSTEM LICENSE JOINTLY TO WASTE MANAGEMENT )  
OF OREGON, INC. AND TROUTDALE TRANSFER STATION ) Introduced by Martha J. Bennett,  
FOR DELIVERY OF SOURCE-SEPARATED FOOD WASTE TO ) Chief Operating Officer, with the  
THE NATURE'S NEEDS AND PACIFIC REGION COMPOST ) concurrence of Tom Hughes,  
FACILITIES FOR COMPOSTING ) Council President

WHEREAS, the Metro Code requires a non-system license of any person that delivers solid waste generated from within the Metro Region to a non-system disposal facility; and

WHEREAS, Waste Management of Oregon, Inc. ("WMO") and Troutdale Transfer Station ("TTS") jointly hold Metro Solid Waste Facility Non-System License Nos. N-113-10(2) and N-010(2)-11, which expire on December 31, 2011; and

WHEREAS, WMO and TTS have filed complete applications seeking non-system licenses to deliver source-separated food waste to the Nature's Needs Compost Facility and Pacific Region Compost Facility under the provisions of Metro Code Chapter 5.05, "Solid Waste Flow Control;" and

WHEREAS, Metro Code Chapter 5.05 provides that applications for non-system licenses for putrescible waste shall be reviewed by the Chief Operating Officer and are subject to approval or denial by the Metro Council; and

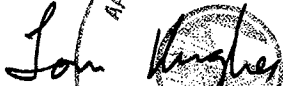
WHEREAS, the Chief Operating Officer has analyzed the applications and considered the relevant factors under the Metro Code; and

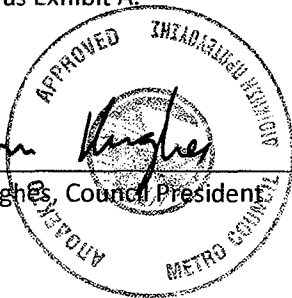
WHEREAS, the Chief Operating Officer recommends that Metro consider the applicants' combined applications as a single request and issue a new, consolidated non-system license together with specific conditions as provided in Exhibit A to this Resolution; now therefore,

THE METRO COUNCIL RESOLVES AS FOLLOWS:

1. The non-system license applications of WMO and TTS are approved subject to the terms, conditions, and limitations contained in Exhibit A to this Resolution.
2. The Chief Operating Officer is authorized to issue to WMO and TTS a Solid Waste Facility Non-System License substantially similar to the one attached as Exhibit A.

ADOPTED by the Metro Council this 8 day of DEC, 2011.

  
Tom Hughes, Council President



Approved as to Form:

  
Daniel B. Cooper, Metro Attorney

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METRO

**METRO SOLID WASTE FACILITY  
NON-SYSTEM LICENSE**

**No. N-010-12(2)**

<b>LICENSEE:</b>	
Troutdale Transfer Station 869 NW Eastwind Drive Troutdale, OR 97060	Waste Management of Oregon, Inc. 7227 NE 55 <sup>th</sup> Av. Portland, OR 97218
<b>CONTACT PERSON:</b>	
Doug Vermillion Phone: (503) 667-5264 ext.410 Fax: (503) 667-6237 E-Mail: <a href="mailto:dvermill@wm.com">dvermill@wm.com</a>	Dean Kampfer (503) 493-7831 (503) 493-7824 <a href="mailto:dkampfer@wm.com">dkampfer@wm.com</a>
<b>MAILING ADDRESS:</b>	
Troutdale Transfer Station 869 NW Eastwind Drive Troutdale, OR 97060	Waste Management of Oregon, Inc. 7227 NE 55 <sup>th</sup> Av. Portland, OR 97218

**ISSUED BY METRO:**

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Margo Norton,  
Finance and Regulatory Services Director

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Date

<b>1</b>	<b>NATURE OF WASTE COVERED BY LICENSE</b>
	<p>(a) Source-separated food waste generated within the Metro boundary and received at Troutdale Transfer Station in accordance with Metro Solid Waste Facility Franchise No. F-001-08A; and</p> <p>(b) Source-separated food waste that is generated within the Metro region and collected by Waste Management of Oregon, Inc.</p>

<b>2</b>	<b>CALENDAR YEAR TONNAGE LIMITATION</b>
	<p>Licensee is authorized to deliver to the non-system facilities listed in Section 3 of this license up to 30,000 tons per calendar year of the waste described in Section 1 of this license.</p>

<b>3</b>	<b>NON-SYSTEM FACILITIES</b>
	<p>The Licensee hereunder is authorized to deliver the waste described above in Section 1 to the following non-system facilities for the purpose of processing and composting:</p> <p style="padding-left: 40px;">Nature's Needs  9570 NW 307th Avenue  North Plains, Oregon 97133</p> <p style="padding-left: 40px;">Pacific Region Compost Facility  29969 Camp Adair Road  Monmouth, Oregon 97361</p> <p>This license is issued on the condition that the non-system facilities listed in this section are authorized to accept the type of waste described in Section 1. If Metro receives notice from the Oregon Department of Environmental Quality or local regulatory authority that these non-system facilities are not authorized to accept such waste, Metro may immediately modify or terminate this license pursuant to Section 10 of this license.</p>

<b>4</b>	<b>TERM OF LICENSE</b>
	<p>The term of this license will commence on January 1, 2012 and expire at midnight on December 31, 2013, unless terminated sooner under Section 10 of this license.</p>

<b>5</b>	<b>COVERED LOADS</b>
	Licensee shall suitably contain and cover, on all sides, all loads of source-separated food waste that are delivered under authority of this license to prevent spillage of waste while in transit to the non-system facilities listed in Section 3.

<b>6</b>	<b>MATERIAL MANAGEMENT</b>
	<p>The Licensee is authorized to deliver the waste described in Section 1 of this license to the non-system facilities listed in Section 3 under the following conditions:</p> <p>(a) The non-system facilities shall accept all solid waste that is delivered under authority of this license for the sole purpose of processing and composting on-site. The Licensee shall not dispose of any source-separated recyclable material, except as provided in Section 7; and</p> <p>(b) The non-system facilities shall receive, manage, process, and compost all solid waste that is delivered under authority of this license in accordance with all applicable local, state and federal laws, rules, regulations, ordinances, orders, and permits.</p>

<b>7</b>	<b>REGIONAL SYSTEM FEE AND EXCISE TAX</b>
	<p>The Licensee shall be subject to the following conditions:</p> <p>(a) Source-separated food waste that is delivered under authority of this license and is accepted and composted, in accordance with all applicable regulations, at the non-system facilities listed in Section 3 is exempt from Regional System Fees and Excise Tax.</p> <p>(b) If the Licensee delivers waste under this license to the non-system facilities listed in Section 3 but the material does not meet the facilities' acceptance criteria (for example, the material is too contaminated for processing or composting) or the non-system facilities fail to process and compost the material as required as a condition of this license, the Licensee shall pay to Metro an amount equal to the Regional System Fee, as provided in Metro Code Title V, for each ton or portion thereof of waste delivered to the non-system facilities that is ultimately delivered to a disposal site.</p> <p>(c) If the Licensee delivers waste under this license to the non-system facilities listed in Section 3 but the material does not meet the facilities' acceptance</p>

	<p>criteria (for example, the material is too contaminated for processing or composting) or the non-system facilities fail to process and compost the material as required as a condition of this license, the Licensee shall pay to Metro an amount equal to the Excise Tax, as provided in Metro Code Title VII, for each ton or portion thereof of waste delivered to the non-system facilities that is ultimately delivered to a disposal site.</p>
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<b>8</b>	<b>REPORTING OF ACCIDENTS AND CITATIONS</b>
	<p>Licensee shall report to Metro any significant incidents (such as fires), accidents, and citations involving vehicles transporting the solid waste authorized by this license.</p>

<b>9</b>	<b>RECORD KEEPING AND REPORTING</b>
	<p>(a) The Licensee shall keep and maintain accurate records of the amount of all solid wastes that the Licensee delivers to the non-system facilities listed in Section 3 of this license. The Licensee shall keep and maintain complete and accurate records of the following for all transactions with the authorized non-system facilities:</p> <ul style="list-style-type: none"> <li>i. Ticket or weight slip number from the non-system facility;</li> <li>ii. Material category designating the type of material transferred to the non-system facility;</li> <li>iii. Date the load was transferred to the non-system facility;</li> <li>iv. Time the load was transferred to the non-system facility;</li> <li>v. Net weight of the load; and</li> <li>vi. Fee charged by the non-system facility.</li> </ul> <p>(b) No later than the fifteenth (15th) day of each month, beginning with the first month following the commencement date of this license, Licensee shall transmit the records required under Section 9(a) above, that covers the preceding month, to Metro’s Finance and Regulatory Services Department in an electronic format prescribed by Metro.</p> <p>(c) Licensee shall make all records from which Section 9(a) above are derived available to Metro (or Metro’s designated agent) for its inspection or copying, as long as Metro provides no less than three (3) business days written notice of an intent to inspect or copy documents. Licensee shall, in addition, sign or otherwise provide to Metro any consent or waiver necessary for Metro to obtain information or data from a third party, including the non-system facilities listed above in Section 3.</p>

<b>10</b>	<b>ADDITIONAL LICENSE CONDITIONS</b>
	<p>This non-system license shall be subject to the following conditions:</p> <ul style="list-style-type: none"><li>(a) The permissive transfer of solid waste to the non-system facilities, listed in Section 3, authorized by this license shall be subordinate to any subsequent decision by Metro to direct the solid waste described in this license to any other facility.</li><li>(b) This license shall be subject to amendment, modification, or termination by Metro's Chief Operating Officer (the "COO") in the event that the COO determines that:<ul style="list-style-type: none"><li>i. There has been sufficient change in any circumstances under which Metro issued this license;</li><li>ii. The provisions of this license are actually or potentially in conflict with any provision in Metro's disposal contract with Waste Management Disposal Services of Oregon, Inc., dba Oregon Waste Systems, Inc;</li><li>iii. Metro's solid waste system or the public will benefit from, and will be better served by, an order directing that the waste described in Section 1 of this license be transferred to, and disposed of at, a facility other than the facilities listed in Section 3;</li><li>iv. The non-system facilities listed in Section 3 fail to manage the waste subject to this license in accordance with the material management requirements described in Section 6; or</li><li>v. The non-system facilities listed in Section 3 generate malodors that are detectable off-site.</li></ul></li><li>(c) This license shall, in addition to subsections (b)(i) through (b)(v), above, be subject to amendment, modification, termination, or suspension pursuant to the Metro Code.</li><li>(d) Licensee shall not transfer or assign any right or interest in this license without prior written notification to, and approval of, Metro.</li><li>(e) This license shall be subject to modification or termination by the COO upon the execution of a designated facility agreement with a facility listed in Section 3 that authorizes the facility to accept the waste described in Section 1 of this license.</li><li>(f) This license authorizes delivery of solid waste only to the facilities listed in Section 3. Transfer of waste generated from within the Metro boundary to any non-system facility other than that specified in this license is prohibited unless authorized in writing by Metro.</li></ul>

<b>11</b>	<b>COMPLIANCE WITH LAW</b>
	<p>Licensee shall fully comply with all applicable local, regional, state and federal laws, rules, regulations, ordinances, orders, and permits pertaining in any manner to this license, including all applicable Metro Code provisions and administrative procedures adopted pursuant to Metro Code Chapter 5.05 whether or not those provisions have been specifically mentioned or cited herein. All conditions imposed on the collection and hauling of the licensee's solid waste by federal, state, regional or local governments or agencies having jurisdiction over solid waste generated by the licensee shall be deemed part of this license as if specifically set forth herein.</p>
<b>12</b>	<b>INDEMNIFICATION</b>
	<p>Licensee shall defend, indemnify and hold harmless Metro, its elected officials, officers, employees, agents and representatives from any and all claims, demands, damages, causes of action, or losses and expenses, or including all attorneys' fees, whether incurred before any litigation is commenced, during any litigation or on appeal, arising out of or related in any way to the issuance or administration of this non-system license or the transport and disposal of the solid waste covered by this license.</p>

## STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO. 11-4310 FOR THE PURPOSE OF AUTHORIZING THE CHIEF OPERATING OFFICER TO ISSUE A NON-SYSTEM LICENSE JOINTLY TO WASTE MANAGEMENT OF OREGON, INC. AND TROUTDALE TRANSFER STATION FOR DELIVERY OF SOURCE-SEPARATED FOOD WASTE TO THE NATURE'S NEEDS AND PACIFIC REGION COMPOST FACILITIES FOR COMPOSTING

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November 28, 2011

Prepared by: Warren Johnson

Approval of Resolution No. 11-4310 will authorize the Chief Operating Officer (COO) to issue a two-year non-system license (NSL) jointly to Waste Management of Oregon, Inc. (WMO) and Troutdale Transfer Station (TTS) to annually deliver a maximum of 30,000 tons of source-separated food waste to either the Nature's Needs Compost Facility (NN) located at 9570 NW 307<sup>th</sup> Avenue in North Plains, Oregon; or the Pacific Region Compost Facility (PRC) located at 29969 Camp Adair Road in Monmouth, Oregon.

## BACKGROUND

### 1. Overview

The applicants seek authorization to transport source-separated food waste generated within Metro to non-system facilities (NN and PRC) located outside of the region. Metro Code Section 5.05.025 prohibits any person from transporting solid waste to non-system facilities without an appropriate license from Metro. The proposed NSL is subject to Metro Council approval because it involves putrescible waste (food waste).

### 2. The Applicant

Waste Management, Inc., a company headquartered in Houston, Texas, is the parent company of WMO. WMO owns and operates TTS, a Metro-franchised transfer station located at 869 NW Eastwind Drive in Troutdale. WMO is also franchised/permitted by several local governments within the region to collect residential and commercial solid waste and WMO is Metro's disposal contractor.

The applicants currently hold two jointly issued NSLs that authorize the delivery of source-separated food waste to NN and PRC. Specifically, WMO and TTS jointly hold the following:

- NSL No. N-113-10(2), issued on April 5, 2010, which authorizes the delivery of up to 10,000 tons of source-separated food waste to PRC per calendar year; and
- NSL No N-010(2)-11, issued on March 21, 2011, which authorizes the delivery up to 6,000 tons of source-separated food waste to NN per calendar year.

Both of the above licenses, which expire on December 31, 2011, authorize the delivery of food waste that is either received and reloaded at TTS or collected at the site of generation and directly hauled by WMO. The purpose of this joint authority was to provide greater flexibility for the Licensees and to improve administrative efficiency.

On September 2, 2011, WMO and TTS submitted applications to Metro requesting the renewal of the existing NSLs (Nos. N-113-10(2) and N-010(2)-11) and sought to increase the tonnage authorization of each up to 30,000 tons per calendar year (for a combined total of 60,000 tons of authorization). The applicants have acknowledged that, although they have requested the combined amount of 60,000 tons



between both applications, they actually expect to deliver no more than 30,000 tons of food waste to either facility during a calendar year. The applicants explained that they requested the additional 30,000 tons as a redundant measure to allow greater flexibility in delivery options based on cost conditions between the two destination facilities.

The applicants have requested a substantial increase in tonnage authorization. As such, the applications submitted by the applicants are deemed to be requests for new authorization and do not constitute requests for license renewals as provided in Metro Code Section 5.05.035(d)(2)(B).

Based on the information provided by the applicants, staff recommends that Metro consider the applicants' combined applications as a single request and issue a new, consolidated NSL that jointly authorizes WMO and TTS to annually deliver a maximum of 30,000 tons of source-separated food waste to either NN or PRC. Staff notified the applicants of this recommendation and the applicants expressed no opposition to the issuance of a single, consolidated NSL as described above.

## **ANALYSIS/INFORMATION**

### **1. Known Opposition**

There is no known opposition to the applicants hauling food waste to NN or PRC. However, there has been some local opposition to NN due to a history of off-site malodors generated at the facility. The facility's odor issues have primarily occurred in the past under previous ownership and some of those previous odor events have been traced to other businesses and agricultural activities in the area. Nevertheless, there continues to be some local concerns regarding NN's ongoing operation and its potential to create off-site malodors. In consideration of the site's history and to address potential future odor issues at the facility, the proposed NSL stipulates that the COO may amend, modify, or terminate the license as necessary if Metro determines that NN generates malodors that are detectable off-site based on findings or actions taken by either the County or the Oregon Department of Environmental Quality (DEQ). Washington County and DEQ have regulatory authority over NN and may take enforcement action to control odors if necessary.

### **2. Legal Antecedents**

Metro Code Section 5.05.035(c) provides that, when determining whether or not to approve an NSL application, the Metro Council shall consider the following factors to the extent relevant to such determination.

- (1) *The degree to which prior users of the non-system facility and waste types accepted at the non-system facility are known and the degree to which such wastes pose a future risk of environmental contamination;*

The proposed NSL authorizes the delivery of food waste to either NN or PRC, both of which are well known to Metro. Since both facilities are engaged in composting rather than landfill disposal, neither poses the same potential environmental risk from wastes being delivered and processed.

- PRC is an established yard debris and food waste composting facility that began accepting food waste for composting in November 2009. PRC initially began accepting food waste from its affiliated haulers located in the Willamette Valley (i.e., Corvallis, Albany and Salem). In early 2010, PRC began accepting Metro-area food waste under authority of NSLs and in 2011 began

accepting commercial food waste directly from Metro South Transfer Station. Prior to that time, the facility accepted only wood waste and yard debris for composting. There is no known evidence of any other wastes currently being accepted at PRC that could pose a risk of environmental contamination. The environmental risk from the use of this non-system facility is presumed to be minimal because the facility is fully regulated and monitored by the appropriate local and state authorities.

- NN is an established yard debris and vegetative food waste composting facility that began accepting food waste for composting in a Washington County-approved demonstration project in July 2010. Until the demonstration project began, the facility accepted only wood waste, yard debris, and vegetative waste for composting. Most of the food waste accepted at the facility during the demonstration project consisted of source-separated commercial food waste that was mixed with yard debris and wood chips at the Metro Central Transfer Station. There is no known evidence of any other wastes currently being accepted at NN that could pose a risk of environmental contamination. The environmental risk from the use of this non-system facility is minimal because the facility is fully regulated and monitored by the appropriate local and state authorities.

**NN Demonstration Project.** In July 2010, Washington County allowed NN to accept non-green feedstock (e.g. meats and dairy products) for composting in order to determine whether the facility can properly manage and successfully process various food wastes on an ongoing basis without creating undue off-site malodors or nuisance conditions. Most of the food waste accepted at the facility during the demonstration project consisted of source-separated commercial food waste that was mixed with yard debris and wood chips at the Metro Central Transfer Station. The above-mentioned materials were mixed together at Metro Central for the purpose of odor mitigation and optimum composting at NN. NN also received food waste that was delivered directly to the facility by local haulers. If the demonstration project is deemed to be a success and the County grants NN long-term approval to accept food waste, then the facility intends to continue its current food waste processing operations on a regular basis. The County is expected to make a final decision about the NN franchise, including a determination about the success of the demonstration project in December 2011. County staff intends to recommend to the Washington County Board of Commissioners that NN be allowed to continue its food waste composting operations. On November 10, 2011, the Washington County Solid Waste Advisory Committee unanimously recommended granting the NN franchise.

Metro and County solid waste staff have conferred and coordinated throughout NN's demonstration project and the subsequent approval process. Although this NSL will be issued prior to the County's final decision on the demonstration project, the proposed NSL includes conditions that authorize the COO to modify or terminate the license should the County restrict or prohibit further food waste composting at NN. The County has generally been supportive of food waste feedstock being delivered to NN from the Metro region.

- (2) *The record of regulatory compliance of the non-system facility's owner and operator with federal, state and local requirements including, but not limited to, public health, safety and environmental rules and regulations;*

Metro staff's investigation of the applicants, destination facilities, and parent company revealed a good record of compliance with local and state agencies responsible for health, safety, and environmental regulations.

- (3) *The adequacy of operational practices and management controls at the non-system facility;*

Metro and DEQ consider the operational practices and management controls in place at NN and PRC to be adequate and consistent with other similar facilities. Both facilities manages the food waste they receives in accordance with the requirements of their DEQ-issued permit.

- (4) *The expected impact on the region's recycling and waste reduction efforts;*

The waste subject to the proposed NSL will be delivered to compost facilities for the purpose of composting rather than disposal. Based on the waste management hierarchy, composting is considered to be a higher and better management option than land disposal. As such, approval of the proposed NSL is likely to have a positive impact on the region's recycling and waste reduction efforts.

- (5) *The consistency of the designation with Metro's existing contractual arrangements;*

Metro is contractually obligated to deliver a minimum of 90 percent of the region's putrescible waste that is delivered to general purpose landfills during the calendar year, to landfills owned by Metro's disposal contractor, WMO. The waste subject to the proposed license will not be disposed at a general-purpose landfill. Approval of the proposed license will not conflict with Metro's disposal contract; however, increased diversion of organic material from disposal shrinks the amount of waste committed under the flow guarantee and the amount available for allocation to NSLs that control the remaining 10 percent.

Allied Waste currently serves as Metro's contractor for processing organic waste received at the Metro South Transfer Station – including commercial food waste. In addition, Recology currently serves as Metro's contractor to processing organic waste received at Metro's Central Transfer Station.

- (6) *The record of the applicant regarding compliance with Metro ordinances and agreements or assistance to Metro in Metro ordinance enforcement and with federal, state and local requirements including, but not limited to, public health, safety and environmental rules and regulations; and*

The applicants are currently in compliance with their Metro-issued NSL and have not had any compliance issues with regard to Metro regulations within the last two years. Additionally, the applicants have a good record of compliance with local and state agencies responsible for health, safety, and environmental regulations.

- (7) *Such other factors as the Chief Operating Officer deems appropriate for purposes of making such determination.*

The applicants currently hold two jointly issued NSLs that authorize the delivery of source-separated food waste to NN and PRC. The proposed NSL combines such authorization into a single NSL with a maximum authorization of 30,000 tons. The purpose of the single NSL is to provide greater flexibility for the Licensees and to improve administrative efficiency.

NN and PRC provide important processing and composting capacity for the region that supports Metro's goal of diverting organics away from disposal and into recovery outlets.

### **3. Anticipated Effects**

This proposed NSL is one of many organics-related action items currently under consideration by Metro and other local jurisdictions which contributes to a decline in the amount of solid waste disposed in landfills. The decisions on this and other similar items will have the effect of further shrinking the pool of waste available for allocation to certain non-system licensees by increasing the availability of non-disposal options i.e. recycling and composting.

The effect of Resolution No. 11-4310 will be to authorize WMO and TTS jointly to deliver up to 30,000 tons per calendar year of source-separated food waste to either NN or PRC for composting.

### **4. Budget/Rate Impacts**

Waste diversion has a number of effects on Metro's fiscal system. First, Metro's Regional System Fee and Excise Tax (RSF and ET) rates depend on the amount of waste that is disposed. Any waste that is diverted from disposal, such as the composting of food waste, will in general increase those RSF and ET rates which in turn are paid by all generators. Second, because the price that Metro pays for disposal at Columbia Ridge Landfill depends on volume, recycling and recovery will increase Metro's unit (per-ton) disposal costs for users of Metro's transfer stations. Third, under current policy, diversion from disposal at Metro's transfer stations reduces the amount of revenue collected for local rehabilitation and enhancement grants. Fourth, waste diversion will also affect other unit costs at Metro transfer stations and other solid waste facilities due to fixed and capital costs, etc. being spread over less tonnage. Because the size and effects of these individual price changes will depend on facility-specific factors, this fourth class of impacts is not addressed in this fiscal analysis.

#### Assumptions for the Analysis

The applicants are seeking authorization to deliver 30,000 tons per year of source-separated compostable materials from residential and commercial generators to NN or PRC.

- Residentially generated feedstocks. The applicants have represented that 20,000 tons (two-thirds of the requested annual authorization) is for food waste combined with yard debris that will be collected by WMO under the city of Portland's new residential organics program. Of the 20,000 tons, Metro staff believes that only 5 to 15 percent (1,000 to 3,000 tons) will actually be food waste; and the balance, yard debris. Only the 1,000 to 3,000 tons of food waste is subject to this fiscal analysis, as the yard debris is already exempt from RSF, ET, and the host (rehabilitation and enhancement) fee.
- Commercially generated food waste. The applicants have represented that 10,000 tons (one-third of the requested annual authorization) represents new food waste diversion from commercial generators. All 10,000 tons of commercial food waste are currently disposed as mixed putrescible waste and therefore subject to this fiscal analysis.
- Although both Metro staff and the applicants are skeptical that the whole 30,000-ton authorization will be used in either of the next two years, this fiscal analysis is based on diversion of the entire amount in order to provide readers with an estimate of the full possible impact.
- Specifically, this analysis is based on the diversion of 12,000 tons of food waste – 10,000 tons

from commercial generators and 2,000 tons from residential generators (the balance, 18,000 tons of residential yard debris, are already exempt). All fiscal effects are roughly proportional. Therefore, if for example, the applicants use only half of their authorization, the fiscal impacts would be about half of those reported here.

### Regional System Fee and Excise Tax

Because this proposed license would take effect halfway through the current fiscal year, the exemption of tons from the RSF translates to a revenue loss to the Solid Waste Fund of approximately \$125,000 for the 7 months from January 2012 to August 1, 2012 when new solid waste rates would normally take effect. Historically Metro has raised the system fee to cover the effect of tonnage lost to the recovery exemption in the long run. In this case, that impact would be an increase of about 19 cents per ton in August 2012 – the exact amount depends on the adopted budget at the time. This increase would be charged on all solid waste that continues to be disposed, including the waste delivered to Metro transfer stations and privately-owned landfills. (For reference, the current RSF is \$17.64 per ton.)

As with the RSF, approval of the proposed NSL would remove tonnage from the revenue base for the ET. However, unlike the RSF, the ET rate is driven entirely by previous-calendar year tonnage. Therefore, it will take two years for the reduction of the tonnage base to work its way into the rate calculation. Until that happens, approval of this NSL would reduce General Fund revenue by about \$142,000 in the first full year and about half of that in the second year. By the third year the rate will have increased by 14 cents per ton to absorb the revenue impact. (For reference, the current ET rate is \$11.80 per ton.)

Metro's Disposal Cost. Diverting 12,000 tons of food waste would increase the price that Metro pays to WMO for disposal at Columbia Ridge Landfill under its contractual declining block rate. The 12,000-ton reduction would result in a 19 cent per ton increase in price for the tons that continue to flow to Columbia Ridge. This translates to a 14 cent increase in the "tonnage charge" component of Metro's tip fee. (Because Metro charges the tip fee on inbound tonnage but pays on outbound tonnage, the tip fee effect is less than the contract cost effect.) In dollars, the diversion of 12,000 tons means Metro's customers will pay about \$80,000 per year more on the waste that continues to be disposed at Columbia Ridge Landfill.

Because this proposed license would take effect halfway through the current fiscal year, Metro would have to absorb about \$47,000 in additional disposal costs between January 2012 and August 1, 2011 when the new solid waste rates take effect.

### Rehabilitation & Enhancement Fund Revenue

Based on current patterns of tonnage flow, Metro staff estimates that 9,500 of the 12,000 tons of food waste would be diverted from the Metro transfer stations. At 50 cents per ton, this translates to a direct loss of \$4,750 in host fee revenue. About \$2,100 of this loss would be borne by Oregon City, and \$2,650 by the Metro Central Rehabilitation & Enhancement account.

### Summary

Analysis is provided for the impact on three Metro funds. These impacts would be the same for any waste diverted from disposal.

- Solid Waste Fund. The diversion of tonnage from disposal to recovery would reduce the dollar

amount that Metro budgets for disposal operations, but the per-ton cost would rise on the waste that continues to be disposed. The diversion would also reduce the amount of RSF, which is used to pay for solid waste programs such as waste reduction and hazardous waste. Historically, Metro has covered such changes by raising solid waste rates. Under the proposed NSL, the Metro tip fee would rise by 33 cents (14 cents for disposal + 19 cents for the RSF), excluding ET changes.

- General Fund. Approval of the NSL will not affect General Fund costs, but the ET rate will have to rise 14 cents to recover the revenue lost to the diversion of tonnage. It will take two years for the rate to adjust fully under the current rate mechanism in Metro Code. There will be approximately \$210,000 loss of revenue to the General Fund during the adjustment period of two years.
- Rehabilitation & Enhancement Fund. Approval of the NSL will reduce “host fee” revenue by about \$4,750 per year, split roughly \$2,100 and \$2,650 between Oregon City and NW Portland.

### **RECOMMENDED ACTION**

The COO recommends approval of Resolution No. 11-4310 finding that the license applications satisfy the requirements of Metro Code Section 5.05.035, and issuance of an NSL substantially similar to the proposed NSL attached to the resolution as Exhibit A.

WJ:bjl  
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