

BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF ADOPTING) RESOLUTION NO. 88-948
POLICY THAT WASTE TRANSPORT)
SERVICES TO GILLIAM COUNTY SHALL) Introduced by the
BE PRIVATELY OWNED AND OPERATED) Executive Officer
AND THAT THESE SERVICES SHALL BE)
ACQUIRED THROUGH A REQUEST FOR)
BIDS)

WHEREAS, Metro has identified a crucial need to expeditiously procure services for transporting solid waste from its jurisdiction to a general purpose landfill located in Gilliam County; and

WHEREAS, Metro has no experience or expertise in owning and operating waste transport systems; and

WHEREAS, Private sector transportation firms in the barge, rail, and trucking industries have the necessary expertise, experience and equipment to perform the waste transport services required by Metro; and

WHEREAS, The waste transport services are readily definable in bid documents; and

WHEREAS, A bid process offers Metro the opportunity to acquire the necessary services in a timely and competitive manner; and

WHEREAS, It is doubtful that a proposal process could result in the necessary waste transport services in a timely and competitive manner; now, therefore,

BE IT RESOLVED,

1. That Metro will continue its efforts to acquire waste transport services from the private sector.

2. That Metro will continue to seek these services

through a Request For Bids rather than a Request For Proposals.

3. That the following schedule will be used during the bid process:

- a) Bid concepts presented to Council Solid Waste Committee 7/5/88
- b) Draft bid document presented to Council 7/28/88
- c) Final bid document presented to Council 8/11/88
- d) Advertise the Request For Bids 8/15/88
- e) Evaluation of submitted bids 11/1/88 to 12/1/88
- f) Contract Award 1/1/89

ADOPTED by the Council of the Metropolitan Service District this 28th day of July, 1988.



Mike Ragsdale, Presiding Officer



METRO

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

Memorandum

Agenda Item No. 8.1, 8.2

Meeting Date July 28, 1988

Date: July 20, 1988

To: Metro Council

From: Councilor Gary Hansen
Chair, Council Solid Waste Committee

Regarding: COUNCIL SOLID WASTE COMMITTEE REPORT ON JULY 28, 1988,
COUNCIL MEETING AGENDA ITEMS (RESOLUTION NOS. 88-835C
AND 88-948)

Agenda Item 8.1 Consideration of Resolution No. 88-835C, for the Purpose of Adopting a Policy to Establish that the Metro East Transfer & Recycling Center(s) may be Publicly or Privately Owned and that Potential Vendors Obtain Land Use Permits for Proposed Transfer Station Sites

Committee Recommendation

The Council Solid Waste Committee recommends Council adoption of Resolution No. 88-835C.

Discussion

A public hearing was held on Resolution No. 88-835C. Two individuals testified. They expressed concern that prohibiting vertical integration of the solid waste system may reduce the number of bids. They preferred the language in Resolution No. 88-835A.

It was pointed out that Resolution No. 88-835C is a "melding" of Resolution No. 88-835A and No. 88-885 dealing with privately owned and operated and publicly owned facilities respectively.

The Committee asked if the policies contained in the resolution should apply only to the East Transfer & Recycling Center (ETRC). The policies are good ones and could apply to the entire region, but there are sections in the resolution that only apply to ETRC.

The majority of the Committee discussion centered around the issue of avoidance of vertical integration (monopoly). Resolution No. 88-835C provides some flexibility regarding vertical integration and does not prohibit it as does proposed Resolution No. 88-948.

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The Committee voted 6 to 0 to recommend Council adoption of Resolution No. 88-835C. Voting aye: Cooper, Gardner, Hansen, Kelley, Kirkpatrick and Van Bergen. This action taken July 5, 1988.

Agenda Item 8.2

Consideration of Resolution No. 88-948, for the Purpose of Adopting Policy that Waste Transport Services to Gilliam County shall be Privately owned and Operated and that these Services shall be Acquired through a Request for Proposal

Committee Recommendation

The Council Solid Waste Committee recommends Council adoption of Resolution No. 88-948.

Discussion

A public hearing was held on Resolution No. 88-835C. No one testified.

The Committee discussion centered on two issues: shall the transport system be limited to the private sector and should the Request for Proposals (RFP) or Request for Bids (RFB) method be used to acquire transport services. Resolution No. 88-948 calls for a private vendor and a bidding process. The majority of the Committee members present favored a private vendor approach and an RFB process. The minority supported an RFP process and public ownership, or at least having the option to select public ownership.

The Committee voted 3 to 2 to recommend Council adoption of Resolution No. 88-948C. Voting aye: Cooper, Gardner and Hansen. Voting nay: Kirkpatrick and Van Bergen. This action taken July 5, 1988.

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STAFF REPORT

CONSIDERATION OF RESOLUTION NO. 88-948 WHICH ADOPTS POLICY
REGARDING WASTE TRANSPORT SERVICES TO GILLIAM COUNTY.

Date: June 17, 1988

Presented by: Bob Martin

FACTUAL BACKGROUND AND ANALYSIS

In April of this year Metro signed a contract for waste disposal services at a landfill located in Gilliam County. Metro must now arrange for the transport of waste from the metropolitan area to this landfill.

In order to have the facilities and equipment in place by the time the landfill in Gilliam County opens, Metro must expeditiously arrange for the required transport services. Metro lacks the equipment and expertise to provide such services. Private sector firms in the barge, rail and trucking industries can provide the services. The specifications for these services have been identified.

Since the bid process is the most expedient and competitive way to acquire services from the private sector, it is preferred over a Request For Proposal process which probably would not result in the provision of waste transport services when needed. The specifications necessary for issuing a Request For Bids are currently being drafted.

Executive Officer's Recommendation

The Executive Officer recommends adoption of Resolution No. 88-948.



METRO

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

Memorandum

Agenda Item No. _____

Date: **June 7, 1988**

Meeting Date _____

To: **Council Solid Waste Committee**

From:  **Rich Owings, Solid Waste Director**

Regarding: **TRANSPORTATION RFB - ARLINGTON LANDFILL**

Several months ago an Evaluation Committee was formed to advise the Executive Officer, the Council, and Metro staff on the Request for Bids (RFB) for transportation to the Arlington landfill. This committee, comprised of technical experts from the City of Portland, Multnomah County, the Port of Portland and Metro, has held two meetings. The group is reviewing the assumptions which will be the basis for the RFB, and is helping Metro staff find answers to key questions that need to be answered before issuing the final RFB. The Evaluation Committee is not a substitute for Council review, but rather an effort to ensure that proposals are fully developed technically before they come to Council.

The Evaluation Committee will continue to meet on a regular basis until the final RFB is issued in late July or early August. The group will also assist Metro in evaluating any bids that are received from transportation vendors. Staff will continue to update the Council Solid Waste Committee as our work progresses.

Attached for your information are the following:

- Anticipated RFB Review Process with the Metro Council
- List of RFB Assumptions and key questions
- Paper No. 2 which discusses the questions of 1) how much waste will be transported and 2) the length of a contract with the transportation vendor. It reflects suggestions made by the Evaluation Committee at their June 3 meeting.

RDO: aey

Attachments

Anticipated RFB Review Process
with Metro Council

Council Solid Waste Committee

- June 28
- Discussion of alternatives for final questions
 - Complete description of RFB approach (for information and review)
- July 12
- Draft RFB (for review)
- July 26
- Staff report/Proposed RFB/Resolution (for action)

Metro Council

- July 28
- Adoption of RFB

TRANSPORTATION RFB
to Arlington Landfill

ASSUMPTIONS

- 1) Three modes of transporting are possible: truck, rail, barge.
- 2) Barge and rail modes will require depots; truck will not.
- 3) No direct haul to depot.
- 4) No materials recovery at depot.
- 5) Transport vendors will provide containers if necessary.
- 6) At least three direct-haul transfer stations will exist.
- 7) Direct haul to a compost and materials processing facility (OPRC). Residuals transported the same as at transfer stations.
- 8) Waste from Forest Grove Station and Hillsboro Reload go to Riverbend Landfill; CTCRC continues its diversion to Marion County through 1989.
- 9) At least 90 percent of mixed waste will go to OWSI landfill.

QUESTIONS

- 1) Where will transporter accept delivery of waste?
- 2) How will waste be packaged?
- 3) How much waste will be transported?
- 4) What is the length of the contract?
- 5) When does the contract start?
- 6) Major contractual issues: backup systems, indices and labor disputes.

DISCUSSION OF PARAMETERS FOR TRANSPORTATION REQUEST FOR BIDS
FOR THE TRANSPORT OF WASTE TO THE OWSI LANDFILL
PAPER #2 (6-6-88)

This is the second in a series of discussion papers on parameters to be included in the transportation Request For Bids for transporting waste from the Metro region to a landfill located near Arlington, OR. The first paper discussed ways in which waste would be prepared prior to shipment and the point at which the vendor would accept delivery. This paper will discuss additional parameters concerning volume estimates/commitments and contract length.

BACKGROUND

The previous RFB discussion paper described the current and future solid waste disposal system and discussed two questions regarding RFB parameters. In answer to the questions regarding where the transport vendor picks up waste and the form in which it is received, the following approach was recommended.

1. That all bidders be required to pick up loads at Metro designated transfer stations and that for bid purposes these will be designated as CTRC and ETRC with a process for negotiating prices at future facilities.
2. The waste will be compacted at the transfer stations into a standard or hi-cube container load, and that the vendor will supply the containers needed (unless it is the truck mode in which case it may be a trailer instead).

Question #3. How much waste will be transported ?

Background/Discussion

In the contract documents signed with Oregon Waste Systems Inc. (OWSI) for disposal capacity at its landfill located in Gilliam Co., Metro projected annual volumes of waste requiring disposal at this site. The volumes represented approximately 46% of the waste generated. The remaining waste would be handled through a combination of waste reduction programs/facilities, limited purpose landfills, and some diversion of waste to the general purpose landfill located in Yamhill Co. The diversion of waste destined for general purpose landfills (i.e. waste containing food waste) is limited to no more than 10% by the OWSI contract.

When Metro developed these projections it made two key assumptions. First, that waste reduction programs would be increasingly successful in reducing the amount of waste destined for general purpose landfills and secondly, that limited purpose landfills would be sited in the Metro area to replace existing

ones. The OWSI contract is not however, tied to the projections contained in the document, as in a minimum tonnage guarantee or "put or pay" arrangement. Since the volumes actually shipped could be significantly higher or lower (due to effects of rate increases, programs and/or the availability of facilities), Metro guaranteed no tonnage but rather guaranteed monthly fixed payments to cover capital investments.

Option A

This approach could be used for the transportation RFB as well. Vendors would submit a lump sum bid to be paid in equal monthly installments over the life of the contract. In addition, vendors would submit a per ton haul cost by facility with Metro providing an estimate of the tons each facility would handle. The total bid is calculated by adding the lump sum to the per ton price times the estimated volumes. While no volume is guaranteed, the estimated volume is used to calculate the low bidder.

The advantages to this approach concern the way in which risk is allocated. For Metro, there is no risk of incurring a minimum monthly payment even though the minimum tonnage is not transported. The vendor can control the way it handles risk through its lump sum bid, which acts as a substitute for a tonnage guarantee (although he/she is faced with somewhat of a dilemma since the lump sum amount would not be subject to inflation adjustments). Since it is assumed that this payment will be used for capital investments, and since these differ by mode, it allows each to reduce some of the risk associated with its unique capital requirements.

A disadvantage to this approach is its unpredictability. Barge and rail modes require the construction of facilities at both ends of the haul, while the truck mode may not. Rail will also require significant investments in rail cars and track upgrades. It is therefore difficult to predict the effect of this approach, since the economic life of the capital investments required by each mode vary and because the effect is impacted by the length of the contract (more on this below). Some of the possible vendor responses are that he/she will load the lump sum category such that it in effect becomes a minimum tonnage guarantee, that it is bid low to take advantage of inflationary adjustments, or that this approach simply confuses vendors to the extent that they do not bid. The approach was better suited to a landfill contract where all vendors were required to make approximately the same investments to comply with the law.

Option B

An alternative approach is to guarantee a minimum tonnage based on the estimates in the OWSI contract. If the minimum tonnage is not transported, Metro would still pay for that amount. The

advantage to this approach is that the vendor can make his/her investments and borrow needed funds with a guaranteed revenue stream, tied directly to tonnages shipped. While a revenue stream is guaranteed in the approach described above, it will differ depending on the capital requirements of the vendor and will therefore have different effects on the way each bids. The guaranteed flow approach equalizes the manner in which each vendor (and mode) calculates revenue base requirements.

The main disadvantages with this approach concern the level at which the minimum guarantee is set. Metro will desire to set a low minimum tonnage guarantee to decrease the probability of having to pay for services that are not needed. The vendors, however, will desire high guarantees; especially those modes requiring large capital expenditures. Metro is then put in the position of estimating the guaranteed flow levels which minimize risk of overpayment but which still allow the capital intensive modes to remain competitive.

Option C

A guarantee which specified no minimum tonnage amount was used in the OWSI contract. Instead, Metro guaranteed that the flows in any month would not vary by more than plus or minus 20% of the same month of the previous year. If flows exceeded this guarantee, the vendor was entitled to an additional 15% of the per ton price, plus any extraordinary expenses. Metro can avoid the penalty by giving 180 days notice.

The advantage of this approach is that the vendor has some certainty regarding flows and can therefore plan accordingly. He/she will also be reimbursed for expenses incurred if flows vary dramatically. For Metro, the advantage was the ability to avoid penalties by providing adequate notice, while linking the guarantee to seasonal fluctuations. This guarantee was used in conjunction with Option A in the OWSI contract.

Given that the reason for bidding this contract out to the private sector is to obtain a service while avoiding risk, and that the private sector generally wishes to maintain flexibility in the way it handles risk, it is recommended that the lump sum approach be used, with a 180 days notice requirement as in option C. Instead of a set penalty amount, Metro would pay cost plus 10%. This forces the vendor to document cost increases due to changes in the amounts handled, and gets away from the concept of penalties and closer to cost-based adjustments. In no case would the amount paid be more than 15% of the per ton bid price.

QUESTION #4: What is the length of the contract ?

Background/Discussion

During the conceptual stages of the out-of-region landfill contract, inclusion of the transportation element was considered. It was decided that the transportation element should be bid separately because a long term (i.e. 20 years) contract did not take advantage of the competitiveness of transportation modes. In subsequent discussions with transportation industry representatives staff discovered that each has a preference concerning this particular project.

Rail

Rail spokespersons suggested that 20 year contracts are appropriate, based on the expected life of the rail cars which would need to be constructed. The particular transport configuration considered involved double- stacking containers of waste, with each container holding payloads of over 30 tons. This arrangement necessitated the construction of specialized rail cars as existing twin stack cars could not accommodate such weights. New cars could last up to 20 years, so this seemed the most efficient contract length.

Barge

Barge representatives seemed more concerned with recovering the capital expenditures involving depots, and historical precedent. 10 years was the recommended contract length.

Truck

Our conversations with the truck industry have been limited since our system cost estimates did not require vendor quotes for full line service (i.e. a quote to move the waste from point A to B). Rather we costed the system from component prices and O&M costs provided by vendors. This analysis indicated that contracts as short as 5 years may be efficient.

Metro's interest in the length of the transport contract is cost minimization. This can be accomplished by fostering competition between all modes on as equal a basis as possible. However, the economics of transportation can shift dramatically, depending mainly on a particular modes dependance on fuel, but also due to other factors. Therefore one may wish a short contract length to take advantage of savings in the future. Conversely, if one believes that a low price can be achieved in the current competitive environment, then one may wish to lock the vendor into this price for the entire period for which the service is needed (such as the length of the OWSI contract).

Three approaches have been considered for the RFB. One is to make the length of the contract contingent upon transport of the amount of waste for which disposal capacity has been contracted for at the OWSI landfill. Once the amount has been transported,

the contract ends. This approach was used in the contract signed with OWSI. That contract does contain an expiration date for legal purposes (2009), however the 17 million tons of disposal capacity should easily be used up by then (an extension was included as a contingency).

A second approach is to allow vendors to provide prices based on different contract lengths such as 5, 10, or 20 years. Metro would assume an inflation rate such as 4% to compare prices over time. The problem with this approach is that it may not result in the length of contract Metro may desire for a particular mode. Generally speaking, if one wishes to match contract length to a particular mode, it would be done in a RFP process where other contractual issues could be negotiated as well to fit the parties desires.

The third approach is to pick a contract length which is a compromise between an ideal length and one all modes can live with. Metro could include in the contract the ability to extend the contract in order to accommodate its needs, and include conditions for terminating the contract if performance is unsatisfactory. This approach puts all vendors on an equal basis for bidding, and clearly specifies a major element of the contract. Since it is desirable to be as specific as possible in an RFB, it is recommended that one contract length be specified. Given the preferences of vendors, a 10 year period seems appropriate.

Mr. Owings, responding to Councilor Knowles' question, said landowners had not been approached about Metro purchase of lands for transfer station use because staff resources were limited and adequate time could not be allocated to that pursuit.

Motion: Councilor Collier moved, seconded by Councilor Kirkpatrick, to instruct staff to notify real estate brokers in writing that the deadline for agents to submit proposals for publicly owned transfer station sites would be 90 days from July 28, 1988, and that staff report to the Solid Waste Committee by the first meeting in September on the status of staff work investigating potential, publicly owned sites and costs.

Vote: A vote on the motion resulted in all Councilors present voting aye except Councilor Waker who voted no. Councilors Coleman and Gardner were absent.

The motion carried.

Vote on the Main Motion: A vote on the motion to adopt the resolution resulted in all ten Councilors present voting aye. Councilors Coleman and Gardner were absent.

The motion carried and Resolution No. 88-835C was adopted.

8.2 Resolution No. 88-948, for the Purpose of Adopting Policy that Waste Transport Services to Gilliam County shall be Privately Owned and Operated and that these Services shall be Acquired through a Request for Bids

Councilor Hansen, Solid Waste Committee Chair, reported the Committee supported adoption of the resolution.

Motion: Councilor Hansen moved, seconded by Councilor Kirkpatrick, to adopt the resolution.

Councilor Van Bergen said this matter was another example of a situation where the Council had initially requested public options be explored but because of delays, the a publicly owned transport service was no longer an option.

Vote: A vote on the motion resulted in all ten Councilors present voting aye. Councilors Coleman and Gardner were absent.

The motion carried and the resolution was adopted.

8.3 Consideration of Resolution No. 88-957, for the Purpose of Authorizing Change Order No. 7 to the Contract with Browning-Ferris Industries to Dispose of Contaminated Yard Debris

Councilor Hansen summarized the Committee's recommendation, explaining the change order would provide for BFI to dispose of yard debris unsuitable for processing.

Motion: Councilor Hansen moved to adopt the resolution and Councilor Waker seconded the motion.

Councilor Kirkpatrick said she would oppose the resolution because the material should not be landfilled.

Councilor Van Bergen recalled staff had expended considerable effort on resolving the problem of yard debris stockpiled at St. Johns and all those efforts had failed. He questioned whether the landfill operator could be held liable for not screening loads of yard debris initially brought into St. Johns. Councilor Hansen said most of the old loads were brought in before BFI had the operations contract. He agreed the best remedy was to approve the resolution and learn from past experiences. Councilor Van Bergen thought staff should determine whether the original contractor (Genstar) was at fault before the resolution was adopted.

Vote: A vote on the motion resulted in:

Ayes: Councilors Cooper, DeJardin, Hansen, Kelley, Knowes, Waker and Ragsdale

Nays: Councilors Collier, Kirkpatrick and Van Bergen

Absent: Councilors Coleman and Gardner

The motion carried and the resolution was adopted.

8.4 Consideration of Resolution No. 88-959, for the Purpose of Authorizing the Executive Officer to Execute a Contract with Sweet-Edwards/EMCON, Inc. for Hydrogeologic and Engineering Evaluation of the St. Johns Landfill

Councilor Hansen reported the Committee recommended adoption of the resolution.

Motion: Councilor Hansen moved, seconded by Councilor Kirkpatrick, to adopt the resolution.

Responding to Councilor Van Bergen's questions, Mr. Owings reported the contract should serve to provide staff with more definitive information for scheduling the closure of St. Johns Landfill and for