METROPOLITAN SERVICE DISTRICT
527 S.W. HALL ST., PORTLAND OR. 97201, 503/221-1646

METRO

AGENDA SWPAC Meeting

Date: September 19, 1983

Day: Monday

Time: 12:00 Noon - 2:00 p.m.

Place: Metro Offices, Conference Room A-1, A-2

I. Approval of August 22, 1983 meeting Minutes

II. Consideration of Options for Implementing Transfer Station in Washington County — D. Drennen

III. Consideration of Awarding Contracts to Construct Truck Wash Facility at the CTRC — D. Drennen

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MINUTES OF SWPAC COMMITTEE MEETING, August 22, 1983

SOLID WASTE POLICY ALTERNATIVES COMMITTEE

Committee members present:	Mike Sandberg, Shirley Coffin, John Trout, James Cozzetto, Howard Grabhorn, Gary Newbore, Bob Harris, Dave Phillips
Staff Present:	Dan Durig, Andrew Jordan, Norman Wietting Dennis O'Neil, Terilyn Anderson, Evelyn Brown, Pat Kubala, Ed Stuhr
Guests:	Joe Cancilla, Jr.

The meeting was called to order by Chairman John Trout at 12:15 p.m. The minutes of the July 25, 1983 meeting were approved as written. Because a quorum was not yet present (Mr. Cozzetto had not yet arrived) the chairman proposed that the systems planning information discussion item be considered first. Pat Kubala explained we have been implementing the Cormet plan. The Counsel's vote, not to proceed with the energy recovery facility, resulted in a desire to step back and relook at the solid waste management plan. The present effort has two purposes. It will be a summary of existing data to make all concerned more aware of this. It will provide a thorough discussion of the policy issues inherent in each of the possible options. The Council's recycling subcommittee will consider waste reduction and source separation issues. It will use the goals in the waste reduction plan. However, the goals and policies of the waste reduction plan may be changed as a result of the process. The Regional Services Committee will review the various disposal options. When both are finished, then the policy options will be discussed in a public form prior to review by the full Council.

Evelyn Brown explained that staff has begun discussing present issues such as the impending closure of various landfills with the services committee. Staff is also developing and discussing criteria to set priorities for dealing with problems and with solutions. These will provide the basis for the hard decisions when evaluating alternative systems. Evelyn Brown then explained each criterion. She pointed out that the Regional Services Committee has sent in their opinions concerning the priorities. She asks for similar input by members of SWPAC.
Pat Kubala also passed out the Fall 1982 Forum as an example. She hopes to end up with four or five alternative systems presented in a similar format.

Dan Durig urged the Committee members to fill out the form and take an an active part in developing criteria for the system.

John Trout asked what type of contingency plan has been developed if operational problems or disasters occurred at St. Johns. Would there be a backup landfill? Dan responded that staff was actively working on options in case of a disaster. Staff has already presented various options in outline form to the Regional Services Committee.

Staff is presently determining which options are most feasible. He sees this plan as a separate plan from the systems plan which is primarily for long-term operations of the system. In response to further questions from the Committee, Dan directed staff to send a report to all SWPAC members. Later in the meeting he personally handed out copies of the report.

Terry Anderson, then briefly explained the Bench Mark Pricing concept and the amendments to the franchise ordinance. Andrew Jordan explained that he had deleted the words "adequate to provide public service" from Section 3 of the Disposal Franchise Ordinance, because this suggested that Metro must look at rates to determine if they are too high or if they are too low. Also he pointed out that the present language would prevent a company from deliberately lowering rates to lose money for a period of time but that the benchmark pricing would not.

George Hubel pointed out that the Rate Review Committee initiated the benchmark pricing concept. The Committee looked at the rate-setting process originally as being similar to a public utility in a monopoly situation. As time went on they began to get the idea that there was more of a competitive situation than they had previously believed. People can choose which landfill to go to, therefore, there was a consensus of the Committee that they use the market to get the job done since there is some competition. He pointed out that the present amendments do not mandate benchmark pricing method as an option.

Andrew Jordan stated that his intent in writing the amendments was either the Council set uniform rates or the Council had to set a benchmark price with variable rates only if the proposed rate was above the minimum rate used as the benchmark. He believes that if the rates were at or below the benchmark, the Council would be completely removed from approving those rates.

Various Committee members had concerns about the whole concept of benchmark pricing. What would be the benchmark if St. Johns closed? One could get into a situation of high development costs for a new facility. This could greatly raise the minimum benchmark. It was felt that a situation like this would allow a privately operated franchise landfill to charge rates that were far in excess of costs and still be at, or below, the benchmark rate. It was felt that this was a lazy man's way of arriving at rates. Metro has the ultimate say and Council should do the work. Metro should either set rates based upon the cost or should get out of the franchising business. Don't compare a demolation landfill to a full-service landfill.

One committee member favored benchmark pricing but pointed out that a new facility should have to justify its rates initially. If it could operate at a much lower price it should not be allowed to charge the higher benchmark rate.

Dan Durig summarized the issue as being what level of protection to give to the public versus a desire to reduce government control of the economic system.

MOTION: David Phillips made a motion that the Committee go on record as opposing benchmark pricing.

Second: Mike Sandberg

Vote-Ayes: Cozzetto, Coffin, Grabhorn, Harris, Sandberg, Trout

Vote-Nays: Newbore, Phillips: Motion carried.

The next item on the agenda was a consideration of the proposed rates for the St. Johns landfill and the Clackamas Transfer and Recycling Center. Ed Stuhr summarized the method used in setting the Metro rates. First, costs were determined and estimated solid waste flows were calculated. Then costs were allocated to the User classes in an equitable manner. In response to a question from the Committee, Mr. Stuhr presented the current rates from St. Johns and the Clackamas Center. Gary Newbore pointed out that if the unit cost of CTRC goes down, why does his cost--that is the Regional Transfer Charge--go up? He pointed out that his rate and Grabhorn's Landfill rate will be forced up. The CTRC rate will go up less. The St. Johns rate will drop. This will simply drive private enterprise out of business. He felt that he was being "ripped off".

Norm Wietting pointed out that although the unit cost at CTRC goes down, we are transferring more so the total cost of CTRC goes up. Much of this is paid for by the Regional Transfer charge. He pointed out that we are increasing the convenience charge to reduce the flow at CTRC.

John Trout asked whether the general fund transfer was $570,000 from the User Fee, plus another amount funded directly from the rates at St. Johns and CTRC?

Norm Wietting responded that the $570,000 general fund transfer was financed both from the User Fee and from the rates at the two facilities. James Cozzetto expressed a great concern at the increased fee which will occur at Killingsworth because it will impact his drop-box fees a great deal and in the drop-box area the disposal fee is a much larger percentage of the total income to the hauler than is the disposal fee for residential solid waste which goes to St. Johns.

Mike Sandberg asked "Who pays if Oregon City is successful in adding a surcharge?" Dan Durig pointed out that our position is that this is definitely illegal. David Phillips pointed out that Oregon City is sensitive about being the "garbage capitol". They are tired of carrying the burden with no one else picking up the load. They want others to also have a regional facility. They don't see that St. Johns is now getting their garbage.

MOTION: Gary Newbore made the motion that SWPAC turn down the proposed rates at St. Johns and CTRC.

SECOND: Howard Grabhorn

Vote Aye: Cozzetto, Grabhorn, Newbore, Trout

Vote Nay: Coffin, Harris, Phillips, Sandberg

Motion did not pass

The Chairman requested that the Committee's action be forwarded to the Metro COuncil. The Chairman pointed out that the Committee had received the Legal Counsel's draft of the Post-Closure Maintenance Amendments to the Franchise Ordinance. He asked if any of the members had any comments about these. Hearing no comments, he entertained a motion for adjournment.

Motion to adjourn was made by Gary Newblre
Second by Shirley Coffin
Carried by voice vote.

Adjourned at 2:30 p.m.

DO'N:bl

BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF DECLARING METRO'S INTENT TO PROCEED TO IMPLEMENT A TRANSFER STATION IN WASHINGTON COUNTY	))))	RESOLUTION NO. Introduced by the

WHEREAS, Metro has the authority under ORS 268.317 to construct, operate and maintain transfer facilities necessary for the solid waste disposal system of the District; and

WHEREAS, A transfer station to service Washington County is a recommended element of the adopted Solid Waste Management Plan; and

WHEREAS, Metro sought public input regarding a transfer station in Washington County and was subsequently advised by the Washington County Transfer Station Committee that a transfer station facility was needed in this area; and

WHEREAS, The firm of Price Waterhouse Co. was retained in 1980 and recommended that Metro ownership and operation, or contracting for the operation, of all transfer stations best met Metro's identified objectives; and

WHEREAS, Metro is successfully managing a transfer station in the southern portion of the District; now, therefore,

BE IT RESOLVED,

1. Metro declares its intent to build a transfer station and recycling center in Washington County that will provide transfer and recycling services to both the public and commercial haulers.

2. Metro solid waste staff will develop a process which provides maximum involvement from the solid waste industry and local governments regarding the location and design of the transfer station.

3. Metro solid waste staff will consult with haulers in the western portion of the District to coordinate current or future site requirements of the collection industry.

4. Metro will continue to provide the opportunity for all interested and qualified private sector parties to compete on an equitable basis for design, construction, and operation contracts through a comprehensive, public bid process while maintaining public ownership of the physical facilities.

5. Metro solid waste staff will research and provide information detailing a full-service procurement strategy to the Regional Services Committee.

ADOPTED by the Council of the Metropolitan Service District this _____ day of ___________, 1983.

____
Presiding Officer

DD/srb
0404C/366
12/07/83

ANALYSIS OF PROCUREMENT OPTIONS

FOR

WASHINGTION COUNTY TRANSFER STATION

In considering the alternatives for implementing a transfer station facility there are 4 primary strategies that could be used. These options are described as follows:

Option 1 - Award of sole source franchise

Metro announces that it will award a franchise to a private industry to operate transfer station in Washington County. Acceptable locations would be made public. A date will be established by which a franchisee must apply. Conditions for the franchise will be prepared, which would include minimum service standards. The facility would be privately owned.

Option 2 - Award a franchise based on a competitive process for full service

A request for proposal (RFP) will be developed and public notice given. Proposals will be evaluated on service standards, cost of service and experience. The successful franchisee will design, build, and operate the facility to be privately owned. This alternative would result in franchise agreement for a long term operation.

Option 3 - Using a modified full service approach to award a contract to site, design and build. In addition, a separate operating contract will be awarded

An RFP will be developed and public notice given for proposals to be submitted by a certain date. Proposals will include a fixed fee cost to locate a site, obtain permits, design, and construct the facility. A separate operations contract for a specified period will be bid and evaluated along with the proposals. All work will be completed within an established time frame. Metro will purchase the property and finance and own the building.

Option 4 - Conventional - A & E approach

Metro will select a site and obtain an option on the property. Once permits have been obtained, Metro will issue a RFP to have the facility designed. After the design is completed, Metro will take separate bids on construction and operation of the facility. This is similar to CTRC with the exception that Metro already owned the property. The facility will be publicly owned.

Considering these options for proceeding one should examine the potential risk to Metro. The risk criteria are presented by using a series of statements located on the left-hand column of the attached matrix. The statements categorically fall into areas of implementation, capital cost, operation cost, control of operations, and impact on system. An evaluation of the risk is shown in the 4 columns representing each options by a corresponding response to each statement. The following assumptions were made:

1. The facility will be built under existing Metro policies and existing laws.

2. No major revisions to the franchise ordinance will be made.

3. Facility will be implemented to be operational when Hillsboro Landfill closes.

Three responses were used to identify the degree of risk.

- Yes--generally true for all circumstances
- Partially true--requires a certain qualifications or condition to make true
- No--not true under most circumstances

These responses are intended to provide the Council with a general assessment of risk associated with implementation of a transfer station.

QUESTIONS ON PROCUREMENT OPTIONS FOR TRANSFER STATION

IMPLEMENTATION

1. Would a private firm design a facility itself or contract with an Engineering firm?

2. Under a franchise or full service arrangement what is required of Metro in siting process?

3. Is it possible to site a facility in Washington County without conditional use hearings?

4. What happens if the public objects to a site under each option?

CAPITAL COST

1. Will tax benefits available to private firms offset property Taxes?

2. If we award a franchise (Option 1) how do we know someone else couldn't do it cheaper?

3. Metro would bid construction. How does private operator realize substantial savings in cost assuming they would also obtain bids?

4. What period of operation is necessary to suffice a rate of return if it is privately owned?

OPERATION COST

1. What incentive does a firm have to keep cost down if they are guaranteed a long-term contract?

2. How are costs regulated under a franchise? How does this compare to a bid over time?

CONTROL OF OPERATION

1. Is Metro's control limited without ownership?

2. What can happen if there is a falling-out in a joint venture?

3. Is it possible to sell out and transfer the franchise?

AFFECT ON SYSTEM

1. Are there advantages, cost or otherwise, to bidding the operations of--say two transfer stations as a package?

2. What flexibility does Metro have in modifying a franchise operation?

3. If not publicly owned, what are impacts on uniform rates?

WASHINGTON CO. TRANSFER STATION

Analysis of Procurement Options

CRITERIA	1 Sole Source Franchise Private Owner.	2 RFP Franchise Private Owner.	3 RFP (Modified Contract Public Owned	4 Conventional (CTRC) Public Owned
IMPLEMENTATION				
• Metro's Role in Siting & Obtaining Permits is Limited	●	●	●	O
• Requires Less Time to Implement	●	◐	◐	◐
• Requires No Modification of Franchise or Contract Procedures	◐	O	●	●
CAPITAL COST				
• Public is Assured of Least Cost	O	◐	●	●
• Tax Credits May Be Available (Lower Rates)	●	●	O	O
• Facility is Not Required To Pay Taxes (Lower Rates)	O	O	●	●
• Risk to Metro During Construction is Minimized	●	●	●	O
OPERATION COST				
• Public is Assured of Least Cost Over Time	O	◐	●	●
• Cost of Operations is Guaranteed	O	◐	●	●
• Facility Can be Maintained or Repaired with Minimal Delays	●	●	●	◐
• Facility Will be Designed to Meet Operators Needs	●	●	●	◐
• Competition is Encouraged	O	◐	●	●
CONTROL OF OPERATIONS				
• Metro Can Control Types of Waste Material	◐	◐	●	●
• Facility will always be Available to Public	◐	◐	●	●
• No Commitment of Waste is Necessary	●	●	●	●
• Metro Requirements Can Be Easily Enforced	◐	◐	●	●
• Provides Flexibility to Improve Service	◐	◐	●	●
• Metro Could Operate Facility	O	O	●	●
EFFECTS ON SYSTEM				
• Rates are Uniform with No Potential Subsidy of Private Operation	O	O	●	●
• Processing Equipment or Other Changes Can Be Easily Added	O	O	◐	◐
• Provides Potential to Have One Operator for Both Transfer Stations	O	O	●	●

●- Yes ◐-Partially True (Subject to Certain Qualifications) O-No

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10/14/

STAFF REPORT

AGENDA ITEM NO. 2

MEETING DATE Sept. 13, 1983

CONSIDERATION OF OPTIONS FOR IMPLEMENTING A TRANSFER STATION IN WASHINGTON COUNTY

Date: 9-6-83

Presented: Dan Durig and Doug Drennen

FACTUAL BACKGROUND AND ANALYSIS

In response to growing concerns over the declining number of solid waste disposal facilities in the Washington County area, the Metro Council passed Resolution # 82-336 in July of 1982. The resolution was in specific response to a perceived need for disposal facilities as expressed in resolutions from a number of Washington County jurisdictions.

Specifically, staff was directed to involve local governments in the process of siting a transfer station to serve the area. The mechanism for this involvement was to be a committee composed of representatives of all of those jurisdictions which would be served by the facility. The committee's specific charges were: (1) Develop criteria for an RFP process; (2) Draft criteria for selecting the best applicant; review the applications and recommend the best applicant to the Metro Council which would then award a franchise for the design, construction and operation of a westside facility.

The committee was established as directed, with the one exception that a representative of the Washington County hauling industry was added to assure that all concerned groups would be represented. The committee did not, however, focus its efforts on the mechanics of implementing a transfer station. With both the proposed Energy Recovery Facility and the Wildwood Landfill under fire at the time, the committee felt that it needed to broaden its consideration. Accordingly, the bulk of the effort during the committee's seven meetings, focused on the question of cost and utility of a transfer station vs the cost and utility of siting a new landfill in Washington County. On July 22nd of this year, the committee unanimously recommended that Metro begin, as quickly as possible, a process which would culminate in the construction of a transfer station to serve the westside service area. That decision was based on three factors:

(1) Eminent need for a disposal facilty; Hillsboro Landfill is expected to close within three years. With its 30,000 public trips and its 5,000 commercial drop box trips per year, it is the only site in the county which allows public access. Newberg Landfill, which handles 26 percent of Washington County's waste is expected to close in the next year.

(2) There is no money available from Metro or Washington County, nor is there time available for the construction of a new landfill in the County.

(3) A transfer station is required under any reasonably viable disposal scenario; the Wildwood permit limits access to the site to transfer vehicles only; State law prohibits direct hauling to landfills located in certain zones, thus transfer would be required regardless.

There are additional compelling reasons for Metro to move ahead. Washington COunty Transfer Station has been envisioned as an element of our solid waste system since the publication of the Cor-Met Study in 1975. Furthermore, we are required by the terms of our CTRC permit to site and start construction on a transfer station by February of 1985.

The question we raise tonight is "Which management options should we follow in implementing that facility?" The committee consciously chose to make no recommendations on implementation.

We have identified three options for proceeding:

Option 1. Metro accepts franchise applications predicated on the construction of a facility by a date certain

Option 2. Metro builds, owns and contracts operation of the facility as we did with the CTRC

Option 3. Metro develops an RFP for a firm to design, build and operate the facility with a process similar to the E.R.F.

All of these options have significant common aspects.

- Under each alternative, the facility is designed, constructed and operated by the private sector.
- Under each alternative, the facility must be built and operated in accordance with the Metro Franchise ordinance. Specifically;
    - The station must serve both public and commercial haulers
    - Recycling facilities must be provided
    - Metro will establish rates
    - The facility will be subject to flow control

There is only one significant difference among the options; that is the degree of control which Metro can exercise over the construction and operation of the facility.

Option 1, offers very little control over the project. Simply announcing that Metro wishes to award a franchise for a transfer station provides little guarantee that a facility will be on line when landfills close.

Options 2 and 3 provide Metro with greater control over the process. They establish common rules by which each proposal or bid is evaluated. A timeframe for implementation is established and managed. They both provide a guarantee that service will be available.

In following the CTRC approach option 2, Metro has the opportunity to periodically re-bid the operation contract to assure that the public is receiving the best service for the least cost. With Metro ownership, all aspects of construction and operation are controlled through contracts. If contractors do not perform adequately, Metro has the option of replacing them.

Under Option 3, Metro would be entering into a long-term service agreement. The only control mechanism Metro has in providing the service is the franchise. Although this is normally an effective control mechanism, it does not totally guarantee service to the public under all circumstances. Problems such as labor disputes can interrupt service.

The alternatives for proceeding vary, depending on the level of control Council wishes to have over the process.

Staff feels that option 2, the CTRC scenario, provides Metro with the greatest flexibility in assuring a westside transfer station is built and operated in the shortest time frame for the least cost.

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STAFF REPORT

Agenda Item No. 2
Meeting Date Oct. 11, 19[illegible]

IMPLEMENTATION OF WASHINGTON COUNTY TRANSFER STATION

Introduction

A facility to service the western portion of the District has been a part of the Solid Waste Plan since its adoption in 1975. With the anticipated closure in the next three years of two landfills that service this area, a committee appointed by Council has recommended that Metro begin to implement a solid waste transfer station. This issue is before you because of the requirements of ORS ch. 268 which prohibits the establishment of any solid waste facility in the District without the prior approval of the Metro Council. As a result there are three policy issues before the Council:

1. Should a transfer station be built; if so

2. What role should Metro play in owning and operating this station; and

3. What procurement strategy is most appropriate for this role in implementing this particular facility.

After deciding whether or not to build the facility and determining Metro's role, it is then appropriate to address which procurement strategy is best suited for this project.

Background on the Transfer Station Option

Through Resolution No. 82-336 passed in July 1982, the Metro Council appointed a committee to consider the alternatives for implementing a transfer station in Washington County. The committee was made up of representatives from each jurisdiction in Washington County and a member of the collections industry (attached). Over a period of one year the committee evaluated the need for a solid waste facility. The committee reached the following conclusions:

1. With the planned closures of the Hillsboro Landfill in 1986 and the Newberg Landfill in 1984 there is imminent need for a disposal facility in the county.

2. There are no public funds currently budgeted for, nor is there sufficient time to locate a new landfill in Washington County. It is expected that a transfer station could be sited in a shorter time frame.

3. Both current permit conditions on existing Metro facilities and Oregon state statute which prohibit direct hauling of waste to landfills in certain zones, make transfer stations a reasonable option.

In July 1983, the Washington County Transfer Station Advisory Committee voted unanimously to recommend that the Metro Council proceed to implement a transfer station in the county. Additionally, this facility should be available when existing landfills that serve the public are closed.

Consideration for Metro's Role in Owning and Operating

Assuming that a transfer station is the best way to provide service to this portion of the region, the next issue is what will be Metro's role? Should Metro continue to own facilities and contract the operations or should Metro grant a franchise with ownership by a private entity. Should the facility be built and operated on a competitive bid basis or should it be implemented by negotiating with a sole source.

Determination of Metro's role can be evaluated by answering three questions that relate to any public utility operation:

1. What method best allows Metro to exercise the control necessary to provide adequate service?;

2. How can we be assured that the facility will be constructed and operated for the least cost? and

3. Does the facility fit into an evolving solid waste system?.

Question 1:

What Control is Needed to Provide Adequate Service?

Metro is authorized to provide disposal service to the region. Currently Metro manages the disposal of waste through contracted operations. The alternatives to contracting are franchising, licensing or certification and direct operations. Both licensing or certification are regulatory or re-active processes and are not effective tools in managing a public utility. Metro's current policy is not to operate facilities directly. Therefore, contracting and franchising are the two primary methods available that are used by municipalities to operate utilities.

The two methods are similar on the surface, but there are some very significant differences. With a franchise "a public entity grants the authority to a corporation to use public land, streets, etc...on a more than temporary basis for the purpose of carrying on a business in the nature of a public utility." (Examples are buses, taxis, refuse collection, etc.). The public agency may decide which authorities or functions it wishes to grant. Additionally because there is a capital investment made by the franchisee, the term of a franchise should provide sufficient time to recover their investment.

A contract is simply an agreement between two or more parties. In this case the contract is to perform a public service according to specific terms and conditions.

Through Ordinance No. 81-111 Metro has adopted minimum requirements for providing this service. These requirements are:

- The facility must serve both public and commercial haulers.
- Recycling facilities must be provided.
- Metro will establish rates.
- The facility will be subject to flow control.

Any procurement strategy must meet these requirements initially. However, because Metro is ultimately responsible to provide service to the public, it is important to consider events that may occur after the facility is built during the operations period and compare the level of control Metro has with a franchise versus a contract arrangement.

Consider the possibility of disputes, occurring for any reason, between an owner and a operator. If the disputes result in a temporary closure of the facility, Metro's course of action spelled out under the franchise ordinance is limited. Metro must first notify the operator of the violation in the franchise. If after a reasonable time, which is not defined, the violation remains unresolved the Executive Officer can recommend to Council that the franchise be revoked. If the Council agrees and acts accordingly it is possible that legal actions will be taken to retain the franchise. In a contractual arrangement, such as the CTRC contract, disputes are handled through arbitration which must be filed within thirty (30) days. Service cannot be interrupted or Metro can operate the facility at the expense of the contractor. Any three defaults in a 12-month period for violating the contract is grounds for termination.

Another circumstance would be the possibility of transferring the franchise. Suppose the original franchisee elects to sell its interest to a firm which has little or no experience in the operation of solid waste facilities. If Metro disapproves, Metro must demonstrate that the transfer to the company is unreasonable or the transfer is legally valid. Under our contractual arrangement Metro must <u>approve</u> any transfers or subcontracts.

Finally, our ordinance specifies that the maximum term for a franchise is five years. The franchise must be renewed upon request as long as the franchisee meets the criterion in the franchise ordinance. This means that future conditions added to the initial franchise including price will most likely be on a negotiated basis, to which each party must agree. This minimizes Metro's control in the future for changes. The CTRC operations contract is for three and one-half years. At the end of that period the contract provides Metro with the <u>options</u>

to extend the agreement for one year, to negotiate the next operation period or rebid.

Although franchises can be written to be more restrictive, typically they do not possess the control contained in a contract arrangement. Franchises tend to be more open ended as contrasted to the more definitive terms contained in a contract.

One other issue is that Metro's Franchise Ordinance was developed primarily as an instrument to manage the flow of solid waste, to evaluate public rates, and to monitor the number of landfills.

Question 2:

How is the Public Assured of the Least Cost?

Both the capital and operating cost need to be considered if we are to be assured that the public is enjoying the service for the least cost. Under any procurement option that would be considered there are only two possible scenarious for determining what the cost to the public will be (i.e., through a negotiated price or through public bidding).

In the $7 million in solid waste capital improvements which Metro has made since 1980 there has been an extensive range in the bids received. The bids for CTRC construction for example ranged from $2.9 million to $3.5 million for the same facility. A range of this type is normal on large projects, however, the only way to determine the least cost for which a facility can be built is to compare several bids on a comparable facility.

The major cost of a solid waste facility, however, is in operations. Although CTRC cost only $2.9 million to build, the overall operating expense is $2 million per year. The bids for operating CTRC fell in a range which was even greater than the range for construction. The bids varied from $8 to $11 per ton. If we would have accepted a $9/ton figure in a negotiated price rather than $8/ton bid, the additional expense to the public over the 3-1/2-year term of the contract would have amounted to $750,000.

As a government entity, Metro has opportunities to limit cost for both construction and operation of a facility:

- Access to pollution control bonds provides funds at rates lower than conventional financing.

- Our exemption from paying property taxes eliminate the need for higher compensating rates.

- As a public agency we do not need to show a rate of return on investments, i.e., profit.

These three factors suggest that Metro financing will reduce construction and operating expenses to some degree.

Question 3:

<u>How Does the Facility Fit the Solid Waste Systems?</u>

The implementation of a transfer station will result in a large expenditure of public monies that impact disposal service for a long time whether owned by Metro or by a private entity. It is therefore important when considering Metro's role to analyse not only the current policies but also the long-term impacts of this decision.

Metro has implemented a regional rate system to pay for solid waste facilities. In the case of CTRC the facility was financed over a 20-year period and with the debt and operations being paid by the entire region. If the facility is franchised the capital would need to be paid off in five years. This will result in higher rates for the region to pay of the debt for this facility.

Technological changes for a solid waste system cannot be predicted. In the future, for example, it may be desirable to recover recyclable material by mechanically processing waste. If the facility is owned by Metro the facility could be retrofitted. It would be difficult to make such a change if the facility is privately owned.

It is difficult to anticipate each and every circumstance or event that may occur. The solid waste industry is changing rapidly. The recovery of energy may become a viable option. The fact that there are unknowns make it difficult to make any long-term commitments. By owning the facility Metro would maintain the greatest amount of flexibility to accommodate future conditions.

<u>Alternative Procurement Strategies</u>

If the Metro Council decides to proceed with a transfer station and has addressed the polcies involved with Metro's role, particularly the question of ownership then there a four primary alternatives for proceeding and implementing the policies.

1. Award a franchise based on a competitive bid process.

2. Develop the project using the CTRC model.

3. Develop a full service contract by issuing an RFP.

4. Award a franchise to a sole source.

To accomplish any of these implementation strategies it is expected that the up front development time and cost by Metro will be similar. The time involved with publically bidding each phase of the project as in the CTRC approach will most likely be offset by the time required to develop and negotiate a franchise agreement.

Summary

Based on the actions of the committee comprised of local jurisdictions in Washington County there is a concensus for building a solid waste transfer station. Regarding Metro's role in implementing the facility there were several issues considered. These are summarized as follows:

1. Although the current franchise ordinance includes a provision for transfer stations, it appears two primary purposes were desired when the franchise ordinance was originally adopted. The control over the number of landfill sites in the district and the ability to exercise flow control over these sites are most evident.

2. Experience indicates that while the franchise method may be used when developing solid waste facilities, the level of control for the granting agency, is simply not at the same level as that typically provided in a contractual arrangement.

3. At this point, due to the fact that the Metro Solid Waste Disposal System is still in a state of evolution it would appear unwise to make a long-term commitment to a private firm for any specific part of the system.

4. The time involved in the granting and award of a franchise is comparable to that needed to develop a proper contract. In both cases, objective criteria need to be developed.

5. Metro's evaluation of the joint venture should concentrate on the more narrow question of the long-term involvement of collectors in the operation of solid waste disposal sites. The current franchise ordinance prohibits this involvement based upon past experience.

It is recommended that issues pertaining to the need for this facility and Metro's role, particularly ownership, should be thoroughly analyzed. When Council reaches a concensus on these matters, staff should recommend to Council a procurement strategy to implement the facility.

DD/srb
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WASHINGTON COUNTY TRANSFER STATION COMMITTEE

Chairman
Honorable Bob Oleson

Beaverton:
Honorable Ann Schmidt

Forest Gorve:
Mr. Dick Deitrich

Hillsboro:
Honorable Pat Graham

Cornelius:
Mr. Bob Wright

Tigard:
Mr. Frank Curry

Washington County:
Honorable John Meek

King City
Mr. Denis Borman

Durham
Mr. Bob Percy

Sherwood
Mr. Todd Dugdale

Portland:
Ms. Delyn Kies

Tualatin:
Mr. Rod Livesay

Washington County Haulers
Mr. David Miller

STAFF REPORT

Agenda Item No. 3

Meeting Date Sept. 13, 1983

CONSIDERATION OF AWARDING CONTRACTS TO CONSTRUCT A TRUCK WASH FACILITY AND ROOF COVER TO SERVICE COMMERCIAL HAULERS AT THE CLACKAMAS TRANSFER & RECYCLING CENTER (CTRC).

Date: August 29, 1983 Presented by: Doug Drennen

FACTUAL BACKGROUND AND ANALYSIS

At the June 23, 1983, Council meeting, Resolution No. 83-414 was passed, directing the staff to proceed with obtaining bids for the construction of a truck wash area at the CTRC and to submit applications for the necessary permits. Staff has proceeded with this approach in order to fast track the project.

In requesting a conditional use permit preliminary plans were submitted to Oregon City for a truck wash facility with four wash bays. The number of bays was determined from meetings with local haulers who indicated the two stalls provided at Rossman's were not sufficient. This fact along with Metro's desire to minimize on-site traffic congestion led to the four bay concept. A roof was added to the facility because of requirements of the Tri-Cities Sanitary District to eliminate intrusion of storm water in the sanitary sewer system.

On July 26, the Oregon City Planning Commission considered the conditional use request. The planning staff wished to minimize the size of the roof structure and, therefore, recommended a two bay truck wash facility. The Planning Commission approved the use, but arbitrarily modified the plans to include three truck wash bays. As a result, Metro has appealed the plan changes to the Oregon City Commission. The appeal will be heard by the City Commission at their October 5 meeting if Metro Council approves the contractors.

Bids for the construction of the four bay facility were received on August 24, 1983. Three companies responded to the request. The apparent low bid is $66,229. The roof structure, to be supplied and built by a separate vendor, was bid by only one company; their bid was $26,543, bringing the total construction cost to $92,772. The final engineer's estimated cost for both is $78,000, or 19 percent lower than the bids.

The bids are good for 45 days (October 7).

If we proceed with the project it is recommended that the cost be paid by all Metro users of St. Johns and CTRC thus increasing the commercial base rate by $0.06/ton.

This item will be considered at the Coordinating Committee meeting on September 19, 1983.

EXECUTIVE OFFICER'S RECOMMENDATION

No recommendation.

COMMITTEE CONSIDERATION AND RECOMMENDATION

DD/srb
9296B/283
09/01/83

COMMITTEE MEETING TITLE SWPAC Sept. 19, 1983

DATE

NAME	AFFILIATION
X DENNIS ONEIL	Metro
O John H. Gray	Mult. Co.
O Bob Harris	Clackamas Co.
X DANIEL F. DURIG	METRO
O Shirley Coffin	Wash. Co Public
O JOHN TROUT	COLLECTION INDUSTRY
Joe W. Cancilla Jr.	PASSO
O Dave Phillips	Clackamas Co DES
O Dick Howard	Multco P. W.
Dave Miller (Dave)	Miller's Sanitary Service
Pat Kabalka	Metro
Bonnie Langford	Metro
David Sugtelle	
Oleson (Counselor)	