

December 4, 1984



Agenda

Solid Waste Policy Alternatives Committee

METROPOLITAN SERVICE DISTRICT 527 S.W. HALL ST. PORTLAND, OREGON 97201 503 221-1646
Providing Zoo, Transportation, Solid Waste and other Regional Services

Date: December 10, 1984

Day: Monday

Time: 12:00 Noon

Place: A-1, A-2 Conference Rooms at Metro

- Item 1. Approval of Minutes of Last Meeting
November 19, 1984
- Item 2. Oregon Waste Management Franchise
Recommendation
- Item 3. KFD Rates
Informational
- Item 4. Diversion Committee
Report
- Item 5. Solid Waste Department
Update

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SOLID WASTE POLICY ALTERNATIVES COMMITTEE

SWPAC REGULAR MEETING

November 19, 1984

Committee Members Present: John Trout, Chairman; Bob Harris, Mike Sandberg, Shirley Coffin, Delyn Kies, Howard Grabhorn,

Committee Members Absent: James Cozzetto, Dick Howard, Paul Johnson, Gary Newbore, Dave Phillips.

Ex Officio: Bob Brown

Staff Present: Dennis O'Neil, Randi Wexler, Mary Jane Aman, Norm Wietting, Ed Stuhr, Philip Morley, Chuck Geyer, Wayne Rifer, Bonnie Langford.

Guests: Merle Irvine, Alex Cross, Alan Purves,

Minutes: Shirley Coffin noted page 3 of the October 15th minutes, 12th line, 1st paragraph should have "weighing" instead of "waiting" and therefore will read "In stage three there is a weighing factor...
Otherwise, minutes were approved as written.

Mary Jane Aman introduced the new employees of the Solid Waste Department to the SWPAC members. Patrick Miner did not attend since he was at the Recycling Switchboard. Philip Morley from Seattle and Bellingham is an analyst working on the update of the Solid Waste Management Plan. Chuck Geyer will be working with the yard debris program and organizing the data base in Solid Waste. Wayne Rifer, is Program Coordinator for waste reduction of various sorts. Randi Wexler, Analyst is working on the WTRC program and siting process. All have some backgrounds in these areas.

Ray Barker, Council Assistant, stated that back in January, what used to be the Regional Services Committee, was disbanded and other committees were also reviewed. The Council asked that a study be made of present committees and that recommendations be made for any that might not be needed under present problems, and whether others could be combined. Questionnaires were sent to members but no particular concensus was made from few returns. The newly formed Council Management Committee recommended to Council--they really needed to decide what they wanted of the SWPAC and Rate Committee--what were the needs before we made changes. This is expected to come up tomorrow night at Council meeting. The recommendation included extending the terms of SWPAC members until April 1, 1985, giving Council time to review the options and information. On December 13 Council meeting the Councilors will be asked to give their personal opinions on what they expect from the SWPAC Committee--by questionnaire. This will also include the rate committee issue.

That information will then be taken back to the Management Committee meeting on the 20th and decisions will be made from there. In discussion it has been suggested the Rate and SWPAC committees be combined. However, any recommendation will be sent to SWPAC for their input before taking it to Council again.

Ed Stuhr reported on Metro's disposal rates. At the last meeting information was given SWPAC, and at the last Council meeting they voted to continue our current rate structure until 1985

The Killingsworth Fast Disposal, which has a franchise from Metro, has filed an application for a commercial rate increase and we're evaluating that and hope to get the issue to the Council on Dec. 13.

Agenda Item

Oregon Waste Management Franchise

Oregon Waste Management, Inc., and Genstar Conservation Systems, Inc., have filed a franchise application for a processing facility to expand the current business, which is a source-separated buy back center, into one which will take selected loads of mixed waste (which has a high recyclable content) and sort out the recyclable materials from it. He introduced Merle Irvine, who was representing the cause.

Mr. Irvine stated a few years ago he discovered the old Alexander Paper Stock Company, located in North Portland, was ordered closed by the Court and ended in bankruptcy declaration. Mrs. Irvine knew of the potential for the facility and made contact with all involved with the property to talk about a program to keep the facility open, and try to build back the business until such time as the legal issues were resolved. This worked out and he has been operating the facility for about two years on a month-to-month lease and basically been a caretaker for the courts and receiver. The issues have finally been resolved. During this time he operated a full-line recycling center, buying all grades of paper fiber, cardboard, newspaper, ledgers, office paper, glass, ferrous and nonferrous metals, tin and aluminum cans, etc. He buys and processes about everything that is recyclable, and has processed in excess of 21,000 tons since beginning operation. They have reached a plateau and need to expand in various ways in order to continue a modern, efficient operation. Alex Cross, of Genstar, came forth with a proposal toward joining in the program. The facility is at the intersection of I-5 and Columbia Boulevard. The site is on 6.75 acres of M-1 Industrial Land and DEQ has previously issued permits for the former operator to operate a mixed solid waste processing facility. They have applied to DEQ for a name change to Oregon Waste Management-Genstar operation. What is lacking is a Metro non-exclusive franchise to accept select loads of mixed waste--of at least 50 percent recyclable material.

Mr. Irvine showed a chart of the facility as it exists and the plans for future improvements. There was some discussion and clarification with SWPAC members following his presentation.

As part of the application they are asking a recommendation from the Rate Review Committee, a disposal fee or gate charge, of \$12.00 per ton for the mixed material. This would cover the cost of taking the reject materials to the landfill and disposing of it. Asking actually for a floating rate so if the landfill rate goes up that rate would go up but would never be less than \$1.48. In addition, they are asking that the \$12 fee be lowered if certain conditions exist such as a higher participation rate than anticipated, and a higher recoverable rate than anticipated, etc. They are asking that the user fee and transfer fee not be charged on recyclable material coming to the facility. If the haulers want to clean up their load then the dump fee goes down. They hope to attract people to the advantages of recycling. By December 6th they have to exercise their option to purchase the property.

Mr. Trout asked if staff was looking for a recommendation from SWPAC for the Council and Mr. Stuhr answered, not at this time. At this time there are no issues pending which have reached maturity. They are working on a complete application. Under the code Metro has to look at certain financial items such as rates and revenues reviewed.

Agenda Item

Solid Waste Update

Mary Jane Aman reported the methane gas recovery project is still underway. Metro placed an ad in the Daily Journal of Commerce seeking any company interested in using methane gas and Buff Winn has been receiving some information and is in the process of evaluating that along with the proposal of Northwest Natural Gas. Buff will report on this next meeting.

The DEQ is still involved in formulating their rules for the SB 405 Opportunity Recycling Act. Wayne Rifer, our new staff member, has been attending the meetings with Dennis Mulvihill.

Wayne Rifer stated the rules were close to being finalized by the DEQ staff and being sent to the E.Q.C. Ninety percent of the text of the rules went by as reviewed. There were a couple of issues that were challenged and it took several weeks of meetings to resolve these issues. They primarily had to do with protection of existing operations under a whole "new ballgame", and issues surrounding what's called fair-market value issue, which has to do, basically, with what kinds of materials are on the list of recyclable materials and how that evaluation process goes on. They are almost resolved now and will go to the Commission. In the next phase, the DEQ is trying to provide as much flexibility to the local jurisdictions as possible, in designing their programs.

Norm Wietting reported that Metro would be going before the Multnomah County Commission on November 27, for the second reading on the new landfill criteria that's been developed by the planning commission. They will not adopt the ordinance or plan amendment on the 27th but have committed to get it adopted before the end of the year.

Norman commented on the newspaper article revealing the existence of a prehistoric salt mine near the Wildwood site. He reminded SWPAC the salt spring was identified in our Wildwood Feasibility study of May, 1981 in an archaeological and historical study of the site. It also identified the lower golf course area as being fairly rich in Indian history. The report suggested we limit any excavation in the golf course area and maintain our operations up on the hillsides. The hillsides were the basic reason Wildwood was chosen and these limitations should be easy to comply with. We don't know why the opposition group has now decided this is an issue now but not three years ago. We are in the process of re-writing the application for Wildwood to go through the land use process again. It will involve new hearings on the subject. This may be done in 90 days if the new criteria is adopted.

We completed the drilling at St. Johns for PCB's allegedly dumped in St. Johns. The drilling hasn't showed anything we didn't expect and we haven't heard the lab results as yet.

Norman stated in the near future we would have to deal with the increased volume at CTRC. With the closure of Newberg we found quite a bit of the waste formerly going to Newberg is now going to CTRC, with the balance going to St. Johns. We had hoped some would go to McMinnville but that didn't happen. In the first two weeks of November, we've averaged about 760 tons per day--which is a fairly substantial increase over last year. The 760 tons is not a problem with our permit in Oregon City but if we don't do something about it by March and see the normal increase, we will go over. We are looking at ways to reduce this and will be talking with SWPAC over this. Last time we had the problem we increased the convenience charge at CTRC and it did have some affect on the volume. We will need some solution. Mr. Trout suggested they look at a zone charge so it wouldn't penalize the people who had no recourse but to use that facility. Mr. Trout said conditions should be improved at St. Johns since winter conditions drove many people away from using the landfill. Norman said they would be moving out of that congested area and it should improve conditions temporarily but the dirt trucks and the garbage trucks needed to be kept in different locations. Plans would need to be discussed.

Agenda Item

Washington Transfer and Recycling Center
Advisory Group:

Shirley Coffin said they met last Wednesday and basically went over the 33 sites and narrowed it down to stage two. There was a possibility of 40 points in this stage and ended up with 15 sites which had 34 or more points. Most sites surviving stage two are grouped around the area of Walker and Jenkins Road around 158th street, and some around 185th. Two sites are off of Allen Avenue off of Western. A forty point site would be east of the Waremart area --east of western and all industrial zoned. She mentioned other criteria changes on their chart. On December 6th the group is taking a tour of these sites and the next meeting will be Dec. 12 when hopefully they will narrow these sites down also. Stage 3 will look at traffic, environmental impacts, availability of utilities, geotechnical considerations and initial contact on whether the land owners are interested in selling; In stage 3-B a real estate broker will be brought on to work as a broker in negotiations.

Agenda Item

Diversion from St. Johns

Several months ago we presented an interim landfill strategy to the Council, stated Norman Wietting. The purpose was to look at ways to make St. Johns last longer. One of the Resolutions adopted by the Council dealt with diversion from St. Johns to the limited use landfills. The staff recommendation, at that time, was to try to use a rate diversion to accomplish that. SWPAC and the Council decided not to set the exact method as to how we would accomplish this and the Council asked SWPAC to come up with a method by which we could accomplish that diversion. Council recommended that at least one new site be franchised and encouraged the operator to apply for the franchise. This was the Waybo-Roselawn landfill. SWPAC needs to start this discussion and get some ideas. Metro staff is open to suggestions and has no further information or alternatives for your consideration at this time.

Mr. Trout said some of the loads could have been going to Killingsworth Fast Disposal and questioned Mr Wietting on the rate and drop box issues. He added the answer seemed to be to have better disposal facilities than we have in this area. He also felt we could possibly do better by working on expansion of St. Johns instead of diversion. Mr. Wietting stated they were considering expansion of that facility. Mr. Trout said we should contact drop box people to see if they had any solutions to the subject. Norm asked if it would be useful for a subcommittee from SWPAC to meet with the drop box haulers to discuss possibilities. He added he would put something together with the major haulers and Mr. Trout said he would contact some of the suburban haulers.

Mr. Trout asked for old or new business.

Mary Jane Aman mentioned there was a difference in the sandwich order this time because our former source had gone out of business. Metro will look into the prices and availability from other companies.

Meeting adjourned at 1:25 p.m.

Written by Bonnie Langford



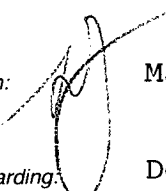
Memo

Solid Waste Policy Alternatives Committee

METROPOLITAN SERVICE DISTRICT 527 S.W. HALL ST., PORTLAND, OREGON 97201-5287 503 221-1646
Providing Zoo, Transportation, Solid Waste and other Regional Services

Date: November 28, 1984

To: SWPAC Members

From:  Mary Jane Aman, Administrative Assistant

Regarding: December SWPAC Meeting

In an effort to ease everyone's holiday scheduling, the SWPAC meeting will be changed from the usual third Monday of the month to Monday, December 10, 1984.

The meeting will be held at noon in rooms A-1, A-2 at Metro.

Agenda items will include further discussion on the Oregon Waste Management Franchise, and diversion of waste from St. Johns landfill.

Complete package with November meeting Minutes will be mailed to you next week. Please let Bonnie or myself know if you will be unable to attend the meeting on December 10th.

Thank you.

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STAFF REPORT

Agenda Item No. _____

Meeting Date _____

CONSIDERATION OF RESOLUTION NO. 84-522, FOR THE
PURPOSE OF GRANTING A PROCESSING FACILITY
FRANCHISE TO OREGON WASTE MANAGEMENT, INC., AND
GENSTAR CONSERVATION SYSTEMS, INC.

Date: November 29, 1984

Presented by: Edward K. Stuhr

FACTUAL BACKGROUND AND ANALYSIS

Oregon Waste Management, Inc. currently operates a source-separated buy back center for recyclable materials at 701 N. Hunt Street in Portland. On October 16, 1984, the company initiated an application for a non-exclusive franchise to operate a processing facility at that location as well. The application was accepted as complete on November 23, 1984. The operator of the business wishes to enter into a joint venture with Genstar Conservation Systems, which will allow upgrading the facility so it can accept selected loads of mixed waste from commercial haulers. Only loads which contain a significant percentage of recyclable materials (primarily corrugated cardboard and other paper products) would be accepted.

As the process is planned, mixed loads will be placed on a conveyer belt which will move the material past sorters who will separate out recyclable materials by hand. The recyclable materials will then be warehoused for sale and the remaining solid waste will be taken to a disposal site. The operator anticipates that approximately 7,200 tons of recyclable materials per year will be extracted from the waste stream by the processing facility. The operator also intends to continue the buy back center for source-separated recyclables. It is estimated that there are about 35,000 tons per year of corrugated cardboard in the Metro region's waste stream that currently escape recycling.

Variance Requested from Collection of User Fees and Regional Transfer Charge (RTC) on Mixed Waste

Under Sections 5.02.045 and 5.02.050 of the Metro Code, the operator of a facility which receives mixed waste is required to collect user fees and the RTC on all material which is received. When the remaining waste is disposed of, User Fees and the RTC are charged at the disposal facility. The operator then receives a credit for the charges which were collected at the disposal facility.

The net result of this process is that Metro charges are collected on both the recyclable materials and the disposed materials. The applicant asks that Metro charges not be collected

on material that he receives, but only when the remaining material is taken to a disposal facility. The variance request is attached (Exhibit A).

Using the applicant's projected volumes (24,000 tons per year) and projected 30 percent recyclable recovery rate, the revenue loss to Metro of this variance taken by itself is 7,200 tons x \$3.68, or about \$26,500. At a 50 percent recovery rate, the revenue loss becomes \$44,160 per year.

The applicant bases the request for variance on the grounds that the extra cost would prevent him from being competitive in the market place. There is no adequate way to verify that assertion since no financial data is presented. A logical argument can be made, however, that the fact that Metro charges are only collected on recyclable materials which are not source-separated would be a disincentive to the kind of business being proposed here.

Variance Requested from Rate Regulation

Section 5.01.180 of the Metro Code requires that the Council set rates for franchised facilities. The applicant requests a variance to the Code requirement under Code Section 5.01.110 on grounds that (1) the facility will operate in a competitive climate; (2) disclosure of proprietary agreements as part of rate setting would be detrimental to the business; and (3) the nature and complexity of the business makes empirical rate setting inaccurate. The applicant claims, therefore, that adherence to the Code would be inappropriate because of conditions beyond his control and because it would result in "substantial curtailment or closing down of the business." Detailed arguments are presented in the attached variance request (Exhibit B).

This variance, taken by itself, would have no fiscal effect on Metro. A key operational consideration for the applicant is that he must charge enough less than available disposal facilities to attract customers.

The Solid Waste Rate Review Committee has considered the applicant's requests for variances from rate regulation and from collection of User Fees and Regional Transfer Charges on incoming material. The Committee recommends approval of both variances, provided that the approvals will be reviewed after one year of operation, in accordance with standards to be set by the Executive Officer.

EXECUTIVE OFFICER'S RECOMMENDATION

The operation being proposed by OWM/GCS is a positive step for waste reduction in the Metro area. The Council should adopt Resolution No. 84-522, to allow the District to enter into a franchise agreement with OWM/GCS.

The applicants' request for a variance to be exempt from

collecting User Fees and the Regional Transfer Charge from incoming waste should be reviewed with the following questions in mind:

1. Would their imposition have a significant impact on the viability of the project?
2. Will the loss of this revenue source have a significant impact on the Metro solid waste program?
3. Should the Metro fees be applied to any material which will be removed from the waste stream prior to final disposal?

The Solid Waste Department staff has evaluated the economic viability of this project and, at least for the short-term, agrees with the applicant that the imposition of the Metro fees could have a significant negative impact. Current revenues indicate that, during the next year, the loss of an estimated \$25,000 to \$40,000 in Metro fees from this project will be offset by higher than projected volumes. The Executive Officer's recommendation is to grant the requested variance from the User Fee and Regional Transfer Charge for one year, or until the Council has reviewed the policy of exempting recyclable material at any point prior to disposal for the entire region and adopts policies to apply regionwide.

While the agreement would be a non-exclusive franchise, and while the operation will take place in a somewhat competitive environment, it is recommended that a variance be granted to OWM/GCS such that the variance would be reviewed by the Executive Officer annually, according to the criteria contained in Schedule E of the Franchise Agreement. If the Executive Officer determines by the review process that the variance is no longer appropriate, the variance will be brought back to the Council.

ES/srs
2449C/402-3
12/04/84

VARIANCE REQUESTUSER ~~FEE~~ & TRANSFER CHARGE

OWM/GCS is requesting a variance to Metro Code Section 5.02.045 (user fee) and Section 5.02.050 (transfer charge) eliminating the Metro sur-charges on recycled material. By granting this request, the objectives of the State of Oregon's Opportunity to Recycle Act of 1983, Metro's Disposal Franchise Ordinance and Waste Reduction Plan will be met. In addition, this action will allow for the establishment of a major recycling effort which would otherwise not be economically feasible.

The 63rd Oregon Legislative Assembly passed the Opportunity to Recycle Act (SB 405) which requires that the "opportunity to recycle" be made available to all Oregonians. The Act requires in ORS 459.170 (2)(a) through (g) that the following criteria be considered in developing the administrative rules.

1. The purposes and policy stated in ORS 459.015.
2. Systems and techniques available for recycling, including but not limited to existing recycling programs.
3. Availability of markets for recyclable material.
4. Cost of collecting, sorting, transporting and marketing recyclable material.
5. Avoided cost of disposal.
6. Density and characteristics of the population to be served.
7. Composition and quantity of solid waste generated and potential recyclable material found in each watershed.

The Act further states in ORS 459.015;

- (1) The Legislative Assembly finds and declares that:
 - (a) The planning development and operation of recycling programs is a matter of state-wide concern.
 - (b) The opportunity to recycle should be provided to every person in Oregon.
 - (c) There is shortage of appropriate sites for landfills in Oregon.
 - (d) It is in the best interests of the people of Oregon to extend the useful life of existing solid waste disposal sites by encouraging recycling and reuse of materials whenever recycling is economically feasible.
- (2) In the interest of the public health, safety and welfare and in order to conserve energy and natural resources, it is the policy of the State of Oregon to establish a comprehensive state-wide program for solid waste management which will:

- (a) After consideration of technical and economic feasibility, establish priority in methods of managing solid waste in Oregon as follows:
- (A) First, to reduce the amount of solid waste generated;
 - (B) Second, to reuse material for the purpose which it was originally intended;
 - (C) Third, to recycle material that cannot be reused;
 - (D) Fourth, to recover energy from solid waste that cannot be reused or recycled, so long as the energy recovery facility preserves the quality of air, water and land resources; and
 - (E) Fifth, to dispose of solid waste that cannot be reused, recycled or from which energy cannot be recovered by landfilling or other method approved by the Department.
- (j) Encourage utilization of the capabilities and expertise of private industry in accomplishing the purposes of ORS 459.005 to 459.105 and 459.205 to 459.285.

Metro's long term waste reduction goal as stated in the Waste Reduction Plan approved by the Council on January 8, 1981, is to "reduce the amount of solid waste disposed by 83 percent:

- by assuring the handling, processing and reclamation of all separated yard debris;
- by reducing the residential and commercial solid waste by 30 percent through the recovery of all available recyclable materials; and
- by reducing the remaining residential and commercial processible solid waste by 75 percent through resource recovery." (emphasis added)

In addition, Metro's Waste Reduction Policy Statement states:

1. Waste generators possess the primary responsibility for waste reduction.
2. The resources of private industry and local governments should be utilized to reduce waste volumes.
3. The use of incentives for waste reduction is preferred over the use of regulations; if incentives are ineffective in reducing waste volumes, mandatory measures should be adopted.
4. The full costs of disposal should be the basis for

- disposal rates; the basis for incentives for waste reduction should be reduced landfill dependence and a positive economic impact.
5. The reduction in the amount of solid waste generated is the highest and best use of resources over other solid waste management options.
 6. Waste recycling and reuse is the best use of solid waste over mechanical processing or landfilling of waste.
 7. The mechanical processing of solid wastes for the recovery of energy and materials is a better use than disposal.

The OWM/GCS proposal is consistent with the State of Oregon's Opportunity to Recycle Act and in particular ORS 459.015 1(b), 1(d), 2(a)(B), 2(a)(C) and (j) and Metro's Waste Reduction Goals and Waste Reduction Policy Statement especially elements 2, 3, 4, 6 and 7.

In the past, Metro has imposed the user fee and transfer charge on the few small permitted processing centers in operation. These fees are paid by the processing centers based on incoming tonnage and a credit is given for non-recyclable material taken to a disposal site. The effect of this practice is to impose the user fee and transfer charge in the amount of \$3.68 on all recycled material. In some cases, this burdensome sur-charge may eliminate the recovery of recyclables from the waste stream and compound the disposal problems facing Metro today.

In keeping with Metro's goal to encourage recycling and to reduce the amount of material being landfilled, the Council adopted Ordinance 83-163. Among other things, this ordinance waved certain fees for persons delivering recyclable material along with waste to the St. Johns Landfill or to the Clackamas Transfer and Recycling Center. For example, an auto delivering recyclable material and waste to the St. Johns Landfill, the fee will be reduced from \$6.50 to \$3.25. At the CTCRC, the fee will be \$3.60 instead of \$7.25.

Metro's Disposal Franchise Ordinance, Section 12, provides that the Council may grant specific variances if they find that the "...purpose and intent...can be achieved without strict compliance and that strict compliance:

- (a) Is inappropriate because of conditions beyond the control of person(s) requesting the variance; or
- (b) Will be rendered extremely burdensome or highly impractical due to special physical conditions or causes; or
- (c) Would result in substantial curtailment or closing

down of a business, plant or operation which furthers the objectives of the District." (emphasis added)

OWM/GCS is requesting a variance to Metro Code Sections 5.02.045 (user fee) and Section 5.02.050 (transfer charge) eliminating the imposition of user fees and transfer charges on the recyclables recovered from mixed loads received and processed. User fee and transfer charges will be paid on all waste not recycled and taken to an authorized disposal site.

Metro initially imposed the user fee at disposal sites for the purpose of generating revenue to operate its solid waste program. At that time it was Metro's only source of revenue and very little, if any, was derived from recycled material. However, since the late seventies, a great deal more emphasis has been placed on recycling as a major part of Metro's overall solid waste program strategy. For example, the Waste Reduction Plan was adopted which, among other things, recommended that economic incentives be used as a method of encouraging recycling. As stated above, Metro adopted an ordinance reducing disposal fees at their facilities in order to encourage recycling. Section 3, (2)(h) of the Disposal Franchise Ordinance, Findings and Purpose, states that it is public policy to "reduce the volume of waste that would be otherwise disposed of in a landfill through source reduction, recycling, reuse and resource recovery."

The regional transfer fee was imposed at all solid waste disposal sites in order to lessen the impact of hauling waste from the CTRC to St. Johns Landfill on the users of the transfer station.

If the Metro sur-charge of user fees and transfer charges are imposed on the recycled material processed at the OWM/GCS facility, the disposal fee that must be charged will be greater than that levied at the landfills. This is contrary to Metro's goal to encourage recycling, will eliminate the economic advantage necessary to operate the recycling center and will result in the closing of the business.

In conclusion, OWM/GCS is requesting that a variance be granted to Metro Code Section 5.02.045 and Section 5.02.050 eliminating the user fee and transfer charge on recycled material recovered at the OWM/GCS facility. This action is consistent with the Oregon Opportunity to Recycle Act of 1983, Metro's Waste Reduction Plan, adopted Metro policy and furthers the

objectives of the District. Imposing the sur-charges on recycled material creates an economic disincentive to recycling and will result in the elimination of this recycling proposal.

VARIANCE REQUESTRATE SETTING

OWM/GCS is requesting a variance to Metro Code Section 5.01.180 (Determination of Rates). This will eliminate the necessity for Metro to establish a disposal fee to be charged at the recycling facility, provided said fee is less than the disposal rate charged at the nearest Metro authorized solid waste disposal site and that the major source of revenue generated by the OWM/GCS facility is realized from the recycled material.

In order to maximize the recovery of recyclables from the waste stream, the OWM/GCS operation must be able to offer a rate that is lower than conventional disposal, meets operational costs, is flexible enough to reward those haulers for loads with fewer contaminants and recognizes higher than anticipated recovery rates.

As part of the implementation of its Solid Waste Management Plan, Metro adopted the Disposal Franchise Ordinance in 1981. In the Ordinance's Findings & Purpose Statements (Section 3 [2]) the "... council declares it to be in the public policy of the District and the purpose of this Ordinance to establish an exclusive franchise system for disposal of solid waste...in order to:

- (a) Provide a coordinated regional disposal program...to benefit all citizens of the District.
- (c) Ensure that rates are just, fair, reasonable and adequate to provide necessary public service.
- (h) Reduce the volume of waste that would otherwise be disposed of in a landfill through source reduction, recycling, reuse and resource recovery." (emphasis added)

Under Metro's established definition, the OWM/GCS facility is defined as a Processing Center since the primary purpose of the operation is to alter the content of solid waste.(1) In accordance with Metro's Solid Waste Disposal Franchise Ordinance, OWM/GCS must submit and have approved a franchise application before the facility may accept solid waste for processing.

As part of the franchising process, Metro must establish the rate to be charged by OWM/GCS for mixed solid waste. The rate is regulated by Metro to ensure that it is "...just, fair, reasonable and adequate to provide necessary public service".(2) The theory of franchise rate setting and the need to review detail financial information is to insure that the public is not over charged for services provided by government approved monopolistic private business.

(1) Metro's Disposal Franchise Ordinance, Section 2 (13) & (14)

(2) Ibid, Section # (2) (C)

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Variance Request - Rate Setting

The rate setting policies and methodologies adopted by Metro to date have been established for facilities designed solely for solid waste disposal or transferring. Public facility rates have essentially been formulated according to an average cost method, while private facility rates have been set using the marginal cost plus profit method. In both cases, the cost for solid waste disposal and transferring have been allocated to the appropriate user and converted into applicable rates, such as per ton, per yard or per trip.

Application of the cost plus rate setting method to OWM/GCS's operation cannot be done effectively. Major differences exist between disposal and processing/recycling operations that make previously used methods of setting rates inaccurate and cumbersome when applied to non-disposal facilities. Three of the primary problem areas are discussed below.

First, OWM/GCS financial success will be based not only on its operational cost efficiency (similar to a landfill) but more importantly, its ability to maximize revenue from the recycled material. These revenues will fluctuate day to day and order by order as the price per ton for each of the materials recovered changes with the secondary markets. For example, the price of cardboard has fallen approximately 30% over the last few months. Any attempt to guess these revenues for any extended period of time and then allocate individual materials' revenues to the appropriate haulers of mixed loads would be complicated and inevitably inaccurate. The majority of the business revenue is derived from the sale of secondary materials and not from disposal fees.

Second, OWM/GCS's proficiency at generating greater revenues lies in its ability to negotiate the best purchasing contracts with the buyers of the recovered material. Such contracts are invaluable to a processing center and are the main financial advantage OWM/GCS has over its competitors. The disclosure of these contracts to Metro, required in a typical marginal cost analysis, will damage OWM/GCS ability to maintain the proprietary value of such agreements. Further, buyers have prohibited such disclosures.

Third, the distribution of costs and revenues between mixed waste and recyclables and source separated material that will occur makes a marginal cost rate setting process difficult and speculative.

In addition, OWM/GCS is not requesting a monopoly or an exclusive franchise. On the contrary, other disposal options are available within a few miles of the recycling facility. The requested rate is lower than that charged for disposal at the St. Johns Landfill.

Given these important factors, it is clear that a full financial analysis of the operation and a marginal cost plus profit rate setting process would serve little or none of its intended purpose. Such an analysis and rate setting process would be technically difficult, potentially damaging to the business and would not be necessary to establish "just, fair and reasonable" rates.

Metro's Disposal Franchise Ordinance, Section 12, provides that the Council may grant specific variances if they find that the "...purpose and intent...can be achieved without strict compliance and that strict compliance:

- (a) Is inappropriate because of conditions beyond the control of person(s) requesting the variance; or
- (b) Will be rendered extremely burdensome or highly impractical due to special physical conditions or causes; or
- (c) Would result in substantial curtailment or closing down of a business, plant or operation which furthers the objections of the District." (emphasis added)

OWM/GCS is requesting a variance to Metro Code Section 5.01.180 (Determination of Rates) for the following reasons:

- (1) The Disposal Franchise Ordinance was adopted to insure the proper disposal of solid waste through the imposition of an exclusive franchise system which includes disposal rate regulations. This is demonstrated by the phase-in plan for the Killingsworth Fast Disposal Landfill and the possible future use of the Waybo Pit and Metro's current policy pertaining to the Washington County Transfer and Recycling Center. At these and other exclusive facilities Metro controls or will control the rates.

The OWM/GCS request is not for an exclusive franchise. While the operation furthers the objectives and policies of both Metro and the State of Oregon by maximizing the recovery of recyclables from solid waste and reduces the impact on the area's landfills, its existence is not as vital as a disposal site or regional transfer station. In addition, the Metro Solid Waste System will continue to function with or without this recycling facility.

- (2) Since the recycling facility will not hold an exclusive franchise, it must compete with other disposal sites regulated by Metro. Therefore, OWM/GCS must charge a rate which is lower than conventional disposal fees.

Variance Request - Rate Setting

- (3) Unlike conventional disposal sites, the major source of revenue will be derived, not from the disposal fee, but from the sale of recyclable material. The selling price of secondary material fluctuates order by order and is dependent on a dynamic market place. It is impossible to accurately estimate long term selling prices.
- (4) One of OWM/GCS major financial advantages lies in its purchasing agreements. Disclosure of the terms of these agreements which is necessary in Metro's rate setting process is prohibited by the buyers of the secondary material. Therefore, without a variance, this recycling business which furthers the objectives of Metro, will not be able to operate.

In conclusion, the Disposal Franchise Ordinance was adopted to insure a systematic program of providing vital solid waste disposal facilities. To accomplish this, the Council declared it to be public policy of the Ordinance to establish an exclusive franchise system along with rate regulation.

Recognizing that certain conditions or proposals may be forthcoming that will not fall within the context of the Ordinance but still fulfill its intent and objectives, the Council made provisions to grant variances to specific requirements if strict compliance is inappropriate because of conditions beyond the control of persons requesting the variance or would result in the curtailment of a business that furthers the objectives of the District.

The granting of the variance request recognizes the uniqueness of the OWM/GCS proposal and its difference as compared to the existing monopolistic disposal system. This action is consistent with Oregon Opportunity to Recycle Act of 1983, Metro's Waste Reduction Plan, Metro's Franchise Ordinance, adopted Metro policy and furthers the objectives of the District. Failure to grant the variance will prohibit the recycling business to operate.

BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF GRANTING A)	RESOLUTION NO. 84-522
FRANCHISE TO OREGON WASTE MANAGE-)	
MENT, INC. AND GENSTAR CONSERVA-)	Introduced by the
TION SYSTEMS, INC. FOR THE PURPOSE)	Executive Officer
OF OPERATING A SOLID WASTE PRO-)	
CESSING FACILITY)	

WHEREAS, Section 5.01.030 of the Metropolitan Service District (Metro) Code requires a Metro Franchise for any person to establish, operate, maintain or expand a disposal site, processing facility, transfer station or resource recovery facility within the District; and

WHEREAS, Oregon Waste Management, Inc. and Genstar Conservation Systems, Inc. (OWM/GCS) have jointly applied for a non-exclusive franchise to operate a processing center at 701 N. Hunt Street, Portland, Oregon; and

WHEREAS, OWM/GCS has submitted evidence of compliance with Metro Code Section 5.01.060 requirements for franchise applications and operational plans except in areas relating to rate regulation and collection of User Fees and Regional Transfer Charges as discussed in the Staff Report; and

WHEREAS, OWM/GCS has applied for variances from Metro Code sections relating to rate regulation and collection of User Fees and Regional Transfer Charges pursuant to Metro Code Section 5.01.110; and

WHEREAS, OWM/GCS has met the purpose and intent of Metro Code Section 5.01.180 and has met variance criterion (3) under Metro Code Section 5.01.110 as set out in its application for a variance from rate regulation; and

WHEREAS, OWM/GCS has met the purpose and intent of Metro Code Sections 5.02.045 and 5.02.050 and has met variance criterion (3) under Metro Code Section 5.01.110 as set out in its application for a variance from collection of User Fees and Regional Transfer Charges; and

WHEREAS, The variances are granted subject to annual review by the Executive Officer because the innovative nature of the proposed operation makes it impossible to determine that the criteria of the Metro Code will continue to be met; now, therefore,

BE IT RESOLVED,

1. That the Council of the Metropolitan Service District authorizes the District to enter into the attached Franchise Agreement with Oregon Waste Management, Inc. and Genstar Conservation Systems, Inc. within ten (10) days of the adoption of the Resolution.

2. That the requested variances from the Metro Code are granted, but they shall be reviewed by the Executive Officer one year from the date of issuance of the Franchise. If, in the opinion of the Executive Officer, the variances warrant review they shall be reconsidered by the Council.

ADOPTED by the Council of the Metropolitan Service District this _____ day of _____, 1984.

Presiding Officer

ES/srs
2449C/402-3
12/04/84

Franchise No. _____
Date Issued _____
Expiration Date _____

SOLID WASTE FRANCHISE
issued by the
METROPOLITAN SERVICE DISTRICT
527 S.W. Hall Street
Portland, Oregon 97201-5287
(503) 221-1646

ISSUED TO: Oregon Waste Management, Inc. and Genstar Conservation Systems, Inc.

NAME OF FACILITY: Oregon Processing and Recovery Center

ADDRESS: 701 N. Hunt Street, Portland, Oregon 97217

LEGAL DESCRIPTION: Blocks 1 and 2, Swinton. Block 3, Swinton except south 72.5'. Plus vacated portions of N. Albina and N. Kirby Streets.

CITY, STATE, ZIP: Portland, Oregon 97217

NAME OF OPERATOR: Oregon Waste Management, Inc.

PERSON IN CHARGE: Merle Irvine

ADDRESS: P. O. Box 17561

CITY, STATE, ZIP: Portland, Oregon 97217

TELEPHONE NUMBER: (503) 285-5261

This Franchise will automatically terminate on the expiration date shown above, or upon modification or revocation, whichever occurs first. Until this Franchise terminates, Oregon Waste Management, Inc., and Genstar Conservation Systems, Inc. are authorized to operate and maintain a solid waste processing facility located at 701 N. Hunt Street, Portland, Oregon 97217, for the purpose of accepting and processing solid waste in accordance with the Metro Code and the attached Schedules A, B, C, D and E, and in accordance with the provisions specified in the Solid Waste Disposal Site Permit No. 245 issued by the State of Oregon, Department of Environmental Quality. This Franchise may be revoked at any time for any violation of the conditions of this Franchise or the Metro Code. This Franchise does not relieve the Franchise Holder from

responsibility for compliance with ORS Chapter 459 or other applicable federal, state or local laws, rules, regulations or standards.

Merle Irvine
President
Oregon Waste Management, Inc.

Rick Gustafson
Executive Officer
Metropolitan Service District

Alex Cross
Vice President & Regional Manager
Genstar Conservation Systems, Inc.

ES/srs
2461C/401-3
12/04/84

FRANCHISE CONDITIONS

Franchise Number: _____

Expiration Date: _____

SCHEDULE A

AUTHORIZED AND PROHIBITED SOLID WASTES

- SA-1 The Franchise Holder is authorized to accept for processing select loads of mixed solid waste containing at least 30 percent, by weight, of recyclable material. No other wastes shall be accepted unless specifically authorized in writing by Metro supplementary to this Franchise.
- SA-2 The following types of materials are specifically prohibited from the processing facility:
- a. Bulky combustible material, car bodies, dead animals, tires, sewage sludges, septic tank pumpings and hospital wastes.
 - b. All chemicals, liquids, explosives, infectious materials and other materials which may be hazardous or difficult to manage, unless specifically authorized by Metro.
- SA-3 Public dumping of mixed waste is not allowed. Dumping by commercial solid waste haulers is allowed. No commercial hauler will be excluded from this site except when the load contains less than 30 percent, by weight, recyclables. Loads of solid waste in compactor trucks and compacting drop boxes or containers will be accepted if said loads contain at least 30 percent, by weight, recyclables.
- SA-4 Salvaging is authorized, if controlled so as to not create unsightly conditions or vector harborage.
- SA-5 Non-recovered material shall be removed from the processing facility and shall be transported to a franchised or authorized disposal site. Storage and transportation shall be carried out to avoid vector production and bird attraction.
- SA-6 The Franchise Holder shall perform litter patrols to keep the facility free of blowing paper and other material on at least a daily basis or more often if necessary.
- SA-7 The Franchise Holder shall operate the processing facility in accordance with the Application and Operation Plan dated October 16, 1984, and the supplemental data in the letter from Merle Irvine to Ed Stuhr dated November 9, 1984.
- SA-8 The Franchise Holder shall not, by act or omission, discriminate against, treat unequally or prefer any user of the processing facility in the fees or the operation of the facility.

- SA-9 All solid waste transferring vehicles and devices using public roads shall be constructed, maintained, and operated so as to prevent leaking, sifting, spilling, or blowing of solid waste while in transit.
- SA-10 All mixed loads containing food waste shall be processed and the reject material removed within 24 hours of receipt to a Metro authorized disposal site.
- SA-11 All mixed waste will be stored in an enclosed structure.

FRANCHISE CONDITIONS

Franchise Number: _____

Expiration Date: _____

SCHEDULE B

MINIMUM MONITORING AND REPORTING REQUIREMENTS

SB-1 The Franchise Holder or his/her Contractor shall effectively monitor the processing facility operation and maintain records of the following required data to be submitted to Metro:

- a. Name and address of the Franchisee
- b. Month and year of each report

<u>Item or Parameter</u>	<u>Minimum Monitoring Frequency</u>
c. Tons of solid waste delivered by commercial collection vehicles	Daily
d. Number of commercial collection vehicles	Daily
e. Unusual occurrences affecting processing facility operation	Each Occurrence
f. Tons of reject material disposed at an authorized disposal site	Monthly
g. Disposal rate charged for mixed solid waste	Daily
h. Tons of waste salvaged by type of material	Monthly
i. Signature and title of the Franchisee or its agent	

SB-2 Monitoring results shall be reported on approved forms. The reporting period is the calendar month. Reports must be submitted to Metro by the 20th day of the month following the end of each month.

SB-3 The Franchise Holder shall pay an annual franchise fee established by the Council within 30 days of the effective date of the Franchise Agreement.

SB-4 The Franchise Holder shall report to the District any changes in excess of five (5%) percent of ownership of the Franchisee's corporation or similar entity, or of the

partners of a partnership within ten (10) days of such changes of ownership.

- SB-5 The Franchisee may contract with another person to operate the disposal facility only upon ninety (90) days prior written notice to the District and the written approval of the Executive Officer. If approved, the Franchisee shall remain responsible for compliance with this Franchise Agreement.
- SB-6 The Franchisee shall establish and follow procedures designed to give reasonable notice prior to refusing service to any person. Copies of notification and procedures for such action will be retained on file for three (3) years by each Franchisee for possible review by the District.
- SB-7 The Franchisee shall maintain during the term of the franchise public liability insurance in the amounts set forth in SC-1 and shall give thirty (30) days written notice to the District of any lapse or proposed cancellation of insurance coverage or performance bond.
- SB-8 The Franchisee shall file an Annual Operating Report detailing the operation as outlined in this Franchise on or before _____ (anniversary date of Franchise) of each year for the preceeding year.
- SB-9 The Franchise Holder shall submit a duplicate copy to the District of any information submitted to, or required by the Department of Environmental Quality pertaining to the solid waste permit for this facility.
- SB-10 The Franchise Holder shall report to Metro the names of solid waste credit customers which are sixty (60) days or more past due in paying their disposal fees at the processing facility. Such report shall be submitted in writing each month on Metro approved forms. For the purposes of this section sixty (60) days past due means disposal charges due, but not paid on the first day of the second month following billing.
- SB-11 In the event a breakdown of equipment, fire or other occurrence causes a violation of any conditions of this Franchise Agreement or of the Metro Code, the Franchise Holder shall:
- a. Immediately take action to correct the unauthorized condition or operation.
 - b. Immediately notify Metro so that an investigation can be made to evaluate the impact and the corrective actions taken and determine additional action that must be taken.

- SB-12 In the event that the processing facility is to be closed permanently or for an indefinite period of time during the effective period of this Franchise, the Franchise Holder shall provide Metro with written notice, at least ninety (90) days prior to closure, of the proposed time schedule and closure procedures.
- SB-13 The Franchisee shall file a monthly report on forms approved by the District indicating the types (wood, paper, cardboard, metal, glass, etc.) and quantities (tonnage/cubic yards) of source separated and non-source separated solid wastes accepted at the facility and not disposed at the franchised site.

FRANCHISE CONDITIONS

Franchise Number: _____

Expiration Date: _____

SCHEDULE C

GENERAL CONDITIONS

- SC-1 The Franchise Holder shall furnish Metro with public liability insurance, including automotive coverage, in the amounts of not less than \$300,000 for any number of claims arising out of a single accident or occurrence, \$50,000 to any claimant for any number of claims for damage to or destruction of property, and \$100,000 to any claimant for all other claims arising out of a single accident or occurrence, or such other amounts as may be required by State law for public contracts. Name the District as an additional insured in this insurance policy.
- SC-2 The Franchise Holder shall obtain a corporate surety bond in the amount of \$25,000 guaranteeing full and faithful performance during the term of this Franchise of the duties and obligations of the Franchisee under the Solid Waste Code, applicable federal, state and local laws, rules and regulations.
- SC-3 The term processing facility is used in this Franchise as defined in Section 5.01.010(n) of the Metro Code.
- SC-4 The conditions of this Franchise shall be binding upon, and the Franchise Holder shall be responsible for all acts and omissions of, all contractors and agents of the Franchise Holder.
- SC-5 The processing facility operation shall be in strict compliance with the Metro Code regarding storage, collection, transportation, recycling and disposal of solid waste.
- SC-6 The Franchise Holder shall provide an adequate operating staff which is duly qualified to carry out the reporting functions required to ensure compliance with the conditions of this Franchise Agreement.
- SC-7 Metro may reasonably regulate the hours of site operation as it finds necessary to ensure compliance with this Franchise Agreement.
- SC-8 At least one sign shall be erected at the entrance to the processing facility. This sign shall be easily visible, legible, and shall contain at least the following:
- a. Name of facility;

- b. Emergency phone number;
- c. Operational hours during which material will be received;
- d. Disposal rates;
- e. Metro information phone number; and
- f. Acceptable materials.

SC-9 If the Executive Officer finds that there is a serious danger to the public health or safety as a result of the actions or inactions of a Franchisee, he/she may take whatever steps necessary to abate the danger without notice to the Franchisee.

SC-10 Authorized representatives of Metro shall be permitted access to the premises of the processing facility owned or operated by the Franchise Holder at all reasonable times for the purpose of making inspections and carrying out other necessary functions related to this Franchise. Access to inspect is authorized:

- a. during all working hours;
- b. at other reasonable times with notice;
- c. at any time without notice where, at the discretion of the Metro Solid Waste Division Director, such notice would defeat the purpose of the entry.
- d. That there has been a significant change in the quantity or character of solid waste received or the method of solid waste processing.

SC-11 This Franchise Agreement is subject to suspension, modification, revocation or nonrenewal upon finding that a Franchisee has:

- a. Violated the Disposal Franchise Ordinance, the Franchise Agreement, the Metro Code, ORS Chapter 459 or the rules promulgated thereunder or any other applicable law or regulation; or
- b. Misrepresented material facts or information in the Franchise Application, Annual Operating Report, or other information required to be submitted to the District;
- c. Refused to provide adequate service at the franchised site, facility or station, after written notification and reasonable opportunity to do so.
- d. That there has been a significant change in the quantity or character of solid waste received or the method of solid waste processing.

SC-12 This Franchise Agreement, or a photocopy thereof, shall be displayed where it can be readily referred to by operating personnel.

SC-13 The granting of a Franchise shall not vest any right or privilege in the Franchisee to receive specific types of quantities of solid waste during the term of the Franchise.

- a. To ensure a sufficient flow of solid waste to the District's resource recovery facilities, the Executive Officer may, at any time during the term of the Franchise, without hearing, direct solid wastes away from the Franchisee. In such case, the District shall make every reasonable effort to provide notice of such direction to affected haulers of solid waste.
- b. To carry out any other purpose of the Metro Disposal Franchise Ordinance, the Executive Officer may, upon sixty (60) days prior written notice, direct solid wastes away from the Franchisee or limit the type of solid wastes which the Franchisee may receive.

Any Franchisee receiving said notice shall have the right to a contested case hearing pursuant to Code Chapter 2.05. A request for a hearing shall not stay action by the Executive Officer. Prior notice shall not be required if the Executive Officer finds that there is an immediate and serious danger to the public or that a health hazard or public nuisance would be created by a delay.

FRANCHISE CONDITIONS

Franchise Number: _____

Expiration Date: _____

SCHEDULE D

WASTE REDUCTION PLAN

The Franchisee shall implement the following waste reduction plan:

SD-1 To fulfill the requirements of the Waste Reduction Plan as stated in Section 5.01.120(k) of the Metro Code, the Franchisee shall continue to operate the existing recycling buy-back center as outlined in the application dated October 16, 1984, and supplemental data submitted November 9, 1984.

FRANCHISE CONDITIONS

Franchise Number: _____

Expiration Date: _____

SCHEDULE E

DISPOSAL RATES

SE-1 In accordance with the variance granted by the Metro Council, the rates charged at this facility will be exempt from Metro regulations, Metro User Fee payments and Metro Regional Transfer Charge payments, except that the Executive Officer shall annually review the rates according to the following data and formula to determine whether the variances should be continued for the following year.

- Disposal Revenue collected at the facility.
- Salvage revenue will be calculated based on reports from OWM which indicate quantities of recovered materials by categories consistent with the "San Francisco Board Price Yellow Sheet" publications and product price will be determined from the same publications.
- Disposal cost will be calculated from the reported quantities delivered to Metro authorized landfills.
- Transfer cost will be based on actual hauling contracts negotiated by OWM.
- Inflation shall be based on the Consumer Price Index for the state of Oregon.
- Volume adjustment shall be 1 percent for each 1 percent increase over 24,000 tons of mixed waste processed at the facility annually.

The following formula will be used to review the disposal rate annually in conjunction with the annual report to be submitted under Schedule B, Item 8.

$$\text{Disposal Revenue} + \text{Salvage Revenue} - \text{Disposal Cost} - \text{Transfer Cost} = (\text{Operating Cost} + \text{Profit}) \times (\text{Inflation Adjustment}) \times (\text{Volume Adjustment})$$

The base (operating cost + profit) which is based on the projections submitted in the application, equals \$480,000.

ES/srs
2496C/401-3
12/04/84

STAFF REPORT

Agenda Item No. _____

Meeting Date _____

CONSIDERATION OF RESOLUTION NO. 84-523, AMENDING
THE KILLINGSWORTH FAST DISPOSAL LANDFILL
FRANCHISE AGREEMENT BY GRANTING A DISPOSAL RATE
INCREASE

Date: November 14, 1984

Presented by: Daniel F. Durig

FACTUAL BACKGROUND AND ANALYSIS

On September 14, 1984, Killingsworth Fast Disposal Landfill (KFD) applied for a commercial disposal rate increase in accordance with Metro Code provisions relating to franchises. A summary of the application is attached (Exhibit A). KFD is requesting a smaller increase than their analysis would indicate, citing the need to avoid losing customers if rates are too high. If approved, this will be the first rate increase granted to KFD since it was first franchised in 1982.

As required by Metro Code Section 5.01.180(c), the Rate Review Committee and staff have reviewed the data and the assumptions used to construct the analysis against the criteria contained in Metro Code Section 5.01.180(d). They have determined that:

1. The method of presentation of the request (in terms of return over the life of the investment) is appropriate, and allows for determination of a reasonable rate of return on investment as required by the Code.
2. The operating and non-operating revenue and expenditure items used are appropriate to determine the validity of the case that is presented. Direct and indirect expenses were reviewed. There were no material non-franchise profits.
3. The financial projections are reasonable in comparison to recent actual financial performance, and capital expenditures are fairly presented.

The Rate Review Committee recommended approval of the proposed rates. A copy of their Resolution to that effect is appended (Exhibit B). Two items were questioned by the Committee. First, the income tax rate used (50 percent) was considered high if the landfill was to be considered separately from its parent company. A 30 percent rate was thought likely. Second, the inclusion of interest payments as an expense was deemed inappropriate in an investment analysis.

If both these changes are incorporated in the projections made by the proposal, the required rate increase to recover the investment drops from \$1.39 per cubic yard to \$1.11. If interest costs are excluded from the historical part of the analysis, the indicated increase drops further to about \$.70. That amount is still above the weighted average of the rate changes which are requested, which range from \$.60 for loose loads to \$.92 for compacted loads.

The total rate (including Metro fees) per cubic yard at Metro facilities is compared with KFD's:

	<u>St. Johns</u>	<u>CTRC</u>	<u>KFD Current</u>	<u>KFD Proposed</u>
Loose	\$1.78	\$2.11	\$1.95	\$2.55
Compacted	3.85	4.42	3.11	4.03
Demolition	-	-	2.35	3.12

Metro yardage rates are calculated assuming 250 pounds per yard for loose material and 590 pounds per yard for compacted material.

To determine whether to grant the requested rate increase, the Council needs to consider two issues:

1. What are the applicant's rights to make a profit under the franchise; and
 2. Is the requested rate of return on investment appropriate?
1. The Metro Code is not specific about what role the franchisee's profits have in rate setting, except to say that a reasonable rate of return on investment shall be a consideration when rates are set. A franchise does not guarantee a profit. At the other extreme, there must be some expectation of profit, or no one will invest in a franchised landfill.

The proposal asks for a rate which will provide a chance for a profit from the entire investment, including early, unprofitable years. The Council has the discretion to accept that premise and grant the rates requested, or to reject any or all historical costs and reduce the increase accordingly. For early losses to be disallowed, there should be some evidence that they came about through mis-management. There is no such evidence in this case. There is evidence that capital expenditures have not been extravagant, and the operation appears to be managed prudently.

2. The proposed rates would produce an overall return on investment of about 15 percent excluding financing costs. In general, an investment will be viable to the extent that its return exceeds the "safe" (e.g., bank deposit) rate

enough to compensate for the added risk incurred. As a practical matter, the investor will also want to get a return which exceeds the financing costs that are incurred. Considering that "safe" rates are on the order of 10 percent, and that Killingsworth Fast Disposal is substantially debt financed, a 15 percent return on investment expectation does not appear unreasonable.

EXECUTIVE OFFICER'S RECOMMENDATION

The Executive Officer concurs with the Rate Review Committee and recommends adoption of Resolution No. 84-523.

ES/srs
2385C/401-4
12/04/84

SUMMARY MATRIX LANDFILL MANAGEMENT STRATEGY

MANAGEMENT STRATEGY	POTENTIAL EFFECT IN MONTHS	SYSTEM COST	METRO COST	APPROVALS REQUIRED	TIME FRAME TO IMPLEMENT	EASE OF ADMINISTRATION	AFFECTED PARTIES	RELIABILITY	MAJOR PRO'S	MAJOR CON'S
I.A. Divert limited use landfills 1. Voluntary	0-3 months	Probably increase hauling cost	Primarily higher cost per ton for lower volumes at landfill	Metro	30 to 90 days	Difficult to have significant impact without extensive work Requires constant monitoring	Haulers and their customers	Low	Leaves decision to haulers Easy to state policy	Very limited impact
I.A. Divert to limited use landfills 2. Flow control	3 months	Increase hauling cost	Primarily higher unit cost for lower volume at landfill	Metro	90 days	Adopt an ordinance and monitor to assure compliance (difficult) and requires enforcement	Drop box haulers and their customers	High	Decreases traffic at St. Johns; Relatively clear distinction in loads; i.e., drop box vs compactors	Local rate policies; Heavy handed; Could increase putrescible wastes at limited-use sites; Limited impact; Some drop box loads will continue to use Metro sites
I.A. Divert to limited use landfills 3. Rates	3 months	Metro costs and increased hauling cost	\$252,000/yr. Full RTC \$126,000 1/2 RTC	Metro	90 days	Adopt and implement new rates	All haulers in region	Moderate	Relative ease of implementation; Allows hauler to make decision; Improves efficiency of smaller sites	Limited impact on life of St. Johns; Rates at Metro facility will be higher; No guarantee of effectiveness; Fills up limited use sites sooner.
I.B. Increased recycling	To be reviewed	In Waste Reduction Chapter			To be reviewed in	Waste Reduction Chapter		To be	Reviewed in Waste Reduction Chapter	
II.A. Divert to general purpose landfills from Metro facilities	Up to 60 months	Same as Metro cost	\$3.8 million per year of expansion	Metro Receiving Jurisdiction	6 months	Secure agreements with other landfill and local jurisdictions, Negotiate change order with contractor	All ratepayers, Local jurisdiction, Receiving Landfill	Moderate	Quantities under control of Metro; Coordinates well with West Transfer Station; use efficiency of transfer system	Must have a site willing to accept large quantities; Unit cost for Metro will be higher; Need to change tipper system; Longer haul distances.
II.B. Divert to general purpose landfills 1. Voluntary	Variable	Possibly increased hauling cost	Higher unit cost for lower volume if effective	Metro	30 to 90 days and constant pressure	Difficult to have a significant impact without extensive work	Perimeter haulers Perimeter Landfills	Low	Same as I.A. 1	Must have a site willing to accept larger quantities; No guarantee of effectiveness
II.B. Divert to general purpose landfills 2. Flow control	Variable	Metro cost and increased hauling cost	Higher unit cost for lower volume at landfill	Metro	90 days	Adopt an ordinance and monitor compliance (Relatively easy)	Perimeter haulers Perimeter Landfills	High	Decrease traffic at St. Johns; Relatively easy to monitor, i.e., by company; Very effective method	Other sites must be willing to accept; potential problems with competition; Heavy handed; Potential court challenge; Transfer system may be more efficient
II.B. Divert to general purpose landfills 3. Rates	Variable	Increased distance for haulers	\$380,000/year Full RTC \$190,000/year 1/2 RTC	Metro	90 days	Adopt and implement new rates	All haulers in the region	Moderate	Same as I.A. 3	Limited impact on life of St. Johns; Rates at Metro will be higher; No guarantee of effectiveness; Other sites must be available; Competition with West Transfer Station
III.A. Increase capacity 1. Up to 10' vertical expansion	24 months	\$1.97 million	\$3.97 million	City of Portland DEQ	6 months	Prepare a grading plan, Potentially remove final cover and methane system	City of Portland North Portland Residents	Moderate	Maintains efficiency of scale; can be implemented in stages; longer use of existing facilities; delays the need for east transfer station	City of Portland willingness; Past promises to north Portland; Decreases land value of the property; Cost does not include community trade offs.
III.A. Increase capacity 2. Vertical expansion over 10'	Up to 60 months	\$3.97 million	\$3.97 million	City of Portland DEQ	Approximately one year	Requires conditional use change in addition to III A.1	City of Portland North Portland Residents	Moderately Low	Same as III. A 1	City of Portland willingness; Past promises to north Portland; Requires Land-use changes; Cost does not include community trade offs; Decreases usable space of property.
III.B. Increase capacity 1. Horizontal expansion (2 years)	24 months	\$2.85 million	\$2.85 million	Ore. Legislat. City of Portland, DEQ, Division of State Lands, EPA, Corp of Engineers	Approximately 3 years	Difficult to change State laws and obtain conditional use permit and Comprehensive Plan Amendment	City of Portland North Portland Residents	Moderately Low	Same as III. A 1	Requires legislative changes; City of Portland willingness; Past promises to North Portland; Requires land-use changes; Cost does not include community trade offs
III.B. Increase capacity 2. Horizontal expansion (5 years)	60 months	\$5.15 million	\$5.15 million		3 years	Same as III. B 1	City of Portland North Portland Residents	Moderately Low	Same as III. A 1	Same as III. B 1
III.B. Increase capacity 3. Dike realignment (4 acres)	4 months	\$300,000	\$300,000	City of Portland, DEQ, Div. of State Lands, Corp of Engineers	2 years,	Same as III. A 2 and also Requires engineering plans	City of Portland North Portland Residents	Moderate	Same as III. A 1 and also improves a problem leachate seep	Same as III. A 2
IV. Change in Technology (Baling)	Minimal			Metro City of Port. DEQ	1 to 2 years	Financing, contract administration, and land use permits	Rate payers	Moderate	Balefills generally use less cover and cheaper landfill equipment Could be accomplished at Trans. Sta. Potential sorting before baling	Does not substantially increase life; Higher cost

(1) Excludes cost of daily cover, as it is a cost to any disposal alternate
Excludes cost of land

August 9, 1984
NW:DL

Handout



METROPOLITAN SERVICE DISTRICT
Providing Zoo, Solid Waste and Local Government
Services

527 S.W. Hall Street, Portland, Oregon 97201-5287

Rick Gustafson
Executive Officer

December 6, 1984

Metro Council

Corky Kirkpatrick
Presiding Officer
District 4

Ernie Bonner
Deputy Presiding Officer
District 8

Bob Oleson
District 1

Richard Waker
District 2

Charlie Williamson
District 3

Jack Deines
District 5

George Van Bergen
District 6

Sharron Kelley
District 7

Cindy Banzer
District 9

Larry Cooper
District 10

Marge Kafoury
District 11

Gary Hansen
District 12

Mr. Elmer Leichner
President
Vancouver Sanitary
Service, Inc.
P.O. Box 1060
Vancouver, WA 98666

Dear Mr. Leichner:

In November 1984, your firm began delivering significant amounts of waste from Vancouver, Washington, and Clark County, to the St. Johns Landfill. The St. Johns Landfill is currently the only general-purpose landfill serving the entire Portland Metropolitan area and we anticipate it reaching capacity in 1989, even if we accept only waste from Oregon. We are also having difficulty siting a new landfill. Our schedule in the enclosed report shows that even under the best scenario, St. Johns will not last until a new site is ready.

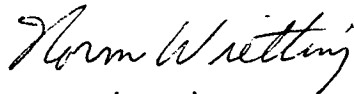
The Metro Council has adopted a short-term strategy to deal with our current shortage of landfill space in the Portland area. The addition of waste from Washington will compound this problem even more. In the past, we have not allowed the Metro area waste to be sent to sites outside our region if it would create problems in the receiving jurisdictions.

Most of the material your firm is taking to St. Johns could be taken to the Killingsworth Fast Disposal limited-use landfill. While even this is using up our limited capacity of landfill space, in the short term, there is adequate capacity of limited-use sites. We are requesting that your firm stop using St. Johns Landfill.

We are willing to cooperate with you and the City of Vancouver and Clark County to work out an acceptable arrangement in the future.

Your cooperation in this matter will be appreciated.

Sincerely,



Norm Wietting
Operations Manager
Solid Waste Department

b1

cc: Rick Gustafson, Executive Officer
Dan Durig, Director, Solid Waste
Councilor Larry Cooper
Commissioner Verne Veysey, Clark County
Commissioner Dick Pokornowski, Vancouver
Solid Waste Advisory Committee, Vancouver
John Stillman, Clark County
John Ostrowski, City of Vancouver
Gary Newbore, Riedel International

Enclosures

TOP 25 AREA WASTE HAULING FIRMS

Name/address	Approx. monthly tonnage (August)	Annual gross sales	No. of accounts	No. of trucks	No. of employees	Years in business	Owner	Services			
								Residential	Commercial	Industrial	Drop boxes
1. Vancouver Sanitary Service ¹ 9411 N.E. 94th Ave. Vancouver, Wash. 98662	8,000	\$5.6 million ²	46,000	33	85 ³	47	Elmer Leichner	•	•	•	•
2. Metropolitan Disposal Corp. P.O. Box 11457 Portland, Ore. 97211	6,500	\$3.75 million	2,500	approx. 25	31	11	Main stockholders are James and Louis Cozzatto	•	•	•	•
3. SCA Services of Oregon Inc. 232 N.E. Middlefield Road Portland, Ore. 97211	3,500	\$3 million	5,000	20	30	12	In transition ⁴	•	•	•	•
4. Keller Drop Box Inc. ⁵ 100 S. Wilda Road West Linn, Ore. 97068	2,500	\$1 million	200-250	7	6	19	10 owners	•	•	•	•
5. Arrow Sanitary Service P.O. Box 744 Gresham, Ore. 97030	2,000	Declined to disclose.	Declined to disclose.	7	8	28	Giusto Bros.	•	•	•	•
6. Beaverton/West Beaverton Sanitary Service Inc. 16895 N.W. Walker Road Beaverton, Ore. 97006	1,727	Declined to disclose.	Declined to disclose.	14	approx. 20	25	Gus Tonges	•	•	•	•
7. Oregon City Garbage ⁶ P.O. Box 191 Oregon City, Ore. 97045	1,700	Declined to disclose.	N/A	19	22	35	Richard Bloom Sr.	•	•	•	•
8. McInnis and Sons Sanitary Service P.O. Box 4406 Portland, Ore. 97208	1,300	N/A	N/A	7	10	13	Dave McInnis	•	•	•	•
9. Oak Grove Disposal Co. P.O. Box 2214 Milwaukie, Ore. 97222	1,200	\$1.04 million	7,200-7,500	13	21	50	Edith Spady	•	•	•	•
10. Rossman's Sanitary Service Inc. P.O. Box 405 Lake Oswego, Ore. 97034	1,175	Declined to disclose.	10,000	7	20	52	George Rossman	•	•	•	•
11. Forest Grove Disposal ⁷ P.O. Box 8 Forest Grove, Ore. 97116	1,100	N/A	approx. 7,000	approx. 12	approx. 22	55	Ambrose Calcagno	•	•	•	•
12. Gresham Sanitary Service Inc. P.O. Box 697 Gresham, Ore. 97030	1,055	\$950,000	5,000	13	13	37	Harlen Lahl	•	•	•	•
13. Frank's Disposal Service P.O. Box 23293 Tigard, Ore. 97223	1,050	Declined to disclose.	Declined to disclose.	Declined to disclose.	Declined to disclose.	49	Herb and Florence Frank	•	•	•	•
14. Miller's Sanitary Service 5150 S.W. Alger St. Beaverton, Ore. 97005	1,049 ⁸	Declined to disclose.	Declined to disclose.	8	20	80	Carl Miller	•	•	•	•
15. EMCO Garbage Collection Inc. 13933 S.E. Stark St. Portland, Ore. 97233	1,020	Declined to disclose.	Declined to disclose.	10	14	52	Henry Reich	•	•	•	•
16. Hillsboro Garbage Disposal P.O. Box 99 Hillsboro, Ore. 97123	740	N/A	7,000	5	16	50	Ronald Maier	•	•	•	•
17. American Sanitary Service P.O. Box 16306 Portland, Ore. 97216	625	\$600,000	6,000	5	7	40	Leonard Webster	•	•	•	•
18. Refuse Removal Inc. 6767 N.E. Columbia Blvd. Portland, Ore. 97218	620	\$500,000	350	4	5	11	R.B. Kuhnau and R.D. Kuhnau	•	•	•	•
19. United Disposal Service ⁹ 9500 S.W. Beckman Road Wilsonville, Ore. 97070	615	Declined to disclose.	1,050	2	3	30	Richard Brentano	•	•	•	•
20. Campagna & Zanni Refuse Service Inc. P.O. Box 22014 Milwaukie, Ore. 97222	540	\$400,000	500	3	2	39	Zanni family	•	•	•	•
21. Dan Walker Disposal Service 31620 S.E. Hinman Road Estacada, Ore. 97023	510	N/A	more than 600	6	5	59	Dan Walker Jr.	•	•	•	•
22. Catalan Sanitary Service 4808 S.W. Humphrey Park Crest Portland, Ore. 97221	510	Declined to disclose.	1,000	3	4	30	Tony Catalan	•	•	•	•
23. Aloha Garbage P.O. Box 5460 Aloha, Ore. 97006	465	Declined to disclose.	Declined to disclose.	5	15	40	Gary Miller	•	•	•	•
24. Vogel Brothers Inc. 496 S.W. Sixth Ave. Gresham, Ore. 97030	460 ⁸	N/A	100	4	3	52	Terry Vogel and Al Craddock	•	•	•	•
25. EGE Sanitary Service P.O. Box 66 Troutdale, Ore. 97060	440 ⁸	N/A	approx. 4,000	5	6	36	Terry, David and Ken Ege	•	•	•	•

Notes

1. Vancouver Sanitary serves the City of Vancouver.
2. Includes all sales from Buchmann Sanitary, Twin Cities Sanitary, Leichner Bros. Land Reclamation (the Clark County landfill) and Diamond Fabrication.
3. Includes 25-30 employees of Diamond Fabrication.
4. Will be owned by Waste Management Inc., Oakbrook, Ill. as of the first of the year.

5. Only dropbox service.
6. Also includes Gladstone Disposal and Molalla Sanitary.
7. Also includes Lou and Chuck Sanitary Service, Eager Beaver Sanitary Service and Pacific Garbage.
8. Figure is from Metro billings. Actual tonnage may be higher.
9. Wilsonville branch only.

Sources: Solid Waste Dept., Metropolitan Service District. A representative of each company.

Ranked by approximate monthly tonnage.

Research by Jack Friedman and Catherine Paglin.

April 1982

SOLID WASTE POLICY ALTERNATIVES COMMITTEE

NAME	REPRESENTING	ADDRESS	PHONE	TERM OF OFFICE
1 James Cozzetto	Collection Industry	P.O. Box 11457 Portland, OR 97211	285-0506	Feb. 1982-84
2 Shirley Coffin Vice Chairman	Public, Washington County	65 SW 93rd Portland, OR 97225	292-9338	Feb. 1982-84
3 Howard Grabhorn	Landfill Operators	Route 1, Box 849 Beaverton, OR 97402	628-1866	Feb. 1982-84
John Gray <i>Resigned</i>	Public, Multnomah County	3918 SE 116th Portland, OR 97266	288-7086	Feb. 1982-84
4 Robert Harris	Public, Clackamas County	32660 Lake Point Ct. Wilsonville, OR 97070	794-2370	Feb. 1982-84
5 Dick Howard	Multnomah County	Dept. of Public Works 2115 SE Morrison Portland, OR 97214	248-3623	Feb. 1982-84
6 Paul Johnson	Construction Industry	Copenhagen Utilities and Construction P.O. Box 429 Clackamas, OR 97015	654-3104	Feb. 1982-84
7 Gary Newbore	Landfill Operators	c/o Reidel Internat'l P.O. Box 3320 Portland, OR 97208	222-4210	Feb. 1982-84
8 Dave Phillips	Clackamas County	Dept. of Env. Services 902 Abernethy Rd. Oregon City, OR 97045	655-8521	No Limit
9 Mike Sandberg	Washington County	Dept. of Public Health 150 N. First St. Hillsboro, OR 97123	648-8609	No Limit
10 Delwyn Kreis Mike Sievers	City of Portland	Office of Public Works 621 SW Alder St. Portland, OR 97205	248-4390	No Limit
Edward Sparks <i>Resigned</i>	Recycling Industry	Publishers Paper Co. 4000 Kruse Way Pl. Lake Oswego, OR 97034	635-9741	Feb. 1982-84
11 John Trout Chairman	Collection Industry	Teamsters Local 281 1020 NE Third Ave. Portland, OR 97232	236-8171	Feb. 1982-84
Kelly Wellington <i>Non attendance</i>	Public, City of Portland	1513 SE Ash, #2 Portland, OR 97214	239-5083	Feb. 1982-84
Bob Brown Ex Officio	DEQ	P.O. Box 1760 Portland, OR 97207	229-5157	No Limit
Norman Harker Ex Officio	Clark County	Clark Co. Public Works P.O. Box 5000 Vancouver, WA 98668	(206) 699-2451	No Limit

11 members

May 1982, Revised

SOLID WASTE POLICY ALTERNATIVES COMMITTEE

NAME	REPRESENTING	ADDRESS	PHONE	TERM OF OFFICE
James Cozzetto <i>N</i>	Collection Industry	P.O. Box 11457 Portland, OR 97211	285-0576	Feb. 1982-84
Shirley Coffin Vice Chairman <i>N</i>	Public, Washington County	65 SW 93rd Portland, OR 97225	292-9338	Feb. 1982-84
Howard Grabhorn <i>N</i>	Landfill Operators	Route 1, Box 849 Beaverton, OR 97007	628-1866	Feb. 1982-84
Robert Harris	Public, Multnomah County	3918 SE 116th Portland, OR 97266	288-7086	Feb. 1982-84
Robert Harris <i>N</i>	Public, Clackamas County	32660 Lake Point Ct. Wilsonville, OR 97070	794-2370 794-	Feb. 1982-84
Dick Howard <i>N</i>	Multnomah County	Dept. of Public Works 2115 SE Morrison Portland, OR 97214	248-3623	No Limit
Paul Johnson <i>N</i>	Construction Industry	Copenhagen Utilities and Construction P.O. Box 429 Clackamas, OR 97015	654-3104	Feb. 1982-84
<i>WA</i> Delyn Kies <i>N</i>	City of Portland	Office of Public Works 621 SW Alder St. Portland, OR 97205	248-4390 796-7616	No Limit
Gary Newbore <i>N</i>	Landfill Operators	c/o Reidel Internat'l P.O. Box 3320 Portland, OR 97208	222-4210	Feb. 1982-84
Dave Phillips <i>N</i>	Clackamas County	Dept. of Env. Services 902 Abernethy Rd. Oregon City, OR 97045	655-8521	No Limit
<i>WA</i> Mike Sandberg <i>N</i>	Washington County	Dept. of Public Health 150 N. First St. Hillsboro, OR 97123	648-8609	No Limit
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Kelly Wellington	Public, City of Portland	5015 SW Oswald Rd. Portland, OR 97204	239-5083	Feb. 1982-84
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*N Member
Does not come
says 20' Rail*

SOLID WASTE ADVISORY COMMITTEE
GUESTS AND ADVISORS IN ATTENDANCE

DATE SWPAC - 12-10-84

GUEST OR ADVISOR

AFFILIATION

GUEST OR ADVISOR	AFFILIATION
Mary Jane Amund	Metro
Paul H. Johnson	Construction
GARY NEWBORN	LANDFILLS
DOUG DRENNEN	METRO
Dick Howard	Mult Co
DAN DURIG	SOLID WASTE
Ed Stuber	Solid Waste
Howard Graham	Landfill North Co.
Norm Wietting	Metro
Bob Harris	Publi - Clackamas Co
Jan Schaeffer	Metro
Shirley A. Coffin	
John Lewis	Collection
Pete ^{VIVIANO} Viviano	Passo, - Sta Refuse Sec. Sec.
BOB BROWN	DEQ
DENNIS WIL	Metro
Rendi Wexler	Metro
Philip Morley	Metro
MERLE IRVINE	ORR WASTE MGT.
W. Alex Cross	Genstar
Lawrence Phipps	Member
James Lozitto	Member

Barnie