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Executive Officer's  
Summary & Proposal

SOLID WASTE  
DISPOSAL SYSTEM

**1983 Rate Study**



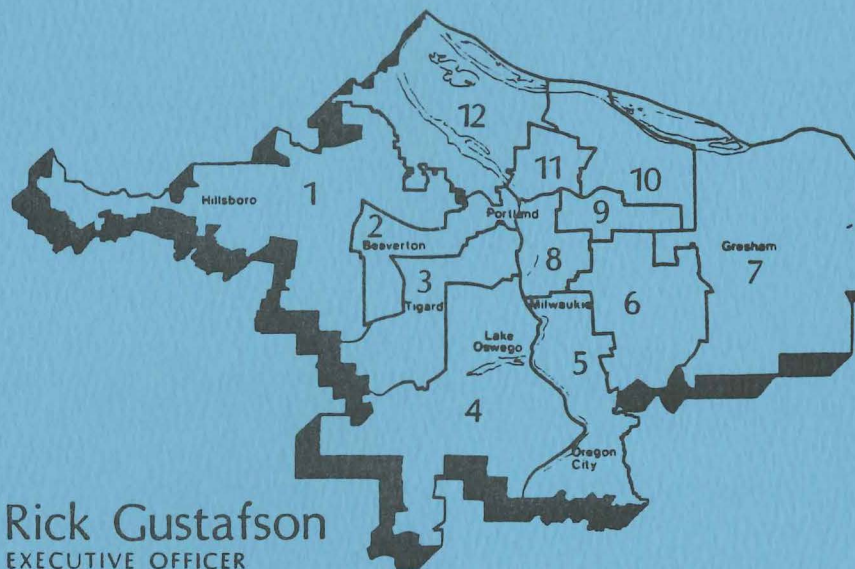
**METRO**

September 1982

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# METROPOLITAN SERVICE DISTRICT



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EXECUTIVE OFFICER

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METRO'S  
SOLID WASTE DISPOSAL SYSTEM  
1983 RATE STUDY

EXECUTIVE OFFICER'S SUMMARY AND PROPOSAL

1983 is an important year for Metro's solid waste program. It is the year in which a second Metro-operated disposal facility--the Clackamas Transfer and Recycling Center (CTRC)--comes on-line. This marks the beginning of a regional system to dispose of the more than 750,000 tons of garbage generated in the tri-county area each year. Future additions to the system may include transfer stations in Washington and Multnomah Counties, a new regional landfill and an energy recovery facility.

With the opening of CTRC, the task of setting disposal rates includes not only computing a rate that will cover expenses, but also establishing a rate-setting policy that can be applied as any new facility is added to the system. To determine a policy that is fair to all users of the system, it is necessary to know where the garbage is coming from, where it will be disposed of, what costs are associated with the disposal of that garbage, and who incurs those costs. The Solid Waste Disposal Rate Study for 1983 has examined each of these issues. The study also suggests several methods for raising adequate revenues to pay for the operation of St. Johns Landfill and CTRC.

In developing this study, Metro staff conducted a literature search of rate-setting methods, surveyed garbage haulers and local government officials throughout the region, and included suggestions from the Solid Waste Policy Alternatives Committee (SWPAC), the Rate Review Committee and the Metro Council.

WASTE QUANTITIES AND FLOW

For the two years that Metro has managed the operation of the St. Johns Landfill, the facility has handled approximately one-third of the region's waste. The remaining garbage has gone to privately operated landfills within and outside the Metro boundary. Over 300,000 tons have gone to Rossman's Landfill in Oregon City each year.

With the closure of Rossman's in January 1983, St. Johns is expected to accept up to 70 percent of the region's waste, estimated to come from the following sources:

241,400	tons based on historical trends at St. Johns
135,800	tons from Multnomah County haulers now using Rossman's
<u>146,000</u>	tons from CTRC (limit set by Oregon City permit)
523,200	tons total

The 146,000-ton capacity of CTRC represents 100 percent of the publicly hauled waste now going to Rossman's, but only 40 percent of the commercially hauled waste, or that portion coming from Clackamas County. That means that when Rossman's closes, Washington County haulers now using the landfill may go outside the region to Newberg or Woodburn landfills, and Multnomah County haulers will have to use Killingsworth Fast Disposal or St. Johns.

This situation suggests one of the policy issues before the Metro Council: whether the new transfer station should be paid for only by those who use the facility, or whether the cost should be allocated more broadly.

Regardless of how rates and fees are set, two things are important: adequate revenue must be raised to cover costs, and the costs should be allocated to the various user groups according to how those costs are incurred.

#### COSTS

For calendar year 1983, \$7.2 million will be required to cover the expenses of the St. Johns Landfill and CTRC. Many of the expenses that make up the total cost are unrelated to the policy decisions now before the Council (but may be found in the full report). Four expenses directly affect the rates that will be set for 1983. They are as follows:

### Operations Contracts

Genstar Conservation Systems, Inc., was the low bidder for the operating contracts for both facilities. Genstar performs most of the refuse handling tasks, including transferring the waste from CTRC to St. Johns, and disposing of waste at St. Johns. Their fees are based on a sliding scale. The fee per ton decreases as the amount of garbage increases. The two contracts for Genstar in the coming year amount to over \$4.5 million, not including the final improvements to be made on portions of the St. Johns Landfill. (see below)

### Debt Service

Capital improvements at St. Johns and CTRC were financed by a grant/loan from the Department of Environmental Quality. Of the total debt service for the coming year (\$835,650), all operational debt (40 percent) must be recovered from rates, with the remainder coming from user fees. The rate income will be applied to the costs of building the gatehouse and private transfer area at St. Johns, building CTRC and developing the transfer station portion of the Oregon City site.

It is recommended that the user fee be increased by \$0.35 per ton to cover the debt service requirements for the development of the remainder of the Oregon City site.

### Final Cover Fund

Thirty-three acres of the St. Johns Landfill are ready for final cover, top soil and seeding, and other portions of the landfill now require culverts and berms. For the first

### Final Cover Fund (continued)

time since Metro took over the landfill operation, the disposal rates must recover the majority of the costs for the final improvements, which will be performed by Genstar. For 1983, the total cost for final improvements is \$1,330,000. The rates must generate approximately \$1 million of that total.

### Contingency

There has never been a contingency fund for the St. Johns Landfill, despite the operating risks involved. With the addition of the CTRC and the expected doubling of Metro's disposal operation, the Council recommended that a contingency fund be established and included in the rate structure. The contingency would cover fluctuations in the flow of garbage and operating emergencies that could arise. The amount of the suggested contingency (\$271,000) is based on the effect on the total operations cost created by a five percent decrease in the volume of waste anticipated in 1983.

### ALLOCATING COSTS

The expenses of operating St. Johns Landfill and CTRC can be allocated to specific users at those facilities. Some costs are allocated according to the amount of garbage contributed by each user group. For example, the cost for the actual disposal of the garbage is allocated on a per ton basis because Genstar is paid on a per ton basis. Other costs, such as the gatehouse operations, are allocated according to the number of commercial and public vehicles trips to the facility. Still other costs are allocated to just one user group. For example, cost of tire disposal is allocated only to users who bring in tires.

By allocating costs in this manner, each group of users pays only the amount required to serve that user group. The rates are then determined by dividing the total cost to each user group by the tonnage or number of trips for which that group is responsible.

#### ESTABLISHING RATES

With the addition of a new transfer station, Metro must decide how to allocate the costs for two separate but interdependent facilities. Several rate-setting methods have been considered. These are the three basic approaches:

##### Cost of Service

The users of each facility pay the cost for that facility only. Users of St. Johns pay for the cost of disposal there. Users of CTRC pay the cost of transferring the waste to St. Johns, plus the cost of its final disposal there. This results in a substantially higher rate for CTRC users.

##### Limited Uniform Rate

Users of Metro-operated facilities pay equally within their user group, regardless of which facility they use. The rates are based on the average cost of service. The cost of transferring waste from CTRC to St. Johns is shared by the users of both facilities.

##### Full Uniform Rate

Users of Metro-operated facilities pay a disposal rate based on the cost of service at St. Johns Landfill. The cost of the transfer

Full Uniform Rate(continued)

station system is allocated to all waste generators in the region in the form of a transfer charge that is collected at all disposal sites accepting Metro-area garbage, whether the site is within or outside the Metro boundary.

The regional transfer charge is established by allocating the \$1.7 million cost for CTRC to each user group according to total regional waste flow. This results in a transfer charge of \$1.47 per ton for commercial haulers and \$2.31 per trip for the public.

The three rate-setting methods produce the following rates for St. Johns Landfill and CTRC, including a user fee of \$1.68 per ton for commercial haulers and \$0.54 per trip for the public:

	<u>COST OF SERVICE</u>		<u>LIMITED UNIFORM RATE</u>	<u>FULL UNIFORM RATE</u>
	<u>St. Johns</u>	<u>CTRC</u>	<u>Both Facilities</u>	<u>Both Facilities</u>
Commercial (rate per ton)	\$12.01	\$21.28	\$14.10	\$13.48
Public(rate per trip)				
Car	4.75	7.75	6.75	6.00
Truck	5.75	9.50	8.25	6.75
Extra Yards	2.50	4.00	3.50	3.00

RATE RECOMMENDATION

The Full Uniform Rate structure most closely meets Metro's goals of providing equitable service on a region-wide basis. Through the regional transfer charge, all waste generators within the region help pay for new facilities, even if their waste is disposed of outside the region. This prevents commercial customers whose haulers do not have an alternative to St. Johns or CTRC from bearing the full cost of the transfer station system.



The Full Uniform Rate structure also avoids sudden large rate increases in specific geographical areas, and provides for more gradual disposal rate increases as new facilities are added to the system.

The Full Uniform Rate does present a problem with respect to the public rates, however. The addition of a public regional transfer charge at non-Metro facilities adversely affects those landfill owners by boosting their rates above those for comparable service at Metro facilities. Therefore, SWPAC is recommending that the Full Uniform Rate be applied for commercial haulers, but that the regional transfer charge be dropped for the public, and the Limited Uniform Rate be applied to users in that class. This means that the public's share of the transfer system costs is applied only to the users of St. Johns and CTRC.

#### ADDITIONAL CHARGES

Two other policy issues should be considered in setting rates. One issue is levying a convenience charge on users of CTRC. The other is adding a surcharge to garbage coming in from out-of-state.

##### Convenience Charge

SWPAC requested that Metro consider adding a convenience charge to the public and commercial rates at CTRC. The idea of a convenience charge is that by having a modern, local facility for garbage disposal, users of CTRC avoid expending time, fuel and vehicle wear and tear that a drive to another disposal site would require. For the convenience of having CTRC, the users should pay a little more.

Recognizing that it is hard to assign a dollar value to the convenience of CTRC, Metro developed a formula for computing the charge. Although the facility is presently limited to accepting 400 tons per day, it could handle more waste. Because of the sliding scale with

### Convenience Charge (continued)

our contractor, this would decrease the cost per ton and provide additional service to the southern portion of the region.

Metro will ask the Oregon City Planning Commission to consider lifting the flow restriction at CTRC. If the city agrees, haulers from outside Clackamas County will be able to use the facility. This would result in an overall increase in Metro's costs, however, because Multnomah County collectors who might have direct-hauled their waste to St. Johns may elect to haul to CTRC instead. Metro then picks up the cost of hauling that waste to the landfill.

The convenience charge would recover the additional costs of increasing the capacity from 400 to 600 tons per day. Dividing the \$325,600 additional cost by the total flow of waste to CTRC results in a convenience charge of \$1.49 per ton for commercially hauled waste and \$0.50 per trip for publicly hauled garbage.

It is very hard to predict what the waste flow at CTRC will be if the Oregon City limit is lifted. If more than 600 tons per day are received at CTRC it may be necessary to increase the convenience charge \$0.50 to \$0.75 to recover the additional revenue required.

### Out-of-State Surcharge

The State of Oregon supports Metro's solid waste activities through the State Pollution Control Fund, which funds capital construction and improvements at Metro-operated disposal sites. The fund is a combination grant/loan program, and the

Out-of-State Surcharge (continued)

grant portion is paid for by income taxes collected from the citizens of Oregon. The grants are in effect, subsidizing the disposal cost by \$0.54 per ton of garbage. The Metro Council could choose to levy a \$0.54 per ton surcharge on garbage coming into the region from out-of-state, so that Oregon income taxpayers are not subsidizing disposal of out-of-state garbage at Metro facilities.

SUMMARY OF RECOMMENDED RATES

	<u>St. Johns Landfill</u>	<u>CTRC (includes convenience charge)</u>
Commercial Vehicles	\$13.48	\$14.97
Public Vehicles		
Car	6.00	6.50
Truck	6.75	7.25
Extra Yards	3.00	3.25

Out of state surcharge: \$0.54 per ton

Regional transfer charge for commercial vehicles at any facility accepting waste from the region: \$1.47 per ton

NC:pp  
9/22/82

SOLID WASTE DEPARTMENT

1983 Disposal Rate Review Study

Services Committee (presentation)	Sept. 27
Services Committee (action item)	Oct. 12
Council (1st reading)	Oct. 28
Council (2nd reading)	Nov. 4