



Metro | Meeting minutes

Meeting: Solid Waste Alternatives Advisory Committee
Date/time: Wednesday, May 11, 2016; 10:00 a.m. to Noon
Place: Metro Council Chambers

The purpose of the Solid Waste Alternatives Advisory Committee is to develop policy options that, if implemented, would serve the public interest by reducing the amount and toxicity of waste generated and disposed, or enhancing the effectiveness and sustainability of the system through which the region's solid waste is managed.

Attendees

Casey Camors, City of Milwaukie
Mike Leichner, Pride Disposal
Kathy Kaatz, City of Tualatin
Scott Keller, City of Beaverton
Theresa Koppang, Washington County
Keith Ristau, Far West Recycling
Amy Roth, Association of Oregon Recyclers
Alando Simpson, City of Roses Disposal & Recycling
Bruce Walker, City of Portland
Matt Korot, Metro

Absent

Audrey O'Brien, Oregon Dept. of Environmental Quality
Amy Pepper, City of Troutdale

Presenters:

Tim Collier, Metro
Dan Pitzler, CH2M
Bruce Walker, City of Portland BPS

1. CALL TO ORDER AND DECLARATION OF A QUORUM

Chair Matt Korot called the meeting to order and declared a quorum.

2. COMMENTS FROM THE CHAIR AND SWAAC MEMBERS

Chair Korot notified members that work is continuing on SWAAC membership for the next term. Staff will provide Metro Council President Hughes with the list of applicants. He will then decide who to appoint, after which Chair Korot will notify all applicants. Confirmation of the new members by the full Council had originally been scheduled to for May 26, 2016, but it will likely be later. Chair Korot will notify everyone of the new date and his hope is that the new membership will be in place for the July 2016 meeting.

3. CONSIDERATION OF SWAAC MINUTES FOR APRIL 13, 2016

The minutes of the April 13, 2016 SWAAC meeting were approved.

4. SOLID WASTE ROADMAP: TRANSFER SYSTEM CONFIGURATION PROJECT

Tim Collier of Metro and Dan Pitzler of CH2M presented recommendations from the Transfer System Configuration Project, in order to solicit feedback from the committee. Mr. Collier brought the committee up-to-date on Council input and next steps, and Mr. Pitzler reviewed comments from yesterday's Task Force meeting.

Mr. Collier reminded committee members that there was a task force meeting on February 17, 2016 and on February 25 SWAAC members provided input that was incorporated into staff's discussion with Council at a work session on March 1. or SWAAC review today. Members will once again be asked for feedback after reviewing the presentation today. Next steps will include a meeting with the Solid Waste Directors at the end of the month, and then recommendations and various inputs will be put into a draft resolution to be brought before Council on June 21, 2016, with formal adoption of the resolution likely in July.

The Council gave general support for the existing system and for self-haul and household hazardous waste recommendations. The Council is interested in finding ways to enhance the public benefits in seven elements of the system:

1. Tonnage allocation based on percentage
2. Improved tonnage allocation process
3. Flexibility to pursue new services / technology
4. Small business opportunities
5. Promote efficient off-route travel
6. Improve cost transparency at public stations
7. Rate transparency at private stations

The attached presentation, (exactly the same as was presented to the task force on May 10, 2016) outlines these seven elements for enhanced public benefits with detail provided for each element. (Attachment A)

Clarification from SWAAC members on details of the seven elements included a comment from Mr. Simpson (also a task force member) regarding the proposal in Element 4 that no single firm can transfer more than 40% of the waste in the region. He noted that this represents 40% of the total waste, not a portion of the 60% waste going to private facilities. Mr. Collier concurred.

Ms. Koppang asked what was meant by sub-regional growth in relation to Element 5: *Promote efficient off-route travel*. Mr. Collier responded that this would mean growth in a particular portion of the region that may be generating more waste at that point than overall.

Mr. Collier noted that a lively discussion ensued during the task force meeting during the discussion of Element 7: *Three options for rate transparency at private stations*. He explained that after implementing one or more options to improve transparency, if private tip fees

appear to be substantially higher than costs, Metro will develop guidelines to implement rate regulation.

Lastly, Mr. Collier identified other methods of providing public benefits, namely, no loads would be direct hauled to a disposal facility more than 40 miles from the Metro region boundary, to encourage GHG reduction and greater efficiency.

Mr. Pitzler then summarized comments relevant to the specific polices suggested at the task force meeting of May 10, 2016. There were several comments in relation to the 95% threshold of percentage tonnage allocations, and whether there was flexibility around that, noting that the system is very dynamic. For example, it was asked how the threshold would be counted if there was construction at a station that required diversion or an emergency of some sort. Another question arose regarding an average annual calculation taking into account variances between concurrent years, with one above the threshold and one below, for example.

There was also a comment on the percentage tonnage allocations regarding the necessity of letter from local governments, and concern over the amount of time that it would take to evaluate forecasts, and so forth. Some wondered if there would be a way to make the process timelier. There were also questions around advanced material recovery, for which a timeline has yet to be determined.

Regarding improving cost transparency at public stations, there were questions about details in the background costs for some of the materials used to generate the cost table, and assumptions that were made when those costs were calculated.

In regard to rate transparency at private stations, there were concerns raised about how costs would be evaluated. There are many judgments and allocation decisions to be made, and there was concern expressed regarding the methodology that would be used. There is concern about Metro regulating rates while a competitor in the system. Some questioned Metro's need to be involved since local governments already analyze rates at private transfer stations.

A few task force members recommended striking options 2 & 3 of Element 7. There was some feeling that transparency may not be worth the administrative costs. Finally, there was conversation regarding whether forty miles represented the right distance, and whether these would be wet waste or dry waste trucks. The response from Metro was that this generally refers to wet waste materials. Mr. Walker asked for clarification on the forty mile distance, if that is forty miles from the Metro region boundary, which Mr. Pitzler affirmed. Mr. Pitzler and Mr. Collier then asked for comments from the two task force members who are also members of SWAAC, Mr. Leichner and Mr. Simpson.

Mr. Leichner commented that there needs to be flexibility on the 95% cap, if a transfer station cannot take tonnage because of some modification or perhaps a fire. He suggested a two year average that would take into account various factors. As far as setting rates, there was considerable discussion regarding judgment calls made when Metro sets the rates. Mr. Leichner feels that there needs to be a check on that. He also noted that part of the reason for the 40% minimum is to spread their costs out economically and have a good benchmark for rates.

Mr. Simpson noted that there were questions about the forty mile distance when the task force was closing in on the conversation regarding GHG reduction, as we may not have fully assessed what is within that forty mile boundary. There was concern about losing customers because folks could potentially be hauling directly to Covanta, for example, under the impression that they are going to meet some zero waste business model. There is a need to figure out the most logical, feasible, sustainable approach with the distance traveled to the most geographically beneficial facility.

Ms. Koppang clarified that the forty mile distance referred to a disposal facility, such as Covanta or Riverbend and not a transfer facility. She inquired about other disposal facilities that may be a destination for direct haul. Mr. Roy Brower of Metro offered that Wasco County Landfill and Cowlitz Co. Landfill in Longview are both within proximity. Mr. Pitzler also referenced a concern regarding a hauler who may decide for some reason that they do not want to use a particular facility, and decides to direct haul to a landfill, and whether Metro would support that.

Chair Korot then asked for comments from SWAAC members.

Ms. Koppang offered that it was stated previously that local governments have already examined new transfer station rates; she noted that Washington Co. does not do that, they use Metro rates as a benchmark. Mr. Leichner responded that the intent of the comment was to say that when jurisdictions review disposal reports, an *X* amount of dollars is used to find the rate, and then the per ton rate will be compared to Metro's rate as a benchmark. Ms. Koppang stated that in the past there has been a correction for that difference.

Mr. Korot asked if Ms. Koppang had a preference of the three given options to Element 7 regarding rate transparency. Ms. Koppang replied that it would be ideal to have rate transparency, to know more about what goes into rates, and have greater confidence in them. Mr. Leichner responded given that each station has different costs, the question remains how to evaluate a fair return investment or to set a rate of return so it is fair to both sides. There is concern that there are details missing. Mr. Collier stated that his feeling is in theory, stations that found a way to be more efficient could be punished. If they were to find more efficiency within a rate similar to Metro's, there may be little incentive to do better.

Ms. Camors commented that when rate analysis is done with haulers in Milwaukie, they go through all the financial reports and apply an 8-12% return on investment (per code); she questions if it is worth the investment in time to do that, or to go with option one or two, which is more of an estimate. Mr. Collier noted that this same concern was brought up in the task force meeting, asking if 'the juice was worth the squeeze'. Mr. Korot noted that the rate makers, (Ms. Camors, Ms. Koppang, Ms. Katz and Mr. Walker), are the ones to answer that question. Metro is acknowledging that there must be proportional value to the local governments. Ms. Camors queried if there was any estimate on the time it would take to go through this process. Mr. Collier answered that there has been no detailed analysis at this point, but it could be done for option three.

Mr. Leichner commented that with Metro setting rates and also competing for tonnage, it makes for a tough argument. Mr. Walker asked if the three options indicate Metro will establish a rate, or if it is informational and there is an estimate for financial review. Mr. Collier replied that options one through three are essentially informational; the fourth option may be rate regulation. Mr. Leichner wondered what the number perceived as "too high" would be, when public entities would then have to look at regulating or implementing

rates. He questioned the margin, and stated it would be difficult to justify making an investment in the business and then having to decide it cannot be done because rates were regulated. Mr. Leichner feels there are many questions.

Ms. Camors clarified that the rate regulation would only come into play if there were major questions about the rate that is set. Mr. Collier agreed that there has been no clarification of what would trigger rate setting. There would be a process of going through each of the other options without getting the desired results, which would then trigger going to the fourth option, if necessary.

Mr. Simpson gave an example of an entity such as Home Forward, which hauls its own waste, who may enter into an agreement with a private transfer station. If they see value in the relationship between that private entity and the non-profit, opening that up to regulation could be very sensitive or even hostile. The consensus of the task force yesterday was to find the highest, best and safest approach at this point. Mr. Korot asked what would make the relationship more hostile between government entities and private collectors. Mr. Simpson replied that essentially forcing oversight on private businesses making their own capital investments would make the relationship more hostile. He noted the different tax advantages, margins and challenges for each type and size of business.

Ms. Koppang commented that reasonable costs are allowed for in rate setting; the goal is to ensure costs are not arbitrary or capricious. To the extent she can assuage concerns, most of the costs are allowed in collection rate, allow as long as they are reasonable. There is a way to account for variability; there is already an enormous amount of variability in the five companies operating now. Mr. Leichner responded that with four private facilities and two public facilities, there could be rate differences because the tonnage is lower or they lack the right number of customer accounts, with rate setting it could result in essentially dictating where the tonnage goes. Now, everyone is competing for tonnage at the same basic rate, and that has been the benchmark forever.

Mr. Walker stated that he tends to agree that transparency would be helpful. His view is at this point we need to take it to a higher level. He sees it playing out not in relation to the Metro rate, but instead used an example where transparency would be most helpful. He cited a hauler who owns his/her own stations and reports disposal \$25 higher per ton at their facility, where disposal costs may be being over-reported to pad expenses. Mr. Leichner replied that is a good fear to have. Looking at dump fees on the annual report and the per ton rate, the higher rate could be questioned and disallowed. Mr. Walker opined that what would bolster this estimate is some independent analysis of the rates origin. Were substantial investments made or is it a shell game, trying to get greater profitability. Mr. Leichner countered that given the final say of allowing a facility to pass on the extra charge or not, the facilities would have to beat the current rate or the collectors would just go back to the transfer station.

Mr. Walker stated that he does not see the current rate-making process as hugely problematic. Mr. Simpson noted that the real question may be whether there is there an issue with the current rate-making process that municipalities have to entertain. If there are no concerns, because there are parameters such as a benchmark and open book capability, we can be pragmatic. If it is not broken, keep working it. Mr. Simpson clarified for Ms. Koppang that "open book" refers to access to rate reviews from collection, not transfer stations.

Mr. Walker reiterated that under review, if rate makers were able to identify a rate that was out of line there is still no regulatory authority or insight into what is driving the higher rate. Mr. Simpson inquired as to whether haulers complain about margins. Ms. Koppang noted that interestingly, that issue has arisen with the potential Metro Council resolution to prohibit Washington County waste from going to the Riverbend landfill. Metro's analysis that the waste could go to Arlington put it way out of whack with the other transfer station. In order to present all the variables to the decision-makers more transparency would be welcome. Ms. Roth noted that with mandatory minimum wage-rate increases looming, the impact on transfer rates should be under consideration; she wondered if that was being factored in, and if there might be some emergency consideration in this instance. Mr. Collier stated that Metro would be susceptible to the same issue, so in theory, a minimum wage-increase would be factored in.

Mr. Walker commented that in his recollection, Element 8 was not discussed at the previous SWAAC update. The benefit of a transfer station is to consolidate waste for transfer and get trucks back on route quickly, and it seems there is general agreement that the regions private/public system is working very well. He questioned why direct haul is under consideration for route trucks, and why it would be beneficial for the region. Mr. Collier agreed that it would not be beneficial for the region, the goal of this element is to limit direct haul as opposed to driving a long distance with route trucks. It is not a major issue at this point, but is a potential concern for some regulators. Mr. Simpson added that is only the wet waste rate under consideration.

Mr. Walker questioned why any waste would be transported out of the region. Why not use the facilities here and the transfer trailers that are going to appropriate locations? Ms. Koppang replied that there are some businesses in Washington Co. outside the Metro boundary that are direct hauling; Mr. Walker pointed out that these businesses are hauling materials collected outside the region. He stated that some businesses want to incinerate their waste, but he wondered if there is a less GHG generating way of getting material there. He advocates for using the facilities in place for their designed purpose.

Mr. Korot asked for further comments from members; there were none.

Mr. Collier informed the committee that the next step is to go before local governments solid waste directors before the end of the month. Both the task force and the SWAAC members will be informed of what will be presented to Council at the June 21, 2016 meeting.

5. UPDATE ON SWAAC SUBCOMMITTEE ON MATERIAL RECOVERY AND CONVERSION TECHNOLOGY FACILITY REGULATORY CHANGES

Bruce Walker provided an update for SWAAC members on the work of the subcommittee on material recovery and conversion technology facility regulatory changes.

Mr. Walker spoke of the very real challenges with how best to provide the appropriate level of oversight or regulation, or to decide that things are working well. In the broadest terms he can outline what some of the steps might be. Regulating facilities might mean franchise, permit or license. Some feel regulation is a reasonable step for handling source-separated material, while others doesn't see the need for regulation. The other end of the spectrum is that perhaps there is no need for regulation. Mr. Walker choose to use the word 'oversight' as a middle ground for some of the steps that could be taken or for Metro to provide information to local governments, but also to broader citizen

representatives and environmental groups who have questions regarding how materials are handled. There has been a very vibrant discussion, with another meeting planned next week. The goal is to work through the words and/or steps that will lead the committee to some agreement, and bring that recommendation to SWAAC and ultimately to Council on the appropriate action to take.

Mr. Walker also spoke to the question of the Metro code definition of recyclables and solid waste, with further clarification from Mr. Shane Abma that Metro's code is broader than State law. This will inform the decision-making process on single-source recycling. Mr. Walker added that Mr. Korot gave a brief history of other elements including DEQ, the State of Washington, and the regional EPA, regarding standards set for MRF's since 2008. He explained that part of reason for the differences between standards in Washington and Oregon is single-stream recycling. Metro ultimately chose to hire a consultant to look at performance of MRF's in the region. Mr. Korot explained that Metro was not looking to establish performance standards, but instead to provide some framework based on the ongoing discussion to move forward with oversight or regulation or to continue with the status quo.

Mr. Walker continued, noting the fair amount of information reviewed by the various members of the subcommittee, with each taking a different view. In the last meeting the subcommittee began honing in on key discussion points, and Mr. Walker hopes the next meeting will provide more framework, so he may report back to SWAAC with more definitive work.

Mr. Korot asked for comments from the committee. Mr. Blue stated that the agenda for the next meeting will go out next week.

6. CITIZEN COMMUNICATION TO SWAAC AGENDA ITEMS

There were no citizen comments.

7. PREVIEW OF THE NEXT MEETING'S AGENDA AND FINAL COMMENTS

The SWAAC meeting scheduled for June 8, 2016, conflicts with the Association of Oregon Recyclers conference which many members will be attending. The June meeting has been cancelled.

The next SWAAC meeting will be July 13, 2016, 10:00 am to 12:00 p.m., in Council Chambers. A complete agenda will be sent to members and posted on the website in advance of the meeting.

Meeting adjourned at 11:07 a.m.