

COUNCIL SOLID WASTE COMMITTEE WORK SESSION

June 23, 1987
3:00 p.m. - Council Chamber

Council Members Present: Councilors Sharron Kelley, Jim Gardner, Gary Hansen, Tom DeJardin, David Knowles, Larry Cooper, George Van Bergen, Corky Kirkpatrick

Others Present: Rena Cusma, Dave Phillips

Staff Present: Ray Barker, Don Carlson, Dick Engstrom, Vicki Rocker, Tor Lyshaug, Chuck Stoudt, Ray Phelps, Debbie Allmeyer, Rob Smoot, Judith Mandt, Becky Crockett, Jon Allred, Rich McConaghy

Metro Consultants Present: Bob Zier, Ed Einowski, Rebecca Marshall, George Graham, Paul Atanasio

The meeting was called to order at 3:10 p.m. by Councilor Sharron Kelley, acting as Council Chairperson until Councilor Gardner's arrival.

Review Committee Chairman Dave Phillips gave a short presentation concerning the information the Committee had been studying and made a recommendation to the Council that rather than picking a single solution to the disposal of solid waste in the Tri-County area, two types of technologies be utilized. The first facility would be a 350,000 tonnage mass-burner located at the site in St. Helens. The other part of the system would be a 160,000 ton per year compost facility. These tonnages are different from what is listed in the RFP. The reason for the difference is that the Committee is recommending a size for optimal value of the composting system and burner.

The Committee gave serious consideration to the RDF proposal, but felt it did not have as proven a track record as the mass incineration option. Since they were already recommending a somewhat experimental system, that of composting, they felt the incineration portion of the disposal system needed to be the most reliable Metro could get.

They are also recommending two proposers for MOU negotiations. The two are Fluor and Ogden/Martin. The Committee felt that by having two vendors present, Metro stood a better chance of getting a better deal in negotiations.

The Committee recommended the St. Helens site because there is support at the Port of St. Helens for the burner, it puts aside a great many delays and is out of the attainment area so Metro will not have to buy offsets of air quality standards.

The bottom line is that the Committee does have faith in Resource Recovery. When the projects are looked at over a 20 year life cycle systems cost they are under the 20% set by the Council.

Councilor Kelley thanked the Review Committee for their outstanding work.

Councilor Knowles reiterated Councilor Kelley's comments of thanks to the Committee. He asked why the Committee switched from the RDF system to the mass burner system and whether both companies recommend a similar tipping fee which Ogden/Martin might change if they went to St. Helens. Mr. Phillips answered that the main reason the RDF was dropped was that it had some problems such as the single line and it was a technology that has not been greatly used in the United States. He felt the tipping fee might be changed by Ogden/Martin in St. Helens.

Councilor Knowles stated he had spoken with St. Helens and felt they had a good relationship with the Fluor Company and might be more willing to work with them. Mr. Phillips answered that Fluor did have a good relationship there, but that St. Helens was not totally married to Fluor.

Councilor Kelley questioned whether the people of St. Helens would be allowed to use the incinerator. She stated that in her contacts in Columbia County, some residents were worried as to what they would be doing with their own garbage.

Mr. Phillips answered that St. Helens definitely would be allowed to use the burner. The tonnage from that area is small in relation to the overall project size and it is part of Columbia County's motivation for allowing the burner in their county.

2. Executive Officer's Recommendation

Ms. Rena Cusma referred to her written recommendation and stated that she had come to very similar questions and conclusions as the Review

Committee. She stated that she felt cost savings had to begin somewhere and negotiating with only two technologies rather than three was a good starting place for those savings.

Councilor Knowles questioned why two technologies were considered. Ms. Cusma answered that she felt composting alone was too risky and unproven a technology. She stated that since composting was a popular solution and had great possibilities, she felt very comfortable using it as a second method of disposal, but that the region had to handle a million tons of garbage a year and a system was needed that had been proven workable as the primary technology in use.

2. Update on Final Evaluation Report and Staff Recommendation.

Bob Zier, Senior Project Manager, from Gershman, Brickner & Bratton explained that due to some changes in information, Schnitzer/Ogden was now rated marginally higher than Fluor, rather than Fluor being marginally higher than Schnitzer/Ogden. All the vendors are guaranteeing to process 350,000 tons of Metro waste a year. The Combustion Engineering process will have bigger swings in down time because they will occasionally be down completely for maintenance, while the other processes will occasionally be down 50%. He explained the changes made in the FER by GBB, almost all of which were in the economic forecast.

The question of property taxes on each of the proposed sites had been looked at twice because the amounts quoted in the first draft looked impossible. Because of the various jurisdictions involved, the figures are correct. Another issue had to do with the possibility that offsets for hydrocarbons might be required at St. Helens. In the opinion of the environmental lawyer consulted, the offsets were comparable at all sites.

They were asked to look at a \$3.5 million amount in the sources and uses in the Schnitzer/Ogden proposal. It was for site acquisition, development costs, and other capitalized costs. These items had already been covered in the previous analysis.

Another item they were asked to reevaluate was the possibility that the time needed to obtain permits might be longer for the Schnitzer/Ogden than the St. Helens site. They found no legal reasons to cause such delays, though a political decision might conceivably cost more time.

3. Discussion of Private vs. Public Ownership.

Paul Atanasio of Salomon Brothers, Ed Einowski, Rebecca Marshall, George Graham and Bob Zier were members of a panel discussion.

Bob Zier stated that three different items are involved in making the decision: 1) public policy, 2) economics, and 3) the business risk arrangement.

The first question of public policy involves a philosophical standpoint, and whether the Council feels a private company should be the owner of what may be perceived to be a traditional municipal function. This is simply an issue for the Council to decide.

On the business risk arrangement, all risk factors would be the same whether the facilities are owned by Metro or by the companies involved. Each company has guaranteed damage provisions, etc. equal to all requirements of Metro.

A precise answer is much more difficult to find on the third item, economics. Basically, what was studied was whether it is more cost-effective for Metro to own the plant or for the company to own the plant. If you have the company retain ownership, the residual value of the plant after the 20 year period would fall to the company, not to Metro. At that point, Metro would have three options: 1) to purchase, 2) to renegotiate, or 3) to walk away. The question becomes whether the residual value of that plant is offset by the economic benefits received by private ownership.

After doing a study on the various proposers, the final opinion of Paul Atanasio was that public ownership would be preferable in the case of Fluor, it would be less clear in the case of Combustion Engineering, and private ownership would be best for Schnitzer/Ogden.

Rebecca Marshall then discussed other aspects of economics that needed to be taken into consideration. She stated that there was a fallacy in the \$30 million model (using a factor of approximately 1/3 of the original cost as the residual value). The \$30 million will be received 20 years from now. At that time, inflation, cost of money and borrowing, and condition of the plant may all be drastically changed.

George Graham summed up the discussion by referring the Committee to the memo they received at the beginning of the meeting. He stated that it was very difficult in a close case to come to any kind of conclusion based on the economics. The analysis that can be done can go a long way to justify a decision that is made for reasons that are

Council Solid Waste Committee Work Session
June 23, 1987
Page 5

more difficult to grapple with. If we come down at the end of the MOU negotiations with close considerations, it is going to go away from the economic analysis and become a judgement on what the Council thinks is going to be happening in 20 years with respect to flow control, the amount of waste generated, competitive factors in the region and obsolescence.

Councilor Kirkpatrick asked if the consultants had done any analysis presuming the proposed options would be obsolete.

Paul Atanasio replied that if there was a belief that the facility would be obsolete, then private ownership would be the only feasible option, except for the Fluor proposal, which should not be private ownership in any event.

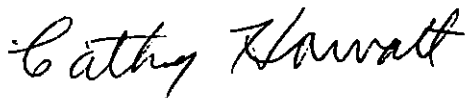
The meeting was adjourned for one-half hour from 5:00 to 5:30.

Councilor Gardner assumed the Chair duties after the recess.

Dave Luneke, Solid Waste Engineer, did a presentation giving further explanations of the Systems Cost Analysis. Nineteen systems were compared, landfill systems assuming Bacon Road would be the landfill, single resource recovery systems (incinerator and composting systems), combinations of incineration and composting facilities, composting facility only, and the Fluor system with barging costs substituted for trucking costs were all compared.

After discussion of Mr. Luneke's report, the meeting was adjourned at 6:35 p.m.

Respectfully submitted,



Cathy Howatt

A:JUNE23SWC.CAT