

## STAFF REPORT

### WASTE PREVENTION AND ENVIRONMENTAL SERVICES: PRIVATE RATE TRANSPARENCY

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**Date:** October 27, 2023

**Department:** WPES

**Meeting Date:** November 7, 2023

**Presenter(s) (if applicable):** Marta McGuire (she/her), Jenna Jones (she/her) and Holly Stirnkorb (she/her)

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**Length:** 30 minutes

## ISSUE STATEMENT

During the creation of the FY23-24 budget, Metro Council directed the Waste Prevention and Environmental Services department to provide ongoing technical education about fees and regional waste priorities to inform future Council direction on the annual WPES budget and regional waste fees.

During the last budget and fee setting process, cities and counties elevated the need to ensure that rates charged at private stations are reasonable, regionally consistent, and well understood. Local governments began expressing concern in 2010 as rates at private facilities began to exceed rates at public stations. Metro does not currently regulate rates at privately owned facilities but could exercise the authority to do so if Metro Council finds it to be in the public interest. At the October 26<sup>th</sup> Metro Council meeting, staff presented information on the work to date on rate transparency and requested guidance on moving to Step 3 in the Transfer System Configuration Policy adopted in 2016 that includes a cost-of-service study on rates at private transfer stations. This work session is a continuation of that discussion.

## ACTION REQUESTED

Staff request guidance on proceeding with formal consideration of a resolution to direct staff to conduct a cost-of-service study of the rates of private transfer stations that process putrescible waste ("wet waste" or typically garbage) in the Metro region to determine costs relative to rates charged. This informational session will also support Council conversations about FY24-25 budget and fee development, adopting a Systems Facilities Plan, and other policy actions.

## IDENTIFIED POLICY OUTCOMES

Currently, Metro has the authority to regulate rates within the region but does not exercise it. Private transfer station rates are directly tied to fees established by local governments for collection services for households and businesses. Conducting a cost-of-service study for wet waste rates will provide information for Council to inform further actions to advance 2030 Regional Waste Plan goals including:

Goal 14: Adopt rates for all services that are reasonable, responsive to user economic needs, regionally consistent and well understood.

Action 14.2: Implement transparent and consistent annual rate-setting processes for all facilities.

Action 14.3: Establish rates across the region that are consistent for like services.

## **POLICY OPTIONS FOR COUNCIL TO CONSIDER**

1. Direct staff to move forward with Step 3 of the Transfer System Configuration Policy, which includes conducting a fully detailed cost of service study at private waste transfer stations that includes formal approval of the attached draft resolution.
2. Direct staff to take no action.

## **STAFF RECOMMENDATION**

Staff recommends Metro Council move forward with Step 3 of the Transfer Station Configuration Study and consider formal approval of the attached resolution.

## **STRATEGIC CONTEXT**

### *Inconsistency of Regional Rates at Private Transfer Stations*

Inconsistent rates that are not well understood impact the equity of the garbage and recycling system. Local governments are concerned that the rates for wet waste charged by private transfer stations are too high and these rates, which are passed onto residential and commercial customers through collection and other service rates, have resulted in increased costs to customers that are not representative of the cost of service. Additionally, inconsistent rates may have a larger impact on communities with low income. As of 2023, three of the four private transfer stations that charge more than Metro's fees serve communities with some of the highest percentages of people with low incomes. These communities are in western Washington County and east Multnomah County.

The steps that Metro has taken to improve wet waste rate transparency at private transfer stations have provided estimates, but actual detailed cost data is needed to understand rates charged by private transfer stations and determine if charges are reasonable based on cost of service. The voluntary incentives offered by the goals-based tonnage allocation program to advance rate affordability and consistency have not been effective in encouraging private transfer stations to set rates that are no more than Metro's garbage disposal fee. In the last two years for an average load size of 8 tons, rates ranged from slightly below Metro's fees to as much as 15% above Metro's fees.

Conducting cost-of-service studies and rate reviews of private service providers is a common practice. Oregon Department of Environmental Quality recently completed a cost-of-service study to inform fee development for privately owned material recovery facilities. All local governments in the Metro region conduct rate reviews for garbage hauling services and most companies that own private transfer stations participate in these rate reviews.

### *If Council Choose to Proceed Towards a Rate Review*

If Council wishes to continue toward a cost-of-service study, Metro staff would convene industry, local government, and community with an independent third-party expert to develop a data gathering and cost calculation process. The information would be used to evaluate the cost of service and determine the aggregated cost per ton for wet waste transfer at privately owned transfer stations in the region. The data gathering process will include surveys and interviews, site visits, and review of financial information. Confidentiality and data security procedures will be developed to protect the confidentiality of participant's business data.

The project would include input from industry, government, and community to inform the development of the cost-of-service study. Stakeholders' input will also inform decisions with other related projects including the System Facilities Plan, Tonnage Allocation Program, and Recycling Modernization Act rulemaking. The Regional Waste Advisory Committee would be informed about the study design and resulting aggregated cost-per-ton for wet waste transfer by private transfer stations.

## BACKGROUND

In July 2016, to improve overall system function, the Metro Council adopted the Transfer System Configuration Policy and directed the Chief Operating Officer to proceed with its implementation (Resolution 16-4716). The resolution set direction for several policies related to improving the region's garbage and recycling system to better serve the public's interest including an approach to improve transparency of rates charged by both publicly and privately owned transfer stations and a policy to allocate wet waste tonnage on a percentage basis to ensure flow to public transfer stations.

The approach to improve transparency of rates is a three-step process as follows:

- **Step 1:** Estimate the costs of public stations and publish these costs to provide a clear benchmark for local governments in their rate setting process.
- **Step 2:** Conduct a high-level cost study of private wet waste transfer station costs to estimate various components (transfer, transport, disposal) of each station's tip fee. **This did not allow Metro access to an operator's comprehensive financial records at a detailed level.**
- **Step 3:** Conduct a full detailed rate review for wet waste streams at private waste transfer stations, including a detailed review of financial records, to determine costs relative to rates charged.

Metro has accomplished both step 1 and step 2. In 2017, it released cost estimates for private stations and in 2019 Metro completed a cost study of private wet waste transfer costs based on estimates of various components of each station's rate (Step 2 of the Transfer System Configuration Policy to improve rate transparency). Metro staff went to Council in 2019 to seek direction to move to Step 3 (a full rate review of actual costs rather than estimates) because the study based on estimates did not provide sufficient information.

In 2016, staff designed a transparent method to allocate a percentage of the region's wet waste tons to private transfer stations in recognition of the value those stations provide in terms of geographic distribution of services. Following the adoption of the Regional Waste Plan in 2019, Council directed staff to incentivize progress toward achieving five Regional Waste Plan goals through goals-based wet waste tonnage allocations. With this approach transfer stations receive an annual base tonnage allocation and, if they apply for and meet criteria for goals-based tonnage, they receive additional tonnage. One of the five Regional Waste Plan goals is Goal 14 which advances the adoption of rates that are reasonable, regionally consistent, and well understood. The incentive is designed to encourage private transfer stations to advance rate affordability and consistency by charging rates that were no more than Metro's garbage disposal fee.

The voluntary incentives offered by the goals-based tonnage allocation program have not been successful in incentivizing private transfer stations to charge rates that are no more than Metro's garbage disposal fee. In 2022 and 2023, several private transfer stations opted not to meet Metro's

rate and as a result opted not to receive the additional tonnage allocations. In 2022 three transfer stations opted out and this year four transfer stations opted out. As a result, rates currently charged are not regionally consistent. In 2022 rates ranged from slightly below Metro's fees to as much as 15% above Metro's fees for an average load size of 8 tons. This year (2023), rates charged range from slightly below Metro's fees to as much as 6% above Metro's fees.

Key parties with a high level of interest include local governments around the region, both persons and companies in the solid waste and recycling field, both individually and through the Oregon Refuse and Recycling Association (ORRA), and owner/operators of the 6 privately owned transfer stations in our region.

## **ATTACHMENTS**

N/A

[For work session:]

- Is legislation required for Council action? " Yes   X No
- If yes, is draft legislation attached? " Yes   X No
- What other materials are you presenting today? Legislative issue sheets