



March 23, 2017

600 NE Grand Ave.
Portland, OR 97232-2736
oregonmetro.gov

Dear Local Governments:

This letter, and the accompanying attachments, represent the first of potentially several actions to enhance the transparency of public and private solid waste tip fees and costs at transfer stations that accept waste generated from within the Metro region.

In July 2016, to improve overall system function, Metro Council adopted the Transfer System Configuration Policy and directed the Chief Operating Officer to proceed with its implementation (Resolution 16-4716). The resolution included a number of new policies related to the public-private system of transfer stations that serve the citizens of the Metro region. One of those policies seeks to improve rate transparency at all transfer stations. This new policy lays out a progressive set of options that Metro may take to provide local governments with better information for informing their solid waste collection rate setting. Additional options may be triggered based on the feedback and response to Metro from the local governments. The options identified in the resolution's staff report are listed below. These options may be triggered in sequence or together as needed:

- Option 1: Estimate the costs of service offered at the public stations, by waste stream. Publish these unit costs to provide a clear, cost-based benchmark for local governments' reference in rate setting.
- Option 2: Option 1 may not yield sufficient transparency and adequate information to understand the relationship between rates charged and costs. If Option 1 is determined to be inadequate, Metro will conduct an assessment of private wet waste transfer station costs to estimate the various components (*e.g.*, transfer, transport, and disposal) of each station's tip fee. To estimate these components, Metro may make site visits to observe typical operating practices and interview key operations staff, but will not typically access an operator's comprehensive financial records at a detailed level.
- Option 3: If Option 1 and 2 do not yield sufficient transparency and adequate information to understand the relationship between rates charged and costs, Metro will conduct a full detailed rate review at private waste transfer stations, including a detailed review of financial records, to determine costs relative to rates charged. Metro may employ an expert third party contractor to conduct such a review.

After implementing one or more options to improve transparency and provide useful information to local governments, if private tip fees appear to be substantially higher than costs can justify, staff may propose to the Metro Council guidelines to implement rate regulation. Metro has broad legal authority over solid waste, including authority to set rates¹ at private facilities.

¹ ORS 268.317(5) and Metro's Home Rule Charter authority.

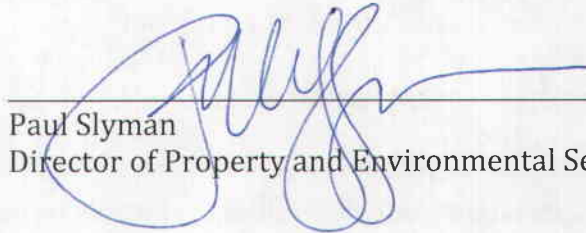
The attached two tables represent Metro's estimate of its own costs of providing various specific services at Metro Central and Metro South transfer stations. Table 1 represents the unit costs for FY16-17 and Table 2 for FY17-18. This breakdown of costs is approximate because a number of assumptions were required to allocate Metro's indirect costs to the appropriate services. At the bottom of each table you will see the per ton tip fee, either the adopted, for FY 16-17, or the proposed for FY17-18. Metro uses a particular waste stream's cost to help establish the tip fee, however this may be adjusted to support or encourage certain Council policy or recovery goals. For example, the commercial organic (food waste) tip fee is less than its estimated unit cost to encourage participation in commercial organic recycling. The Metro rates for FY17-18 are scheduled to go to Council for first reading and public hearing on March 16 and for a vote on March 23.

We hope that you find this information a helpful guide when considering allowable costs for your haulers during rate setting but realize it may have limited use for local haulers that do not use Metro facilities. Metro recognizes that costs vary among the regional facilities, depending on services offered, hours of operation, staffing, throughput, and other factors. Metro welcomes your feedback on whether or not this step toward rate transparency results in rates "sufficiently transparent to allow regulators to judge whether such charges are fair, acceptable, and reasonably related to the costs of services received," as specified in the Regional Solid Waste Management Plan. Metro Council will determine if further options are necessary, based upon feedback from your jurisdiction.

Sincerely,



Tim Collier
Director of Finance
KS/TC/PS:bjl
Attachments



Paul Slyman
Director of Property and Environmental Services

Estimated Unit Costs at Metro Transfer Stations*
Based On FY17-18 Tonnage Forecast and Contract Pricing

Description	Wet Mixed Solid Waste	Dry Mixed Solid Waste **	MSW Blended Rate	Clean Wood	Yard Debris	Residential Organics	Commercial Organics
Tons:	353,127	191,930	545,056	1,503	13,225	55,187	16,200
Transaction Fee (Per Load)							
Staffed Scalehouse Equivalent	\$ 10.44	\$ 10.44	\$ 10.44	\$ 10.44	\$ 10.44	\$ 10.44	\$ 10.44
Automated Scalehouse Equivalent	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10
Tip Fee							
Tip Fee Components:							
Tonnage Charge Equivalent	\$ 57.85	\$ 73.03	\$ 63.20	\$ 65.21	\$ 48.69	\$ 65.67	\$ 71.63
<i>Covers the cost of Metro's disposal and recovery operations.</i>							
Tonnage Charge Components (Per Ton):							
Fuels - Waste Transport	\$4.48	\$4.25	\$4.40	\$0.00	\$0.00	\$0.00	\$0.00
Disposal Fees - Landfill	\$17.66	\$16.75	\$17.34	\$0.00	\$0.00	\$0.00	\$0.00
Waste Transport	\$19.34	\$18.34	\$18.99	\$0.00	\$0.00	\$0.00	\$0.00
Transfer Station Operations	\$9.69	\$25.75	\$15.34	\$61.61	\$45.83	\$7.36	\$10.08
Organics Processing Fees	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$54.59	\$57.66
General & Administrative Cost	\$6.69	\$7.95	\$7.13	\$3.60	\$2.86	\$3.72	\$3.89
Fees and Taxes							
<i>Add-on and pass-through charges.</i>							
Regional System Fee	\$ 18.12	\$ 18.12	\$ 18.12	\$ -	\$ -	\$ -	\$ -
<i>Covers costs of regional solid waste programs and services.</i>							
Metro Excise Tax	\$ 10.81	\$ 10.81	\$ 10.81	\$ -	\$ -	\$ -	\$ -
<i>Contributes toward Metro general government revenue.</i>							
DEQ Fees	\$ 1.82	\$ 1.82	\$ 1.82	\$ -	\$ -	\$ -	\$ -
<i>Fees collected on behalf of DEQ.</i>							
Enhancement Fee	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
<i>Fee collected on behalf of host communities.</i>							
Total Tip Fee (Per Ton):	\$ 89.60	\$ 104.78	\$ 94.95	\$ 66.21	\$ 49.69	\$ 66.67	\$ 72.63
Proposed Tip Fee (Per Ton):							
	\$ 94.95	\$ 49.69	\$ 49.69	\$ 66.67	\$ 66.23	\$ 66.67	\$ 66.23
Proposed Transaction Fee (Per Staffed Load):	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
Proposed Transaction Fee (Per Auto Load):	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00

Explanation and Notes on the Table

Disposal Charges: Per Metro Code 5.02.040 Metro charges the same tip fee for loads of mixed waste, whether wet or dry, at both Metro transfer stations.

Adopted Tip Fee: Metro uses a particular waste stream's cost to help establish the tip fee, however this may be adjusted to support or encourage certain Council policy or recovery goals.

Transaction Fees: Users of staffed scales pay the higher fee; users of automated scales pay the lower fee.

Disposal and recovery operations: Include transfer station operations, recovery, oversight, management, maintenance, and capital costs; and the cost of transport, organics processing, and waste disposal.

Regional programs and services: Revenue from the Regional System Fee is dedicated to Metro's regional solid waste programs and services: household hazardous waste, latex paint recovery, waste reduction planning and programs (including waste reduction education), St. Johns Landfill post-closure activities, solid waste facility regulation, and illegal dumpsite monitoring and cleanup. The Regional System Fee is charged on solid waste generated in the region and ultimately disposed. The fee is collected at all landfills and waste-to-energy serving the region, and the Metro stations. Revenue from this fee does not cover any of Metro's direct costs for disposal, transport, and processing operations.

Metro general government. The excise tax is a source of revenue for Metro's general government activities including the Metro Council. Excise taxes are levied on Metro's enterprise activities (including the Oregon Convention Center, Expo, Metro parks, and other activities), and solid waste disposal. As with the Regional System Fee, the solid waste excise tax is charged on solid waste generated in the region and ultimately disposed. It is collected at the same disposal sites as the Regional System Fee.

* The breakdown of cost is approximate because a number of assumptions are required to allocate Metro's indirect costs to the appropriate services.

** Dry Mixed tip fee equivalent includes the costs for handling commercial and self-haul customers.

Estimated Unit Costs at Metro Transfer Stations*
Based On FY16-17 Tonnage Forecast and Contract Pricing

Description	Wet Mixed Solid Waste		Dry Mixed Solid Waste **		MSW Blended Rate		Clean Wood	Yard Debris		Residential Organics		Commercial Organics		
Tons:	329,513		184,446		513,959		1,358	14,065		54,091		15,564		
Transaction Fee (Per Load)														
Staffed Scalehouse Equivalent	\$	10.31	\$	10.31	\$	10.31	\$	10.31	\$	10.31	\$	10.31	\$	10.31
Automated Scalehouse Equivalent	\$	2.02	\$	2.02	\$	2.02	\$	2.02	\$	2.02	\$	2.02	\$	2.02
Tip Fee														
Tip Fee Components:														
Tonnage Charge Equivalent	\$	57.87	\$	72.66	\$	63.18	\$	65.51	\$	47.79	\$	63.62	\$	69.85
Covers the cost of Metro's disposal and recovery operations.														
Tonnage Charge Components (Per Ton):														
Fuels - Waste Transport		\$5.50		\$5.20		\$5.39		\$0.00		\$0.00		\$0.00		\$0.00
Disposal Fees - Landfill		\$18.20		\$17.18		\$17.83		\$0.00		\$0.00		\$0.00		\$0.00
Waste Transport		\$18.72		\$17.68		\$18.35		\$0.00		\$0.00		\$0.00		\$0.00
Transfer Station Operations		\$10.46		\$26.43		\$16.19		\$62.29		\$45.25		\$7.43		\$10.28
Organics Processing Fees		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$53.05		\$56.18
General & Administrative Cost		\$4.99		\$6.17		\$5.41		\$3.22		\$2.54		\$3.15		\$3.39
Fees and Taxes														
Add-on and pass-through charges.														
Regional System Fee	\$	18.49	\$	18.49	\$	18.49	\$	-	\$	-	\$	-	\$	-
Covers costs of regional solid waste programs and services.														
Metro Excise Tax	\$	11.76	\$	11.76	\$	11.76	\$	-	\$	-	\$	-	\$	-
Contributes toward Metro general government revenue.														
DEQ Fees	\$	1.82	\$	1.82	\$	1.82	\$	-	\$	-	\$	-	\$	-
Fees collected on behalf of DEQ.														
Enhancement Fee	\$	1.00	\$	1.00	\$	1.00	\$	1.00	\$	1.00	\$	1.00	\$	1.00
Fee collected on behalf of host communities.														
Total Tip Fee (Per Ton):	\$	90.94	\$	105.73	\$	96.24	\$	66.51	\$	48.79	\$	64.62	\$	70.85
Adopted Tip Fee (Per Ton): \$ 96.25 \$ 48.78 \$ 48.78 \$ 64.61 \$ 66.23														
Adopted Transaction Fee (Per Staffed Load): \$ 10.00 \$ 10.00 \$ 10.00 \$ 10.00 \$ 10.00														
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