

METRO COUNCIL

Work Session Worksheet

PRESENTATION DATE: May 30, 2017

LENGTH: 30 min.

PRESENTATION TITLE: Transfer Station Rate Transparency

DEPARTMENT: FRS and PES

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WORK SESSION PURPOSE & DESIRED OUTCOMES

- Purpose: Obtain direction from Metro Council on making private transfer station charges more transparent.
- Outcome: Common understanding of local government feedback on rate transparency work to date, and clear delineation of next steps.

TOPIC BACKGROUND & FRAMING THE WORK SESSION DISCUSSION

In July 2016, to improve overall transfer system function, Metro Council adopted the Transfer System Configuration Policy and directed the Chief Operation 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 Metro region. One of those policies addresses rate transparency at transfer stations both public and private. This new policy lays out a progressive set of steps that Metro will take to provide local governments with better information for their franchised area rate setting. The steps are as follows:

- Step 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.
- Step 2: Step 1 may not yield sufficient transparency and adequate information to understand the relationship between rates charged and costs. If Step 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 transfer 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.
- Step 3: If Steps 1 and 2 do not yield sufficient transparency and adequate information to understand the relationship between rates charged and costs, Metro will conduct full rate review at private waste transfer stations, including 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.

As a result of Metro Council's direction in Resolution 16-4716, staff conducted analysis to make Metro's own costs for waste handling services more transparent. In particular, Metro's long-standing policy to charge the same rate for wet waste or dry (construction-type) waste obscures what may be real differences in the prices that Metro pays its contractors to handle those types of waste. The goal of the analysis was to provide local government rate setters with rates "sufficiently transparent to allow regulators to judge whether such charges are fair, acceptable, and reasonably related to the costs of services received" as prescribed by the [2008 Regional Solid Waste Management Plan](#)

(Chapter 3, Section 12.0). Metro's cost experience may or may not reflect current "market" costs for services, since Metro's costs derive from contractual terms negotiated seven or more years ago and adjusted per negotiated inflators over that time.

Staff's analysis demonstrates an approximately \$15 per ton differential between Metro's cost of handling wet vs. dry waste last fiscal year (2016-17). In other words, Metro's cost to reload and dispose of a ton of wet waste delivered to Metro South or Central was about \$91 per ton, while the cost of sorting through a ton of dry waste, pulling out recyclables, and landfilling the residual cost Metro about \$106 per ton. Metro Code provides for one blended tip fee for both wet and dry waste accepted at Metro's transfer stations; hence, Metro recovers its total costs by charging the same rate for wet and dry tons.

Metro summarized these findings in a letter to all local government elected officials, city and county administrators, and solid waste and sustainability staff and asked if this provided sufficient transparency. Staff is aware of two letters received in response (to date) expressing appreciation for the added transparency of public rates, and encouragement to continue down a path to make private transfer station rates more transparent. Letters were received from Washington County and the City of Hillsboro (attached).

QUESTIONS FOR COUNCIL CONSIDERATION

1. Does Metro Council have any questions about rate transparency?
2. To what degree would Metro Council like staff to make private transfer station rates more transparent?

PACKET MATERIALS

- Would legislation be required for Council action ☐ Yes ☒ No
- If yes, is draft legislation attached? ☐ Yes ☐ No N/A
- What other materials are you presenting today?

Attachments:

1. Rate Transparency letter from Metro to local governments, dated March 23, 2017
2. Response letter from City of Hillsboro, dated March 31, 2017
3. Response letter from Washington County, dated April 25, 2017
4. A second response letter from City of Hillsboro, dated May 8, 2017