

# METRO COUNCIL

## Work Session Worksheet

**PRESENTATION DATE:** July 31, 2018

**LENGTH:** 15 minutes

**PRESENTATION TITLE:** Solid Waste Rate Transparency

**DEPARTMENT:** Finance and Regulatory Services

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### WORK SESSION PURPOSE AND 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 AND 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 Operating Officer to proceed with its implementation (Resolution no. 16-4716). The resolution included a number of new policies related to the public-private system of transfer stations that serve the greater Portland area. One of those policies seeks to highlight the costs that contribute to the rates at transfer stations, both public and private. This new policy lays out a progressive set of steps that Metro could take to provide local governments with better information that can inform their rate setting for their franchised garbage collection areas:

- Step 1: Estimate the costs of service offered at the public transfer 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 would conduct full rate review at private waste transfer stations, including detailed review of financial records, to determine costs relative to rates charged. An expert third-party contractor would likely be engaged to conduct such a review.

As a result of Metro Council's direction in Resolution no. 16-4716, staff conducted analysis to make Metro's own costs for waste handling services more transparent. That analysis was most recently updated last March in conjunction with the Metro Council's consideration of the 2018-19 per-ton rates at Metro's transfer stations. 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.

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 information and transparency. While Metro staff received letters expressing appreciation for the added transparency of public rates, several local government representatives felt that such an effort was insufficient in bringing greater understanding to the factors that influence the rates at private sector transfer stations.

At a work session on May 23, 2017, the Metro Council asked staff to wait on pursuing Step 2 until a full year's worth of local government solid waste rate reviews had taken place to better understand how the outcomes of Step 1 had affected local rate-setting. That annual rate review cycle is complete, and there is interest by local governments in Metro's further pursuit of greater transparency in how rates are established at private transfer stations. In order to better understand what goes into these rates, and in preparation for the next annual rate review cycle, staff is requesting the Metro Council's permission to begin proceeding with Step 2 of this effort.

To help illustrate and compare costs among private transfer stations, staff proposes using a template (included as Attachment A to this worksheet) and working with private transfer station operators to illustrate the factors that inform the per-ton rates charged at those stations.

The information obtained from Step 2 would be provided to the Metro Council and local government representatives. The reception by the Metro Council and local governments to this information would inform whether Metro staff would proceed to Step 3.

## **QUESTIONS FOR COUNCIL CONSIDERATION**

1. Does the Metro Council have questions about the information that staff seeks to obtain in Step 2?
2. Does the Metro Council support staff moving forward with Step 2 of the transfer station rate transparency process?

## **PACKET MATERIALS**

- Would legislation be required for Council action ☐ Yes ☒ No
- If yes, is draft legislation attached? ☐ Yes ☐ No N/A

### **Attachments:**

- Template for Step 2 rate transparency information
- Letter from Paul Slyman and Tim Collier to private transfer stations, dated March 23, 2017
- Letters received from local jurisdictions June 2016:
  - Waste Management, 6/16/2017
  - City of Hillsboro, 11/27/2017
  - City of Hillsboro, 3/12/2018:
    - Summary of Rate Transparency Discussion, 1/12/2018