



March 12, 2018

Martha Bennett
Chief Operating Officer
Metro
600 NE Grand Ave
Portland, Oregon 97232

Dear Martha:

We are writing to express our concern about the inequity in rates charged at the private facilities that receive solid waste from our communities. Those rates, in the case of the Forest Grove and Troutdale transfer stations remain substantially higher than those charged at the public facilities in Portland and Oregon City. Given the excellent level of transparency in rate setting at the Metro facilities, and Metro's existing authorities to ensure equity in rates, we would like to know what plans are in place to level the rates.

Last March we received Paul Slyman's letter regarding the efforts of Metro to "improve rate transparency at all transfer stations" that receive waste generated within the region. At its work session last May, the Metro Council indicated that even more transparency in rate setting at the Metro facilities ought to be tested before doing more. This approach is not helpful since 1) Much or all of our landfill-bound material does not go to a Metro transfer station, and 2) Transparency in rates at the Metro transfer stations is not what is lacking in our local rate setting. What we need is an equitable rate to those charged at the public facilities.

After seeking justification directly from Waste Management, we are more convinced than ever that the rate increases at the private facilities is not justified. This issue has dragged on for nearly six years. We would like to know what the intended course of action is by Metro, and when, to ensure that rates charged at all regional system facilities are equitable and justified.

Sincerely,

A handwritten signature in purple ink, appearing to read 'Michael Brown'.

Michael Brown
City Manager of Hillsboro

Rob Drake
City Manager of Cornelius

Bob Davis
County Administrator of Washington County

Marty Wine
City Manager of Tigard

Joe Gall
City Manager of Sherwood

Sherilyn Lombos
City Manager of Tualatin

Enclosures: Summary of Rate Transparency along with past correspondence

Summary of Rate Transparency Discussion

- Since 2012, rates charged at the Forest Grove and Troutdale transfer stations owned and operated by Waste Management have continued to increase unabated relative to the rates charged at the Metro public transfer stations. The current rate at the Forest Grove Transfer Station is \$7.40 higher than at the Metro stations:

Year	Tip Fee Cost Per Ton – FGTS	Transaction Fee Cost Per Load ^[1] – FGTS	Total Fees Per Ton – FGTS	Tip Fee Cost Per Ton – Metro TS's	Transaction Fee Cost Per Load ^[2] – Metro TS's	Total Fees Per Ton – Metro TS's	Total Fees Difference – FGTS vs Metro TS's
2017	\$99.50	\$22.00	\$102.64	\$94.95	\$2.00	\$95.24	+\$7.40
2016	\$99.50	\$20.00	\$102.36	\$96.25	\$2.00	\$96.54	+\$5.82
2015	\$98.00	\$16.00	\$100.29	\$94.98	\$3.00	\$95.41	+\$4.88
2014	\$94.85	\$14.00	\$96.85	\$93.33	\$3.00	\$93.76	+\$3.09
2013	\$95.73	\$14.00	\$97.73	\$94.33	\$3.00	\$94.76	+\$2.97
2012	\$93.53	\$10.00	\$94.96	\$93.84	\$3.00	\$94.27	+\$0.69
2011	\$89.43	\$10.00	\$90.86	\$89.53	\$3.00	\$89.96	+\$0.90
2010	\$85.75	\$3.00	\$86.18	\$85.85	\$3.00	\$86.28	-\$0.10
2009	\$80.75	\$3.00	\$81.18	\$80.78	\$3.00	\$81.21	-\$0.03
2008	\$75.75	\$3.00	\$76.18	\$75.75	\$3.00	\$76.18	\$0

- Waste Management – and perhaps other facility operators – do not provide any detailed justification for rate increases
- Metro has authority to require transparency in rate setting for facilities that receive waste generated within the Metro boundary
- In 2016, Metro staff engaged private facility operators to discuss the issue of lack of rate transparency, and the operators indicated no interest in increasing transparency
- Hillsboro and Washington County have sent Metro leadership letters (enclosed) describing concerns with the lack of rate transparency
- In March 2017 Metro issued a letter (enclosed) to local governments laying out a 'step' process to progressively require greater transparency from the private facilities, IF it was justified by each step. It also included increased transparency in rates for the Metro transfer stations, stating that this could be helpful to local governments that want greater transparency. This information is not helpful to jurisdictions that do not send material to Metro transfer stations.

^[1] This amount is factored by load, with the average load at seven tons, so the additional cost is factored at \$3.14 per ton.

^[2] Similar to Forest Grove, the transaction fee has been estimated per ton based on average load size.

- At a May 2017 work session, Metro leadership asserted that the proposed 'step' process would allow local governments to judge whether some added measures would support their rate setting. This is an important point – local governments do not need the transparency to set their rates, they need it to justify the costs of disposal.
- At the May work session, Metro Council ultimately decided that the 'step' process needed more time, so that local governments could 'use' it during their upcoming 2018 rate review process. Hillsboro does not have any use for the added detail since 1. Transparency details are not pertinent to setting local rates and 2. Little to no material from Hillsboro goes to Metro transfer stations. The issue is fairness and transparency, especially in light of the major delta between rates charged at the public and private stations
- In June 2017, Hillsboro invited Waste Management to provide details that would justify the higher rates, which they sent via letter (enclosed). Hillsboro analyzed the information and deemed that it did not justify the rates, and responded via letter in November 2017 (enclosed)



November 27, 2017

Michael Jefferies
Area Pricing Director
Waste Management
7227 NE 55th Avenue
Portland, Oregon 97218

RE: June 16, 2017 Letter to Mayor Steve Callaway

Dear Michael:

We received your June 16 letter to Mayor Callaway that followed our meeting on June 13 to discuss rates charged at the Forest Grove Transfer Station (FGTS). At our meeting, Mayor Callaway expressed his hope that some justification might be provided to support the increases that have far eclipsed those at the public stations. As a key component of the public/private solid waste collection, transfer and disposal system, we feel it is incumbent upon Waste Management to demonstrate transparency in rates, so that we all are able to answer to our rate payers with the specific drivers in their service rates. We appreciate your effort to do so via the June 16 letter.

As we stated in the meeting, we understand and appreciate the need for you to generate a profit. Generally speaking, private industry sets rates with the goal to maximize profit, whereas government sets rates to mitigate impacts on rate payers. We have seen transparency in rate setting for the Metro stations for years, but it is lacking for rates at the FGTS (and the Hillsboro Landfill, which receives a sizable portion of the yard debris collected from Hillsboro homes and businesses).

Year	Tip Fee Cost Per Ton – FGTS	Transaction Fee Cost Per Load ¹ – FGTS	Total Fees Per Ton – FGTS	Tip Fee Cost Per Ton – Metro TS's	Transaction Fee Cost Per Load ² – Metro TS's	Total Fees Per Ton – Metro TS's	Total Fees Difference – FGTS vs Metro TS's
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2009	\$80.75	\$3.00	\$81.18	\$80.78	\$3.00	\$81.21	-\$0.03
2008	\$75.75	\$3.00	\$76.18	\$75.75	\$3.00	\$76.18	\$0

¹ This amount is factored by load, with the average load at seven tons, so the additional cost is factored at \$3.14 per ton.

² Similar to Forest Grove, the transaction fee has been estimated per ton based on average load size.

As the rate history table above shows, there is now a difference amounting to \$7.40 per ton between Forest Grove Transfer Station and the Metro facilities, and we have little reason to believe that the increases will stop – though we acknowledge your assertion that there will be no added increase for the coming year.

We offer the following in response to your letter:

- Your argument seems to be based on a hypothetical comparison to Hillsboro's material going to a public facility in Portland. This has nothing to do with rates charged by Waste Management at the facilities in Washington County. In fact, it seems to suggest that Waste Management increases rates simply because it can, and argues that the infeasible option of sending route trucks to Portland would be worse than FGTS.
- Specifically, your statement regarding a Hillsboro customer's rate including a \$0.40 premium for transport to a Metro facility is misleading at best. As you know, all landfill-bound material from residential customers is delivered to FGTS.
- You indicate that taxes and fees paid by Waste Management are higher due to the transportation cost. As with the prior statement, this seems to assume material being transported to a Metro facility. Again, it seems to suggest that any cost benefit that might have existed given our proximity to the FGTS is eliminated by the fee increases that have been enacted by Waste Management. The argument seems to be "be glad we are here, it could be worse."
- Our assessment of the fees you describe (property tax, community enhancement, county host fees, and fuel tax) produces a per-ton differential of \$0.05. This does not come close to justifying what is now a roughly 7% (\$7.40 per ton) cost premium at FGTS as compared to the Metro stations.

Again, Metro has provided transparency in both the numbers and the process for the public transfer stations for years. I sat on the regional rate committee years ago. Metro has recently initiated a process that provides even greater detail – which is great for the customers who use their transfer stations. We strongly support those efforts and we urge Waste Management to meet that same standard now. We believe that your argument would be stronger if you were to meet that standard of transparency. It would strengthen the accountability of private facility operators, it would enhance our regional public/private system, and most importantly it would allow for us to provide greater accountability to the residential and business customer stakeholders in Hillsboro.

Sincerely,



Peter Brandom
Senior Project Manager
City of Hillsboro

Cc: Dean Kampfer, Waste Management
Mike Dewey, Waste Management
Mayor Callaway
Hillsboro City Council
Michael Brown
Rob Dixon



WASTE MANAGEMENT

7227 NE 55th Avenue
Portland, OR 97218

June 16, 2017

Mayor Steve Callaway
City of Hillsboro
150 E. Main Street, 5th Floor
Hillsboro, Oregon 97123-4028

RE: Transfer Station Gates Rates

Dear Mayor Callaway:

Thank you for meeting with us on Tuesday, June 13, to discuss the gate rates at the Forest Grove Transfer Station (FGTS) and Metro transfer stations. Waste Management strives to be as environmentally conscious and cost efficient as possible for the benefit of rate payers. However, differences in the respective cost structures of FGTS and Metro, result in a higher gate rate charged at FGTS. For example:

- **Taxes** - As a corporation we pay property taxes and income taxes; Metro pays neither.
- **Landfill Fees** - FGTS and Metro use different landfills with differing disposal costs. We have experienced significant disposal cost increases at FGTS over the past few years due to higher taxes and community enhancement charges from Yamhill County and the City of Forest Grove.
- **Transportation** - Our transportation costs are higher than Metro's due to highway use taxes paid by FGTS; Metro does not incur these taxes.

Given the significant additional costs incurred at FGTS compared to Metro transfer stations, the 7.8% rate difference is reasonable. It is a testament to the efficacy of our operations, led by Senior District Manager Kirk Duncan and his very capable team. These men and women work hard to deliver value to the community we serve.

So, how does this difference in transfer station gate rates impact customers' rates? The table on page 2 illustrates the difference for Hillsboro customers (based on selected rates).

Service	Weight Per Set Out	Frequency of Collection	Lbs Per Month	Metro Rate	Cost	FGTS Rate	Cost	Variance
35 Gallon Roll Cart	25 lbs	Weekly	108.325	\$ 95.24	\$ 5.16	\$ 102.64	\$ 5.56	\$ (0.40)
			(25 x 4.333)		(108.325 / 2000 x \$95.24)		(108.325 / 2000 x \$102.64)	
1 Yard Container	85 lbs	Weekly	368.305	\$ 95.24	\$ 17.54	\$ 102.64	\$ 18.90	\$ (1.36)
			(85 x 4.333)		(368.305 / 2000 x \$95.24)		(368.305 / 2000 x \$102.64)	
35 Gallon Roll Cart	25 lbs	Weekly	108.325	\$ 108.80	\$ 5.89	\$ 102.64	\$ 5.56	\$ 0.33
			(25 x 4.333)	(\$95.24 + \$13.56)	(108.325 / 2000 x \$108.80)		(108.325 / 2000 x \$102.64)	
1 Yard Container	85 lbs	Weekly	368.305	\$ 108.80	\$ 20.04	\$ 102.64	\$ 18.90	\$ 1.13
			(85 x 4.333)	(\$95.24 + \$13.56)	(368.305 / 2000 x \$108.80)		(368.305 / 2000 x \$102.64)	
Description				Cost/Hour	Hours	Cost		
Travel Time (Round trip) from Center of Hillsboro to Metro				\$ 93.00	1.666667	\$ 155.00		
Travel Time (Round trip) from Center of Hillsboro to FGTS				\$ 93.00	0.5	\$ 46.50		
Difference in Travel Cost						\$ 108.50		
Average Tons per load						8.00		
Increase in Metro rate due to added Transportation Cost						13.56		
						(\$108.50 / 8.00)		

As the table demonstrates, a Hillsboro customer's 35-gallon rate includes approximately \$0.40 per month more in disposal cost than a similar resident might pay in Portland (based on using Metro's transfer station). However, this only tells part of the story. The proximity of the FGTS (compared to Metro's nearest transfer station) means that Hillsboro residents enjoy a lower transportation cost.

Adjusting the Metro disposal rate to reflect the additional transportation cost, equates to \$108.80 per ton (\$95.24 + \$13.56). Using the 35-gallon cart example above, the adjusted monthly disposal cost increases to \$5.89, or \$0.33 more than the current FGTS rate. Clearly, FGTS is the best value, the least cost option, for Hillsboro rate payers after considering the transportation differential. It should also be noted, our gate rate is not increasing for 2017/2018, providing rate certainty for Hillsboro.

We appreciate your time and the opportunity to work together on Hillsboro's environmental service needs. We look forward to continuing our service to the Hillsboro community at the Forest Grove Transfer Station.

If you have questions, please contact me at (503) 331-2251 or mjefferies@wm.com

Sincerely,



Michael Jefferies
Area Pricing Director

CC: Michael Brown, City Manager, City of Hillsboro
Peter Brandom, Senior Project Manager, City of Hillsboro
Dean Kampfer
Mike Dewey