

GOALS AND CRITERIA FOR WET WASTE ALLOCATIONS TO PRIVATE TRANSFER STATIONS

Date: Feb. 9, 2021
Department: Waste Prevention and
Environmental Services
Meeting Date: Feb. 23, 2021

Prepared by: Molly Vogt
(503) 901-5146
molly.vogt@oregonmetro.gov
Presenters: Molly Vogt and Matt Korot
Length: 25 minutes

ISSUE STATEMENT

Putrescible or “wet” waste is a significant part of the solid waste system managed by Metro to serve the public good. Metro is developing a systematic and transparent method of allocating up to 60 percent of the region’s wet waste tonnage to private transfer stations to ensure the provision of important public services and promote progress toward environmental and racial equity goals identified in the Metro Council-approved 2030 Regional Waste Plan.

ACTION REQUESTED

Staff seeks:

1. Council direction about the proposed criteria and implementation for a voluntary program for private transfer stations that would allow them to qualify for bonus allocations above their base amount in 2021 that would collectively represent up to 15 percent of the year’s regionally forecasted wet waste.
2. Council direction about a proposed mechanism for 2022 that would ensure that Metro stations receive at least 40 percent of the regional wet waste tonnage, as proscribed in Metro Code.

With Council’s direction and per temporary administrative rules approved by the Chief Operating Officer (COO) last December, staff would establish an application process for goals-based tonnage allocations based on these criteria by March 31, 2021. Transfer stations that choose to apply for goals-based tonnage in 2021 must demonstrate that they have met Metro’s criteria by June 30, 2021.

IDENTIFIED POLICY OUTCOMES

This work session will inform the final criteria for 2021 goal-based tonnage allocations and the development of administrative rules for 2022 allocations. This effort supports and implements components of Council’s adopted Regional Waste Plan and Metro Code.

POLICY QUESTION(S)

1. Does Council agree with the proposed goals-based criteria for allocating wet waste tonnage to private transfer stations in 2021?
2. Does Council support the use of a “true-up reserve” in the future to ensure that Metro receives 40 percent of regional wet waste tonnage on a rolling cycle?

Policy Question 1: Proposed Goals-Based Criteria and Implementation

Regional Waste Plan Goals	Criteria
Goal 3.0 Living Wages and Good Benefits Ensure that all jobs in the garbage and recycling industry pay living wages and include good benefits.	<ul style="list-style-type: none"> Match or exceed Metro transfer stations' in-house and contracted lowest wage for entry level industry positions (currently approximately \$17.50 per hour and \$15.00 per hour for staff contracted through temporary staffing agencies).
Goal 4.0 Increase Diversity in Workforce Increase the diversity of the workforce in all occupations where people of color, women and other historically marginalized communities are underrepresented.	<ul style="list-style-type: none"> Provide workforce diversity data to Metro. <i>This data will be used by Metro for Regional Waste Plan indicator reporting and monitoring, and to inform a variety of Plan actions.</i>
Goal 12.0 Minimize Environmental Impacts Manage all garbage and recycling operations to reduce their nuisance, safety and environmental impacts on workers and the public.	<ul style="list-style-type: none"> Use low particulate and low greenhouse gas emission fuel for rolling stock at the transfer station. <p><i>OR</i></p> <ul style="list-style-type: none"> Use R99 renewable diesel for long-haul disposal transport. <p><i>OR</i></p> <ul style="list-style-type: none"> Use USEPA-qualified Tier 4 engine non-road equipment or retrofit with an emission control device.
Goal 13: Invest in Communities Invest in communities that receive garbage and recyclables from the Metro region so that those communities regard solid waste facilities as assets.	<ul style="list-style-type: none"> Collect community enhancement fees on other materials, in addition to wet waste, received at the transfer station. <p><i>OR (may meet either to be eligible)</i></p> <ul style="list-style-type: none"> Increase the enhancement fee amount per ton that the transfer station collects for wet waste.
Goal 14: Affordable and Consistent Rates Adopt rates for all services that are reasonable, responsive to user economic needs, regionally consistent and well understood.	<ul style="list-style-type: none"> Charge a total rate per ton (inclusive of all fees and charges) for wet waste that is no more than five percent more than Metro's garbage disposal fee at its stations as effective July 1, 2021.

Implementation of goals-based allocations

- Fifteen percent of the adjusted regional 2021 tonnage forecast is available for goals-based allocation in 2021. This share is divvied equally among the number of goals approved (five goals are proposed) and the number of in-region transfer stations eligible to apply for goals-based tonnage (six private stations).
 - The total goals-based tonnage available to each transfer station is approximately 18,000 tons in 2021.
 - The tonnage available per transfer station per goal is approximately 3,615 tons in 2021.
- A transfer station that meets 3 of the 5 proposed goal-based criteria by June 30, 2021, will receive the full goals-based tonnage allocation available to an in-region transfer station (approximately 18,000 tons).
- A transfer station that meets less than 3 criteria by June 30, 2021, will receive the corresponding bonus tonnage for each goal met: 3,615 tons for each.
- If a transfer station does not meet the required criteria for one or more goals by June 30, 2021, Metro will not allocate goals-based tonnage to that private transfer station that year and that tonnage will be available for allocation by Metro if it is in the public's interest and Metro is on trend to receive 40 percent or more of the annual regional tonnage.
- Out-of-region transfer stations authorized through Metro Designated Facility Agreements may receive a portion of the base share allocation, but are not eligible for goals-based tonnage. Currently, one out-of-region facility is eligible to receive a wet waste allocation from Metro.

Considerations in allocating wet waste

- Per Metro Code 5.01.195 and 5.05.195, Metro reserves a minimum of 40 percent of the adjusted regional wet waste tonnage for the two public transfer stations, Metro South in Oregon City and Metro Central in northwest Portland.
- Per Metro Code 5.01.195 and 5.05.195, Metro may not allocate more than 40 percent of the adjusted regional tonnage to any combination of transfer stations owned by a single company.

Policy Question 2: True-up Reserve

Metro's new wet waste allocation approach is designed to incentivize progress toward Regional Waste Plan goals by granting bonus tonnage to transfer stations that meet these goals. If all eligible stations participate successfully, Metro will allocate 60 percent of the adjusted regional tonnage to private transfer stations. Given this approach and recent increases in private facility utilization of wet waste allocations, Metro stations' annual tonnage is expected to align more closely to 40 percent than in the past and occasionally fall below this tonnage minimum established in Metro Code. Due to the inherent variability between forecast and actual tons, Metro cannot allocate 60 percent of the adjusted regional tonnage in advance and ensure that it meets the 40 percent requirement at the end of the year. Metro received 39.6 percent of the regional wet waste tonnage in 2020, the first transitional year of the new allocation approach.

To address this variability, in future years if Metro is trending below 40 percent of the adjusted regional wet waste tonnage at the time of allocation announcements (early November), Metro staff propose to reserve tonnage in the next calendar year to true up retroactively.

When final annual tonnage figures are available the following January, if Metro has met the 40 percent minimum for the previous year, the reserve tonnage will be allocated to private in-region transfer stations in equal shares. If Metro has not met the 40 percent minimum for the previous year, Metro will hold the differential tonnage in reserve for that next calendar year. Truing up retroactively with this method meets the 40 percent minimum on a rolling two-year basis.

STAKEHOLDER FEEDBACK

Metro held online stakeholder input sessions on Sept. 3 and 4, 2020; Oct. 19, 2020; and Feb. 1, 2021. At least one representative from the Oregon Refuse and Recycling Association (ORRA) and from each of the private transfer stations located within the region attended the online forums. Many local government solid waste directors also attended.

Staff also held independent one-on-one interviews with private transfer station operators in December 2020 and January 2021. Staff received written comments by email.

Metro staff discussed the goals-based criteria with Metro's Regional Waste Advisory Committee (RWAC) on Sept. 17, 2020. Metro staff will re-engage with RWAC in the development of the administrative rule for 2022 and beyond.

Metro has not received direct input from the community, but is using the Regional Waste Plan as a guiding document to inform criteria.

Input from RWAC members

Staff presented the proposed goals-based allocation criteria to RWAC on Sept. 17, 2020, prior to the Council Work Session on Sept. 23, 2020. Staff asked for committee members'

input on the criteria overall and how the criteria advance racial equity goals. As summarized orally during the work session on Sept. 23, RWAC members asked questions about additional Regional Waste Plan Goals such as disaster resilience that were not included in the proposal. In addition, Committee members noted:

- questions related to the implementation plan for goals-based allocations including Metro's role in providing both support in meeting criteria as well as verifying that criteria have been met
- concerns about the timeline for implementation (prior to Council directing a mid-year implementation)
- concerns about costs of actions and investments to meet criteria, especially costs that may be disproportionately burdensome for smaller transfer stations
- questions about how Community Enhancement Grants are administered
- the value of benefits in addition to wages
- the need for diversity at all levels of a company

Input from local governments

Local government solid waste directors have voiced general support for goals-based allocations. They have noted some concerns about implementation timeline and impacts on ratepayer costs. They have also asked how this work might dovetail to support rate transparency efforts.

Input from private transfer station operators

Comments from transfer station operators centered on costs, timing of investments, system stability and predictability. The following themes were noted in industry feedback, along with Metro staff's perspective:

1) Goals and criteria

a. Living Wages and Good Benefits

- Total compensation represents a more complete picture of the goal of living wages and benefits.
- If this criterion is applied to employees' take-home pay, it would not reflect the additional costs that some private transfer stations incur when hiring staff through temporary agencies that charge a fee for their staffing services.

Metro staff perspective: The proposed criterion uses a minimum take-home wage for the initial round because it is measurable, meaningful and can be implemented by June 30, 2021. Staff are working to develop a more complete measure that includes benefits for implementation in 2022 and beyond.

- ###### b. Workforce Diversity - *These comments are specific to a previously proposed criterion to "Establish a contract or partnership with a community-based organization (CBO) that specializes in increasing workforce diversity."*

- Metro should provide a list of organizations that provide this service.
- Executing such a contract cannot be reasonably completed before June 30, 2021.

Metro staff perspective: Because CBOs also need time to respond to and inform this criterion, staff recommends implementing this criterion in 2022.

c. Environmental Impacts

- Onsite equipment is a major expense that transfer station operators would not have time to act upon before 2021 allocations are decided.
- Additional time is needed to understand costs and change long-haul contracts.

Metro staff perspective: Two options listed have been discussed since September 2020, and a third option (Tier 4 engines/emission control devices) has been recently added, expanding the set of actions transfer stations may take to meet this goal in a more flexible manner.

d. Investing in Communities

- Transfer stations that implement increased or additional enhancement fees will be adversely affected relative to other facilities that do not transfer wet waste or are not applying for goals-based tonnage.
- More information is needed about the Community Enhancement Grant Program and donations to local organizations should be considered as an alternative.

Metro staff perspective: Metro facilities have charged a Community Enhancement Fee on all materials since 2014 with no apparent disruption to the system. The Community Enhancement Grant Program was established in 1986 and is administered by Metro, local governments and local committee members to ensure that grant funds serve the interests of the local community.

e. Rates

- Private transfer stations may not have flexibility to meet the rates charged by Metro's transfer stations given private facility tonnage levels, tax burdens, and capital costs.
- Investments made to meet other goals will increase costs and make it more difficult to match Metro's rate.

Metro staff perspective: Staff propose a 5 percent buffer above Metro's rate for the 2021 implementation to allow facilities more flexibility as they transition to goals-based allocations on the abbreviated 2021 schedule.

2) Goals-based allocations and implementation approaches

- Transfer station investments required to meet these goals will increase costs which will be passed down and ultimately raise residential and commercial rates.
- The goals-based approach and draft criteria may result in wet waste traveling to a transfer station other than the closest one. This may reduce system efficiency and increase greenhouse gas and particulate emissions relative to going to the closest facility.
- Because each transfer station is unique, some criteria may adversely impact select transfer stations, smaller companies, etc.
- If a transfer station does not meet the criteria for a goal, all tonnage associated with that goal should be allocated to transfer stations that do meet the criteria.
- Metro should establish longer time horizons for setting and allocating tonnage to allow for long-term facility planning and investment.

Metro staff perspective:

Achieving regional goals will require investment and costs. Goals are interdependent, and progress toward multiple goals may create inherent tensions but is of greater public service than maximizing progress toward any single goal.

Staff would also note that wet waste does not now completely flow to the nearest transfer station. In particular, companies that provide residential and/or commercial collection service and own a transfer station may bypass a Metro or competitor's station to deliver the waste to their own facility.

Staff recognize that transfer stations differ in costs, operations, staffing, and other respects. However, custom or relative standards may possibly create legal issues by treating the stations unequally. To remove that risk, staff believe it is best practice is to design standards based a minimum or maximum standard akin to minimum wage law, clean air and drinking water standards.

Further, staff believe it has mitigated this concern at this time by allowing stations to choose three of the five goals.

Finally, no station is required to apply for any goal-based allocation. Unlike the Code's mandatory regulations, these are voluntary actions designed to provide bonus tons to help Metro achieve regional goals.

For consistency and predictability, Metro should allocate a predetermined amount of tonnage to transfer stations that meet the final criteria. If any tonnage is not allocated in that way, it will serve as a reserve that staff can allocate mid-year to respond to system disruption and for greater public benefit.

Staff continue to develop allocation criteria for 2022 and beyond that will promote progress on Regional Waste Plan and regional equity goals while also providing longevity for transfer station planning and investments and overall system stability.

STAFF RECOMMENDATIONS

1. Staff recommends using the proposed criteria for allocating goals-based tonnage effective July 1, 2021.
2. Staff recommends inclusion of the true-up reserve in the future allocation methodology to be implemented beginning in 2022.

STRATEGIC CONTEXT & FRAMING COUNCIL DISCUSSION

- How is this related to Metro's Strategic Plan or Core Mission?
 - The Regional Waste Plan identifies the operations and services of solid waste facilities as keys to advancing regional goals. Metro's wet waste allocations can be used to incentivize actions that achieve Regional Waste Plan and other Metro goals. Council adopted the framework for tonnage allocations in 2018 to ensure that Metro would receive at least 40 percent of the regional wet waste tonnage as specified in Metro Code.
- How does this advance Metro's racial equity goals?
 - The proposed criteria related to Regional Waste Plan *Goals 3 and 4: Living Wages and Benefits* and *Increase Diversity of the Workforce*, are positioned to advance racial equity. *Goal 12: Environmental Impacts* also disproportionately affect people of color.
- How does this advance Metro's climate action goals?
 - The inclusion of criteria related to Goal 12: Reduce nuisance, safety, and environmental impacts addresses reduction of greenhouse gases.
- Known Opposition/Support/Community Feedback
 - Stakeholder feedback is summarized by group above. Broadly, most stakeholders have noted their commitment to the goals and stated their

support for programs that promote progress toward these goals. Transfer station operators have voiced concern that investments made to meet criteria are uneven in their costs and impacts on operations, both categorically between private and public stations as well as individually between private stations with unique characteristics.

- Explicit list of stakeholder groups and individuals who have been involved in policy development or provided feedback to the proposal.
 - Private transfer station owners and operators
 - Oregon Refuse and Recycling Association (ORRA)
 - Local government solid waste directors
 - Metro Regional Waste Advisory Committee (RWAC)

Background

In March 2019, Metro adopted the 2030 Regional Waste Plan (RWP), which sets the policy direction for the region's garbage and recycling system. The foundations of this plan are: (1) equity—centering the voices, values and needs of communities of color and historically marginalized groups in the region's solid waste and recycling system; and (2) reducing the environmental impacts of materials throughout their life cycle, from extraction to production, use and end-of-life management

The plan is implemented in many ways; through collaborative programs with local government partners and community organizations, and through required actions that bring consistent standards and incentivize progress toward regional goals. Metro Code and Administrative Rules are the mechanism used to implement the required elements of the plan.

Goal 16.0 of the plan provides direction to “Maintain a system of facilities, from smaller recycling drop-off depots to larger full-service stations, to ensure equitable distribution of and access to services.” Metro oversees this system and sets requirements for private facilities that receive waste. This includes actions to implement Metro code that establishes that at least 40 percent of the region's wet waste should flow to the two public transfer stations, Metro South in Oregon City and Metro Central in northwest Portland.

Goals-based allocation approach

In 2016, Council directed staff to develop a system for annually allocating tonnage to private transfer stations to increase transparency and predictability and to ensure that Metro stations receive at least 40 percent of the regional tonnage. With the adoption of the Regional Waste Plan in 2019, staff began work on a new tonnage allocation approach that incorporated Plan goals into the allocation methodology.

Staff designed a phased approach in order to create a smooth transition to the new system. The Phase 1 approach (Figure 1, left side, below), was implemented for 2020 allocations. In Phase 1, each transfer station is allocated tonnage based on equal and proportional shares of the adjusted regional tonnage forecast.

For Phase 2, calendar year 2021, Council has directed staff to add a voluntary, goals-based allocation component to incentivize regional progress toward achieving Regional Waste Plan goals (Figure 1, center). Council directed staff to develop a methodology for allocating tonnage to private transfer stations that choose to apply for goals-based tonnage. This methodology includes criteria for up to five Regional Waste Plan Goals (listed in the table above) that transfer stations that seek goals-based tonnage must meet in order to receive these additional tonnage allocations.

In Phase 3, the goals-based share is designed to completely replace the transitional-phase proportional tonnage share.

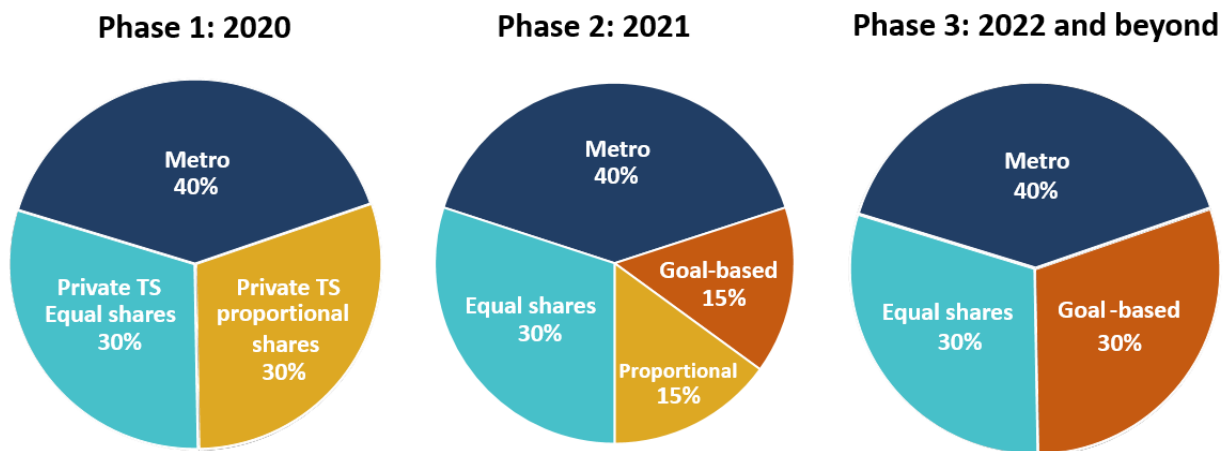


Figure 1: Phased allocation approaches; percents of adjusted regional (forecast) tonnage

Staff suspended work in March 2020 on the Phase 2 methodology because of concerns about the ability to engage with key stakeholders during the pandemic.

In August and September 2020, Council directed staff to restart the Phase 2 work and to implement a goals-based approach in determining calendar year 2021 allocations, allowing more time for criteria development through a mid-year (July 1) implementation. Criteria for 2021 goals-based allocations are scheduled to be finalized by March 31, 2021. Transfer stations must demonstrate that they meet these criteria by June 30, 2021 to be eligible for additional goals-based tonnage. Metro has notified transfer stations of their base tonnage allocation shares for 2021 and that they may be eligible for additional, goals-based tonnage this year, if they demonstrate success in meeting criteria.

ATTACHMENTS

None

- Is legislation required for Council action? Yes ☒ No
- If yes, is draft legislation attached? Yes ☐ No
- What other materials are you presenting today?
 - PowerPoint presentation