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Friday, February 1, 2019

Dear Local Governments:

This letter, and the accompanying report, represents the second action 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, the 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. This report was provided to local governments on March 23, 2017 and is included in Appendix A to the attached report.
- Option 2: Based on feedback from local governments, Option 1 did not yield sufficient transparency and adequate information to understand the relationship between rates charged and costs. Therefore, Metro has prepared an assessment of private wet waste transfer station costs to estimate the various components (e.g., transfer, transport, and disposal) of each private station's tip fee. To estimate these components, Metro conducted site visits to observe typical operating practices, interviewed key operations staff, and provided private station operators with an opportunity to review their facilities' profile sheets.
- Option 3: If Option 1 and 2 do not yield sufficient transparency and adequate information to understand the relationship between rates charged and costs for local governments, Metro may conduct a full detailed rate review at private waste transfer stations. Such a review would include 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 and may review rates at all facilities or only at facilities that deviate substantially from the others.


After implementing all options to improve transparency and provide useful information to local governments, if private tip fees appear to be substantially higher than costs can justify, the Metro Council may consider guidelines to implement rate regulation. The Metro Council has

broad legal authority over solid waste, including authority to set rates at private transfer stations operating within its jurisdiction.¹

The attached report represents Metro's estimate of the cost to provide wet waste management at the five private transfer stations currently located within the regional boundary. The attached report provides the average operating costs for each private transfer station. Tonnage-weighted average operating costs across the five private facilities was estimated at \$25.34 per ton. The estimated operating costs for two facilities, Troutdale Transfer Station and Forest Grove Transfer Station, were above this average. Pride Recycling Transfer Station's operating cost estimate was the lowest. Given the impact of economies of scale in transfer station operations, the former two facilities would be expected to have lower operating costs per ton since they accept more wet waste and receive larger payloads. Because this report worked with a limited set of publicly available data and consequently relied on a model to estimate costs, the most reliable and accurate information on privately owned transfer station costs would be a full review of actual costs and financial records for transfer stations.

We hope that you find this information a helpful guide when considering allowable costs for your haulers during rate setting. 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. The Metro Council will determine if further options are necessary, based, in part, upon feedback from your jurisdiction.

Sincerely,



Tim Collier
Director of Finance



Paul Slyman
Director of Property and Environmental Services

¹ ORS 268.317(5) and Metro's home rule charter.