METRO COUNCIL BUDGET WORK SESSION

October 11, 1999

Oregon Convention Center

COUNCILORS PRESENT: Rod Monroe, Presiding Officer; Susan McLain, Deputy Presiding Officer; Jon Kvistad; Ed Washington; Rod Park; Bill Atherton; David Bragdon

OTHERS PRESENT: Mike Burton, Executive Officer; Jennifer Sims; Tony Mounts; Terry Petersen, John Houser

Presiding Officer Monroe called the meeting to order at 1:00 PM. He introduced the session, the purpose of which was to begin forming the FY 2000-01 budget. Important to that would be determining how best to use the solid waste disposal savings.

Jeff Stone, Council Chief of Staff, explained that during the last budget session, everyone had requested more policy direction early in the budget formation process, to avoid fewer large-scale changes during the decision-making later on. This year several issues require particular policy direction. In addition, the outcomes of policy different decisions need to be discussed.

Bruce Warner, Chief Operating Officer, gave an overview of today's work session. He outlined the expected outcomes of the session, which are to

- understand the overall Metro budget process and timeline;
- understand and discuss the three solid waste ordinances, which set the stage for discretionary revenues that might be available in the next fiscal year;
- discuss the three solid waste savings ordinances—their elements, fiscal impacts, and stakeholder input to date; and
- discuss fund balances.

The major area of focus would be to review, discuss, and provide policy direction for next year's budgets. Toward that end the discussion would include current revenues and expenditures, fund balances for the general fund, maintenance of existing programs, restoration of services cut last time, and new and additional services or programs. These will have a major impact on decisions regarding the solid waste ordinances. Finally, the department would like Council to identify any other information it needs before it makes its policy decisions.

Terry Petersen, Acting Director of the Regional Environmental Management (REM) Department, showed a PowerPoint presentation and explained the three ordinances that were first-read in Council last Thursday and would be second-read on Thursday, October 14, 1999. (Hard copies of the presentation are attached to the meeting record.) Mr. Petersen emphasized that the ordinances address two different policy issues: 1) how to utilize the contract cost reductions; and 2) how to structure the excise tax.

Councilor McLain asked whether the $0.50 reduction in the tip fee responded to the "Dakota" plan. She asked if the $362,000 would then not be needed if the tipping fee were kept at its current level. Mr. Petersen said yes; that is money that could be collected and spent on some other program.

Ordinance No. 99-824

The key objective would be to capture some of the contract cost reductions for non solid-waste uses. That would need to be done through the excise tax. The excise tax is currently uniform for all facilities, at 8.5% of the revenues collected. It is not uniform on a per ton basis, because the prices vary among the facilities. The proposed change would be an attempt to level the playing field and create incentives for waste reduction through the structure of the excise tax.

The rates in the ordinance would capture $3 million on top of the current excise tax revenues. It would change the tax from a percentage to a tiered per-ton rate, beginning at $8.23 on all transfer station waste, with a credit $4.40 for dry waste, resulting in an effective rate of $3.83 on dry waste. The tiers would be created through credit, rather than having tiered rates. The second credit would be for recycling for facilities that do recovery. For less than 20% recovery, the fee would be $3.83—the same as that for dry-waste land fills. As the recycling rate increases, the credit would increase up to $1.50, for an effective rate for $2.33 for facilities doing more than 40% recycling. This would be the per-ton rate on the residual the facility sends to the landfill.

Mr. Petersen said this would add a tax incentive to existing incentives to recycle, which include avoidance of landfill costs and the regional system credit fee.

Councilor Atherton asked if this kind of graduated incentive program had been used anywhere else in the country. He asked if this type of structure would encourage companies to avoid serving certain customers or to encourage people to dump in "strange" places.

Mr. Petersen said the best example is Metro's regional system credit fee that has been used in the past few years. The new structure would be similar to that, only provide a greater incentive.

Councilor Bragdon said that those who might be sorting farther upstream would not get credit.

Mr. Petersen said the highest priority has been to encourage source separation, but some recyclables still remain in the mixed waste. Metro would like as much of that pulled out as possible.

Councilor McLain said this credit was not the only credit available. Source-separated waste goes into another system where it receives a credit. The purpose of this credit is to encourage more recycling that has not in the past been captured at these particular material recovery facilities.

Mr. Petersen offered the example of a large construction site as opposed to a small one. At large sites, haulers can put out separate boxes for different types of materials. At smaller sites that is not practical, so waste and recyclables end up together. That waste ends up either all in a landfill or having some of the recyclables recovered. This structure would encourage facilities to try to recover more recyclable material from those types of loads.

Presiding Officer Monroe said source-separated material that goes directly to a recyling facility is not taxed at all.

Mr. Petersen said that is correct. He pointed out that by creating an average rate, some facilities would pay more than others would. For example, Waste Management would pay $298,000 more in fees and taxes than it currently pays. That facility could lower that by recycling more. That would not be true at Forest Grove. The biggest chunk of the money is the uniform excise tax at transfer stations out at Forest Grove. The $8.23 in excise tax out at Forest Grove is about a $3.00/ton increase at that facility. There would be no credit for recovery as no recovery takes place, and there would be no not be opportunities for that facility to reduce that rate. Other facilities would be able to realize the recycling credit.

Councilor McLain said that although the Forest Grove facility does not have a recycling floor, it could create a recycling system and thereby receive credit.

Mr. Petersen said that would be possible, although it might be difficult. He distributed a sheet that summarized the potential impact on various facilities (titled, "Excise Tax/Contract Savings, attached to the meeting record).

<u>Ordinance No. 99-823</u>
One of the objectives of this ordinance is to make sure that waste going outside of Metro's system does not increase costs for waste remaining in the system. Another objective is to reduce the direct haul charge, to reflect the new contract prices. That would apply to waste transported through other facilities, such as the one in Wilsonville and Recycle America out in Troutdale, which haul directly to Arlington under Metro's contract.

The price schedule (see PowerPoint slides, attached to meeting record) shows that the more waste delivered, the lower would be the per-ton price. Thus, every ton of waste hauled outside this system would increase the rate for those inside the system by about $9.00 a ton. To compensate for that, the $9.00 has been added back into the regional system fee, which would range from $12.90 to $21.90. An automatic credit would be offered for any waste that remains inside the system. That would mean the effective rate for waste remaining in the system would remain essentially unchanged.

Presiding Office Monroe asked if that system would meet federal flow-control decisions.

Mike Burton, Executive Officer, said Metro would not be dictating where garbage would go; it would be offering incentives for remaining inside the system.

Presiding Officer Monroe asked if that would pass Constitutional muster.

Mr. Petersen said the attorneys were working with the department on this and felt comfortable with it.

Councilor Washington recommended that the material presented today be put in a form that clearly communicated the message to the public.

Mr. Petersen distributed a sheet showing the net impact on facilities of the proposed changes.

Mr. Stone said one of the purposes of today's discussion was to understand the fiscal impact of different decisions (titled "Excise Tax/Contract Savings," attached to the meeting record).

Councilor McLain noted that the REM committee had discussed the fairness of charges among different types of facilities. She asked Mr. Petersen whether in his view the proposed ordinances addressed those concerns.

Mr. Petersen said yes, although the increases in the tax do not exactly match the decreases in contract savings. He said an exact match would require a non-uniform tax system.

Councilor McLain said she thought the ordinances presented the opportunity for fairness, in that facilities could lower their costs through doing more recycling.

Councilor Park said his concern in REM discussions was not so much about equality of the wholesale price, but that the excise tax be the same amount per ton regardless of the point of generation or disposal. He thought the proposed changes would do that.

Presiding Office Monroe said he had serious concerns about keeping appropriate reserves in fund balances in both the solid waste and general funds. He had requested that a thorough discussion on that topic be part of today's work session.

Mr. Burton said he also had serious concerns about both those fund balances.

Councilor Kvistad said he thought this might be an opportunity to do much more restructuring, beyond moving rates up or down by $0.50. He would like to see a far greater rate reduction, accompanied by less spending. He would like to see a different approach to how Metro supports itself.

Mr. Burton said he had hoped this discussion would generate specific ideas, so the departments would know how to prepare their budgets. He said no decisions would obviously be made today, be had hoped to get a feeling for what the Council had in mind.

Presiding Officer Monroe said the spending decisions would be made later, as part of the ongoing budget process.

Councilor Kvistad said the taxing decision was the issue, not the spending one. He said he would prefer to sell the transfer stations and pay off the bonds. He would like to discuss rate reductions of $1.00 or $2.00/ton. He would like to discuss moving to privatization. He would like to talk about how to take the excise tax yoke off Metro's own facilities—MERC facilities, the Zoo, etc.—and talk about what that would do the larger organization. He said he did not want to wait for six months to discuss this again.

Presiding Officer Monroe said discussions of the excise tax on Metro facilities were spending decisions that would be made during the budget process. He said if Metro had discretionary money, it could decide to spend it by lowering those taxes. He said privatization of the transfer stations could come at any time. He said no decisions with regard to the tipping fee or even the per ton tax would be fixed; they could always be revisited and would be, at least annually.

Councilor Kvistad said in his view the system was broken. He said this savings presented an opportunity to do something about it. He said his philosophy began by suggesting all the savings be returned.

Presiding Officer Monroe asked to whom he would like to return the savings—the City of Portland?

Councilor Kvistad he would just give it back and then let the public deal with where it goes after that.

Mr. Burton said he would like to know specifics so he could begin planning the budget. If Councilor Kvistad was proposing a whole new taxing structure, he would like to hear the specifics.

Councilor Kvistad said he would prefer that Metro put out a ballot measure to fund the agency, to see how much the public supports Metro's mission. He said Metro might be surprised at how the public feels about what it is doing.

Councilor McLain said she had understood one of the reasons to keep the current rate at its current level was to keep recycling rates up. She said reducing the tipping fee would likely hurt recycling. She advocated keeping the current fee. She said as to looking at how this agency if funded, Metro was in the middle of things she thought it had an obligation to finish.

Councilor Washington said he was comfortable with the tipping fee where it is. He requested a summary table showing the fiscal effect of different reductions in the excise tax on gate receipts at MERC and the Zoo. He asked what the impact would be on personnel as well.

Jennifer Sims, Administrative Services Director, gave an overview of the budget process. She said the budget cycle never ends. She said that right now the departments were working from a set of assumptions, which would turn into requests to the Executive Officer and then fold into the proposed budget. This meeting was an opportunity to develop assumptions along the Council's policy lines. She said several things that had been done in shaping this year's budget would affect next year's budget. One of the key things was that a savings program had been begun that would generate carryover to be programmed as revenue. She said that was one-time only money that would not be available again. Another thing involved reductions in materials and services. Also, the general fund balance was expended. She said there were salary and wage obligations for cost of living and merit and step adjustments that had been projected at about 5%.

Mr. Burton added that year new contracts had been signed with the ASFME, which would be in force for three years.

Councilor Washington said he understood the 2% the cost of living adjustment. He asked about the 3% merit/step adjustment—who gets it and how it is administered.

Ms. Sims said the union contract specifies 5% steps based on seniority. She said employees who have reached the tops of their steps average about 3%. Non-union employees are eligible for merit increases. These comprise some of the assumptions staff has been given to work with in shaping their budgets.

Presiding Officer Monroe said the entire Council staff are non-union and are thus eligible for merit increases, rather than step increases.

Ms. Sims said that in addition to the increases, materials and services had been assumed to increase by about 2%. A current excise tax allocation has also been assumed, which means that all the increases would need to be absorbed within that allocation.

Councilor Washington asked whether a change in the excise tax would change that assumption.

Ms. Sims said if the excise tax was cut, other cuts would need to be made to absorb those increases. The current assumption is that there would be no additional revenues.

Michael Morrissey, Council Analyst, asked whether the money carried over could be used for those purposes.

Ms. Sims said those funds were used this year. They would not be available next year. She said the number given to the departments for this year was the same as that given for next year, and it is higher than what available resources would be if there is no additional revenue. (The chart, titled "Current General Fund Condition, is in the PowerPoint hard copies, attached to the meeting record.) She pointed out that the chart shows Metro has cost allocations in addition to the excise tax to help pay for general fund expenses. The main point was that the fund balance has been declining.

Councilor Bragdon asked why expenditures have risen.

Ms. Sims said money goes for planning, parks—land banking costs have been added—wage and salary increases, and general fund increases related to [inaudible]. She said excise tax makes up about 4% of the total current revenues. Of that, the portion on solid waste Metro and non-Metro facilities is about 74%. If the ordinance were implemented to add $3 million of the savings, it would increase the solid waste portion to 83%, thereby increasing the reliance on that as a base revenue stream for excise tax.

Tony Mounts, Financial Planning Manager, referred to the chart titled, "General Fund Revenues and Expenditures History and Projected Needs" (included in the PowerPoint hard copies, attached to the meeting record). He said this represents a worst-case scenario. He reviewed the policy drivers that would influence the Council's decisions on the ordinances, including what level of fund balance should be maintained and what level of service should be provided. Issues related to that include what should be done if the actual fund balance at year's end is higher or lower than expected. He said one of the options that has been discussed is re-establishing a $1 million fund balance to provide a level of security and to obtain a positive bond rating for projects such as the Expo expansion.

Presiding Officer Monroe said, by way of background, that in 1992 Metro came up about 5% short and had to make dramatic cuts. He said if the $1 million were in place, Metro could sustain two years of downturns similar to the one in 1992. He said in his view, $1 million in the general fund would be prudent.

Mr. Burton said there are fund balances, also, within each department.

Presiding Officer Monroe said when the previous Council cut the tipping fee a few years ago, it depleted the REM fund balance. He said that was a conscious decision by the Council. The fund is now gone.

Mr. Petersen said the REM department has a number of reserve accounts. He showed a table of what they would be over the next five years (titled "Use of Savings," attached to the meeting record) if the tipping fee were reduced to $62/ton. He pointed out those that would drop—the undesignated fund balance (now at $3.8 million, drawn down to $0 in three years); the capital reserve account (now at $6.4 million, drawn down to $700 thousand in three years); a rate-stabilization account (now at $3 million, drawn down to $0 by 2004-05); and the rate-stabilization account (now at $5.5 million, drawn down to $1.2 million). Other accounts, such as the St. John's Landfill Account, would stay constant. Several accounts for debt services dedicated for bond payment cannot be used for anything else. In addition, the department has working capital for cash flow and an operating contingency fund.

Councilor McLain said there was a difference between the first two accounts that would be drawn down and the second two. She said advisory groups had discussed the undesignated fund balance and thought it was too big. They thought it should go to $0. She said all the accounts were not the same, and not all should be kept at their current level or replaced.

Mr. Burton said existing balances were used to keep the rates stable.

Councilor Atherton asked if money had been set aside to maintain the Metro Central Building.

Ms. Sims said about $400,000 had been put aside.

Councilor Atherton noted that REM seemed to have the only maintenance account that was fully funded.

Mr. Burton said that is correct; that although funds have been set aside, they are inadequate, especially in the Parks Department.

John Houser, Council Analyst, said the possibility had been discussed of setting aside $1 million a year for rate stabilization. That would generate about $650 thousand toward maintaining the rate at its current level. He asked if that had been included in the assumptions.

Mr. Petersen said it had been included and can be viewed as an additional offset to the revenue requirements. If that were not available, the accounts would be drawn down faster than what is shown in the table.

Mr. Houser said that the renewal and replacement account is reviewed every three years by an outside reviewer, who has recommended keeping that fund at $750 a year. He asked if that fund balance would be drawn down in spite of putting that $750 thousand a year aside.

Mr. Petersen said yes.

Mr. Houser said his concern was that when major pieces of equipment break, such as the compactor, it costs $750 thousand. If the fund balance is only $1.2 million, only a few things need break to use that all up.

Presiding Officer Monroe said he was concerned about that, also. He would like to see $3 to $5 million in that account.

Mr. Burton asked if the solid waste area had a standard amount that should be kept in reserve.

Ms. Sims said that each type of reserve has a different requirement—debt services, one year; renewal and replace is set by engineers; contingency is set by cash flow plus 5% to 10% of operating expenses.

Presiding Officer Monroe said the numbers indicated to him that the Council should seriously consider the possibility of spending little of the fund balance, but using it to shore up the fund balances in both the general fund side and the solid waste side. Then, the Council should make decisions about cuts or spending in the long-term budget process for the full fiscal year that starts next July. He said this would be prudent for two reasons. First, it would immediately shore up the lagging reserves. Second, it would give the Council more time to make the long-term decisions about how this agency operates.

Councilor Bragdon agreed in principle, but noted that some of the solid waste fund balances ought to be depleted. He thought it was a timing issue, considering not all the fund balances were the same.

Mr. Burton pointed out that the St. John's account must be set aside to deal with environmental problems that had accumulated over the 50 years before Metro inherited the landfill. What remains to be done and how much it will cost are big questions.

Mr. Petersen said Metro does not yet have a final closure plan from the Department of Environmental Quality (DEQ) for that landfill, which contributes to the cost uncertainty. In addition, there is uncertainty about Metro's future flow of waste.

Councilor Park distributed a spreadsheet he developed using Mr. Petersen's numbers (showing Scenarios #1 and #2, attached to the meeting record). He asked said the general question was what philosophy should guide policy. He said he was concerned that the REM funds not be drained too much by moving too much money into the general fund. He said he was concerned for what would happen in the year 2005.

Ms. Sims said there were three variables involved: what the tip fee is, how long you hold it at that, and how much is retained in the solid waste funds.

Councilor Washington said he agreed with Councilor Park. He said he would like to see long-term projections. He thought the priority should be to re-establish the funds and keep them at a prudent level.

Councilor McLain asked Mr. Petersen to address the effects of the ordinances with respect to the three variables that Ms. Sims identified. She said the REM committee had recommended developing a policy that would hold the tip fee stable for three or four years. Beyond that, it might not be wise to hold it at the same level, depending on what happens to recycling and to the industry. She said what remains is to decide which funds should be re-established and which ones should be allowed to go to $0.

Mr. Burton noted that the scenarios show the renewal and replacement fund dropping over the next five years. He said he would be a little nervous about that. He said the rate-stabilization fee was key. He said if the decision was to keep it stable beyond four years, the fund would need to be replenished. The capital reserve and undesignated funds probably should be spent.

Presiding Officer Monroe noted that the sustainable tipping fee was $63.50, not $62.50. The Council had lowered it on purpose, to draw down the stabilization reserves.

Mr. Burton noted that the scenarios assume the rate has been lowered to $62/ton. If the fee were kept at $62.50, there would be an addition $360,000/year.

Councilor Park said his intention in creating the scenarios was to see what a sustainable rate might be that did not dip into the reserves. He said realistically, under scenario #2, the money shown going back to the general fund could go instead to the ratepayers and not deplete any reserves. He said he was uncertain about the capital reserves.

Presiding Officer Monroe said he understood the Council felt the bulk of the money should go back into the solid waste arena first, to stabilize rates and enhance recycling. The split with the general fund should be determined after identifying those needs.

Mr. Petersen said the level of reserves over the next few years would be adequate. He said the issues lie four or five years out. Then, without a reserve account, the tip fee might needs to be raised.

Presiding Officer Monroe asked for a head nod from the Council on whether to re-establish a general fund balance of about $1 million, as a first step. The Council nodded. Councilor Kvistad qualified his agreement by saying that his first preference would be to return all the savings to the rate-payers, but it any were kept, he would agree to replenish the general fund balance.

Mr. Mounts referred to the PowerPoint slide titled, "Maintain Current Services." The numbers reflect the cost of maintaining current services and assume no new revenues. He said departments have been instructed to do their budgets based on those assumptions. About $600 thousand would be required to restore prior cuts. He explained the service issues that would be require more money, such as those in Transportation and Growth Management.

Councilor McLain said the services did not represent enhancements, but rather obligations that have already been agreed upon or programs that had already begun.

Mr. Mounts outlined other services that would require additional money, including (but not limited to) business services, park operations, support for 2040 implementation, requirements to provide expanded legal notice, and regional community investment grants. He referred to the slides titled, "Base Case," "Example #1," and "Example #2" (in the meeting record). Examples #1 and #2 assume $3 million of the savings would be put in the general fund.

Councilor Kvistad requested a line-item breakout for the base case, by department.

Mr. Mounts said he would provide that to him. He said more detail would be available in November.

Presiding Officer Monroe noted that lost revenue should be considered as additional cost; for example, if Metro facilities were to receive reductions in their excise taxes.

Councilor Washington recalled discussions from last year about departments' having money left that was carried over. He asked if these assumptions included that money.

Mr. Mounts said they did not.

Ms. Sims said that given the actual beginning fund balance of about $438 thousand and the rate at which it is being spend, the ending balance would be about $7 thousand. She said she expected that there would be some carry-forward, but not much. The carry-forward would come from budget cuts made last year in anticipation of lower revenues.

Mr. Burton said the departments could make their spending reports available to the Council.

Councilor McLain requested to see contract progress reports. She said that would be helpful in determining the status of projects by department.

Presiding Officer Monroe asked what the total was for personal services funded from the excise tax in the general fund.

Ms. Sims said she did not have that number calculated. She would let them know.

Presiding Officer Monroe said that Mr. Burton would like to be advised today whether he needs to have his staff develop budgets based upon known resources--a budget that would require $1.27 million in total cuts. The alternative would require an infusion of money from the solid waste savings.

Councilor Atherton said he would recommend using the current revenues to form the budget. He would also recommend paying off debt. He thought that would be prudent given the uncertainty in the future. He thought 50% of the savings would be necessary to keep the solid waste system whole and to apply $1 million for the general fund balance. The other money—the $3 million—could be used to pay down debt that would provide future flexibility for parks and maintenance. A "legacy" fund could be created to carry out the parks strategy. He said he was uncomfortable starting new programs or paying for planning for local jurisdictions without first taking care of existing liabilities.

Mr. Burton asked what the first opportunity would be to pay down the debt.

Ms. Sims said 2004. She said that would require $3.4 million per year be put into a fund for defeasance, so when the bonds are called they could be paid off.

Councilor Bragdon said he believed everyone generally agreed that needs in the solid waste area should be addressed first. He also thought everyone agreed that $1 millions should go to restoring the general fund. As to general fund expenditures in future years, he said many of the expenditures some have called "enhancements" are programs that have been going on, but on a shoestring. He said most areas have a considerable backlog , and money in the general fund should be earmarked for those things. Regarding implementing 2040,the individual cities should help do that. All of that need not be done by Metro.

Mr. Burton clarified that the $1 million in the general fund would remain there. As to implementation of 2040, the Council added 3500 acres to the urban growth boundary (UGB), 2400 of which were uncontested. However, nothing has been done on that acreage, because the properties on which the builders really wanted to build have been contested —i.e., Stafford and St. Mary's. Planning for the uncontested acreage has fallen on the cities, and they do not have the resources to do the necessary planning. He said something needs to be done to break the logjam if those properties are to be developed. He said the question revolves around how much of a role Metro should play in that.

Presiding Officer Monroe said the $1 million should be used only in the event of an unanticipated downturn in the economy. It would be a "rainy day" fund only.

Councilor McLain said she thought Metro should help local jurisdictions with their planning. She thought it was Metro's responsibility. She thought the departments could make some cuts—that the entire $1.27 million need not be forthcoming—but the departments had made cuts last year.

Councilor Atherton disagreed and argued that the region needed to find another way to fund the agency than through garbage. He thought parks should find a way to fund its own operation; he thought that local jurisdictions should complain to the state if they didn't like the planning situation. He objected to Metro's making local jurisdictions dependent. He agreed with Councilor Kvistad on the need to seriously examine Metro's role and funding source.

Councilor Park asked about the $1.27 million needed to maintain the current system. He thought the actual growth was more than 10%.

Ms. Sims said that the budget is really more than $7.8 million, because the fund balance is being spent. The current revenue is $7.8 million, but closer to $9 million is being spent.

Councilor McLain said growth was not the only factor to be considered. She said Metro still has a bond measure of $135 to buy open spaces; it still has land-banking costs that continue to rise. The public had said it would like Metro to spend the money on that. She said when looking at the increase in the budget, you need to take programs like that into consideration.

Councilor Park said his concern was for the rate of growth. He wondered what programs had created growth in the agency. Perhaps the voters should be asked whether those programs should be continued, rather than assuming they want them.

Ms. Sims distributed materials concerning forecasts for the future and projections for the 2002 budget, which did not reflect great increases.

Councilor Washington said he would prefer to see a budget with cuts, not because he would like to cut budgets, but to see where cuts would be made. As to whether the departments should be expected to be self-sustaining, he did not think that would work. He saw the departments as part of the whole, and as such the agency had a responsibility to take care of them. He would like to have the worst- and best-case scenarios so he would know the boundaries within which he had to work.

Presiding Officer Monroe said that would entail devising departmental budgets assuming the base case, assuming maintaining the current level, and an "add package."

Mr. Burton said it would be helpful to know what the Council would like to see restored in terms of services if there $1 million, $2 million, or $3 million were available. The worst case would involve, for him, deep cuts in order to restore the $1 million reserve in the general fund balance.

Presiding Officer Monroe said the $1 million had been decided upon. It should be considered as part of the worst-case scenario. He said now the Councilors needed to identify their priorities for “add” packages.

Councilor McLain said her priorities would include those policies she had supported but that could not be adequately funded at the time. Those would include watershed planning and finishing goal 5 work; land-use and transportation planning for areas already brought into the UGB—on the solid waste side—recycling programs.

Councilor Bragdon said this presents a great opportunity to explain what the agency does. Words like “maintain existing services” get lost. He would like to see any programs explained as doing what Metro already does.

Councilor Park said his discussions with Dave White of the hauling industry indicated that a reduction of only $0.50/ton would not be worth doing. If that were not done, then $350 thousand more would be available for programs. His reading of the numbers suggests that with that $350 thousand, the agency would be fine. He asked what the feeling of the Council was on the $0.50/ton reduction. Regarding priorities, grants to local governments for planning would be near the top of his list. By planning he said he meant macro planning, not “bricks and mortar.”

Councilor Atherton disagreed with spending any money to help local jurisdictions plan. He said planning was the cost of growth and should be borne that way. He would prefer that all the money remain in the solid waste system. He asked about selling the transfer stations, as Councilor Kvistad had suggested. He asked if the transfer stations could be sold for a profit. If they could, he would favor that.

Mr. Burton said he did not know what the market was for transfer stations. He said he believes they operate because Metro controls the flow. He said it has been a subsidized system. If a company were to try to make a profit, most likely rates would increase dramatically.

Mr. Petersen said the larger question was how sale of the transfer stations would affect the ratepayers. One of the reasons Metro was in the business was to try to keep rates down on the public’s behalf.

Presiding Officer Monroe said the transfer stations had been purchased with publicly subsidized debt. They could not be transferred to private ownership as long as they were encumbered with publicly subsidized debt. Because of the contracts, those debts could not be paid off for four or five years.

Ms. Sims said they could be paid off earlier, but with a penalty. She said 2004 would be the first year they could be paid off without penalty.

Councilor Kvistad said he would give $1 million to the general fund to re-establish the reserve. Beyond that, he would prefer the base-case budget. He would not put anything more toward planning. He would like to give some money back to the ratepayers, regardless of how little. He would not favor add packages. He would deal only with critical needs that already exist within the agency. He would prefer to stop taking excise tax from existing facilities, although he did not think he would have enough votes on the Council to pass that preference. He said Metro needed to cut back its spending so it did not exceed its revenues. He said that would be difficult, but it needed to be done.

Councilor Washington said he would look at reductions in facility excise taxes. He was concerned about reducing the tip fee, particularly if it were only $0.50. The public would receive only a couple of cents. He would like to see some of the money put aside to be made available in five years or so, similar to money earmarked for the North Portland Enhancement Grants. That, in his view, would mean more to people than getting a couple of cents off their monthly garbage bill. He said he would also like to see help with planning and help with parks. He would also like to see reductions begin to be made in the seventh year of the program, to wean programs off this money, as it would be gone in 10 years.

Mr. Burton said Councilor Atherton was correct in noting that money not returned amounted to a tax. He said no other government he knew of had a cap on the amount of money they were allowed to charge for franchises and so forth. He said he sympathized with the Councilors who had expressed the desire for a tax base, such as a real-estate transfer tax or any other tax. But that would not be forthcoming without getting a whole new charter passed. He said he could not furnish three different budgets based on the three different cases, but he would try to get them three different scenarios. To do that, he would need to push the budget submission date back. He said he would prefer not to do that, but it would probably be necessary.

Presiding Officer Monroe said he liked the scenario Councilor Washington outlined and Councilor Kvistad agreed to, and that was beginning with the base case. In terms of additional needs, his priorities were planning grants to local governments; money for the parks and open spaces programs already purchased; elimination of the excise tax on the zoo accompanied by a roll back in admission price, especially for children.

Councilor Bragdon would prefer to keep the money in the general fund, but set apart so that the public would know how that money was being spent. The public should know that it came as a result of good negotiations. He said it would be spent on things Metro currently does, but the public does not know it does. He said that at the end of the year, Metro could explain exactly where that money went—for example, it might say it had built restrooms at Oxbow Park.

Councilor Atherton disagreed with Councilor Bragdon that the money had come as a result of good negotiations. He said it had come as a result of changes in the solid waste industry—i.e., through increased competition. He was concerned about other changes that might also be coming. That was the basis of his concern for the debt. He said Metro owns a $32 million in assets and he wondered what would happen if they weren't worth that in the future. He said smaller stations were springing up as was better recycling.

Councilor Park said he would like to see a scenario based on the sale of the transfer stations.

Presiding Officer Monroe said he did not think that such a sale would be a possibility for at least four years.

Councilor McLain said that sale of the transfer stations would be evaluated in the service plan, which has been under development for five years and would be presented to the Council soon.

Presiding Officer Monroe adjourned the meeting at 4:30 PM.

Respectfully submitted by,

Chris Billington
Clerk of the Council