

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AMENDING ) ORDINANCE NO. 06-1118  
METRO CODE CHAPTER 5.02 )  
TO ESTABLISH METRO'S SOLID WASTE ) Introduced by: Michael Jordan, Chief Operating  
DISPOSAL CHARGES AND SYSTEM FEES ) Officer, with the concurrence of David Bragdon,  
FOR FISCAL YEAR 2006-07 ) Council President

WHEREAS, Metro Code Chapter 5.02 establishes solid waste charges for disposal at Metro South and Metro Central transfer stations; and,

WHEREAS, Metro Code Chapter 5.02 establishes fees assessed on solid waste generated within the District or delivered to solid waste facilities regulated by or contracting with Metro; and,

WHEREAS, Metro's costs for solid waste services and programs have changed; and

WHEREAS, pursuant to its charge under Metro Code section 2.19.170, the Solid Waste Rate Review Committee has reviewed the Solid Waste & Recycling department's proposed FY 2006-07 budget, rate methodology and cost allocations; and,

WHEREAS, Solid Waste Rate Review Committee recommends that the Metro Council adopt the rates set forth in this ordinance; now, therefore,

THE METRO COUNCIL ORDAINS AS FOLLOWS:

Section 1. Metro Code Section 5.02.025 is amended to read:

5.02.025 Disposal Charges at Metro South & Metro Central Station

(a) The fee for disposal of solid waste at the Metro South Station and at the Metro Central Station shall consist of:

- (1) The following charges for each ton of solid waste delivered for disposal:
  - (A) A tonnage charge of ~~\$46.80~~\$46.20 per ton,
  - (B) The Regional System Fee as provided in Section 5.02.045,
  - (C) An enhancement fee of \$.50 per ton, and
  - (D) DEQ fees totaling \$1.24 per ton;
- (2) All applicable solid waste taxes as established in Metro Code Chapter 7.01, which excise taxes shall be stated separately; and
- (3) ~~A-The following~~ Transaction Charge ~~of \$7.50~~ for each Solid Waste Disposal Transaction:-

- (A) For each Solid Waste Disposal Transaction completed at staffed scales, the Transaction Charge shall be \$8.50.
- (B) For each Solid Waste Disposal Transactions that is completed at the automated scales, the Transaction Charge shall be \$3.00.
- (C) Notwithstanding the provisions of subsection (A), the Solid Waste Disposal Transaction Charge shall be \$3.00 in the event that a transaction that is otherwise capable of being completed at the automated scales must be completed at the staffed scales due to a physical site limitation, a limit or restriction of the computer operating system for the automated scales, or due to a malfunction of the automated scales.
- (b) Notwithstanding subsection (a) of this section,
- (1) There shall be a minimum solid waste disposal charge at the Metro South Station and at the Metro Central Station for loads of solid waste weighing ~~260~~240 pounds or less of \$17, which shall consist of a minimum Tonnage Charge of ~~\$9.50~~\$8.50 plus a Transaction Charge of ~~\$7.50~~\$8.50 per Transaction.
- (2) The Chief Operating Officer may waive collection of the Regional System Fee on solid waste that is generated outside the District and collected by a hauler that is regulated by a local government unit.
- (c) Total fees assessed in cash at the Metro South Station and at the Metro Central Station shall be rounded to the nearest whole dollar amount, with any \$0.50 charge rounded down.
- (d) The Director of the Solid Waste & Recycling Department may waive disposal fees created in this section for Non-commercial Customers of the Metro Central Station and of the Metro South Station under extraordinary, emergency conditions or circumstances.

Section 2. Metro Code Section 5.02.029 is amended to read:

5.02.029 Disposal Charge for Recoverable Solid Waste

- (a) There is hereby established a Recoverable Solid Waste Disposal Charge that shall be collected on all Recoverable Solid Waste accepted at the Metro South Station or Metro Central Station.
- (b) The Recoverable Solid Waste Disposal Charge shall be based on Metro's actual costs in managing Recoverable Solid Waste. The amount of the Recoverable Solid Waste Disposal Charge shall consist of a Recoverable Solid Waste Variable Charge as defined in this section and a Transaction Charge as defined in Section 5.02.025. The Recoverable Solid Waste Disposal Charge shall be in lieu of all other base disposal charges, user fees, regional transfer charges, rehabilitation and enhancement fees, and certification non compliance fees that may be required by of this chapter.
- (c) The Variable Charge for Recoverable Solid Waste shall be the greater of:
- (1) The highest price charged by private solid waste operators for similar Recoverable Solid Waste as reported quarterly in the Market Price Report published by Metro Recycling Information; or

(2) The sum of:

(i) The contractual price paid by Metro to any contract operator of Metro South Station and Metro Central Station for recovering and processing Recoverable Solid Waste;

(ii) An amount equal to \$1.10 per ton for deposit into the Renewal & Replacement Account~~The Metro Facility Fee as defined in Section 5.02.025 of this chapter and expressed on a per unit basis;~~ and

(iii) An amount equal to 21.6 percent of the Regional System Fee as ~~defined by set forth in~~ Metro Code Section 5.02.~~045015 and expressed on a per unit basis.~~

(d) Notwithstanding subsection (b) of this section, there shall be a minimum charge for loads of Recoverable Solid Waste as established by the Director of the Regional Environmental Management Department.

(e) Notwithstanding any other provision of this section, the charge for the disposal of a single Christmas tree shall be the Transaction Charge as set forth in Metro Code Section 5.02.025.

(f) All Fees charged for disposal of Recoverable Solid Waste shall be clearly posted at Metro South Station and at Metro Central Station.

Section 3. Metro Code Section 5.02.035 is amended to read:

#### 5.02.035 Litter Control Surcharge

(a) A surcharge of \$25 per ton, up to a maximum amount of \$100, shall be levied against any customer who disposes of solid waste or a Recoverable Solid Waste at Metro Central Station or at Metro South Station if, when entering the facility, any portion of the customer's waste or Recoverable Solid Waste is unsecured and visible to Metro scalehouse personnel.

(b) No surcharge shall be levied under this section if the solid waste or Recoverable Solid Waste is only visible through a secure covering.

(c) Notwithstanding subsection (a) of this section, a surcharge of \$3 per Solid Waste Disposal Transaction shall be levied against any customer who disposes of a single load of solid waste or recoverable solid waste that weighs ~~260~~240 pounds or less and that is unsecured and visible to Metro scalehouse personnel.

(d) The surcharge provided for in this section shall be collected in the same manner as Metro collects all other disposal fees and charges at the facility.

Section 4. Metro Code Section 5.02.045 as amended by Ordinance No. 06-1103 effective May 11, 2006 is amended to read:

#### 5.02.045 System Fees

(a) The Regional System Fee shall be ~~\$14.54~~13.57 per ton of solid waste, prorated based on the actual weight of solid waste at issue rounded to the nearest one-hundredth of a ton.

(b) Any waste hauler or other person transporting solid waste generated, originating, or collected from inside the Metro region shall pay Regional System Fees to Metro for the disposal of such solid waste. Payment of applicable system fees to the operator of a Designated Facility shall satisfy the obligation to pay system fees, provided that, if such solid waste is transported to a Designated Facility outside of the Metro region, then such waste hauler or other person must have informed the operator of the Designated Facility that the solid waste was generated, originated, or collected inside the Metro region. In any dispute regarding whether such waste hauler or other person informed such operator that the solid waste was generated, originated, or collected inside the Metro region, such waste hauler or other person shall have the burden of proving that such information was communicated.

(c) Designated Facility operators shall collect and pay to Metro the Regional System Fee for the disposal of solid waste generated, originating, collected, or disposed of within Metro boundaries, in accordance with Metro Code Section 5.01.150.

(d) When solid waste generated from within the Metro boundary is mixed in the same vehicle or container with solid waste generated from outside the Metro boundary, the load in its entirety shall be reported at the disposal site by the generator or hauler as having been generated within the Metro boundary and the Regional System Fee shall be paid on the entire load unless the generator or hauler provides the disposal site operator with documentation regarding the total weight of the solid waste in the vehicle or container that was generated within the Metro boundary and the disposal site operator forwards such documentation to Metro, or unless Metro has agreed in writing to another method of reporting.

(e) System fees described in this Section 5.02.045 shall not apply to exemptions listed in Section 5.01.150(b) of this Code.

Section 5. Metro Code Section 5.02.047 is amended to read:

5.02.047 Regional System Fee Credits

(a) A solid waste facility which is certified, licensed or franchised by Metro pursuant to Metro Code Chapter 5.01 or a Designated Facility regulated by Metro under the terms of an intergovernmental agreement shall be allowed a credit against the Regional System Fee otherwise due each month under Section 5.02.045 for disposal of Processing Residuals from the facility. The Facility Recovery Rate shall be calculated for each ~~six~~twelve-month period before the month in which the credit is claimed. The amount of such credit shall be in accordance with and no greater than as provided on the following table:

System Fee Credit Schedule

Facility Recovery Rate		
From Above	Up To & Including	System Fee Credit of no more than
0%	30%	0.00
30%	35%	9.92
35%	40%	11.46
40%	45%	13.28
45%	100%	14.00

(b) The Chief Operating Officer:

(1) Shall establish administrative procedures to implement subsections (b) and (c) of Metro Code Section 5.02.046; and

(2) May establish additional administrative procedures regarding the Regional System Fee Credits, including, but not limited to establishing eligibility requirements for such credits and establishing incremental System Fee Credits associated with Recovery Rates which fall between the ranges set forth in paragraph (a) of this section.

(c) Any person delivering Cleanup Material Contaminated By Hazardous Substances that is derived from an environmental cleanup of a nonrecurring event, and delivered to any Solid Waste System Facility authorized to accept such substances shall be allowed a credit in the amount of ~~\$12.59~~11.07 against the Regional System Fee otherwise due under Section 5.02.045(a) of this Chapter.

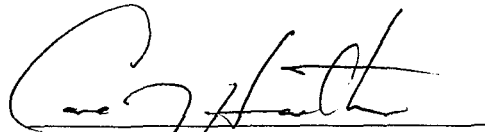
(d) During any Fiscal Year, the total aggregate amount of credits granted under the Regional System Fee credit program shall not exceed the dollar amount budget without the prior review and authorization of the Metro Council.

(e) The Director of the ~~Regional Environmental Management~~ Solid Waste and Recycling Department shall make a semi-annual report to the Council on the status of the credit program. The report shall include that aggregate amount of all credits paid during the preceding six months and the amount paid to each facility eligible for the credit program. The report shall also project whether the appropriation for the credit program will be sufficient to meet anticipated credit payment requests and maintain existing contingency funding.

Section 6. Effective Date

The provisions of this ordinance shall become effective on September 1, 2006, or 90 days after adoption by Metro Council, whichever is later.

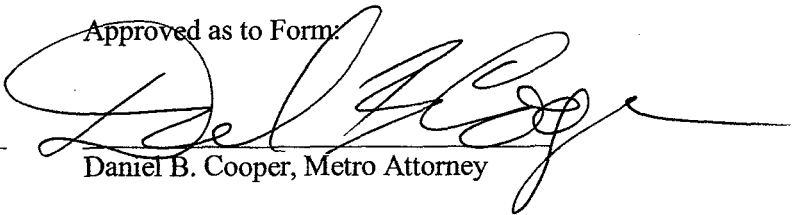
ADOPTED by the Metro Council this 1st day of June, 2006.

  
David Bragdon, Council President

ATTEST:

  
Christina Billington, Recording Secretary

Approved as to Form:

  
Daniel B. Cooper, Metro Attorney

## STAFF REPORT

### IN CONSIDERATION OF ORDINANCE NO. 06-1118 FOR THE PURPOSE OF AMENDING METRO CODE CHAPTER 5.02 TO ESTABLISH METRO'S SOLID WASTE DISPOSAL CHARGES AND SYSTEM FEES FOR FISCAL YEAR 2006-07

Date: May 18, 2006

Prepared by: Douglas Anderson

## EXECUTIVE SUMMARY

Adoption of the FY 2006-07 Solid Waste Rate Ordinance would implement the rates shown in boldface in the following table. As a result, on September 1, 2006, the Metro tip fee would fall by \$1.55 per ton to \$69.86 and the Regional System Fee collected from privately-owned disposal sites would fall 97¢ to \$13.57 per ton.

#### Solid Waste Disposal Charges Effective September 1, 2006 through August 31, 2007

Rate Components	Current Rates	This Ordinance	Change
<b>Transaction Fees</b>			
Scalehouse users	\$7.50	<b>\$8.50</b>	\$1.00
Automated scale users	\$7.50	<b>\$3.00</b>	(\$4.50)
<u>Per-ton rates:</u>			
<b>Tonnage charge</b>	\$46.80	<b>\$46.20</b>	(\$0.60)
<b>Regional System Fee</b>	\$14.54	<b>\$13.57</b>	(\$0.97)
Excise tax	\$8.33	\$8.35	\$0.02
DEQ & host fees	\$1.74	\$1.74	- 0 -
Metro Tip Fee	\$71.41	\$69.86	(\$1.55)
<b>Minimum load charge</b>	\$17	<b>\$17</b>	\$0.00

#### Notes

Boldface type indicates the rates that are amended by this ordinance.

Minimum load charges are based on 260 pounds in a single load in FY 2005-06, and 240 pounds in FY 2006-07.

Ordinance No. 06-1118 implements the Solid Waste Advisory Committee's (SWAC) recommendation that Metro's fees reflect the different costs of serving various customer classes. SWAC's recommendation is implemented through a two-part transaction fee: one fee for users of the staffed scalehouses, and a different transaction fee for users of the automated scale system. All users would pay the same tip fee.

These rates fully recover the net solid waste operating costs in the FY 2006-07 Approved Budget; they meet the Rate Covenant of the Solid Waste Revenue Bonds relating to the debt service coverage; and fulfill the Metro Charter's Section 15 limitation that charges for the provision of good or services may not exceed the costs of providing the goods or services.

## BACKGROUND

### A Two-Part Transaction Fee

In 1998, Metro adopted a fixed fee for each transaction to cover the fixed costs of operating the transfer stations—for example, scalehouse and management costs. Variable costs—primarily, payments to the big three contracts for operations, transport and disposal—are recovered by the tip fee.

The FY 2006-07 Rate Ordinance refines the structure of the transaction fee by introducing a two-part rate. Since implementing the transaction fee in June 1998, Metro has levied a single charge, currently \$7.50, regardless of the type of user. Empirical work during the last year has shown that Metro's fixed costs vary significantly by customer classes. In particular, small loads delivered by public self-haulers via the staffed scalehouses are among the most costly to manage. The Rate Policy Subcommittee of SWAC, which met from September 2005 through February 2006, was charged with examining this issue and making policy recommendations. By balancing an analysis of cost with rate design principles, the Rate Policy Subcommittee recommended that Metro implement a split transaction fee based on two customer classes, defined between users of the staffed scalehouses vs. users of the automated scale system.

This recommendation was brought before the Metro Council at its March 28 Work Session. The Council concurred with subcommittee's recommendation and directed that it be brought before the Rate Review Committee. The Council further asked that staff provide an analysis of the economic effect of the new rates on generators and on solid waste facilities. In addition, the Council asked for an assessment on recycling. These analyses are provided in this staff report below.

Based on an analysis of costs and usage, on April 12, 2006 the Rate Review Committee recommended that Council adopt an \$8.50 fee for transactions at the scalehouses and \$3.00 for automated transactions.

### Economic Analysis of this Year's Rate Changes

The analyses in this section are divided into three parts: generators, facilities, and Metro customers.

**Generators.** Generators pay Metro's disposal charges through their monthly bills for garbage collection. Disposal costs range from an average of about 22 percent of the residential bill, up to 60 percent or more for large commercial generators. The economic effect on a range of generators is shown in the following table.

#### Effect of Proposed Rate Changes on Monthly Collection Costs

Generator	Average Current Monthly Garbage Bill (total cost)	Decrease in Monthly Bill due to Metro's Rate Changes	
		Per Month	Per Day
Residential	\$21.60	-16¢	< -1/2 ¢
Small Business	\$86.40	-93¢	-3¢
Medium Office	\$336	-\$4.56	-15¢
Sit-Down Restaurant	\$2,736	-\$51.93	-\$1.73
	<u>Current Disposal Cost</u>	<u>Decrease in Cost per Load</u>	
Drop Boxes (roll-off)	\$186	-\$8.37 (at automated scales)	-\$2.87 (at staffed scales)

The changes range from less than half a penny a day for residential generators, up to a savings of \$1.73 per day for a medium-sized sit-down restaurant that discards almost 300 tons of waste per year.\* As source-separated recycling is relatively price-inelastic (especially for small-quantity generators for whom participation is governed more by convenience and service frequency than costs), very little effect on recycling and recovery can be expected from the small changes shown in the table. Furthermore, generators will probably not see their garbage bills fall by the amount in the table, as haulers' rising fuel costs will most likely offset a portion of the savings from disposal.

**Private Facility Economics.** Metro's Regional System Fee and Excise Tax are levied on waste that is landfilled. Accordingly, the system fee and excise tax are a cost to private solid waste facilities. Combined, the proposed rates are \$21.92 (\$13.57 RSF + \$8.35 ET) next year. This is down from \$22.87 (\$14.54 + \$8.33) this year. Thus, disposal Private solid waste facilities will receive a 95¢ per ton reduction in Metro fees based on the proposed rates.

However, most private facilities rely on tip fees for the majority of their revenue. If this ordinance is adopted, Metro's tip fee would drop \$1.55 per ton, from \$71.41 to \$69.86. If the effect of the two-part transaction is considered, the reduction is even steeper. So while the Regional System Fee and Excise Tax provide some cost relief to private facilities, this will be more than offset by the drop in the tip fee, if private facilities reduce their tip fee to match Metro's tip fee.

Historically, private facilities have tracked Metro's tip fee, but this relationship may be breaking down. Most facility operations have informed Metro that rising fuel prices, labor and the cost of capital dictate that their tip fees will equal or exceed Metro's rate next year. It remains to be seen how these price dynamics will affect flow among facilities.\*\*

**Metro's Customers.** Metro customers will see very small changes in cost due to the new rates, except for very large loads which will experience a noticeable decrease (see table below). The cost falls for the majority of load sizes. The cost rises only for users of the scalehouses delivering up to about two-thirds of a ton. In calendar year 2005, 229,177 transactions (of the 356,010 total) arrived with load sizes less than 0.65 tons. This user class is almost perfectly correlated with public self-haulers. Thus, the new rate structure has the intended effect of charging users their fair share of the costs for which they are responsible.

**Customers' Cost Per Load at Metro Transfer Station \*\*\***  
(Selected Load Sizes)

Load Size	Current Cost	Cost under Proposed Rates		Increase / (Decrease)	
		Scalehouse	Automated	Scalehouse	Automated
min (240 lbs.)	\$17.00	\$17.00	\$17.00	\$0.00	\$0.00
¼ Ton	\$25.35	\$25.97	\$20.47	\$0.61	(\$4.89)
½ Ton	\$43.21	\$43.43	\$37.93	\$0.23	(\$5.28)
0.65 ton	\$53.92	\$53.92	\$48.41	\$0.00	(\$5.51)
1 Ton	\$78.91	\$78.36	\$72.86	(\$0.55)	(\$6.05)
3 Tons	\$221.73	\$218.08	\$212.58	(\$3.65)	(\$9.15)
5 Tons	\$364.55	\$357.80	\$352.30	(\$6.75)	(\$12.25)
10 Tons	\$721.60	\$707.10	\$701.60	(\$14.50)	(\$20.00)

\* Drop box disposal is a single event with wide variability in hauling distances, so disposal costs only are shown.

\*\* It is highly unlikely that facilities will lose flow from their own hauling companies, so the main "play" is among waste controlled by independent haulers and commercial self-hauling.

\*\*\* Figures are shown unrounded for purposes of illustration. Actual charges are rounded down to the nearest 50¢.



## Other Changes

The other changes to Chapter 5.02 are routine, except for one. In Section 1 of the Ordinance, Metro Code subsection 5.02.025(b) is amended to authorize the Chief Operating Officer to waive the Regional System Fee at Metro facilities for a very narrow group: franchised haulers who collect waste outside the district and deliver that waste to a Metro transfer station, currently representing about 12,000 tons. In point of fact, these haulers do not have to deliver waste to Metro (Metro has no flow control authority over out-of-district waste); and furthermore, there are now several cheaper disposal options available to them. In recent years, Metro has experienced an erosion of almost 40 percent of the amount of out-of-district waste it receives from these franchised haulers; and Metro is at risk of losing 80 percent of the remaining 12,000 tons—almost all of this due to pricing. The main purpose of this exemption is to slow or stop the erosion of tonnage that is brought to Metro from outside the district. The fiscal cost is about 12¢ per ton increase in the Regional System Fee. This would protect about \$100,000 in general fund (excise tax) revenues; and preserve transaction fees and tonnage charges against the department's operating costs. Furthermore, there is policy precedent for such an action. In recent years the Council has *explicitly* removed the requirement on private facilities to collect the RSF on out-of-district putrescible waste. So now, Metro is the only facility that continues to collect Regional System Fees on out-of-district route waste. Accordingly, this amendment would also align Metro with its own policies toward private facilities in this area. The department's detailed analysis of this issue is available on request.

## INFORMATION/ANALYSIS

- 1. Known Opposition.** There is no known opposition.
- 2. Legal Antecedents.** Metro's solid waste rates are set in Metro Code Chapter 5.02. Any change in these rates requires an ordinance amending Chapter 5.02. Metro reviews solid waste rates annually, and has amended Chapter 5.02 when changes are warranted.
- 3. Anticipated Effects:** This ordinance better aligns Metro's prices with the customer classes that are responsible for costs at the transfer stations. The prices changes are not expected to have a significant impact on source-separated recycling. All else equal, the new price structure mildly erodes the financial position of any private facility that matches Metro's rates exactly; however, most private facilities have indicated that they intend to charge a higher tip fee than Metro in order to maintain their economic margins which are also affected by the increasing costs of fuel, labor and capital. See the analysis in **Background**.
- 4. Budget Impacts.** These rates are designed to recover fully the department's net operating cost for FY 2006-07. These rates are in full compliance with the Rate Covenant of the Solid Waste Revenue Bonds relating to debt service coverage.

## RECOMMENDATION

The Chief Operating Officer recommends adoption of Ordinance No. 06-1118.