



METRO

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MEETING: RATE REVIEW COMMITTEE
DATE: November 5, 1998
DAY: Thursday
TIME: 12:00 PM
PLACE: Metro Headquarters, Room 270

APR. TIME		PRESENTER
12:00 PM	CALL TO ORDER AND ROLL CALL	Morissette
12:00 PM (5 min.)	1. Overview of Rate-Setting Process	Warner
12:05 PM (5 min.)	2. Rate Objective & Assumptions, Tonnage Forecast & Budget Assumptions	Warner
12:10 PM (5 min.)	3. Staff Recommendation	Warner
12:15 PM (30 min.)	4. Rate Review Committee Discussion	RRC
12:45 PM (5 min.)	5. Schedule follow-up meeting (proposed: Thursday, March 4, 1999, 12 – 1 PM)	Warner
12:50 PM (10 min.)	5. Motion to Recommend Fiscal Year 1999-00 Solid Waste Disposal Rate, rate components and Transaction Charge	RRC

ADJOURN

1999-00 COMMITTEE MEMBERS: Don Morissette (Chair), Shirley Coffin, Garry Penning, Barry Bennett, Steve Schwab, Paul Matthews, Monica Hardy

**METRO****FISCAL YEAR 1999-2000 SOLID WASTE DISPOSAL RATE
STAFF RECOMMENDATION****DATE: November 5, 1998****PRESENTER: Bruce Warner****Proposed Action**

Motion to recommend FY 1999-2000 Solid Waste Disposal Rate of \$62.50 and a Transaction Charge of \$5.00. The Disposal Rate of \$62.50 shall consist of the following components: \$14.00 Regional System Fee, \$1.15 Metro Facility Fee, \$7.00 Transfer Station Operation, \$38.61 Disposal and Transport, \$1.24 DEQ fees, and \$0.50 Rehabilitation and Enhancement Fee.

Factual Background and Analysis

Please see the following enclosures:

1. Overview of Rate Process
2. Statement of Rate Objectives & Assumptions
3. October 1998 Tonnage Forecast
4. Graphic depicting breakdown of estimated FY 1999-00 Revenue Requirements
5. Graphic depicting Effect of Recommended Rate on Undesignated Fund Balance
6. Recommended Rate by Tiers

Unlike previous years, two things that could have a major bearing on next year's solid waste disposal rate remain unsettled as we begin the rate review process. Firstly, we are facing the possibility of a renegotiated disposal contract, which could dramatically effect our future revenue requirements. Secondly, we are in the midst of a comprehensive cost-of-service assessment of the transfer station operations portion of the tip fee. After the dramatic rate decreases of last year and the year before, and in this climate of uncertainty REM staff are recommending a status-quo approach to the rate for the upcoming fiscal year.

The outcome of possible contract renegotiations or the results of the cost-of-service study mentioned above may require a change in the rate. Therefore, a follow-up meeting is proposed for Thursday, March 4, 1999, from 12 to 1 PM to address issues that are presently in flux. If these issues are resolved before this date, we will contact you to schedule an earlier meeting.

OVERVIEW OF RATE DEVELOPMENT PROCESS

Solid Waste Disposal Rates are developed in conjunction with the REM Department Annual Budget.

1. Prepare tonnage forecast for FY 1999-00.
 - Based upon actuals through September, 1998
 - Assumptions made about tonnage flow, types of waste, and growth for remainder of this fiscal year and next fiscal year
 - Assumptions made about numbers of transactions at the transfer stations and direct haul to Columbia Ridge for remainder of this fiscal year and next fiscal year
2. Prepare cost estimates for FY 1999-00 REM Budget.
 - Tonnage-related costs constitute 65% of revenue requirements
 - Three contracts comprise 97% of tonnage-related costs (transfer operations, long-haul transport, and disposal)
3. Allocate costs in second step to establish rate components
 - Transaction Charge – Scalehouse costs
 - Metro Facility Fee – Direct management costs of transfer stations and capital items
 - Transfer Station Operation – Station operation contracts
 - Disposal and Transport – Disposal and transport contracts
 - Regional System Fee – Programs benefiting the region: recycling, hazardous waste, etc.
4. Allocate revenues from disposal charges other than the tip fee and non-tonnage related revenues to rate components
 - Revenue from the Transaction Charge and direct-haul charges
 - Interest Earnings
 - Miscellaneous revenues (e.g., hazardous waste collection charges)
5. Calculate rates based on net revenue requirements (estimated costs minus revenues)
 - Transaction Charge
 - Metro Tip Fee
 - Regional System Fee
6. Add other government charges (DEQ, Enhancement Fees)
7. Recommend tip fee to RRC for approval
8. Submit proposed Rate and Budget to Executive Officer

FY 1999-2000 SOLID WASTE DISPOSAL RATE

Objective

Status Quo pending possible renegotiations of the disposal contract and further analysis of cost-of-service allocation of the transfer station operations portion of the rate.

Assumptions for Rate

1. Department revenue requirements for FY 1999-00 is approximately \$51.4 million (see pg. 5)
 - Budgeted expenses adjusted for inflation
 - Down \$2.3 million from current budget due to less tonnage through Metro Transfer Stations
 - 75% of total revenue requirements are contract or contract payments
2. October 1998 Tonnage Forecast (see pg. 3, 4)
 - FY 1999-2000 Total Revenue Tonnage 1,369,000 (up approximately 2.2% from FY 1998-99 Budget)
 - FY 1999-2000 Total Metro Tonnage 678,000 (down approximately 15.7% from FY 1998-99 Budget)
3. Direct-haul reload facilities (112,437 tons)
4. \$5 Transaction Charge
5. Undesignated Fund Balance used to maintain disposal rates at current level (see pg. 6)

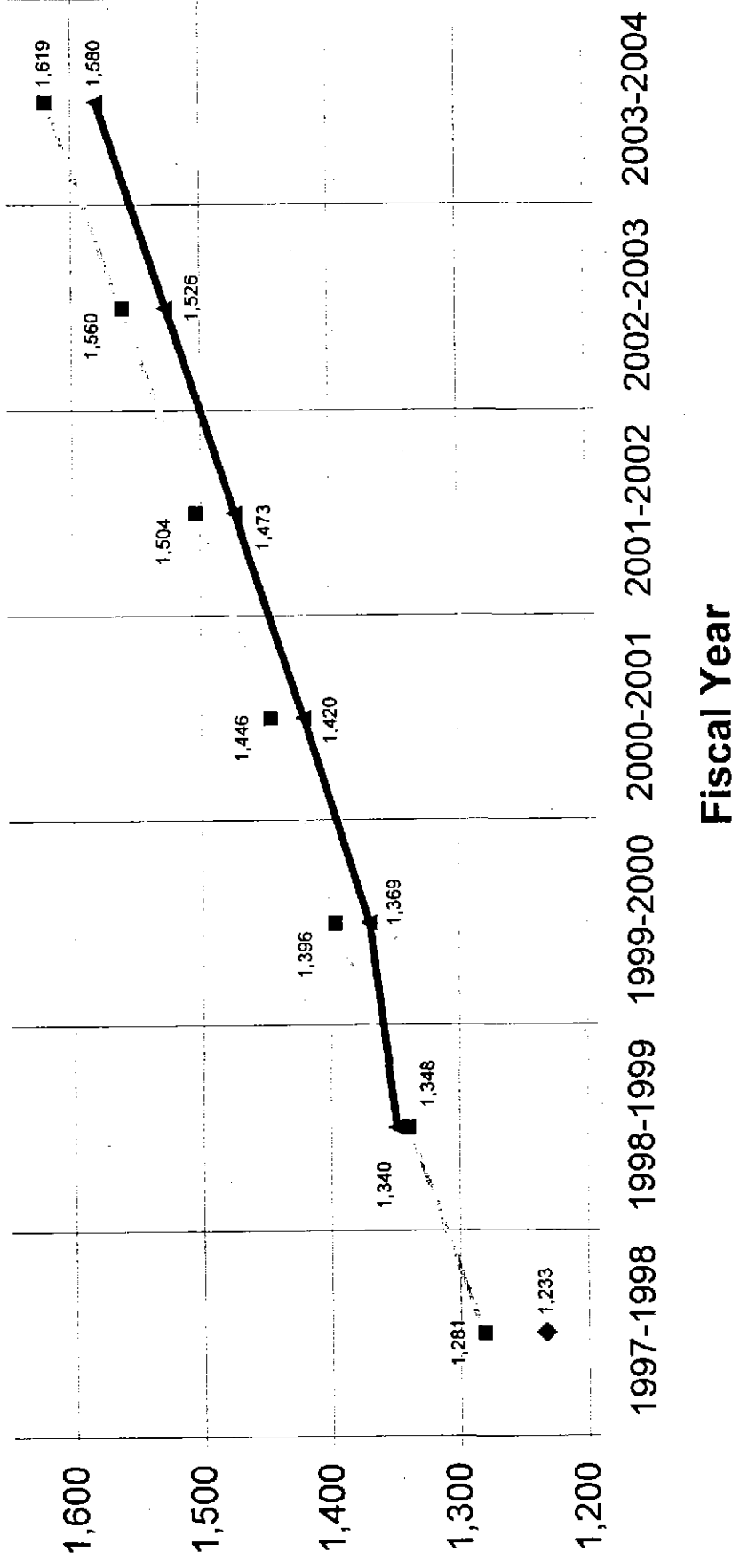
Recommendation

Hold the FY 1999-2000 Solid Waste Disposal Rate at \$62.50 with a \$5 Transaction Charge.

Revenue Tonnage From All Facilities

(Thousands of tons per fiscal year)

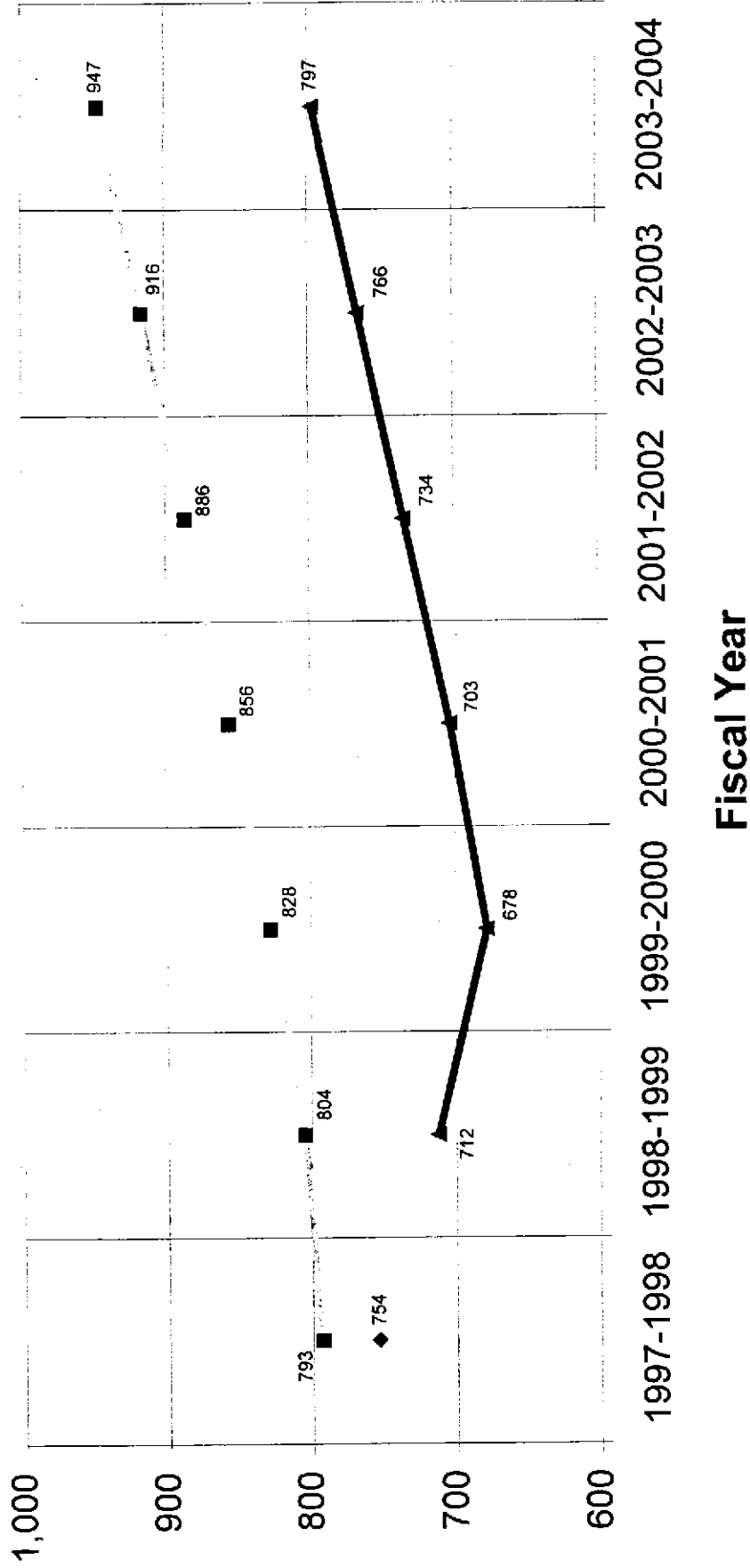
—◆— Actual ■ Nov97 Forecast —▲— Oct98 Forecast



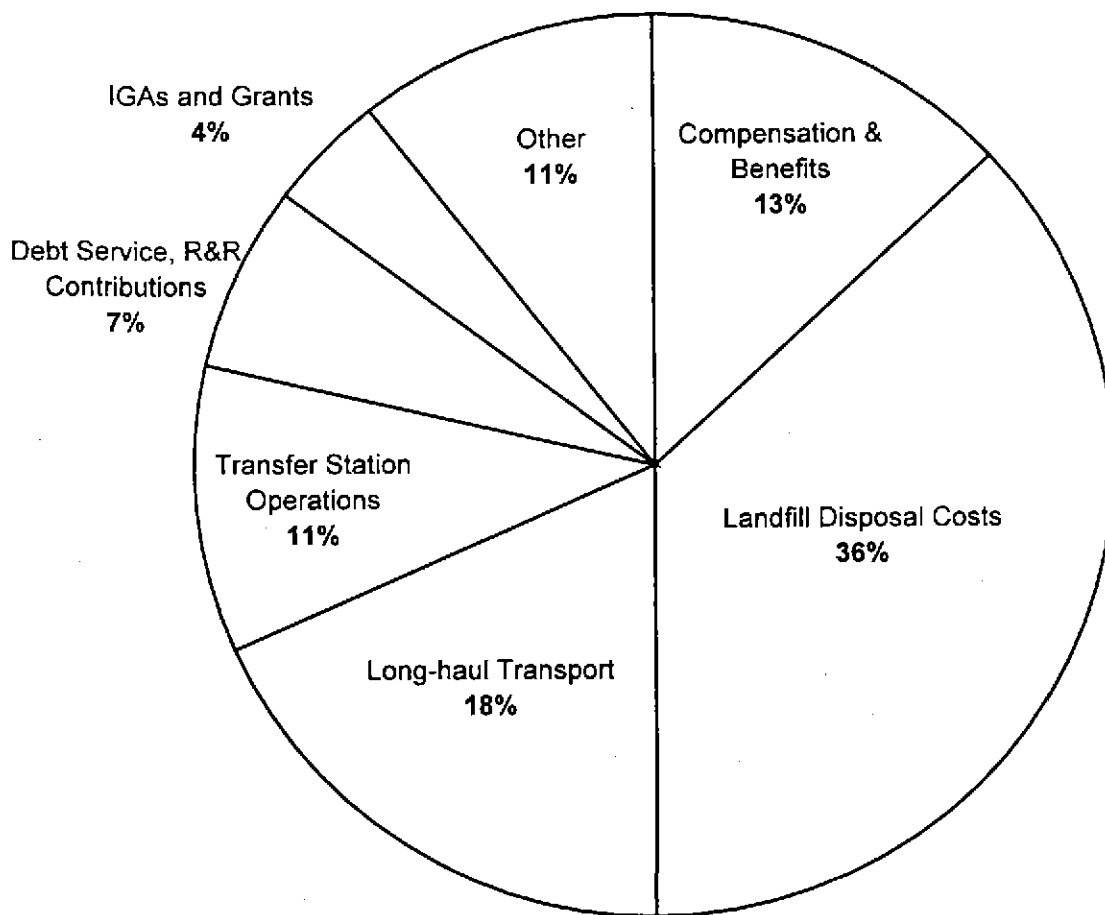
Revenue Tonnage From Metro Facilities

(Thousands of tons per fiscal year)

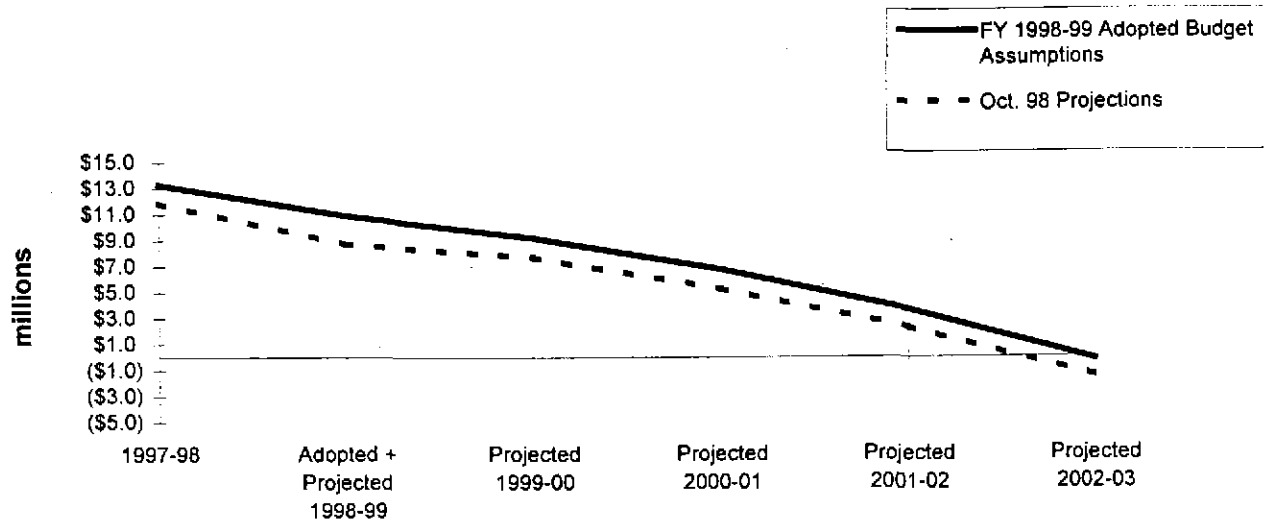
—◆— Actual ■ Nov97 Forecast —▲— Oct98 Forecast



Estimated FY 1999-2000 Budget Revenue Requirements: \$51.4 Million



Undesignated Fund Balance Goes to Zero After 2001-02



	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
FY 1998-99 Adopted Budget Assumptions	\$13.3*	\$10.9	\$9.2	\$6.8	\$3.7	(\$0.2)
1997-98 Actuals plus Oct. 98 Projections	\$11.9	\$8.7	\$7.7	\$5.3	\$2.3	(\$1.5)

* Note: The FY 1997-98 fund balance was projected to be \$13.3 million at the time the FY 1998-99 Budget was produced. The actual ending balance was \$11.9 million.

Assumptions

- 1) 5 year rolling Capital Reserve (based on 5-year Capital Improvement Plan) funded with undesignated funds through FY 2003-04
- 2) Solid Waste Business Assistance Account initiated with \$500,000 contribution from undesignated funds
- 3) Continuation of the Regional System Fee Credit program funded with \$900,000 per year from undesignated funds
- 4) Funded Operating Contingency, Working Capital, Rate Stabilization and Debt Service Accounts
- 5) Continue using funds to "buy down" rate to \$62.50 (FY 1999-00 buydown estimated to be \$500,000, with the possibility of reduction during budget review process)

Recommended Disposal Rate by Components

