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DATE: October 1, 1999

TO: (Distribution below)

FROM: Maria Roberts, Budget & Finance Administrator, REM **MR**

RE: Rate Review Committee Materials

Attached are the agenda and materials for the October 6 Rate Review Committee Meeting.

Distribution:

- Mike Burton, Metro Executive Officer
- Bruce Warner, Chief Operating Officer
- Terry Petersen, Acting Director, REM
- Leann Linson, Business & Regulatory Affairs Manager, REM
- Jim Watkins, Engineering & Analysis / Environmental Services Manager, REM
- Doug Anderson, Waste Reduction, Planning & Outreach Manager, REM
- Karen Green, Records Analyst, REM
- Jennifer Sims, Director, Administrative Services Department
- Dan Cooper, General Counsel
- Marv Fjordbeck, Senior Assistant Counsel
- Tony Mounts, Financial Planning Division Manager
- Tom Imdieke, Assoc. Admin. Services Analyst
- Peter Sandrock, Executive Analyst
- Cherie Yasami, Assoc. Admin. Services Analyst
- John Houser, Senior Council Analyst
- Leo Kenyon, Senior Auditor
- Ed Washington, Metro Councilor, Chair, Rate Review Committee/Solid Waste Advisory Committee
- Rod Park, Metro Councilor, Vice Chair, Rate Review Committee/Solid Waste Advisory Committee



METRO

MEETING: RATE REVIEW COMMITTEE
DATE: October 6, 1999
DAY: Wednesday
TIME: 6:00 pm
PLACE: Metro Headquarters, Room 270

<u>APPROX. TIME</u>	<u>PRESENTER</u>
6:00 PM	CALL TO ORDER..... Washington
	<ul style="list-style-type: none"> • <i>Roll Call</i> • <i>Minutes from September 15, 1999 RRC Meeting</i>
6:05 PM (15 min.)	1. Key Elements of Proposed Rate Ordinances Petersen
6:20 PM (10 min.)	2. Review of Rate Design Objectives / Criteria Petersen
6:30 PM (40 min.)	3. Discussion of Options RRC
7:10 PM (10 min.)	4. Motions RRC
	<ul style="list-style-type: none"> • <i>Reallocation of Administrative Costs</i>

ADJOURN

COMMITTEE MEMBERS:

Councilor Ed Washington (Chair)
 Shirley Coffin
 Dean Kampfer
 Paul Matthews
 Steve Schwab

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RATE REVIEW COMMITTEE

September 15, 1999

MEMBERS PRESENT

Steve Schwab
Shirley Coffin
Dean Kampfer
Paul Matthews

GUESTS PRESENT

David White
Easton Cross
Lynne Storz
Diana Godwin
Tim Raphael

METRO PRESENT

Councilor Park,
Terry Petersen
Maria Roberts
Leann Linson
Doug Anderson
Leo Kenyon

Chair Washington welcomed everyone on the Committee for coming and thanked them for being at the meeting.

APPROVAL OF MINUTES

Mr. Paul Matthews asked for a correction to his name (*Matthews, not Mathews* pg. 5, Second sentence, second to last paragraph (3rd line) is missing the word "would considerably "increase". With those two corrections Mr. Matthews introduced a motion to adopt the minutes and Mr. Schwab seconded the motion. The motion was passed unanimously.

Chair Washington announced that Monica Hardy has resigned due to her conflicting work schedule.

RATE STABILIZATION, BACKGROUND, CURRENT STRUCTURE

Ms. Roberts said that to review, the Rate Stabilization Account (RSA) was created by ordinance in the 1994-95 fiscal year and started with \$1.5 million dollars. The following year, a contribution of \$750,000 was made. Then the Council cut the REM budget by approximately \$400,000 and requested that sum be placed in the RSA which is why the FY 95-96 contribution to the RSA was \$1.2 million. During the FY 96-97 REM had no need to use the account and consequently the account accumulated interest and reached \$3.2 million by June 1997. The ordinance establishing the RSA stated it was in place to ensure a stable Solid Waste Disposal

rate. In the FY 97-98, REM hired a consultant to substantiate the appropriate level of REM's reserve. The consultant recommended (and the Committee was provided a copy) that it would be prudent for the RSA, together with the Contingency Account to hold a balance adequate to cover 5% of solid waste revenue for a two year loss of revenue. This was the first year the RSA in combination with the Contingency Account was funded with to cover this amount. In FY 97-98 REM restructured the RSA and in addition, about \$1.5 mil was added with the objective that the money was to buy down future CPI increases (in that year, the RSA was about \$5.4 million). About 1.5 mil was to buy down the rate and to take care of CPI increases. During the FY 98-99, all of the loss of \$3.3 million in revenue has been funded through the Undesignated Fund Balance.

Ms. Coffin asked Ms. Roberts who decides what fund the needed monies are taken from. Ms. Roberts replied that a proposal is made to Council and they approve or suggest another alternative.

Ms. Roberts demonstrated with figures how a fund balance is needed and used. Ms. Roberts stated that REM is very sensitive to the tonnage, and that either a higher than estimated or lower than estimated tonnage impacts Metro's revenues.

Mr. Matthews asked what percent of Metro's costs are fixed. Ms. Roberts said there are not fixed costs, the first 550,000 pays \$28.18, the next 42,000 ton pays \$10.00 and the next 42,000 pays \$8.00 and perhaps the lower categories are never reached. Ms. Roberts said she is talking about average at the end of the year.

Mr. Matthews stated there are two funds, the Contingency Fund and the Rate Stabilization Account; but why those two, how did they develop? Ms. Roberts said that REM has access to the Contingency Fund only after a request to Council with a justification is made and Council approves. The Rate Stabilization Account cannot be accessed unless a supplemental budget is proposed which takes even more authorization and is set aside for an emergency or extreme cases.

Mr. Matthews commented that when the consultant made the calculation for 5%, how did they determine that percentage. Ms. Roberts said the consultants determined that there were certain fixed costs that the agency would never recover and that based on that, on top of the fact that the region was not as sensitive to disposal costs and it was determined that an estimated 5% of revenue was what we were most vulnerable to and it should be covered for a two-year period.

Mr. Matthews said the Contingency Fund should more properly be fixed to volatility that you could expect in your revenues and secondly, your cost structure. He said that those two things taken together would determine what would be a prudent amount of money to have set aside. Mr. Matthews said his question was did they consider the phenomenon of volatility of revenue or did they focus on the relationship of the region's cost to revenues?

Ms. Roberts said she believed the consultants concentrated on the revenue portion and not the volatility.

Mr. Schwab stated the ordinance establishing the RSA states it is to minimize **extraordinary** solid waste disposal rates in the region. . . ." Mr. Schwab said now REM has restructured it to be something else.

Ms. Roberts replied we have not.

Mr. Schwab said that if the funds were used this fiscal year, it would be necessary, under the conditions the consultants described to "feed" it the following year.

Ms. Roberts explained that if the fund were used up, that would mean we would only have enough funds to cover expenses for one year and since the contingency fund covered the shortage, would have to charge the rate an amount to refund the contingency account.

Mr. Schwab stated he didn't care what it was called, the RSA was a secondary contingency fund. Mr. Schwab said the reason for lost revenue is that the tonnage is misjudged which is a projected number that is used when the rate is set. So, if it is missed low, or high, that is what fluctuates.

Mrs. Roberts explained that when there is a loss of revenue, it really increases the rate. Therefore they are tied together.

Mr. Petersen asked if Mr. Schwab was suggesting that Metro use the RSA to offset its revenue requirements, use it up and eliminate that reserve account?

Mr. Schwab said yes, or, when does that rainy day come? When do we use it?

Mr. Matthews said we will use it when the Undesignated Fund Balance is gone, and until that is gone there is actually no reason to use it because it would automatically get refilled at the end of the year.

Councilor Washington suggested that if the committee wanted to make a recommendation to the Council to use that fund or to combine the funds, or any other suggestion, that was an option.

Ms. Coffin said she would like to see the fund status quo.

Mr. Schwab said he does not have a problem with having a contingency fund, on the other hand he doesn't believe the RSA is continuing to exist for the reason the committee established it for in the first place.

Mr. Matthews said that he essentially agrees with Mr. Schwab in principal, but he would like to continue with things as they presently are and take a look at this account next year to see what that account looks like then.

Mr. Kampfer said he would like to look at the pros and cons of combining the RSA and Contingency Accounts.

Mr. Matthews said a good reason for two accounts is that the Contingency Fund is available for reappropriations during the year, and the RSA is money to be used for the rate study process as opposed to dealing with the crises during the year -- this is money that can be used to set the rate during the rate study.

Mr. Schwab said that he agreed with Ms. Roberts that at the end of the year there is an Undesignated Fund Balance, which covers wherever it is decided the rate should be set. But do you set it taking into consideration there is "x" amount in the RSA and "x" amount in the Contingency Account? But he does not believe the original intent was to keep a set amount in the RSA.

Mr. Petersen reminded the committee that Metro was planning to use the Undesignated Fund Balance during the course of the next two years to hold the rate at a constant level and in order to buffer the rate in the following year with the funds available in the RSA in order to smooth out the rate increase. Mr. Petersen asked the committee if that was still the plan from the committee's standpoint?

Mr. Matthews replied yes, with perhaps a slight different view. He does not see the RSA as being a problem, he would see that over the years that account was used and as we "weaned" ourselves off of that fund balance and that the rate would be needed to be subsidized but to a small degree so that there was not a big shock to the region in terms of rate increase. And once that rate was absorbed by the region, there might still be a small RSA available to deal with perhaps an economic downturn.

Mr. Matthews said he didn't see the RSA as being a problem, but he does have a problem with the existence of the Undesignated Fund Balance. Mr. Matthews said he would like to see the rate increased very slowly so that the rate is only somewhat subsidized and Metro can "ease" into it. He said there might still be a RSA to deal with an economic down-turn or something that we can't foresee.

Mr. Kampfer stated it was somewhat redundant to have an RSA to cover the projected fluctuations in tonnages and fixed costs as well as an undesignated fund?

Councilor Park asked Mr. Petersen if the RSA did not exist today the funds needed for the System Credit Fee and the buy-down of the rate would have to come from someplace else, correct. Mr. Petersen said it would come from the tip fee.

CONTRACT SAVINGS AND EXCISE TAX

Mr. Petersen said it was his understanding from the previous meeting that the Committee would like the opportunity to give Chair Washington and Councilor Parks feedback on how the Council should use the savings from the contract, as well as ideas on the amount of the excise tax.

Mr. Matthews asked what alternatives are currently being considered so the committee can react to those ideas as opposed to general discussion.

Councilor Parks replied there were too many ideas to count. They consisted of everything from banking the savings to buying down debt service.

Chair Washington commented there was no interest from the Council to reduce the tipping fee, due to the impact it might make on recycling. He said staff have made presentations with regard to taking a percentage on the excise tax as opposed to a per ton basis. There will be further presentations and discussion before a decision will be made. Chair Washington said if the savings were to be split, a decision would need to be made as to how much would go to solid waste and how much to the general fund.

Mr. Matthews asked how much excise tax would be required to keep the tipping fee from going down? Mr. Petersen said about \$11.00. He said the current excise tax is about \$5.00/per ton. Mr. Matthews said that would mean the excise tax would go from 8.5% to 22%. He asked if staff had any understanding of how sensitive the citizens of the region's habits are toward recycling based on the price of disposal? Mr. Schwab replied that on the commercial side it would not be affected at all, nor will it affect any of the outlying areas. He said that rates are set by jurisdictions, recycling programs are set up and paid for out of rates and what Metro does here will not affect that. He did say however that Portland's commercial is highly affected by disposal rates.

Mr. Kampfer stated the disposal rate has a large impact on operations such as MRFs and recovery facilities.

Mr. Matthews asked that if it costs less to dispose of stuff, and it takes more resources to recycle something that it does to dispose of it, why are we recycling? He said he knows someone in the State legislature passed an amendment to recycle, but what can they do if we don't? He said the public policy goal of recycling to him is no more sacred than the public policy goal of keeping the cost of garbage reasonable for the ratepayers. He said when you look like basic things like garbage, a 20% tax is obscene. He said he did not believe we should be taxing people's fundamental needs. He said garbage is a necessity because if you don't have garbage service and you live in an urban area, you've got health and welfare issues. Mr. Matthews stated when it was time to close St. Johns, an additional fee was charged to dispose of garbage, and that Metro has a revenue stream that is quite a bit larger and Metro is ready to place an additional charge on top of the already high rate. He believes the policy to increase recycling should be balanced against what Metro is charging their rate payers.

Mr. Kampfer said it was important to realize it was not a 22% tax on garbage because the tax is for other type of regional uses that are not related to garbage and the ratepayer needs to realize that.

Mr. Matthews stated he would shy away from adding programs into the solid waste just to spend the money so that the recycling program is reinforced. He would like staff to weight the policy objectives. He believes the cynicism of the public will simply increase because they all ready believe if government has the money, they will spend it.

Chair Washington asked how much of a savings would the public receive if we simply gave it back? Mr. Petersen said the savings translates into anywhere from \$.30 to \$.50 per month in collection (per month, per average garbage collection customer – 32 gal can) depending on the jurisdiction being discussed.

Mr. White said he again agreed with what Mr. Matthews is saying and believes staff should be asking the citizens if they would rather have a quarter decrease in their garbage rate or would they rather have a program. He said this would require some kind of a survey which would you to get to that, and requires that you ask the question fully.

Ms. Lynn Storz said that the region has a federal mandate passed by the Resource Conservation & Recovery Act which states a hierarchy on materials: Reduce, Reuse, Recycle, Compost, Energy Recovery and disposal. She said there is more involved in a cheap disposal price than the actual act of putting it in the ground. We need to recover our resources that are scarce upon this earth at the cost of reusing materials over and over again so we are not causing degradation to the earth.

Mr. Anderson said that the last time the Rate Review Committee looked at a \$51.21 solid waste rate which reflects the current level of effort, the \$11.29 of excise tax, right or wrong can be raised for non-solid waste issues. So what is on the table is not lower rates for the ratepayer versus recycling programs, there is a third leg to the equation: What is the public policy/attitude toward expenditure on the non-solid waste programs, which is really what we are talking about. If it is truly \$11.29, then the road paving and all the other things that have been brought up, if those were actually considered for expenditure need to compete against -- should the ratepayer keep the money.

Chair Washington said the Council was very focused on implementing the best possible plan for using the contract savings. Chair Washington said he would like to plan at least two meetings per year combining the Rate Review Committee and the SWAC.

Ms. Roberts said the Budget Review Committee would meet October 6, 1999.

The next Rate Review Committee is set for October 20, 1999.

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PROPOSED ORDINANCES 99-823 AND 99-825

1. The following are given:

Solid Waste Disposal Rate	\$ 62.00
Excise Tax (at Metro Transfer Stations)	\$ 8.23
Regional System Fee	\$ 12.90 *
Expanded Waste Reduction and Hazardous Waste Services	\$1,050,000
Contribution to REM Reserve (Allocated to the Disposal Fee Component)	\$ 635,000

* After \$9.00/ton credit (Ordinance 99-823)

2. The main remaining question is: How best to "capture" the new regional solid waste expenditures (\$1,050,000)?

Option 1 Reallocate a portion of Administrative Costs (Support Services) from the Regional System Fee to the Metro Facility Fee. This is consistent with the Black & Veatch Report on Analysis of Rate Setting Practices (1993).

From a cost of service perspective, the current policy of allocating all administrative costs to the RSF results in a Tier 1 Fee that cannot be cost justified, while the cost burden of the remaining fees (Facility, Transfer, Disposal) is lower than can be cost justified.

As a consequence of this reallocation, there is "room" in the Regional System Fee for the expanded waste reduction and hazardous waste services without changing the fee from \$12.90/ton.

Option 2 Fund new regional solid waste programs from Transfer Station tonnage base

Option 3 Other recommendation from the Rate Review Committee

3. Option 1 is incorporated in Ordinances 99-823 and 99-825.

	<u>Proposed</u>
Regional System Fee	\$ 12.90 *
Facility Fee	\$ 2.55
Regional Transfer Fee	6.56
Disposal Fee	30.02
DEQ Fee & Rehab & Enhancement Fee	\$ 1.74
SUBTOTAL	<hr/> \$ 53.77
Excise Tax (at Metro Transfer Stations)	\$ 8.23
Solid Waste Disposal Rate	<hr/> \$ 62.00

* After \$9.00/ton credit (Ordinance 99-823)

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REVIEW OF RATE DESIGN OBJECTIVES / CRITERIA

RATE OBJECTIVES

- Encourage Recycling & Recovery
- Balanced User Fee & Total Disposal Rate
- Predictability in Rates
- Equitable Allocations/Moving Toward Cost of Service

RATE SETTING CRITERIA

1. Recover anticipated costs
2. Undesignated fund balance returns to ratepayers
3. Encourage recycling and recovery
4. Predictability / stability
5. Ensure regional stability
6. Avoid "rate shock"
7. Metro rates for source-separated recoverables should:
 - Not compete with the private sector
 - Reflect only program-specific direct and indirect costs
8. Regional programs with regional benefits are broadly funded
9. Rates based upon best tonnage projections
10. Uniform regional transfer station tipping fee

RATE POLICY CHANGES APPROVED BY THE RATE REVIEW COMMITTEE

January 1992 - Present

(actions listed in chronological order)

A. Rate Methodology Cost Allocation

1. Assign the costs of contingency to the Regional System Fee.
2. Assign the St. Johns Landfill operating costs to the Regional System Fee.
3. Remove any subsidy of yard debris rates by Metro solid waste disposal rates, as long as the rate for yard debris remains lower and the incentive to separate yard debris is maintained.
4. Assign the Recovery Credit Payment paid to the facility operators to the Regional System Fee.*
5. Assign Transfer Station Management costs to the Regional System Fee.**
6. Assign the costs of the Renewal and Replacement Account contributions to the Metro Facility Fee. This change was recommended by the Black & Veatch Rate Report in June 1993.
7. Assign the costs for capital expenses related to the transfer stations to the Metro Facility Fee. This change follows the rate-setting philosophy of Black & Veatch.
8. Assign Health & Safety costs to the Regional System Fee.
9. Assign Transfer Station Management costs to the Metro Facility Fee.**
10. Assign the Recovery Credit Payment paid to the facility operators to the Transport and Disposal Fee.*
11. Assign Debt Service Costs to the Regional System Fee.
12. Assign the Waste Transport Contract Fixed Costs to the Regional System Fee.

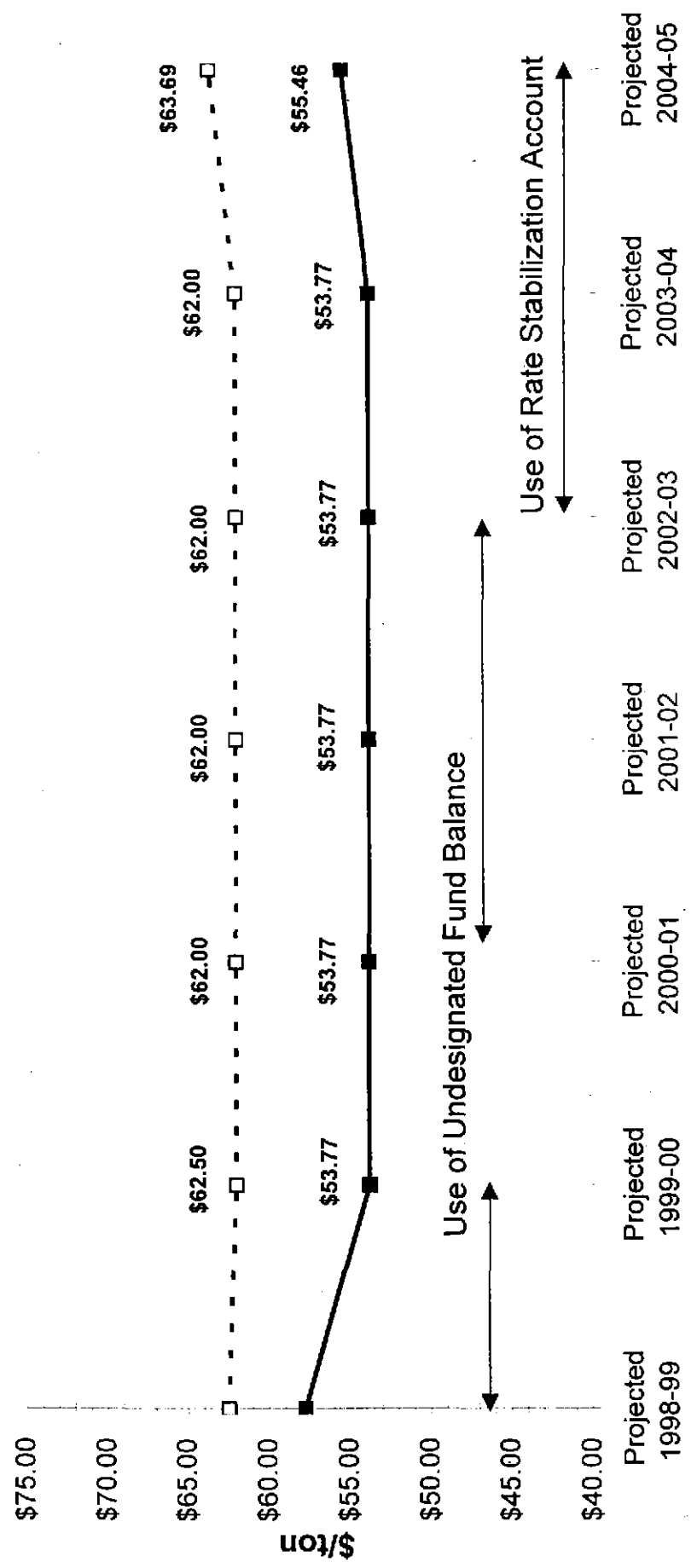
B. Rate Stabilization Plan

The Rate Review Committee supported the establishment of a Rate Stabilization Account within the Solid Waste Revenue Fund.

Projected Tip Fee @ Metro Transfer Stations

Option - Rate \$62/ton

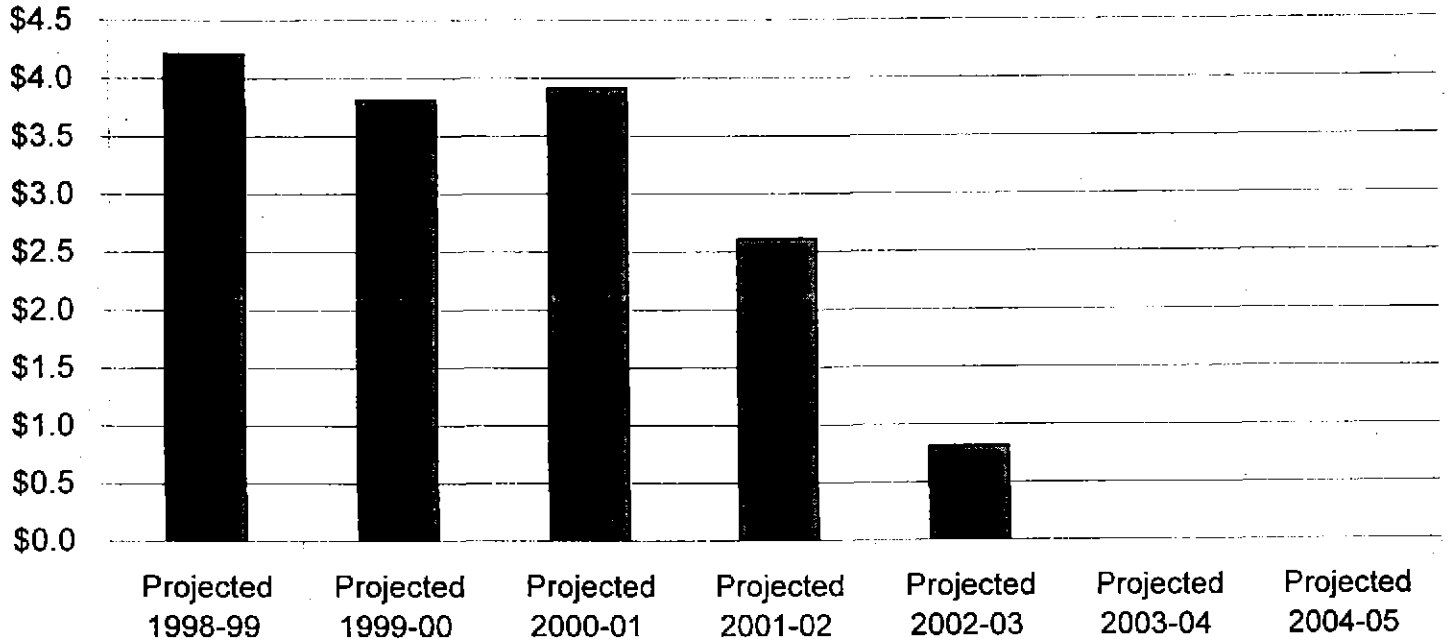
- Required Tip Fee Base
- □ - Required Tip Fee Base + Flat Rate Excise Tax (\$8.23/ton)



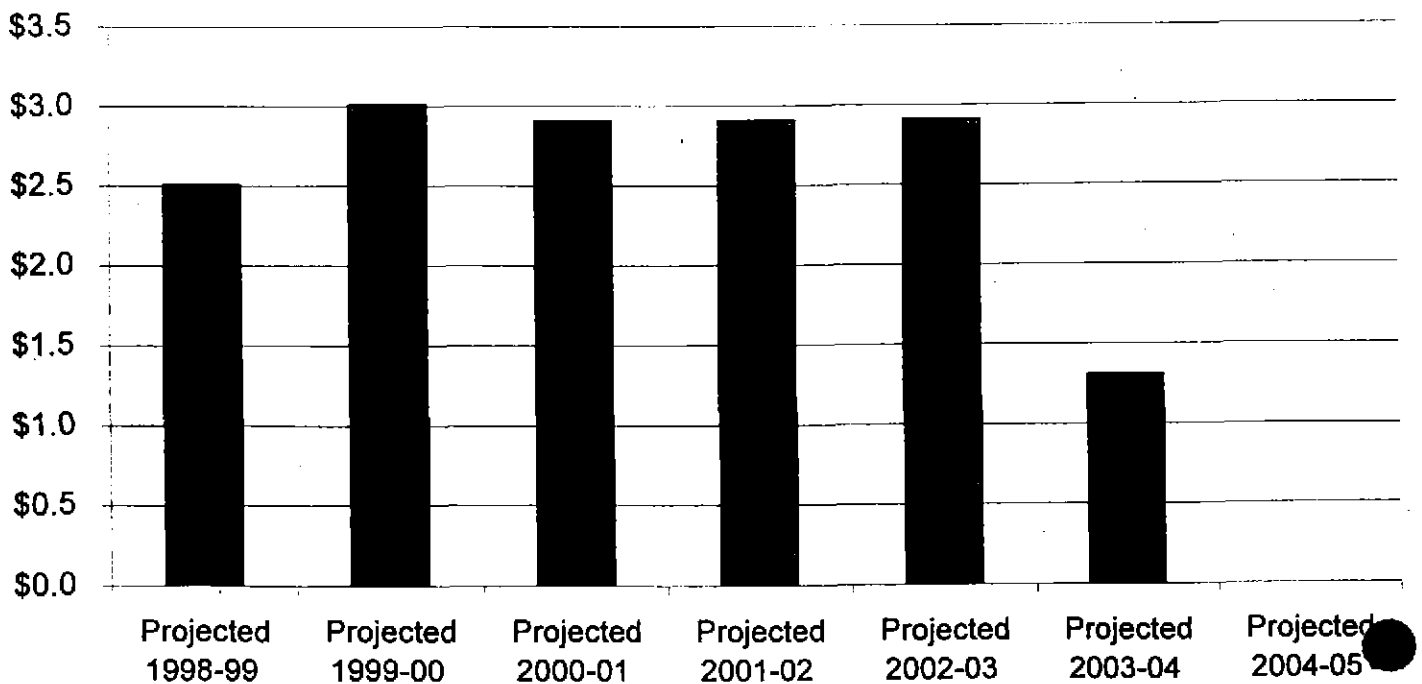
Rate Effect on Solid Waste Funds

Dakota Option - \$62/ton

Rate Effect on the Undesignated Fund Balance



Rate Effect on the Rate Stabilization Account



DRAFT

STAFF REPORT:

IN CONSIDERATION OF ORDINANCE NO. 99-823 FOR THE PURPOSE OF AMENDING METRO CODE CHAPTER 5.02, TO MODIFY CHARGES FOR DIRECT HAUL DISPOSAL, TO MODIFY METRO SYSTEM FEES, TO CREATE ADDITIONAL REGIONAL SYSTEM FEE CREDITS, AND MAKING OTHER RELATED AMENDMENTS.

Date: October 1, 1999

Presented by: Terry Petersen

PROPOSED ACTION:

Adopt Ordinance No. 99-823. If adopted, the solid waste charges for direct haul disposal, Metro system fees, and additional regional system fee credits in Ordinance 99-823 would be effective on the appropriate date following Council approval.

BACKGROUND:

Metro recently renegotiated the disposal contract with Waste Management Disposal Services of Oregon (Change Order #8), and the transportation contract with Specialty Transportation Services, Inc. (Change Order #24). The new transport and disposal prices in these renegotiated contracts will result in significant reductions in future payments to Metro's contractors.

During the past six months, Metro has reviewed a wide range of options for managing these contract savings. This review has involved extensive public involvement, including numerous public hearings before the Metro Council, Metro's Solid Waste Advisory Committee, Metro's Rate Review Committee, and other advisory groups.

This public input helped shape the general policy directions that are reflected in the solid waste fees and charges in Ordinance 99-823. Specifically, the key elements of Ordinance 99-823 will allow Metro to:

- Modify the direct haul disposal charge; and
- Ensure that regional ratepayers continue to benefit from the lowest disposal prices in the Pacific Northwest. With the proposed revision to the Regional System Fee, the region's ratepayers will not pay more for disposal services if tonnage is delivered to non-system disposal facilities; and
- Modify the Metro Facility Fee by reallocating certain administrative costs from the Regional System Fee to the facility fee.

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AMENDING METRO CODE)	ORDINANCE NO. 99-823
CHAPTER 5.02 TO MODIFY CHARGES FOR DIRECT)	
HAUL DISPOSAL, TO MODIFY METRO SYSTEM)	Introduced by Mike Burton
FEEES, TO CREATE ADDITIONAL REGIONAL)	Executive Officer
SYSTEM FEE CREDITS AND MAKING OTHER)	
RELATED AMENDMENTS)	

WHEREAS, it is desirable to review certain disposal fees and system fees in light of certain amendments to significant Metro solid waste contracts; and

WHEREAS, it is necessary to adjust such fees to take advantage of the savings resulting from these solid waste contract amendments and to implement new solid waste programs that are in the public interest; and

WHEREAS, the Metro Rate Review Committee convened pursuant to Chapter 5.08 of the Metro Code and reviewed such disposal fees and system fees; and

WHEREAS, it is appropriate to make certain related modifications to existing portions of Chapter 5.02 of the Metro Code; and

WHEREAS, the ordinance was submitted to the Executive Officer for consideration and was forwarded to the Council for approval; now, therefore,

THE METRO COUNCIL ORDAINS AS FOLLOWS:

SECTION 1. Metro Code Chapter 5.02.030 is amended to read:

Each facility licensed or franchised under Metro Code Chapter 5.01 and authorized to transport solid waste directly to the Columbia Ridge Landfill shall pay to Metro a charge of ~~\$24.93~~ \$16.78 per ton of solid waste which is generated or originates within the Metro boundary and which the facility directly transports to the Columbia Ridge Landfill

SECTION 2. Metro Code Section 5.02.045 is amended to read:

(a) Regional System Fee: Solid waste disposal facility operators shall collect and pay to Metro a Regional System Fee of ~~\$14.00~~ \$21.90 per ton for the disposal of solid waste generated, originating, collected, or disposed of within Metro boundaries, in accordance with Metro Code section 5.01.150.

(b) Metro Facility Fee: Metro shall collect a Metro Facility Fee of ~~\$1.15~~ \$2.55 per ton for all solid waste delivered to Metro Central Station or Metro South Station

- (c) System fees described in paragraph (a) shall not apply to:
- (1) inert material, including but not limited to earth, sand, stone, crushed stone, crushed concrete, broken asphaltic concrete and wood chips used at disposal facilities for cover, diking, road base, or other productive use at such solid waste disposal facilities;
 - (2) solid waste received at facilities which are licensed, franchised or exempt from regulation under Metro Code Chapter 5.01 and which accomplish materials recovery and recycling as a primary operation; or
 - (3) solid waste received at Transfer Facilities which deliver such wastes to a Metro-owned, licensed, franchised, or designated facility where Metro fees are collected and paid to Metro.

SECTION 3. 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 and which attains a Facility Retrieval Rate of 10 percent or greater 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 Retrieval Rate and the Recovery Rate shall be calculated for each six-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

Recovery Rate		System Fee Credit of no more than
From Above	Up To & Including	
0%	20%	0.00
20%	25%	1.00
25%	30%	3.00
30%	35%	6.46
35%	40%	8.00
40%	45%	9.82
45%	100%	12.00

(b) The Executive Officer 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.

DRAFT

(c) The following users of Metro solid waste system facilities shall be allowed a credit in the amount of \$9 per ton against the Regional System Fee otherwise due under Section 5.02.045(a):

(1) Users of Metro Central and Metro South Transfer Stations:

(2) Any Person delivering authorized waste:

(A) to any landfill or other solid waste facility that is authorized to receive such waste through a Metro license certificate franchise or Designated Facility Agreement; or

(B) under the authority of a Metro Non System License.

ADOPTED by the Metro Council this _____ day of _____, 1999.

Rod Monroe, Presiding Officer

ATTEST:

Approved as to Form:

Recording Secretary

Daniel B. Cooper, General Counsel

MDF:jep
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DRAFT

STAFF REPORT:

IN CONSIDERATION OF ORDINANCE NO. 99-825 FOR THE PURPOSE OF AMENDING METRO CODE CHAPTER 5.02.025, TO MODIFY THE DISPOSAL CHARGE AT THE METRO SOUTH AND METRO CENTRAL TRANSFER STATIONS.

Date: October 1, 1999

Presented by: Terry Petersen

PROPOSED ACTION:

Adopt Ordinance No. 99-825. If adopted, the solid waste charges in Ordinance 99-825 would be effective on the appropriate dates following Council approval.

BACKGROUND:

Metro recently renegotiated the disposal contract with Waste Management Disposal Services of Oregon (Change Order #8), and the transportation contract with Specialty Transportation Services, Inc. (Change Order #24). The new transport and disposal prices in these renegotiated contracts will result in significant reductions in future payments to Metro's contractors.

During the past six months, Metro has reviewed a wide range of options for managing these contract savings. This review has involved extensive public involvement, including numerous public hearings before the Metro Council, Metro's Solid Waste Advisory Committee, Metro's Rate Review Committee, and other advisory groups.

This public input helped shape the general policy directions that are reflected in the solid waste charges in Ordinance 99-825. Specifically, the key elements of Ordinance 99-825 will allow Metro to:

- Reduce the disposal charge at the Metro transfer stations to \$62.00 per ton.
- Create sufficient cash reserves to stabilize the \$62.00 per ton charge for up to four years.
- Increase general fund revenues for essential non-solid waste Metro responsibilities, such as growth management planning, by about \$3.0 million per year. See Excise Tax Ordinance 99-824.
- Increase funding for waste reduction and hazardous waste services by about \$1.0 million per year.

SOLID WASTE FEES AND CHARGES AT METRO TRANSFER STATIONS:

The individual fees and charges as proposed in Ordinance 99-825 compare to current fees and charges as follows:

	<u>Current</u>	<u>Proposed</u>
Disposal Charge(1)	\$38.61	\$30.02
Metro Facility Fee(2)	1.15	\$ 2.55*
Regional Transfer Charge(3)	\$ 7.00	\$ 6.56
Regional System Fee(4)	\$14.00	\$12.90*
Excise Tax (5)	<u>(included in above)</u>	<u>\$ 8.23</u>
Total Rate	\$60.76	\$60.26
 <u>Additional Fees</u>		
Enhancement Fee	\$.50	\$.50
DEQ Fees	<u>\$ 1.24</u>	<u>\$ 1.24</u>
Total Disposal Fee	\$62.50	\$62.00

* these are the fees specified in Metro Code, Section 5.02.045; see Ordinance 99-823 for details.

(1) The Disposal Charge includes the contractual price for waste transport and disposal. The proposed charge of \$30.02 reflects the renegotiated lower contract prices.

(2) The Metro Facility Fee currently includes contributions to facility renewal and replacement, and certain management costs at the Metro Transfer Stations. The proposed higher fee of \$2.55 is a result of reallocating appropriate administrative costs to this cost component from the regional revenue (tonnage) base. This change is consistent with a recommendation from consulting firm Black & Veatch, June 1993.

(3) The Regional Transfer Charge is Metro's contractual price for operation of the Metro Transfer Stations. The proposed rate is lower because it does not include the excise tax as does the current transfer charge.

(4) The Regional System Fee is collected by facility operators and paid to Metro on a per ton basis. The new rate is \$21.90, with a \$9.00 credit to be applied to those qualifying facilities. The \$12.90 shown in this table reflects the \$9.00 credit being applied. See Ordinance 99-823 for details.

(5) The current Metro excise tax of 8.5% is included in the individual solid waste fees and charges. The proposed rates and fees in Ordinance 99-825 do not include the excise tax. Instead, the proposed rates and fees reflect a conversion to a per ton excise tax. See Ordinance 99-824 for details.

FISCAL IMPACT:

The revenue projected to be raised through the fees and charges in Ordinance 99-825 will be less than required given projected expenditure levels, tonnage forecasts, and assuming the excise tax remains the same (see Ordinance 99-824). To offset this shortfall in revenue requirements, the reserves in the Undesignated Fund Balance and the Rate Stabilization Account will be used as shown below:

<u>Fiscal Year</u>	<u>Revenue Requirements</u>	<u>Metro Tip Fee</u>	<u>Rate Revenue</u>	<u>Undesignated Fund Balance Offset</u>	<u>Rate Stabilization Acct. Offset</u>
FY00/01	\$ 45.1 million	\$ 62.00	\$ 45.0 million	\$ 0.1 million	\$ 0.00
FY01/02	\$ 47.6 m	\$ 62.00	\$ 46.3 m	\$ (1.3) m	\$ 0.00
FY02/03	\$ 49.5 m	\$ 62.00	\$ 47.7 m	\$ (1.8) m	\$ 0.00
FY03/04	\$ 51.6 m	\$ 62.00	\$ 49.1 m	\$ (0.8) m	\$ (1.7) m
FY04/05	\$ 53.6 m	\$ 63.70	\$ 52.3 m *	\$ 0.00	\$ (1.3) m

* Tip Fee increases \$1.70/ton

The use of the funds from Undesignated Fund Balance and the Rate Stabilization Account will allow Metro to maintain the disposal charge of \$62.00 given current expenditure levels and projected tonnage for four years.

DRAFT

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AMENDING METRO CODE) ORDINANCE NO. 99-825
SECTION 5.02.025 TO MODIFY THE DISPOSAL)
CHARGE AT THE METRO SOUTH AND METRO) Introduced by
CENTRAL TRANSFER STATION) Councilor Bragdon

WHEREAS, it is desirable to review the disposal fees and other fee components charged at Metro's regional solid waste facilities in light of certain amendments to significant Metro solid waste contracts; and

WHEREAS, it is necessary to adjust the Tonnage Charge of Metro's disposal rate system to take advantage of the savings resulting from these solid waste contract amendments; and

WHEREAS, the Metro Rate Review Committee convened pursuant to Chapter 5.08 of the Metro Code and reviewed the disposal fees and other fee components for the Metro Central and Metro South Transfer Stations; now, therefore,

THE METRO COUNCIL ORDAINS AS FOLLOWS:

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

(a) The fee for disposal of solid waste at the Metro South Station and at the Metro Central Station shall consist of a Tonnage Charge of ~~\$62.50~~ \$62.00 for each ton of solid waste delivered for disposal and a Transaction Charge of \$5.00 for each Solid Waste Disposal Transaction.

(b) The Tonnage Charge specified in subsection (a) of this section includes:

- (1) A disposal charge of ~~\$38.61~~ \$30.02 per ton;
- (2) A regional transfer charge of ~~\$7.00~~ \$6.56 per ton;
- (3) The fees specified in section 5.02.045;
- (4) An enhancement fee of \$.50 per ton; and
- (5) DEQ fees totaling \$1.24 per ton.

(c) Notwithstanding subsection (a) of this section, 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 320 pounds or less of \$15, which shall consist of a minimum Tonnage Charge of \$10.00 plus a Transaction Charge of \$5 per Transaction.

DRAFT

(d) 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.

(e) The Director of the Regional Environmental Management 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.

~~(f) The following table summarizes the disposal charges to be collected by Metro from all persons disposing of solid waste at Metro South Station and Metro Central Station.~~

METRO SOUTH STATION		METRO CENTRAL STATION	
Tonnage Charge Component	\$/Ton Rate		
Disposal Charge	38.61		
Regional System Fee	14.00		
Metro Facility Fee	1.15		
Regional Transfer Charge	7.00		
Metro Tonnage Charges	\$60.76		
Additional Fees			
Enhancement Fee	0.50		
DEQ Fees	1.24		
Total Tonnage Charges:	\$62.50		
			\$/Transaction
Per Transaction Charge	\$5.00		
Minimum Tonnage Charge	\$10.00		

ADOPTED by the Metro Council this _____ day of _____, 1999.

Rod Monroe, Presiding Officer

ATTEST:

Approved as to Form:

Recording Secretary

Daniel B. Cooper, General Counsel

MDF:jep
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