A G E N D A

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METRO

MEETING: RATE REVIEW COMMITTEE

DATE: September 13, 2000

DAY: Wednesday

TIME: 6:00 - 7:30 p.m.

PLACE: Metro Regional Center
Room 101

AGENDA

1. Call to Order and Roll Call (5 min) .... *Councilor Ed Washington*

2. Approve Minutes (5 min) .... *Councilor Ed Washington*

3. Hazardous Waste Fees (25 min) .... *Scott Klag*
   - *Recommend waiving household hazardous waste drop-off fees for a three-year period.*

   No Action requested: *Committee to provide feedback to REM.*

4. Five-year financial forecast (55 min) .... *Tom Chaimov*
   - *Present results of FY 2000-01 to FY 2005-06 financial planning forecast.*
   - *Examine unit costs, tip fee, reserve account balances.*

   No Action requested: *Committee to provide feedback to REM.*

Please call Tom Chaimov at Metro with any questions at 503-797-1681.

Attachments:
A. Hazardous Waste Fee Policy
B. Behavioral Tonnage Model Overview
C. Introduction to Five-year Financial Forecast
D. Detailed Tip Fee Components

Committee Members:
Councilor Ed Washington
Dr. James Strathman
Jerry Powell
Bernie Deazley
Dean Kampfer
Steve Schwab
Paul Matthews

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MEETING SUMMARY
Rate Review Committee
Metro Regional Center - Council Annex
June 7, 2000

Present:

Members	Metro	Guests
Councilor Ed Washington, Chair	Terry Petersen, Director, REM	
Bernie Deazley	Maria Roberts, Budget & Finance Admin.	
Paul Matthews	Doug Anderson, Waste Reduction, Planning, & Outreach Manager	
Dean Kampfer	Leann Linson, Business & Regulatory Affairs Mgr	
	Tom Chaimov, Budget & Finance	

Members Absent:
James Strathman
Jerry Powell
Steve Schwab

Councilor Washington called the meeting to order.

Approval of Minutes

Paul Matthews asked for two changes to the minutes from May 23. He asked that the sentence: "While this Committee's charge is not to make decisions regarding the excise tax, he felt that the opinion of such a citizen committee might be informative for the Council." be removed, as he doesn't recall saying that. He also wanted "Most may not see the link between recycling and garbage rates." changed to "Most may not see the conflict between recycling and Metro's revenues." He stated that in his opinion, the Ordinance that Councilor Park presented at the May 23 meeting won't help and he opposes its passage. With those changes, the minutes were unanimously approved.

Rate-setting Practices

Terry Petersen outlined the purpose of the meeting, which was to explain Metro's rate-setting practices, especially for new members. Mr. Matthews mentioned he had hoped to make a recommendation on the fee.

Maria Roberts explained Metro's authority over rate-setting and explained related state mandates which affect how collected funds are used. She further explained that solid waste projects are funded through tip fees, not through the excise tax. The Regional System Fee (RSF) is a surcharge on all waste that is landfilled. The RSF funds solid waste programs that benefit the region. The tip fee is only charged to users of Metro's transfer stations. Only solid waste programs benefiting transfer station customers are included in the rate base for the Metro tip fee.. She gave a detailed presentation about related Metro Code and how the rates are set, frequently referencing the agenda attachments.

Committee members had several questions, such as "How was the Rate Review Committee Established?" A separate chapter of the Metro Code established the Committee, which is charged with advising on the technicalities of cost and revenue allocations. There was discussion of what the specific criteria are for rate-setting. Ms. Roberts explained them. The original criteria were set several years ago, and can be reviewed by Council any time they deem it necessary. Mr. Matthews would like Council to take a good look at them again. Bernie Deazley commented that, as Ms. Roberts presented them, the criteria seem to make a lot of sense.

Ms. Roberts then presented a history of policy changes recommended by the Rate Review Committee. She explained the components of the tip fee, referring again to agenda attachments.

Dean Kampfer asked a question about the revenue deficit for regional programs in the RSF component. Ms. Roberts explained that tonnage figures dropped from a projected 1.3 million to 1.2 million tons in the last year. Also, $1.5 million was added to programs funded by the Regional System Fee (RSF) and for Council-recommended and approved waste reduction programs. However, the RSF of $12.90 per ton was not increased to reflect the new programs. Mr. Matthews asked how much of the "wish list" presented to the Budget Advisory Committee was adopted; Terry Petersen replied that all the proposed waste reduction programs were adopted, as well as additional waste reduction and Regulatory Affairs program funding that Council had wanted.

The plan for the undesignated fund balance has always been to help offset deficits and keep the rate stable for the next few years. Mr. Deazley commented that it looks like the rate will need to be raised at some point, Mr. Matthews asserted that it needs to be lowered.

Mr. Petersen agreed that there is an important issue regarding if the rate should, indeed, be lowered, thereby depleting the undesignated fund balance sooner. It is an option. Another issue involves the under-collection of the RSF; currently, not all of the regional program costs are being paid for with RSF revenues. Advice from the Committee is needed about whether or not this is the correct course, or if that should be changed. Continuing, Mr. Petersen said that he, personally, would not recommend lowering the tip fee, and that a large portion of the undesignated fee may likely be used because of ideas now being discussed, such as approving new regional transfer stations that would result in less tonnage at Metro's stations. The per-ton price paid to the operators of Metro's transfer stations is based upon tonnage received, and rises as tonnage collection falls.

Mr. Matthews stated that by his calculations, the $4.24 per ton above requirements in the Metro Tip Fee could immediately be reduced by $1, and still subsidize the RSF, without adding to the undesignated fund balance. Mr. Petersen reiterated that the figures Ms. Roberts presented were based on a "status quo" solid waste system, while next year's figures will most likely be much different and will not add substantially to the undesignated fund balance.

Councilor Washington said any recommendation to reduce the rate would certainly be looked at if presented to Council. Mr. Matthews commented that he felt that option should be seriously considered by the full Committee; Mr. Deazley countered that he views the undesignated fund balance as a "rainy day fund" that is going to be shrinking very fast. Even using the status quo figures, it will be gone within the next three years, and part of the Committee's charge is to maintain a steady rate. If the rate is lowered now, and needs to then be raised in the next couple of years, it could give the public "sticker shock", he said.

Mr. Petersen added that he believes the undesignated fund balance will be gone within three to four years, after which costs will need to be drastically cut, or the rate will need to be raised. He sees next fiscal year's 5% budget increase not as huge, but as a great commitment to waste reduction in the region. Councilor Washington agreed, stating that any rate reduction would negatively affect recycling, organics, transfer stations, and other solid waste programs.

Mr. Matthews reiterated his assertion that approximately $1 could be taken off without affecting cost funding, just affecting the fund balance. Councilor Washington restated that such a recommendation can certainly be presented to the full Council, but added that it was very difficult when the tip fee was reduced a few years ago, and reducing it further would be extremely difficult. Any time the fee is reduced, there is a domino effect somewhere down the line. Mr. Kampfer added that he understood Councilor Washington's explanation to mean that the rate structure is very fragile between the tip fee and recycling rates, as they pertain to achieving the region's recovery goals. Council is very focused on achieving those goals and, so, may not be receptive to a proposal to lower the tipping fee.

Regardless, Mr. Matthews suggested taking a closer look at the rate during a future meeting, preferably with the full Committee membership in attendance. He would also be interested in speaking with staff before that time about other issues involved, as Mr. Petersen mentioned earlier.

Ms. Roberts and Tom Chaimov were asked to present an analysis of the newest financial projections, to include several upcoming issues such as new transfer stations, procurement of 10% of the region's waste, as well as the effect of meeting recycling goals. Mr. Matthews added that he'd like the Committee to examine the rate-setting criteria at a future meeting, and get consensus. Councilor Washington asked Mr. Petersen to make time on the next REM Committee agenda for that topic.

The meeting adjourned at 7:50 p.m. The next meeting will be Wednesday, July 12, 2000.

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MEETING SUMMARY

Rate Review Committee

Metro Regional Center - Council Annex

July 12, 2000

Present:

Members	Metro	Guests
Councilor Ed Washington, Chair	Terry Petersen, Director, REM	Adam Winston, WMI (for Dean Kampfer)
Bernie Deazley	Maria Roberts, Budget & Finance Admin.	Ray Phelps, Allied Waste
Paul Matthews	Doug Anderson, Waste Reduction, Planning, & Outreach Manager	Easton Cross, BFI
Steve Schwab	Leann Linson, Business & Regulatory Affairs Mgr	
James Strathman	Tom Chaimov, Budget & Finance	
Jerry Powell	Jennifer Erickson, Waste Reduction	
	Paul Ehinger, Engineering	

Members Absent:
Dean Kampfer

Councilor Washington called the meeting to order.

Approval of Minutes

It was noted that the minutes from the June meeting were inadvertently left out of the agenda packet. They will be included with the next mailing.

Update on Five-year Financial Forecast

Tom Chaimov presented information about how the 5-year forecast is made. Two separate models are used – one for tonnage, one financial. Tonnage numbers are calculated first, he explained; several uncertainties have to be factored in, such as the recovery rate, any new transfer stations, the region's growth rate, etc. Financial model inputs include approved budget figures with CPI and growth adjustments, assuming status quo expenses. Financial outputs include unit cost, the required rate, how long the current rate can be maintained, and reserve account balances. He continued, explaining the modeling process, which uses three scenarios – extreme high, extreme low, and midline.

Results and a draft report will be ready for the September Rate Review Committee Meeting.

Mr. Chaimov asked the group for any comments or questions. Paul Matthews said he liked the approach, and asked if there is a history by which to gauge its success: Easton Cross asked, in addition, what objective information is used to forecast tonnage. It's tied closely to population growth, which is then subdivided spatially. Paul Ehinger added that the drivers for the model are essentially the same data used for all the regional planning: Population projections, housing projections, jobs, etc, calibrated against tonnage. It's the best that can be done for long-term estimates. Jerry Powell said he's seen climatological information used, as well. Doug Anderson replied that this model doesn't attempt to incorporate that, but Metro has done studies profiling waste vs temperature and rainfall, so the ability to use that is available if deemed necessary.

Councilor Washington asked Mr. Chaimov to make a presentation about the modeling itself at the next meeting so that people will know exactly what's going into it.

Steve Schwab agreed with Mr. Matthews that the approach seems solid, and that seeing a history would be helpful.

the weekends, however, it is primarily public – nearly 1,000 customers were served at Metro South one recent weekend. The growth is across the board, and more people are discovering Metro Central now.

Adam Winston asked if the current fee is adequate to encourage people to eschew curbside service. No; most customers have curbside service, so what is coming in seems to be bulky items, cleanups – self-haul is less expensive than hiring a drop box for people who have access to a pickup truck, Mr. Ehinger said. Mr. Deazley asked what the per-transaction cost is for commercial vs public; Mr. Ehinger responded that a typical commercial hauler pays – rounded - $40 per ton, not including the Regional System Fee.

Ray Phelps asked that if there is a concern that a $5 transaction fee won't cover costs for much longer, would raising it incrementally be reasonable? Mr. Ehinger replied that there's no reason for concern yet, partially because of the growth in the self-haul portion of customers. Jim Watkins commented that the general public thinks the $15 minimum is expensive, and also thinks that the $60 million dollars savings means Metro has lots of money sitting around, so they're unlikely to respond well to a higher transaction fee. There is also a danger of increased illegal dumping in the region whenever public fees are raised.

Mr. Petersen reiterated that staff recommends keeping the $5 transaction fee, but would like to get the opinion of the Committee. Mr. Matthews asked why capital costs for the facilities (bonds) are being recovered by the Regional System Fee? Mr. Ehinger replied that the underpinning of that decision is that Metro is the "disposer of last resort in the region. At a time when there really weren't any options, we invested about $25 million of the public's money. By putting it there, we provided extra security for the bond holders, the rate-payers of the region, to ensure this gets paid for, and we are the facilities to which anybody can come." It's a regional benefit. After further discussion, Mr. Matthews said this issue is very complex. He suggested staying with the $5 for now, but look at the Regional System Fee and related issues in the Fall.

A response to the Council is due October 1, but the response could be to be stay for now and then revisit later. Committee members agreed, without a formal vote. It will be looked at again when the entire rate is considered in the Fall.

Tipping Fee for Source-separated Organics

Jennifer Erickson presented some updated information in response to Budget Committee concerns about creating a special tip fee for organic waste at transfer stations. The revised plan creates a rate from a cost-driven formula without the RSF, like for other recoverables at the transfer stations. At first, it looked as though the rate would be too close to the regular solid waste tip fee, or even higher, which wouldn't give haulers any economic incentive to join the program. Assistance will be needed to keep the rate low at first in order to create that incentive and help get the material out of the wastestream, especially as the project is in its infancy. The BAC had agreed with the concept of mimicking the recoverable rate currently in the Metro Code, but there were concerns about a long-term subsidy. The revised proposal sunsets after a three-year subsidy based on the expected market rate for organics in three years, when the industry is more mature. At the same time, it is recognized that the rate is solely for disposal at Metro transfer stations, so it is based on actual cost of handling the material within those facilities and getting it to an end-use processor when they exist. After doing a lot of research from around the country, $45 per ton is an average rate. Such a rate would include materials and services, reload, transport, and processing. In answer to a question from Dr. Strathman, Ms. Erickson said that materials will be collected by franchised haulers from grocery stores, restaurants, and institutions.

Discussion digressed to possible impact of the AGG court decision on this project. Will organics become part of that case? Ms. Erickson stressed that Metro Legal Counsel has looked extensively into the matter and feels strongly that it will not be affected. Mr. Winston stressed equally that Legal should continue to look into the issue; he said that he would feel much more comfortable if his company's attorney looked at it with Metro Legal Counsel.

Mr. Petersen said that what's being asked of the Committee members at this time is their opinion of if the policy concept is appropriate; actual Ordinance language will be looked into further. Mr. Winston has no problem with the concept, but would like the cost looked into further. Ms. Erickson said that the $45 is not a stated rate, just an average they found through research. In answer to another question, she said that yes, she expects the transaction fee will most likely be included in whatever rate is decided upon. Mr. Schwab would like to know what the true subsidy will be after a rate is decided upon. Ms. Erickson assured the members that they would be presented with the actual numbers when they are available.

After a little more discussion, Mr. Powell moved that the Committee, subsequent to more Legal assessment, the staff proposal be adopted. Mr. Deazley seconded. Mr. Matthews still had concerns about the AGG issue. He doesn't understand how it is related. The motion, however, Mr. Petersen said, is to adopt on the contingency that more legalities are reviewed. More AGG speculation followed. Mr. Matthews asked why not subsidize the program? Curbside recycling is subsidized – why would we not want to with this? Ms. Erickson said she feels its important that organics recovery stand on its own two feet. If it's going to work in the long-run, it has to be able to stand as an industry. Mr. Matthews suggested that rather than a subsidy be the standard, a cost-benefit be the standard. No one complains about curbside subsidy. Ms. Erickson still hopes to just help it along in its infancy, but see it survive on its own. If a three-year subsidy doesn't work, they'll revisit.

A vote was taken and unanimously approved on Mr. Powell's motion.

The meeting adjourned at 7:50 p.m. The next meeting will be Wednesday, September 13, 2000.

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Attachment A

HOUSEHOLD HAZARDOUS WASTE FEE POLICY

Proposed Action

Advise Metro Council that the Director of the Regional Environmental Management Department should waive collection of fees, except for drums or other large containers (10 gallons or more), from households at Metro Hazardous Waste Facilities for a three-year period. (No substantive change to Metro Code is required.) Making residents more aware of the true cost of the service will be an important part of the waste reduction education services provided at both the facilities and the new roundup events.

Background

- Households using Metro's hazardous waste facilities began paying a nominal fee for services beginning in 1993. Currently, the fee is $5 for each 35 gallons of household hazardous waste.
- No fees are collected at satellite events or at events conducted at non-Metro solid waste facilities (e.g. Forest Grove Transfer Station).
- In May of this year, Metro Council adopted new strategies for the management of household hazardous waste, focusing on reducing environmental and health risks and emphasizing waste prevention education.
- During the FY 2000-2001 budget process, Council added a Budget Note directing REM to examine if fees should also charged at satellite collection events. Other Councilors also asked if there should be a fee at all.
- In view of the new strategies, REM staff has examined the desirability of charging a fee at all.

Analysis

Staff examined the fee issue in light of:

1. Consistency with fiscal policies established in the Regional Solid Waste Management Plan (the Plan).
2. New strategies for the management of household hazardous waste.

Consistency with Metro Solid Waste System Financing Principles

- Metro's solid waste financing system is based predominately on the "usage charge" principle whereby programs and services that provide direct benefit to customers using the service should be financed by usage charges set according to the cost of the service. Departures from a cost of service approach are allowed when policy objectives are significantly compromised by a cost of service approach.
- Financing for household hazardous waste services has not been based on a strict cost of service approach. The program's objectives - removing toxic materials from the waste stream and ensuring proper disposal - would not be achieved if households were charged the actual cost of about $85 per average load of waste. The household program is funded across a broader set of users of the system through the regional system fee.
- While the Plan's financing principles favor requiring a contribution from those directly benefiting from the program, "pre-paying" via charges on products at time of purchase might be a preferable way of meeting that objective.

Newly Adopted Strategies for Collection of HHW

The current fee system and an extension of it to cover customers at events is inconsistent with achievement of the risk reduction and education strategies of the newly adopted household hazardous waste recommended strategies.

- Fees may increase risks for some households, the disposal system and the environment. Households may simply choose to wait for a free event or improperly dispose of their hazardous waste.
- Fees increase the total "cost" of the service for a household thereby reducing the likelihood a household will use the services.
- Beginning in spring 2001, the hazardous waste program is proceeding with a "roundup program" to make services more accessible to residents. Fees at such events would make these services less accessible.
- Lack of a consistent fee policy between facilities and events creates several problems:
  - ⇒ Fees at facilities add a barrier to those who otherwise might be willing to drive to facilities.
  - ⇒ Fees at facilities but not at events is perceived as an equity issue for residents using the facilities.
  - ⇒ Metro's Recycling Information switchboard, which receives approximately 18,000 calls each years about household hazardous waste services, reports that the public perceives the current inconsistency as very confusing.
- Resolving the inconsistency in the fee policy by collecting fees at events is not advisable.

The current fee policy was intended to inform residents of the cost of the service and provide an incentive to generate less hazardous waste in the future. The new emphasis on waste reduction education at facilities and events can provide a more effective method of reaching these objectives. In addition, the new roundup collection events will be promoted as much as "education fairs" as a collection service. Charging for this type "education" event seems out of place.

Conclusion

Under current Metro Code, the Director of the Department of Environmental Management has the authority to waive the charges for managing household hazardous waste set out in the Code. It is recommended that the $5 per 35 gallons facility charge be waived in order to implement the newly adopted education and collection strategies. Waiver of the fee will make the effort to reduce households stockpiles of hazardous waste more effective. The charges on drums or other large containers (10 gallons or more) would remain in place. Making residents more aware of the true cost of the service will be an important part of the waste reduction education services provided at both the facilities and the new roundup events.

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Attachment B

BEHAVIORAL TONNAGE MODEL OVERVIEW

At the July 12, 2000 Rate Review Committee meeting, the Committee requested a presentation on the inner workings of the tonnage forecasting model used in Regional Environmental Management's five-year financial planning. This page and the accompanying figures provide an overview of the tonnage model.

Introduction
The tonnage model involves four fundamental steps: Solid waste generation, diversion, mode choice, and distribution. The steps are described below in terms of required user *Input*, the model *Process*, and model *Output*.

Generation & Diversion (see attached Figure 2)

Main Inputs: Socioeconomic counts for each of 11 groups in each of 969 traffic zones, based on a highly reviewed Metro Data Resource Center forecast (the same forecast used Metro-wide for growth and transportation planning); waste generator and source separation rates for each socioeconomic group.

Process: The model multiplies each waste generator rate by the corresponding generator count in each traffic zone. In other words, this can be thought of as population times annual per-capita waste generation (recall, however, that there are 11 "populations" in each traffic zone). Then, based on generator-specific diversion rates, waste generation is split into source-separated recycling and generator discards

Output: Tons of solid waste in each of 969 traffic zones.

Mode Splits & Distribution (see attached Figure 3)

Main Inputs: Proportion of each type of hauler vehicle (compacted, roll-off, light vehicle) that serves each generator type, average payload size, average hourly operating cost, facility tip and transaction fees, facility post-collection recovery rates.

Process: Model splits "generator discards" into four hauling modes: residential packer, commercial packer (including compacted drop boxes), roll-off drop boxes, and light vehicles. The waste from each zone is distributed among facilities according to travel cost, tipping cost, and constraints for non-market behaviors, such as corporate vertical integration and government regulation.

Output: Facility-by-facility delivery and disposed tonnage forecast, regional recovery rate.

A forecast of special waste is added to the model output post hoc. During calibration of the model output, a back-casting scenario compared favorably to actual reported data for years 1994 through 1999 (Figure 4).

Three Tonnage Scenarios
High, mid, and low tonnage scenarios were generated by adjusting user inputs to the model. Figure 5 shows the combination of variables in each scenario. Figure 6 plots the model output of aggregate generated and delivered solid waste, including the corresponding regional recovery rates. For simplicity, all models assume a linear change in tonnage over time. The facility-by-facility forecasts underlying these aggregate numbers are used as input to the financial five-year planning model.

Behavioral Tonnage Model

Four Steps:

•Waste Generation & Diversion

•Mode Choice & Waste Distribution

Basic Structure

Waste Generation & Diversion

- 11 socioeconomic groups (waste generators)

-Single-family residence	-Wholesale	-Residential remodel
-Multi-family residence	-Retail	-New residential
	-Office	-Non-residential remodel
	-Food	-New non-residential
	-Other	

- Solid waste generation, source separation for each socioeconomic group
- Socioeconomic forecast for each of 969 traffic zones
- Output: core tonnage only (no special waste)

2

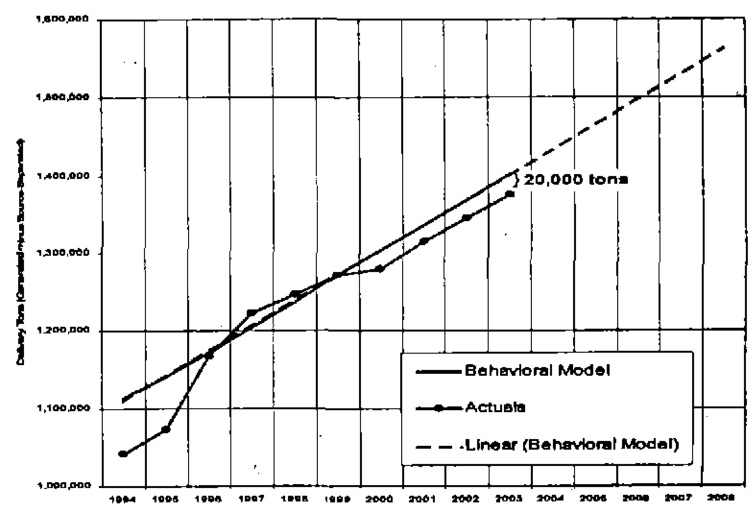
Basic Structure

Mode Choice & Waste Distribution

- Load into trucks
  - compacted
  - roll-off
  - light vehicle/self-haul
- Deliver to facilities
  - Least cost/most convenient ("gravity" flow)
  - Probabilistic, considers non-market behavior (e.g., tonnage caps, vertical integration, habit)
- Post-collection recovery
- Disposal

3

Actuals vs. Model Output



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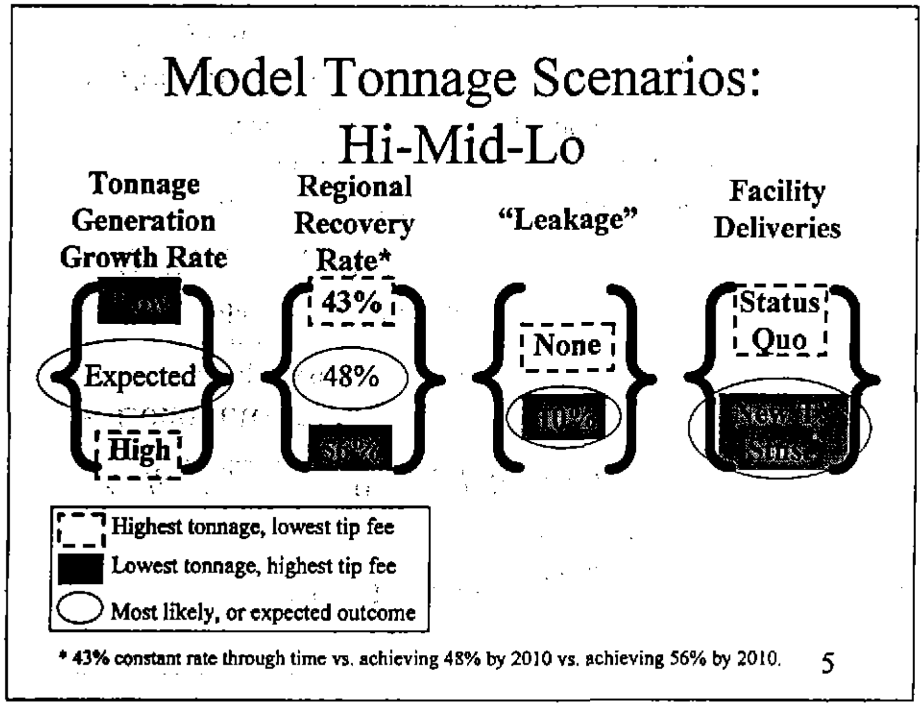
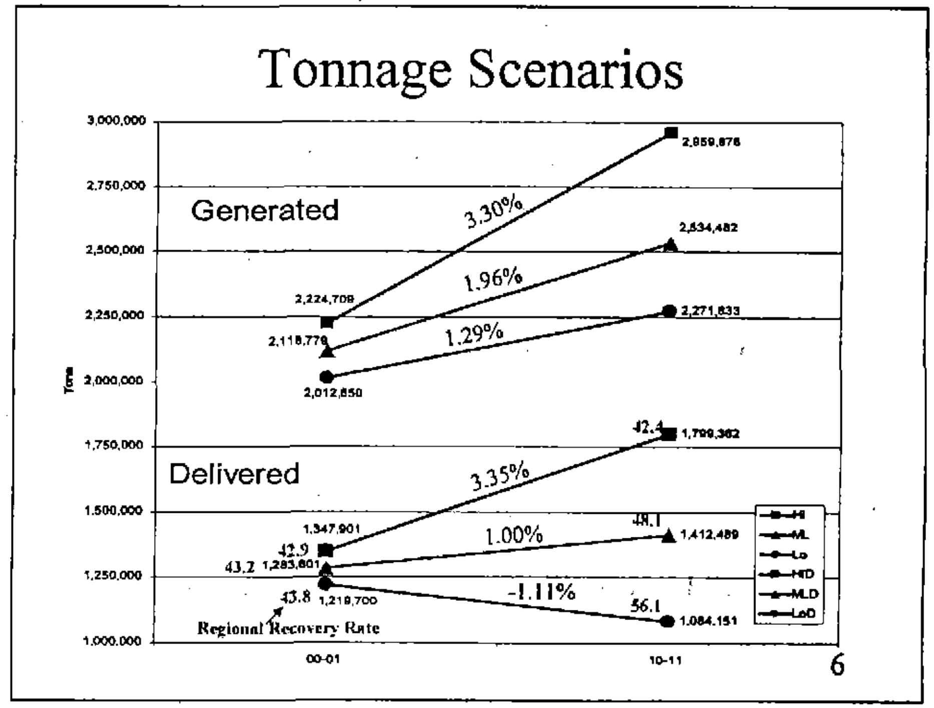

Model Tonnage Scenarios:
Hi-Mid-Lo
Tonnage Generation Growth Rate
Low
Expected
High
Regional Recovery Rate*
43%
48%
56%
"Leakage"
None
10%
Facility Deliveries
Status Quo
New LF Sites
Highest tonnage, lowest tip fee
Lowest tonnage, highest tip fee
Most likely, or expected outcome
* 43% constant rate through time vs. achieving 48% by 2010 vs. achieving 56% by 2010.
5


Tonnage Scenarios
Tons
3,000,000
2,750,000
2,500,000
2,250,000
2,000,000
1,750,000
1,500,000
1,250,000
1,000,000
Generated
Delivered
3.30%
1.96%
1.29%
3.35%
1.00%
-1.11%
2,224,709
2,118,779
2,012,850
2,859,876
2,534,482
2,271,833
1,347,901
1,283,801
1,219,700
1,799,362
1,412,489
1,084,151
42.9
43.2
43.8
42.4
48.1
56.1
Regional Recovery Rate
00-01
10-11
Hi
ML
Lo
HD
MLD
LoD
6

Attachment C

INTRODUCTION TO FIVE-YEAR FINANCIAL FORECAST

Purpose/Issue
In February 2001, after an examination of the Regional Environmental Management Department's revenue requirements, tonnage forecasts, and cost allocations, the Rate Review Committee is expected to recommend to the Metro Council a FY 2001-02 solid waste tip fee. The following pages introduce some of the issues that will shape that recommendation.

Background
The tip fee levied on Metro transfer station customers is reviewed annually. Since the disposal and transportation contract renegotiations in 1998, the tip fee has been held constant at $62.50. While recent tip fees generally have raised revenue adequate to pay for disposal-related contract expenses, the Regional System Fee (RSF) is no longer sufficient to pay for regional programs. As a result, Metro transfer station customers have been paying a larger proportion of the cost of regional programs than have non-Metro customers.

Considerations
For the time horizon of this study, revenue-generating solid waste tonnage is anticipated to maintain a growth rate lower than that of inflation. This is caused by slowing regional growth, major solid waste system changes, and successful waste reduction programs. Hence, under the adopted FY 2000-01 budget and new tonnage projections, REM's revenue requirements will exceed projected revenues.

Approximately $4.5 million are available in the Undesignated Reserve Account (plus $2.2 million in the Rate Stabilization Account), which could be used to subsidize the tip fee and maintain a tip fee lower than "required." However, over time, as the unit cost exceeds the total tip fee, maintaining a lower tip fee via reserve account subsidy increases the potential for a significant increase (~10%) in the future when reserves are exhausted.

Topics for Discussion

1. *Revenue Adequacy*: Should the tip fee be reduced this fiscal year (FY 2000-01)?
2. *Equity and Cost of Service*: Should the Regional System Fee be increased?
3. *Rate Predictability*: Which is better, a gradual tip fee increase, or a flat $62.50 for a few years, then a significant increase (~10% in one year)?

Note: The more the tip fee is subsidized in the near term, the greater the one-year tip fee increase may be in the medium term.

Financial Forecast FY00-01 to FY05-06

A Presentation to the Metro Solid Waste Rate Review Committee

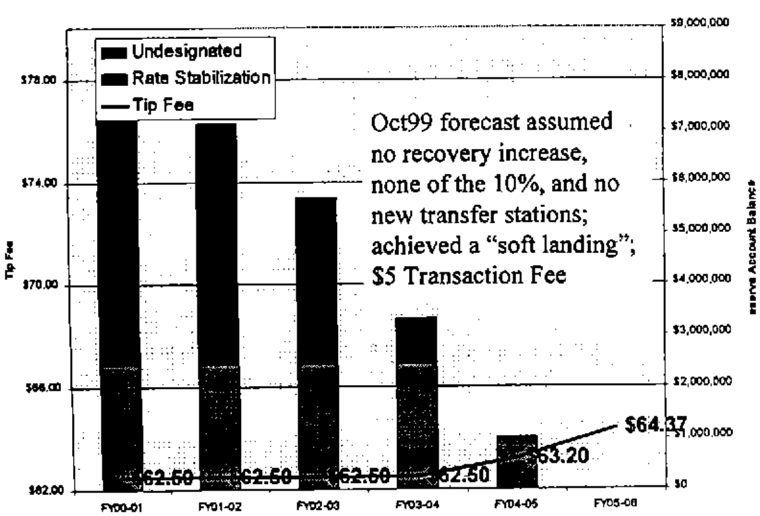
Presentation Outline

- Old tonnage forecast vs. new
- Review of Committee activities
- Financial & tip fee scenarios
- RRC feedback

2

Old Forecast-based on FY00-01 budget; shown to RRC 7/14/00

Hold $62.50--Subsidize All Components (Oct99 Forecast)



3

Major Changes Since October99

October99 Forecast	Y2K 5-year Forecast
• No new transfer stations	• License new transfer stations ($1-2 unit cost increase)
• No loss of 10%	• 10% of waste leaves WMI disposal contract ($1-2 unit cost increase)
• No improvement in recovery	• 0.5% per year increase in regional recovery (about $.50 unit cost increase by year 5)

4

Committee Activities

RRC

Jul-Aug: Understand system risk

BAC

Sep-Oct: Make REM budget recommendations

Metro Staff

Nov-Jan: ASD/EO Review of REM Budget

RRC

Jan-Feb: Recommend FY01-02 solid waste tip fee

Council

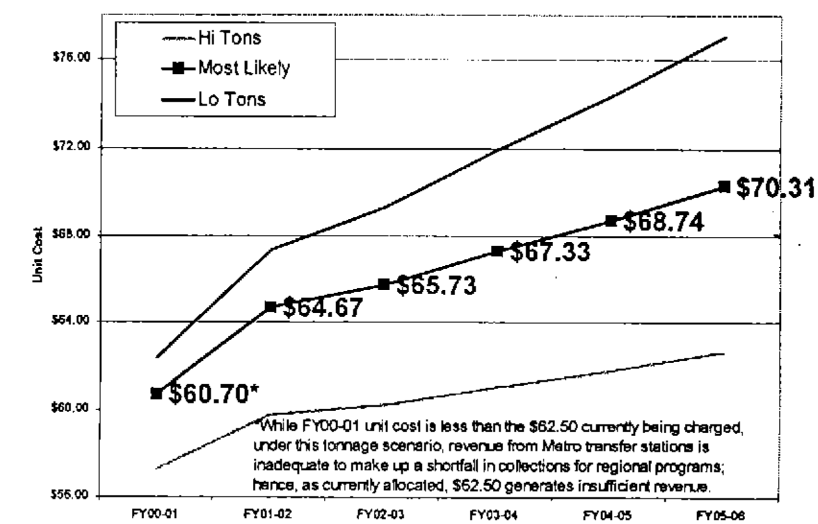
Feb-Apr: Consider budget & tip fee recommendation

Financial & Tip Fee Scenarios

Financial Model Assumptions

- Model examines only variations in revenues
- No variations in requirements, except as follows:
  - FY00-01 budget is basis of model output
    - contracts remain unchanged with time
    - 3% inflation (5% personnel)
    - post-collection recovery rates remain constant
    - tonnage growth consistent with Metro planning models
    - no program additions or reductions after FY00-01

Total Unit Cost (including tax, DEQ, Host; no use of undesignated balance)

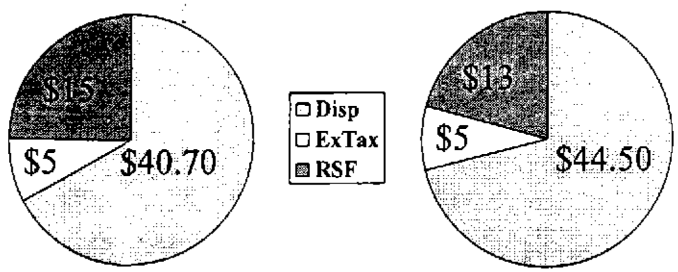


Note: Survey of management concludes that Most Likely is 44x more likely than Hi, and 6x more likely than Lo (Lo is 7x more likely than ...

Why not lower the tip fee this year if unit cost is less than the tip fee?

FY00-01

$60.70 Unit Cost **$62.50 Tip Fee**



Not collected from RSF: $2 x 1.3 million tons = ($2.6 million)
Overcollected from Disp: $4 x 0.5 million tons = $2.0 million

Net = ($0.6 million)

9

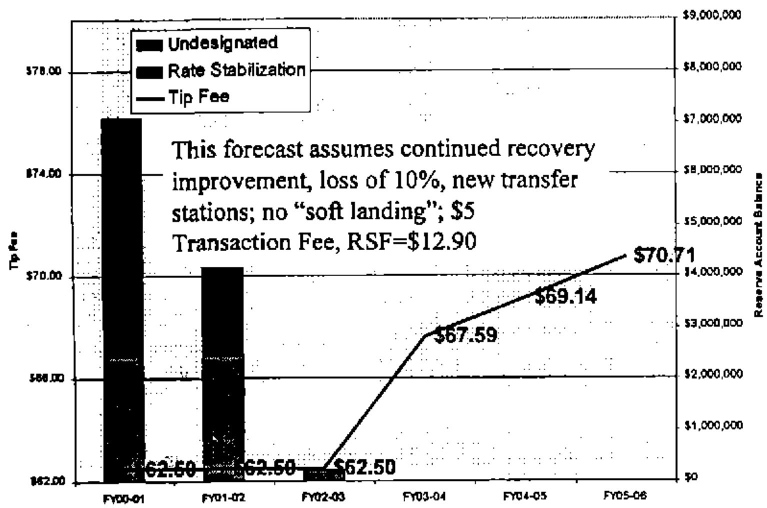
Choices in Managing Tip Fee Path

- Subsidize the tip fee?
  - Regional System Fee?
  - Disposal?
- Transaction Fee of $5, $6, $7?
- "Soft landing" or sharp increase?
- Buy down Rate Stabilization account or just Undesignated?

10

Most Likely Tonnage-Buy down RSF

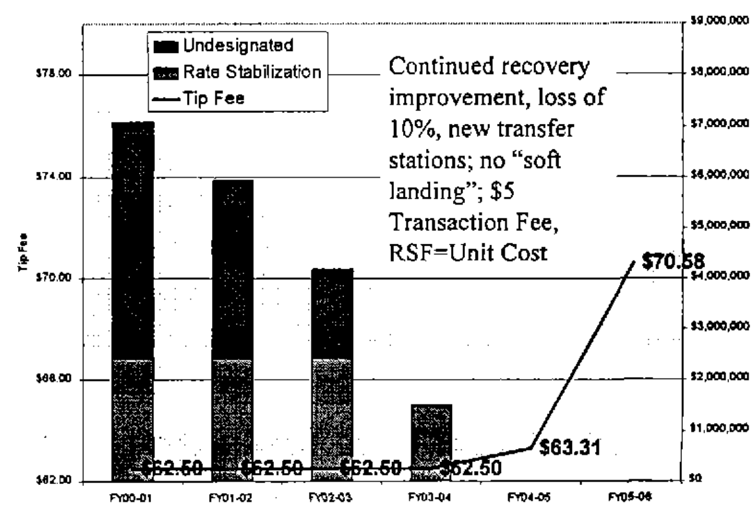
Hold $62.50–Most Likely Tonnage; Hold All Components Constant at FY00-01 Level



11

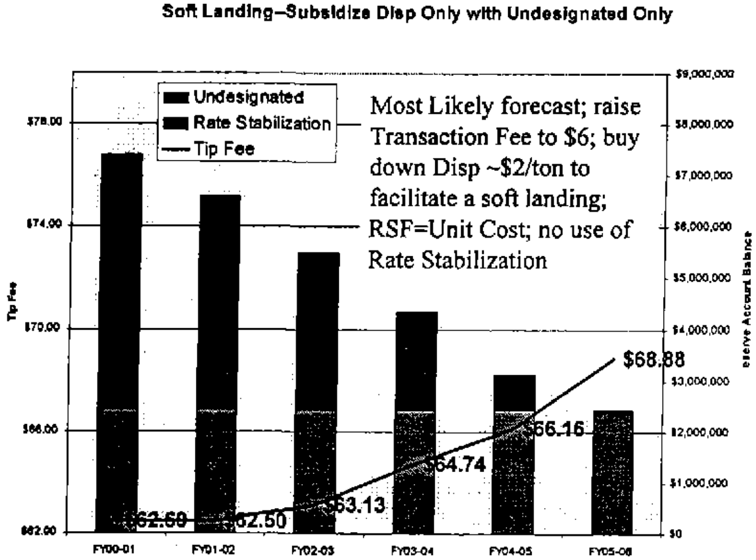
Most Likely Tonnage-Buy down Disposal

Hold $62.50–Most Likely Tonnage; Subsidize Disposal Only



12

Soft Landing-Buy down Disposal



13

Feedback & Discussion

- *Revenue Adequacy*: Should the tip fee be reduced this fiscal year (FY00-01)?
- *Equity and Cost of Service*: Should the Regional System Fee be increased?
- *Rate Predictability*: Which is better, a gradual tip fee increase or a flat $62.50 for a few years, then a significant increase (~10% in one year)?

14

Attachment D

Detailed Tip Fee Components

Figure 8--Low Tonnage Scenario

Unit Cost						
	FY00-01	FY01-02	FY02-03	FY03-04	FY04-05	FY05-06
RSF	$15.30	$15.99	$16.68	$17.39	$18.14	$18.91
MFF	$3.69	$6.49	$6.45	$6.95	$7.21	$7.63
RTC	$6.93	$7.25	$7.55	$7.88	$8.21	$8.56
Disp	$29.87	$30.70	$31.42	$32.17	$32.94	$33.69
Base	$55.79	$60.43	$62.10	$64.39	$66.50	$68.79
Host,DEQ	$1.74	$1.74	$1.74	$1.74	$1.74	$1.74
Tax	$4.85	$5.20	$5.49	$5.80	$6.14	$6.51
Total	$62.38	$67.37	$69.33	$71.93	$74.38	$77.04
Account Balances						
St. Johns Landfill	$5,909,575	$5,712,664	$5,925,630	$6,102,944	$6,294,475	$6,501,137
Renewal & Replacement	$4,865,469	$3,689,370	$3,022,496	$3,161,530	$3,555,355	$3,973,780
Recycling Bus Assist	$60,465	$63,790	$67,299	$71,000	$74,905	$79,025
MC Reserve Account	$2,821,268	$2,821,268	$2,821,268	$2,821,268	$2,821,268	$2,821,268
MC Debt Service	$2,397,088	$1,370,338	$1,373,613	$1,376,733	$1,379,693	$1,377,488
Gen Acct Cap Res	$4,222,700	$4,279,000	$3,686,500	$3,000,000	$3,000,000	$3,000,000
Rate Stabilization	$2,431,670	$2,431,670	$2,431,670	$2,431,670	$2,431,670	$2,431,670
Working Capital	$5,780,103	$5,780,103	$5,780,103	$5,780,103	$5,780,103	$5,780,103
Contingency	$2,655,888	$2,655,888	$2,655,888	$2,655,888	$2,655,888	$2,655,888
Undesignated	$5,248,719	$5,248,718	$5,248,718	$5,248,715	$5,248,711	$5,248,704
Total	$36,392,945	$34,052,809	$33,013,185	$32,649,851	$33,242,068	$33,869,063
Tonnage						
Metro	484,439	478,738	473,039	467,338	461,639	455,938
Non-Metro	718,035	710,953	703,870	696,789	689,707	682,629
	1,202,474	1,189,691	1,176,909	1,164,127	1,151,346	1,138,567

Figure 8--Most Likely Tonnage Scenario

Unit Cost						
	FY00-01	FY01-02	FY02-03	FY03-04	FY04-05	FY05-06
RSF	$14.80	$15.16	$15.50	$15.83	$16.18	$16.53
MFF	$3.35	$5.82	$5.59	$5.86	$5.89	$6.06
RTC	$6.68	$6.91	$7.12	$7.34	$7.56	$7.79
Disp	$29.43	$30.04	$30.54	$31.05	$31.58	$32.08
Base	$54.26	$57.93	$58.75	$60.08	$61.21	$62.46
Host,DEQ	$1.74	$1.74	$1.74	$1.74	$1.74	$1.74
Tax	$4.70	$5.00	$5.24	$5.51	$5.79	$6.11
Total	$60.70	$64.67	$65.73	$67.33	$68.74	$70.31
Account Balances						
St. Johns Landfill	$5,909,575	$5,712,664	$5,925,630	$6,102,944	$6,294,475	$6,501,137
Renewal & Replacement	$4,865,469	$3,689,370	$3,022,496	$3,161,530	$3,555,355	$3,973,780
Recycling Bus Assist	$60,465	$63,790	$67,299	$71,000	$74,905	$79,025
MC Reserve Account	$2,821,268	$2,821,268	$2,821,268	$2,821,268	$2,821,268	$2,821,268
MC Debt Service	$2,397,088	$1,370,338	$1,373,613	$1,376,733	$1,379,693	$1,377,488
Gen Acct Cap Res	$4,222,700	$4,279,000	$3,686,500	$3,000,000	$3,000,000	$3,000,000
Rate Stabilization	$2,431,670	$2,431,670	$2,431,670	$2,431,670	$2,431,670	$2,431,670
Working Capital	$5,780,103	$5,780,103	$5,780,103	$5,780,103	$5,780,103	$5,780,103
Contingency	$2,655,888	$2,655,888	$2,655,888	$2,655,888	$2,655,888	$2,655,888
Undesignated	$5,254,638	$5,254,403	$5,254,185	$5,254,017	$5,253,935	$5,253,984
Total	$36,398,864	$34,058,494	$33,018,652	$32,655,153	$33,247,292	$33,874,343
Tonnage						
Metro	510,004	514,999	519,994	524,990	529,985	534,980
Non-Metro	753,042	760,993	768,944	776,894	784,847	792,800
	1,263,046	1,275,992	1,288,938	1,301,884	1,314,832	1,327,780

Figure 8--High Tonnage Scenario

Unit Cost						
	FY00-01	FY01-02	FY02-03	FY03-04	FY04-05	FY05-06
RSF	$13.84	$13.88	$13.91	$13.93	$13.97	$14.02
MFF	$1.46	$3.02	$2.71	$2.73	$2.61	$2.59
RTC	$6.57	$6.78	$6.97	$7.17	$7.38	$7.59
Disp	$29.03	$29.40	$29.71	$30.04	$30.38	$30.73
Base	$50.90	$53.08	$53.30	$53.87	$54.34	$54.93
Host,DEQ	$1.74	$1.74	$1.74	$1.74	$1.74	$1.74
Tax	$4.64	$4.93	$5.17	$5.42	$5.70	$6.00
Total	$57.28	$59.75	$60.21	$61.03	$61.78	$62.67
Account Balances						
St. Johns Landfill	$5,909,575	$5,712,664	$5,925,630	$6,102,944	$6,294,475	$6,501,137
Renewal & Replacement	$4,865,469	$3,689,370	$3,022,496	$3,161,530	$3,555,355	$3,973,780
Recycling Bus Assist	$60,465	$63,790	$67,299	$71,000	$74,905	$79,025
MC Reserve Account	$2,821,268	$2,821,268	$2,821,268	$2,821,268	$2,821,268	$2,821,268
MC Debt Service	$2,397,088	$1,370,338	$1,373,613	$1,376,733	$1,379,693	$1,377,488
Gen Acct Cap Res	$4,222,700	$4,279,000	$3,686,500	$3,000,000	$3,000,000	$3,000,000
Rate Stabilization	$2,431,670	$2,431,670	$2,431,670	$2,431,670	$2,431,670	$2,431,670
Working Capital	$5,780,103	$5,780,103	$5,780,103	$5,780,103	$5,780,103	$5,780,103
Contingency	$2,655,888	$2,655,888	$2,655,888	$2,655,888	$2,655,888	$2,655,888
Undesignated	$5,247,188	$5,247,199	$5,247,232	$5,247,316	$5,247,540	$5,248,110
Total	$36,391,414	$34,051,290	$33,011,699	$32,648,452	$33,240,897	$33,868,469
Tonnage						
Metro	724,831	752,674	780,516	808,360	836,202	864,045
Non-Metro	619,939	636,483	653,022	669,566	686,108	702,652
Total	1,344,770	1,389,157	1,433,538	1,477,926	1,522,310	1,566,697

Figure 11--Hold All Components at Current Level

Tip Fee--Most Likely						
	FY00-01	**FY01-02**	**FY02-03**	**FY03-04**	**FY04-05**	**FY05-06**
RSF	$12.90	$12.90	$12.90	$15.78	$16.27	$16.62
MFF	$2.55	$2.55	$2.55	$5.91	$5.94	$6.11
RTC	$6.56	$6.56	$6.56	$7.38	$7.61	$7.83
Disp	$29.75	$29.75	$29.75	$31.27	$31.79	$32.30
Gap	$4.24	$4.00	$3.76	$0.00	$0.00	$0.00
Base	$56.00	$55.76	$55.52	$60.34	$61.61	$62.86
Host,DEQ	$1.74	$1.74	$1.74	$1.74	$1.74	$1.74
Tax	$4.76	$5.00	$5.24	$5.51	$5.79	$6.11
Tip Fee	$62.50	$62.50	$62.50	$67.59	$69.14	$70.71
Account Balances						
Rate Stabilization	$2,431,670	$2,431,670	$199,639	$0	$0	$0
Undesignated	$4,650,341	$1,717,010	$0	$0	$0	$0
Total	$7,082,011	$4,148,680	$199,639	$0	$0	$0
Number of years Ordinance rate can be maintained before reserves run dry						

Figure 12--Hold Disposal to Achieve $62.50 Tip Fee; RSF = Unit Cost

Tip Fee--Most Likely						
	FY00-01	**FY01-02**	**FY02-03**	**FY03-04**	**FY04-05**	**FY05-06**
RSF	$12.90	$15.17	$15.53	$15.89	$16.24	$16.59
MFF	$2.55	$5.83	$5.61	$5.89	$5.93	$6.10
RTC	$6.56	$6.91	$7.13	$7.37	$7.59	$7.82
Disp	$29.75	$27.85	$27.25	$26.10	$26.02	$32.22
Gap	$4.24	$0.00	$0.00	$0.00	$0.00	$0.00
Base	$56.00	$55.76	$55.52	$55.25	$55.78	$62.73
Host,DEQ	$1.74	$1.74	$1.74	$1.74	$1.74	$1.74
Tax	$4.76	$5.00	$5.24	$5.51	$5.79	$6.11
Tip Fee	$62.50	$62.50	$62.50	$62.50	$63.31	$70.58
Account Balances						
Rate Stabilization	$2,431,670	$2,431,670	$2,431,670	$1,509,205	$0	$0
Undesignated	$4,650,341	$3,507,662	$1,755,198	$0	$0	$0
Total	$7,082,011	$5,939,332	$4,186,868	$1,509,205	$0	$0
Number of years Ordinance rate can be maintained before reserves run dry						

Figure 13--Soft Landing; RSF = Unit Cost; Buy down Disposal about $2/ton; $6 Transaction Fee

Tip Fee--Most Likely						
	FY00-01	**FY01-02**	**FY02-03**	**FY03-04**	**FY04-05**	**FY05-06**
RSF	$12.90	$15.16	$15.50	$15.84	$16.19	$16.53
MFF	$2.55	$5.21	$4.98	$5.24	$5.28	$5.45
RTC	$6.56	$6.91	$7.12	$7.34	$7.57	$7.79
Disp	$29.75	$28.48	$28.55	$29.07	$29.59	$31.26
Gap	$4.24	$0.00	$0.00	$0.00	$0.00	$0.00
Base	$56.00	$55.76	$56.15	$57.49	$58.63	$61.03
Host,DEQ	$1.74	$1.74	$1.74	$1.74	$1.74	$1.74
Tax	$4.76	$5.00	$5.24	$5.51	$5.79	$6.11
Tip Fee	$62.50	$62.50	$63.13	$64.74	$66.16	$68.88
Account Balances						
Rate Stabilization	$2,431,670	$2,431,670	$2,431,670	$2,431,670	$2,431,670	$2,431,670
Undesignated	$4,965,443	$4,152,990	$3,066,779	$1,914,881	$687,359	$4,940
Total	$7,397,113	$6,584,660	$5,498,449	$4,346,551	$3,119,029	$2,436,610

Rate-setting Criteria Update

Leann Linson presented rate-setting criteria, as a follow-up to questions raised at the June meeting, tying them back to past resolutions and what they represent. She then asked if the Committee agrees with the criteria as presented, or if members felt they needed to be changed or amended in any way.

Mr. Matthews said he doesn't see any need for Council to revisit or change the criteria as presented. Mr. Powell asked if staff thinks any criteria are outdated; Ms. Linson said staff is very comfortable with them. Bernie Deazley commented "I think they're great; I think they're timeless." Mr. Cross, however, mentioned the absence of any competitive considerations. The group discussed this; Jim Watkins feels that criteria #4, "Economic Impacts" is written in such a way to cover the subject, but Mr. Matthews disagreed. Terry Petersen interjected that as a government agency, whether or not Metro should be competing would be a huge policy issue. He suggested to Councilor Washington that staff pass on this discussion to the Council's REM Committee, although without a recommendation to change the criteria. The Councilor agreed. Ray Phelps added that the rate is geared much more to how Metro stays in business while achieving recycling goals, rather than being a competitor. James Strathman commented that the effects of competition may be more relevant to criteria #10, "Reliability". The bottom line on competition, he continued, affects the revenue stream to Metro and can be captured by that criteria.

Cost-of-Service Issues Related to Self-haulers

Paul Ehinger opened his presentation by explaining that, while most members had seen this presentation last Fall in their role as Budget Advisory Committee, that Committee had, as they may recall, suggested raising the Transaction Fee. The recommendation was brought before the Council, who then put in a Budget Note to bring this item to the Rate Review Committee.

He gave a brief background on the issue with some analysis. Compared to just a few years ago, costs now much more nearly reflect the actual cost of particular customer types. The two main types are commercial haulers and self-haulers (including individuals and small companies such as roofers). It costs between $1-1.5 million per year to serve self-haul customers than for the same amount of waste if it had come from commercial haulers. It's roughly a $20 per-ton differential. 60% of loads come into Metro transfer stations as self-haul (aka public) loads, but only 10% of total tonnage is received from those loads. While commercial tonnage to Metro stations has dropped, 10,000 additional public customers came in last year. Consequently, self-haul is a "growth business" for Metro right now, and because of minimum tonnage charges, more revenue is received per-ton from self hauling than from commercial hauling.

There are different methodologies for analyzing cost-of-service: An allocation of capital is not included in this methodology because cost-of-capital is included in the Regional System Fee and paid on a system-wide basis.

Mr. Ehinger explained a few options that staff had researched and considered. Staff's recommendation is to retain the existing structure. By raising the transaction fee to $7, as recommended by the Budget Advisory Committee, the differential of public vs. commercial haulers would rise from $1.1 million to $1.6 million. The existing $5 transaction fee generates adequate revenue.

Mr. Matthews suggested perhaps changing the transaction fee to $6 resulting, therefore, in $1.35 million linearly, therefore putting the cost closer to the low ($1 million) than to the high ($1.5 million). Is money to cover scalehouse costs being over-collected, Mr. Schwab asked. Because of significant growth in public customers, a small amount too much is being collected, Mr. Ehinger replied. No allocation system is perfect, and the $5 brings it very, very close.

Mr. Powell asked if, in this strong economy, a lot of self-haul might be semi-commercial customers? During the week, yes, Mr. Ehinger answered, there is a mixture of public and semi-commercial haulers coming through. On